THE DEVELOPMENT OF SOCIAL POLICY IN KOREA: A COMPARATIVE ANALYSIS OF ITS DETERMINANTS, CHARACTER AND FUTURE DIRECTION

By

Sang-Young Lee

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ABSTRACT

The development of social policy in Korea: a comparative analysis of its determinants, character and future direction

Sang-Young Lee June 1997

This thesis analyses the development of social welfare in South Korea. The purpose of the study is threefold: (1) to examine the determinants of social policy in Korea; (2) to evaluate the outcomes of its social policy; (3) to explore a strategy for the development of the Korean welfare state. As a research methodology, both historical-comparative and normative-evaluative approaches are used.

The Korean experience of the development process of social welfare shows a unique trajectory which distinguishes it from such processes in most advanced industrial nations. Unlike advanced European welfare states, Korea was a late-comer to industrialisation and democratisation. The delays to industrialisation and democratisation have critically affected the development of Korean social policy. Social conflicts and labour movements have been harshly repressed by the state in pursuit of rapid economic growth. No leftist party exists, and party politics has yet to be institutionalised. Furthermore, globalisation is becoming a serious challenge to the Korean economy. This picture is quite different to those found in the advanced welfare states in their formative years of social policy development.

Korea's development strategy is most often characterised as a 'growth first, distribution later' policy. In the same vein, the basic approach to social policy has been one of 'family protection first, social protection last' policy. Consequently, the level of social welfare is still at a preliminary stage in terms of its coverage and benefits. The level and quality of services and benefits are also so low that they often do not suffice to sustain a decent life. With respect to equality, Korean social policy is not effective in reducing inequality. This is mainly due to the unfair tax system, the low level of social expenditure, and the restricted coverage of social welfare programmes.

In Korea, recent democratisation has triggered a simultaneous explosion of long-suppressed social demands in areas affecting social equality and the quality of life. In

addition, the Korean social structure in the 21st century will differ sharply from that of today. Changes in life cycles, the family, and gender roles, as well as the momentous changes that will eventually flow from national unification, will profoundly alter expectations of social welfare. For the development of social welfare in Korea, this thesis suggests that the Korean welfare state should ideally be based on harmony between the free-market ideals of efficiency and self-support, and non-market ideals of equality and solidarity. For this model to be implemented effectively in Korea, five basic directions are suggested: the satisfaction of basic needs, the enhancement of equality, an integrated approach to economic and social policy, the development of future-oriented social services, and the establishment of a new partnership in welfare between the state and the private sector.

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TABLE OF CONTENTS

Introduction 1

1 The Theoretical Background 13

1.1 The Concept of the Welfare State 14
1.2 Theoretical Perspectives on Welfare State Development 19
1.2.1 Overview 19
1.2.2 Theoretical Approaches to the Development of Social Policy 21
1.2.3 Evaluation and Relevance to Korea 34
1.3 Models of Welfare 37
1.3.1 The Meaning of Welfare Model 37
1.3.2 Models of Welfare 39
1.3.3 Evaluation of Models and Relevance to Korea 47
1.4 The Indicators of Social Welfare Development 49

2 The Evolution of the Welfare State and New Trends in its Development 53

2.1 A Brief History of Welfare State Development 54
2.1.1 The Emergence of the Modern Welfare State 54
2.1.2 The Expansion of the Welfare State 60
2.1.3 Debate on Crisis in the Welfare State 63
2.1.3.1 Perspectives of the Crisis 64
2.1.3.2 Discussion 67
2.2 Origins and Development of the Welfare State in the Four Countries 71
2.2.1 Overview 71
2.2.2 Comparing Welfare States 73
2.2.2.1 Britain 73
2.2.2.2 The United States 78
2.2.2.3 Germany 83
2.2.2.4 Sweden 88
2.2.3 Summary 94
2.3 New Challenges, New Orientations and the Welfare State 97
2.3.1 New Challenges to the Welfare State 97
2.3.1.1 Policy Environment 97
2.3.1.2 Social Values 99
2.3.2 New Orientations for Social Policy 101
2.4 Conclusion 106

3 The Historical Foundation of the Korean Welfare State 109

3.1 Historical Context 110
3.1.1 The Historical Heritage 111
3.1.2 The Impact of Japanese Colonialism 113
3.1.3 The Division of the Nation 113
3.1.4 Summary 116
3.2 Social Culture 117

3.2.1 Religions in Korea....119
3.2.2 Family Customs....122
3.2.3 Social Relations....123
3.2.4 The Passing of the Traditional Social Culture....126
3.3 Industrialisation....128
3.3.1 A Pervasive Poverty: Before the 1960s....129
3.3.2 Economic Growth Imperative: the 1960s-the 1980s....131
3.3.3 Salient Characteristics of Korea's Economic Development....134
3.3.4 New Challenges and Policy Direction in the 1990s....138
3.4 Political Democratisation....141
3.4.1 The First and Second Republic: 1948-1961....143
3.4.2 The Military Coups and the Trials of Democracy: 1961-1987....145
3.4.2.1 The Third Republic....145
3.4.2.2 The Fourth Republic: the Yushin Regime....147
3.4.2.3 The Fifth Republic....149
3.4.3 Moving Towards Democracy....151
3.4.4 Summary....155
3.5 Conclusion....157

4 The Evolution of Social Welfare Policy in Korea....163

4.1 Introduction....163
4.2 Before the 1960s: Emergency Relief and Foreign Aid....166
4.2.1 The Development of Social Welfare during the Japanese Rule: 1910-1945....166
4.2.2 The Development of Social Welfare Under the AMG and the First Republic: 1945-1960....168
4.3 The Development of Social Welfare under the Authoritarian Capitalist Developmental Regimes (1961-1986)....172
4.3.1 The Third Republic....172
4.3.2 The Yushin Regime....177
4.3.2.1 The National Welfare Pension Programme....182
4.3.2.2 The Medical Insurance Programme....185
4.3.2.3 Summary....189
4.3.3 The Fifth Republic....190
4.4 After Political Liberalisation: Towards a Welfare State....193
4.4.1 The Expansion and Reform of the Medical Insurance Programme....197
4.4.2 The Implementation and Expansion of the National Pension Programme....201
4.4.3 The Implementation of the Employment Insurance System....205
4.5 Conclusion: Interpretations of Social Welfare Development in Korea....207

5 Outcomes of Social Policy in Korea: An Evaluation from Two Perspectives (Security and Equality)....215

5.1 Economic and Social Development and the Quality of life....216
5.2 The Perspective of Security....221
5.2.1 Health Security....223
5.2.2 Income Security....226
5.2.2.1 Pension Programmes....227
5.2.2.2 Worker's Compensation....230
5.2.2.3 Unemployment Benefits....232

5.2.2.4 Public Assistance 234
5.2.3 Social Welfare Services 238
5.2.4 Summary 239
5.3 The Perspective of Equality 240
5.3.1 The Trend of Income Distribution 241
5.3.2 Social Features of the Korean Tax System 246
5.3.3 Social Expenditure 248
5.3.4 The Impacts of Social Security on Income Redistribution 252
5.3.5 Summary 258
5.4 Korea: A Welfare Laggard 259

6 Alternative Strategies for the Development of Social Welfare in Korea 264

6.1 Social Changes and Problems 265
6.2 Searching for a Desirable Type of Korean Welfare State 272
6.2.1 A Social Democratic Welfare Model: Sweden 273
6.2.2 A Liberal Welfare Model: The United States 279
6.2.3 A Company Welfare Model: Japan 281
6.2.4 A Desirable Type of Korean Welfare State 285
6.3 Alternative Principles for the Development of Social Welfare in Korea 288

Summary 306

Bibliography 314

LIST OF TABLES

2.1	Economic Growth, Inflation, Unemployment and Social Expenditure Growth in Seven Industrialised Countries	62
2.2	Social Security Transfers as % of GDP (1974-90)	72
2.3	Government Outlays by Functions as % of Trend GDP	72
3.1	Composition Rates of Household by Type (%)	127
4.1	Social Development and Defense Expenditures (1965-1990)	170
4.2	Trade Union Membership in the 1950s	171
4.3	Selected Economic Indicators (1961-1972)	173
4.4	Comparison of Over Time Gine Coefficients and Its Percentage Changes by Sectors	179
4.5	Frequency of Labour Disputes and Union Organisation Rates	180
4.6	Key Dates in Development of Korean Medical Insurance System	197
4.7	Comparison of Age Structure of 1990	202
4.8	Trend of the Dependency Ratio	203
4.9	Income Sources of the Elderly	203
4.10	Provisional Contribution Rates by Years	204
5.1	GNP per capita in Selected Countries	216
5.2	Major Social Indicators of Korea	217
5.3	Summary of the Social Welfare System in Korea	223
5.4	Current Status of Coverage by Health Security	224
5.5	Health Resources by Region	226
5.6	Number of insured Person	227
5.7	Levels of Benefits	229
5.8	Industrial Accident Rate	232
5.9	Unemployment Rate	233
5.10	Contents of Aid	235
5.11	Comparison of Livelihood Aid and Minimum Living Expense	237
5.12	Trends in Social Welfare Expenditures	238

5.13	Income Distribution in Selected Countries	241
5.14	Income Distribution	242
5.15	Perception on Social Class and Mobility in Korea	244
5.16	Expectation on Future Household Income in Korea	245
5.17	Central Government Expenditure in Selected Countries	249
5.18	Social Security Benefits in Selected Countries	250
5.19	Tax and Social Security Contributions in Selected Countries	251
5.20	Level of Pension Benefit by Incomes	255
5.21	Internal Rate of Return in Pension Benefit by Income Groups	256
6.1	Estimates of Future Population, 1990-2021	268
6.2	Incidence of Poverty	291
6.3	Comparison of Budget Size	297

LIST OF ABBREVIATIONS

AMG	The American Military Government
CDS	Capitalist Developmental State
EIS	Employment Insurance System
EPB	Economic Planning Board, Korean Government
FKTU	Federation of Korean Trade Union
HCI	Heavy Chemical Industrialisation
KDI	Korea Development Institute
KIHSA	Korea Institute for Health and Social Affairs
MOF	Ministry of Finance, Korean Government
MOHSA	Ministry of Health and Social Affairs, Korean Government
MOL	Ministry of Labour, Korean Government
NCCMI	National Committee for the Counter-measure to the Medical Insurance
NCM	New Community Movement
NICs	Newly Industrialising Countries
NSO	National Statistical Office, Korean Government
NWP	National Welfare Pension
SDWS	Social Democratic Welfare State
SSC	Social Security Committee

INTRODUCTION

1. The Purpose of the Study

Since the establishment of Republic of Korea[1] in 1948, the principle of state responsibility for welfare has been a part of the nation's Constitutional framework, even if only in terms of a broad commitment to enhancing well-being. Nevertheless, it was not until the early 1960s that the notion of the right to a decent minimum standard of an aspect of their welfare found practical expression in Koreans' everyday lives. In recent years, all Koreans have come to be covered by medical insurance schemes and the Medical Assistance Programme. Various public pension insurance schemes, Industrial Accident Compensation Insurance, and Employment Insurance are now in operation. In addition, public assistance programmes are aiding the extremely poor, and various personal social service programmes are being developed. More and more people, and particularly the middle class, are enjoying benefits from these welfare programmes, and especially the social insurance programmes.

However, despite the rapid improvement of social welfare, it can be argued that Korea's social welfare level does not equal its economic achievement. Indeed, the performance of the Korean economy during the last three decades has been outstanding. Per capita gross national product (GNP), which stood at $53 in 1953, the year the fratricidal Korean War ended, skyrocketed 150.4 times to $10,076 in 1995 [National Statistical Office, 1995]. Korea has achieved the kind of economic development, (albeit within a different environment), that today's advanced nations took almost a century to achieve from a similar stage of development. As Korea reached the stage of a leading member of the newly industrialising countries (NICs), however, it started to face such typical problems of industrialised countries as pollution, environmental deterioration, crime, and industrial and traffic accidents. In addition, Korea's high-growth development strategy of the past three decades has been accompanied by acute social

problems including inequalities of economic opportunities, increasing inequality of income distribution, and the lack of provision for the basic needs of the poor. These have led to a sense of relative poverty among large segments of the population, thus hindering the sustained socio-economic development.

In particular, with the emergence of a more fully-fledged democracy, welfare demands are expected to increase as people give voice to their needs. In fact, recent violent labour disputes, wild demonstrations by farmers, regional tensions, and a general mood of social discontent are signs of growing intolerance and the call for new policy priorities. Disparities between not only income classes but also industries, different sizes of firms, and regions need to be addressed properly. Therefore, Korea's social mandate for the new era is, in a broad sense, to improve the national welfare. In preparation for the 21st century, Korea has to construct a viable welfare system during the forthcoming years. Korea needs to prepare the basis of a welfare state in which all people are able to lead comfortable and happy lives, but preferably without sacrificing sustained economic growth in the process.

At this point in history, this study addresses some fundamental questions: why and how has Korea, with late industrialisation and democratisation, developed the social welfare system that we find today? To what extent has Korea's social policy improved the quality of life? What type of welfare state development ought to happen in the near future? Thus, the primary aim of this thesis is to examine the determinants of social policy in Korea. In doing so, it is hoped that the reasons why the development of social welfare in Korea has been delayed can be explained. Theoretical explanations for the origin and development of social policy are plentiful, encompassing the timing and pace of industrialisation, socio-structural and demographic characteristics, as well as the nature of the state, party systems, class coalitions, and the legacies of the traditional mode of social protection, to name but a few. However, most of these explanations have been abstracted from the historical experience of Western nations and no attempts have been made to assess their empirical validity with reference to the developing countries. In this thesis, as an attempt to demonstrate the usefulness of these

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[1]Hereafter 'Korea' refers to the Republic of Korea (i.e. South Korea), unless otherwise indicated.

explanatory theories of welfare development, several theoretical propositions formulated by Western scholars are examined in the context of Korea. In doing so, this study will not make an attempt to single out any one of these theories as the correct approach. Instead, the intention is to locate the circumstances under which some of these factors become critical, or alternatively, lose their hold over the process of welfare development. It will be argued that the Korean experience shows quite a different trajectory which distinguishes it from patterns in most advanced industrial nations. In Korea, colonialism, geopolitical security relations, and weak popular classes resulted in a state-led, dependent industrialisation and late democratisation. These, dependent industrialisation and late democratisation, critically affected the development of Korean social policy. In particular, the relatively autonomous role played by the Korean government in social policy development, it will be argued, is an especially distinguishing feature. A fairly well defined sense of state interests characterises this kind of regime and significantly affects the trajectory of policy development. Thus, throughout the Korean case, we can find some partial validity, as well as limits, to existing perspectives on the specific process of social policy development.

The second objective of the study is to evaluate the outcomes of social policy in Korea. A nation's development strategy can be characterised in various ways. From a growth versus distribution point of view, Korea's strategy is most often characterised as a 'growth-first, distribution-later' policy. From the early 1960s to the 1980s, the country adopted the rationale of the 'trickle down' effect to encourage the involvement of the people in this state-led economic development. However, the 'distribution later' part is still especially problematic. Recent political turmoil in Korea has resulted from the problems associated with this lagging distribution of the already increased wealth; a consequence of a consistent policy of giving priority to economic development planning over social policy development. This phenomenon is often referred to as 'distorted development'. Accordingly, it will be argued in this thesis that the level of social welfare in Korea is still at a preliminary stage with regard to its coverage and benefits. The Korean system covers mainly middle-class citizens, while most of the low income groups are excluded because of difficulties of organisation and financing. The level and quality of services and benefits are also so low that they do not suffice to sustain a healthy and culturally-acceptable minimum standard of living. With respect of equality, it will be

argued also that Korean social policy is not effective in reducing inequality. This is mainly due to an unfair tax system, the low level of social expenditures, and the restricted coverage of social welfare programmes.

Finally, this study attempts to explore a strategy for the development of social welfare in Korea. In Korea, the issue of welfare state construction is now, for several reasons, intensively debated. First, in common with other industrialised societies, population ageing, urban mobility, and modernisation are causing a growing crisis of elderly care. Second, so far the fast growing Korean economy has suffered labour shortages rather than unemployment, and this has helped minimise the income risks of the breadwinner and has sustained families' caring capacity. However, this is not likely to continue indefinitely. The low-wage-based industrial miracle of Korea is rapidly being exhausted, implying the need for sweeping industrial restructuring and, in its wake, the likely emergence of unemployment and a host of new welfare problems. As a whole, these changes demonstrate that the welfare state is likely to become a central structural element of Korean society, too.

The increasing importance of social welfare in Korea, however, does not necessarily mean that there is an increasing consensus about its substance and nature. On the contrary, the Korean welfare state is now at the cross-roads. More and more partisan voices are being heard, expressing different interests through different images and connotations, evaluations and expectations. In particular, globalisation impacts negatively on the trajectory towards a welfare state. One possibility is that the strengthening of national competitiveness may again be the paramount goal; another is that exaggerated views or the bad effects of welfare, which have often been discussed as the so-called 'welfare-disease' since the crisis of the welfare state in the 1970s, may weaken the will for the realisation of a welfare state in Korea. At this juncture, it is necessary to clarify the necessity of social welfare in Korea. In addition, a most urgent task facing Korean policy makers is to decide what type of welfare state it is that they are going to construct. The basic principles need to be more settled. In this thesis, it will be argued that the construction of the Korean welfare state would be based on harmony between the free-market ideals of efficiency and self-support and the non-market ideals of equality and solidarity. To achieve this model in Korea, it will be suggested that the role of the state as a welfare provider need to be expanded.

In short, the purpose of the study is threefold: (1) to examine the determinants of social policy in Korea in the context of an evaluation of alternative, Western, accounts; (2) to evaluate the results of its social policy; (3) to explore a strategy for the development of social welfare.

2. Research Questions

The purposes of this study, outlined so far, pose several questions. If there is a logic of industrialism, why do public social welfare systems not develop equally in all industrial countries? Why and how has the welfare state developed first in Western industrialised societies? What forces shape the political processes from which social policies emerge in a specific country? To what extent have the special circumstances of a specific country exerted an influence on the evolution of its social welfare? How do we conceptualise the degree of social welfare development? What are the key values that the modern welfare state has pursued? What aspects of the welfare state are causing debates over 'crisis', and how are individual welfare states responding to such crisis? Will the advanced nations be forced to sacrifice some or even most, of their welfare state principles? What are the prospects for the welfare state as we step into the twenty-first century?

These then lead to more specific questions. Why is social welfare in Korea relatively underdeveloped when we compare other countries with similar level of industrialisation or economic productivity? To what extent has the Korean social welfare system improved the quality of life? What was the role of the government, the family, and the market in Korean social development? What type of social welfare system is mostly desirable in the developing countries like Korea?

These questions are crucial to an understanding of social welfare development in Korea in a comparative setting and need to be explored to find an alternative way in which a more generous welfare state can be created in Korea. In trying to answer these questions, the main thrust consists of three ideas:

(1) The welfare state has become an intrinsic part of all capitalist societies. Comprehensive social welfare is necessary because traditional familial, communal, or private market welfare

arrangements are likely to fail. It is also necessary because stable democracy demands a level of social integration that only genuine social citizenship can inculcate.

(2) For the development of social welfare, the role of government is most important. The state is the only institution which can guarantee the satisfaction of basic needs without discrimination.

(3) In order to develop a desirable and workable type of welfare state, social changes anticipated to occur soon as well as current socio-economic and political circumstances should be taken into consideration.

3. The Method of the Study

To meet the objectives of this study, two major approaches are employed in this thesis. Principally but not firstly, a historical-comparative analysis is used to examine the process of evolution creating the contemporary provision of welfare in Korea. As Castles argues [1989: 12], 'a historical approach is essential not merely in providing analytical leverage on the role of human agency in the public policy equation but, no less important, in making it possible to treat structural contexts as a totality, rather than as mere rankings or weights on a series of discrete variables. History reveals the one sense in which it is meaningful to say that the sum is more than its parts; the sense in which human action is embedded in its particular context.' In order to understand the process of development of social welfare institutions in Korea, it is necessary to study the effects of socio-economic and political changes on the traditional institutions of Korean society and the manner in which these institutions shaped and regulated the forces of changes [Pinker, 1986]. In this study, a main interest centres on understanding how the historical relationships and interactions among the various social, economic, and political variables have affected the course of social welfare development in Korea. In doing so, it is hoped that the nature and current structure of the Korean welfare state can be illuminated, its future development be estimated, and some specific structural parameters be identified that are applicable to both developing and developed nations.

In addition, (and this will be covered first in the thesis), this study tries to interpret the Korean experience within the comparative perspective. It is increasingly assumed that reaching a full understanding of developments in any particular country is

only possible if its experience is set in the context of those of other countries. It is also increasingly acknowledged that developments in any single country cannot be explained without their being set in the context of wider changes [Cochrane, 1993: 1]. Comparison makes possible a simultaneous focus on both similarity and difference, so that the antinomy of national uniqueness and general trends can be analysed and resolved in terms of variations on a common theme [Castles, 1989: 4]. Although only one national case, that of Korea, is analysed in depth; some comparisons of relatively independent historical trajectories are also made at many points in the discussion. Where useful and valid, both quantitative and qualitative comparisons are made cross nations. Throughout this study, the main attention is focused on the broader social, political or economic context - a macro rather than a micro approach - in which the welfare state has emerged in different countries, or the broader social forces that have contributed to the development of social welfare institutions in individual nations.

Additionally, in order to evaluate the consequences of social policy and to offer normative guidelines for the formation of effective interventionist strategies, this study also employs a normative-evaluative approach. In recent years there has been a growing interest in programme evaluation - in learning about the consequences of social welfare programmes. Known as evaluative research, these studies are usually undertaken by academic investigators wishing to analyse the content of social policies and to assess their outcomes in terms of various criteria [MacPherson and Midgley, 1987: 101].

This thesis employs two criteria for evaluation which are particularly suited as normative principles for social development in Korea. These are security and equality. Security means a minimum beneath which no citizen must fall or the establishment of status-preserving social security institutions tying benefit levels to attained standard of living [Alber, 1988: 456]. The need for security is the strongest impulse behind the development of the modern welfare state. As George and Wilding put it briefly [1984: 8], 'the achievement of socially acceptable minimum standards in the various aspects of the life affected by social service provision has been the most generally agreed aim of social policy since the last World War.' In this study, from the perspective of security, we analyse three dimensions of social welfare programmes: comprehensiveness, coverage, and adequacy.

Although the extent to which the welfare state can reduce inequality is controversial, an essential characteristic of social policy is above all the prominence it gives to the value of equality. In the real world, however, the kinds of equality envisaged are not uniform, and are often at least partially contradictory. Much of the discussion operates along the dimensions of social class and income group inequality. A further set of arguments considers the redistributive impact of social policy between men and women. In addition, other approaches broaden the scope of analysis to include other aspects of state activity which bear on welfare such as the relative effect of taxation and cash transfers. In this study, we examine three dimensions of income redistribution: the social consequences of the Korean tax system, the content of social expenditures, and the impact of social welfare programmes on income redistribution.

4. The Significance of the Study

This study is an attempt to enrich our understanding of social policy and the development of the welfare state. Although the welfare state has become an intrinsic part of capitalist societies, studies of the welfare state have dealt fairly exclusively with a limited number of nations. An enormous amount of research has been conducted about the welfare states of nations in Western Europe, the Nordic region, and North America; to an extent that our understanding of the welfare state in these nations can be described as systematic and well established. To a lesser extent, studies of Israel [see, for example, Eisenstadt, 1986; Shalev, 1989; Doron and Kramer, 1991], and Japan [see, for example, Naomi Maruo, 1986; Lee, H.K., 1987; Goodman and Peng, 1995] have been carried out, either in the form of comparative studies or single-country studies. Studies of social policy in other nations are less developed. Existing studies of other nations are mostly economic studies and the amount of social policy research is limited. In this respect, this study of the development of social welfare in Korea will be a contribution to broadening the base of the theory of social policy.

The case of Korea deserves more analytic attention because its process of social welfare development to date has been rather exceptional. Exceptions are, by definition, unusual or anomalous phenomena. We are attracted to exceptions or deviation from normal development because they are useful for illuminating the limitations or lacunae in

our existing knowledge, and therefore for providing a basis for improving theories [Kuhn, 1970]. Korea has peculiar historical foundations in its social welfare development which are different to Western ones. Historical experience and the dominant cultural values are embedded in individual lives, prescribing patterns of interaction among individuals, the family, the community, and the state. These factors and the resulting situations may not have existed in Western societies or may not be similar in their effect to the Western experience of social welfare development. Without understanding the particularities of Korean social change, it is difficult to apply existing theories of social changes and social welfare to the Korean situation.

However, our investigation of particular cases is not a return to the particularistic over-determination of single nation histories. As Castles argues [1989: 13], 'learning from a particular national experience will always take particular forms, but patterns of human action and purposes, especially as moulded by the fact of living in societies constrained by common structural parameters, are likely to manifest certain intrinsic similarities as well as residual differences.' If it is accepted that the basic concerns of individuals are derived from pervasive human values and needs, it can be also argued that the obvious differences among countries at the early stage of modernisation may become more and more weakened as time goes by.

A major gap in comparative social policy is the neglect of those countries that are loosely categorised by Western social scientists as belonging to the Third World [MacPherson and Midgley, 1987: 4]. If comparative social policy is to produce universal generalisations, its theories must be tested on a global scale. Theories of welfare which have been formulated with reference to a small number of Western industrial nations can be assessed and reformulated by studying the emergence of welfare institutions in societies undergoing rapid industrialisation in other parts of the world.

A global perspective would not only be aware of developments in welfare in different parts of the world, but enable the formulation of concepts and theories that transcend specific issues in particular countries and regions to analyse those dimensions of social policy that can be comprehended in their generality. The development of a global approach in social policy may also have useful normative consequences. The systematic study of social policy in a variety of societies and the integration of findings

may facilitate a better appreciation of the complexities of the social policy making process. Although solutions to particular problems are usually best found locally, the formulation of appropriate responses to social problems can be stimulated by a thorough knowledge of social experiments and welfare programmes adopted elsewhere. In this way, a more discerning exchange of experiences can be facilitated [MacPherson and Midgley, 1987].

Therefore, the ultimate ambition of this study is twofold. First, the case of social welfare development in Korea can provide the Western social scientists with an opportunity to enhance the validity and universality of existing social policy theories. Second, this study may provide Korean social scientists with opportunities to look at the extent of the applicability or otherwise of Western social policy theories to Korean society.

5. The Plan of the Study

The thesis consists of six chapters. Chapter 1 provides the necessary theoretical background for an analysis of the development of social welfare in Korea. In this chapter, we discuss two representative theories of social policy - theoretical perspectives on social welfare development and models of welfare - with reference to the case of Korea. Based on this exposition, we proceed to build our own theoretical framework for this study.

Chapter 2 reviews the evolution of welfare states in Western countries within a perspective of comparative study. Special attention will be paid to some basic questions. Why and how has the welfare state developed fast in Western societies in spite of a short history? To what extent have the special circumstances of a country exerted an influence on the evolution of its social welfare? What aspects of the welfare state are causing debates about a crisis, and how are individual welfare states responding to the crisis? Is the welfare state still going to remain a necessary system in highly developed societies, and what is the agenda for its future? To develop a workable strategy for the development of social welfare in Korea, these questions need to be answered first. Chapter 2 seeks answers to them by surveying the process of Western welfare state development.

Chapter 3 explains the socio-cultural and politico-economic foundation of the Korean welfare state. While the growth of capitalism and mass democracy are the most important historical forces behind the emergence of the welfare state in Western societies, the historical and socio-cultural conditions of individual countries are very important in determining the shape of their welfare systems. Thus, in order to understand the nature of the Korean social welfare system, it is essential to distinguish specific contexts as well as common features. In this chapter, we discuss similarities and differences in the historical, social, economic and political development of Western and Korean societies in terms of the foundation of social welfare development, and consider their implications for social welfare development in Korea.

Chapter 4 explores the way in which Korea's peculiar historical foundations of social welfare have influenced the evolution of social welfare policy in Korea. The main interest is centred on changing patterns of interplay among competing explanatory variables - cultural, economic and political factors - affecting the course of social welfare development in Korea. In order to expound the changing patterns of social welfare development, a diachronic analysis is employed. The policy development process is divided into three periods. The first period (1910-1960) is characterised by economic devastation and resulting stagnation, and welfare efforts exclusively in the form of emergency relief and foreign aid. The second (1961-the late 1980s) is the period of accelerated industrialisation planned and induced by the 'authoritarian capitalist developmental state,' during which labour was effectively repressed and depoliticised, and the major welfare state schemes followed suit. The third period since 1987 has enabled Korea to enter into a rudimentary stage of the welfare state. Thanks to political democratisation, forces leading to the transition of the welfare state, particularly labour's growing demand for participation politically and economically, are traceable. As a result, various welfare-related legislation has been enacted or revised.

Chapter 5 evaluates the outcomes of social policy in Korea from two perspectives: security and equality. From the perspective of security, we analyse three dimensions of social welfare programmes: comprehensiveness, coverage and adequacy. With respect to the perspective of equality, our main attention is focused on the redistributive effects of public finance and social welfare programmes.

Chapter 6, the final chapter suggests the basic future direction of the Korean welfare state. For this purpose, we consider possible changes and problems which may cause new demands for social welfare, and discuss the possibility that other advanced nations' welfare models can be adopted in Korea. Based on the foregoing discussion and findings, finally five basic directions for the Korean welfare state are suggested.

CHAPTER ONE

THE THEORETICAL BACKGROUND

While the degree and the method vary from country to country, in all industrial nations the state has assumed a degree of responsibility for meeting social needs. In the face of the evidence of the universality of social policy development by states, we need to interpret the phenomenon in global terms. The aim of this chapter is to provide the necessary theoretical background for an analysis of the development of social welfare in Korea. Theory is needed not only to conceptualise reality but to communicate ideas in ways that can be comprehended readily. Studies of particular events and of causal links, however detailed and thorough, are of limited value unless translated into a widely used conceptual language. Theory not only facilitates the task of social policy enquiry but is an essential element in the efforts of social policy investigators to comprehend the real world [MacPherson and Midgley, 1987: 115]. In this chapter, we discuss two representative theories of social policy (theoretical perspectives on social welfare development and models of welfare) with reference to the case of Korea.

The chapter is divided into four sections. The first section examines the key values of the welfare state. The second section assesses the theories of the determinants of social policies. This section may provide the theoretical and empirical knowledge for analysing the causes of underdevelopment of social welfare in Korea. The third section investigates the various typologies of welfare. In particular, the research on models of welfare is very important to the developing countries in the process of 'political learning', in that, even if they do not need to explain to people the necessity of the welfare state, they should distinguish the form of welfare adequate to their circumstances from various models of welfare. The final section attempts to develop a set of indicators by which we can evaluate the degree of social welfare development.

1.1 THE CONCEPT OF THE WELFARE STATE

The welfare state had been growing for several generations before it was recognised and labelled by this name. The term, welfare state, was used publicly for the first time in 1941 by William Temple, Archbishop of York, in his book 'Citizen and Churchman'.[1] According to him, the power-state like Nazi Germany must be defeated, and an ideal nation should go forward with the welfare state in place of the conception of the power-state for the promotion of human welfare [Temple, 1941: 20-39]. Further ideas about the contents of the welfare state were put forward by Butler, Beveridge and Bevan, who were originators of the three pillars of the British welfare state: the Education Act, the National Insurance Act, and the National Health Service Act [Rees, 1985: 78-90].

However, to date no wholly coherent and persuasive case for the welfare state exists. Robson presents comprehensively the ideas underlying the welfare state such as the French Revolution, the utilitarian philosophy of Bentham, Bismarck and Beveridge, Tawney, Keynes, Webbs, etc. [Robson, 1976: 110]. At a glance, a mixture of ideas from the all useful ideologies and philosophies that human beings have pursued until now seems to be a basis for the welfare state. Such a mixture of ideas and principles causes the absence of a specific and comprehensive philosophy of the welfare state.[2] As Bruce argues [1968: 13], the welfare state has actually not started with a specific philosophical background. It is the result of piecemeal and pragmatic approach to social problems, as discussed later.

According to the general definition of the welfare state, it may be summed up in the following few words: 'the state which is responsible for the guarantee of national

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[1]According to Pelling [1984: 117], the term, welfare state, was first used by Zimmern in QuoVadimus, 1934, and again by Sir George Schuster in a 1937 lecture. By the time of Archbishop Temple's campaigns in the late 1930s, the term was common currency in Britain.

[2]The absence of a single commanding system of thought endorsing the welfare state has been documented by several writers. For example, see Thoenes [1966: 133]; Robson [1976: 11-12]; and Mishra [1984: 123-132].

minimum standards' [Wilensky, 1975: 1; Mishra, 1990: 34]. The idea of national minima is very important in that it often defines the boundary of the responsibility of the welfare state. Long before the Webbs urged the need in 1909 for government action to secure an enforced minimum of civilised life, the case for particular minima had been powerfully advocated. However, the idea of basing social policy as a whole on a public commitment to minimum standards was most firmly stated in the Beveridge Report (1942), *'Social Insurance and Allied Services'* [Briggs, 1961: 231].

The definition of minima is not fixed all time. In most advanced welfare states the concept of poverty has changed from an absolute one, such as that of Seebohm Rowntree to a relative one, which defines the position of the worst-off categories in relation to the average conditions of the population [Korpi, 1983: 185]. The concept of poverty has not only been raised but has also been widened. Until recently it was formulated in monetary terms, but today spiritual well-being may be part of the concern. It can involve, for example, the sense of being able to control one's destiny, freedom of expression, self-realisation, security, and happiness. About this, Romanyshyn suggests that: 'in the new view of social welfare, we move away from the restricted notion that only minimum resources are to be made available to individuals and we concentrate on examining the degree to which optimum social environments and resources can be created to nurture and develop human potentialities and to achieve some desirable level of well-being for all' [1971: 35-36]. The development of the meaning of national minima is related to the changes in post-industrial values. At the centre of post-industrial value system is a belief that all human beings are endowed with a set of innate potentials, which it is the purpose of life to express, develop or fulfil [Robertson, 1980: 17]. Inglehart argues that Western values have moved away from an overwhelming emphasis on physical security and material well-being, towards a 'post-materialist' concentration on the 'quality of life', which last he sees as comprising an increasing concern with needs for belonging, esteem and 'self-realisation' [1981: Ch. 1].

To realise these changed ideas of national minima, the welfare state is often based on two essential social values: security and equality. Flora and Heidenheimer [1981] interpret the welfare state as a response to two crucial developmental problems arising in the course of modernisation. First, it is a response to the increasing demands for socio-economic security in the context of the changes in the division of labour and

the weakening of the security functions of families and associations brought about by the Industrial Revolution and the growing differentiation of society. Second, it responds to growing demands for socio-economic equality related to the growth of national states and mass democracies with the core institution of equal citizenship. In this perspective, the welfare state is an integrative mechanism to neutralise the disruptive features of modernisation, and its essence lies in a government responsibility for security and equality.

This approach is fruitful in many respects. First, it explicitly links the rise of security and equality as major policy goals to long-term processes of societal change - the industrial and democratic revolutions. Second, it is broad enough to cover national variations in the pursuit of fundamental goals. Thus, security may mean a minimum beneath which no citizen must fall or the establishment of status-preserving social security institutions tying benefit levels to attained standard of living. Equality may be politically interpreted either as the provision of equal opportunities or as the establishment of equal outcomes. Third, this approach provides a clue for understanding the common trends as well as the national variations, since it relates the former primarily to the common processes of socio-economic modernisation and the latter to divergences in national political developments such as differences in party systems and cleavage structures [Alber, 1988: 456].

The need for security is the strongest impulse behind the development of the modern welfare state. Offe, for example, argues that 'the basic mission of the modern welfare state is to legally guarantee social security (or welfare) through monetary transfers, services, physical infrastructure, and regulatory policies in the areas of health, education, housing, social insurance, social assistance, labour protection, and assistance to families' [1994: 87-105]. It manifests itself on both the material and on the spiritual plane, in the need for security as a basis for physical existence as well as in the need for a secure anchorage in society and in relations with other people. Liberal ideologies have often tried to see a conflict between security and freedom, and still more between security and efficiency. The utilitarian psychology of the eighteenth century, which provided the basis for this ideology, interprets human beings as fundamentally calculating and selfish; and on this view the only spurs to increased effort are intense competition, insecurity and the prospect of material goal. This psychology is at the root

of the doctrine of free competition and its superiority, and of the whole view of society on which modern capitalism has been founded.

However the modern social sciences see in security a very important factor in the development both of the individuals and of society. Human beings are regarded primarily as social creatures, whose complicated and often irrational character and behaviour develop through close interaction with their surrounding, and who have a great need of secure relations with this environment in order to live harmoniously. Security is thus a prerequisite of freedom and efficiency [Johnston, 1963: 30-31].

An essential characteristic of the welfare state is above all the prominence it gives to the value of equality. Both supporters and detractors of the welfare state would agree that one of its purposes is to heal fundamental social divisions or at least to mitigate social inequalities [Ginsburg, 1992: 2]. The core of the principle is the conviction that all persons have the same right to live a full and satisfying life. Sleeman thus argues that: 'the welfare state should go beyond the provision of a bare minimum towards ensuring that all have equal opportunity, so far as the country's resources allow' [1973: 5]. In fact, the primarily objective of the welfare state, the national minimum standard is closely related to equality. For the level at which a minimum is set will depend on the levels that prevail elsewhere in the society. As a result, policies intended to raise people above a minimum standard without having any effect on inequality are likely to be self-contradictory. This concept of equality goes beyond the liberal idea of equality of opportunity.

In the Western cultural tradition as a whole the concept of equality has two meanings that are at least partially contradictory [Bell, 1973: 408-433]. The first meaning, a major component of liberal ethic, is equality of opportunity and is most relevant in the field of public education. In its emphasis on merit, however, equality of opportunity inherently legitimates inequality, mainly in the form of income and status differences. The second is a major component of the socialist ethic, often called equality of result. It implies an equalisation in the disposal of resources, commodities, and services; a redistribution according to needs. Although the welfare state cannot achieve a complete equality of result, it tries to promote equality of result.

Greater equality is not merely an end in itself. It is also desirable as a means to other important goals. For Tawney, equality opens the way for right relationships among human beings; it creates the basis for fellowship. Genuine co-operation and friendship, freed from social constraint, can only take place between equals [Tawney, 1970: 15]. Equality also serves as an instrument for expanding freedom. Equality promotes freedom by reducing the opportunities for the powerful to coerce the weak and by expanding opportunities for the lower class of society [Furniss and Tilton, 1977: 31].

As will be discussed in Chapter 2, the welfare state was born in the macro-structures of the growth of mass democracy and capitalism. An unregulated capitalist economy increases the perils of human existence, and causes serious social problems, for example, growing inequality, alienation, anomie, etc. However, creative human beings can solve these problems through the development of social insurance and public services. Particularly the experiences of two World Wars sharpened the sense of democracy, which led to demands for an equal society. These succeeding social changes encouraged the move from 'minima' to 'optima' at least in relation to certain specified services; it made all residual paternalism seem utterly inadequate and increasingly archaic [Briggs, 1961: 257].

Of course, the state does not always pursue these objectives consistently. On the one hand, the state often has as one of its purposes the enlargement of governing power, and it has always been confronted with conflicting demands and pressures from diverse power resources. On the other hand, since the market economy and the democratic polity have very different objectives and they are based on very different principles, democratic capitalism cannot help avoiding conflicts between them. Therefore, the content and the level of welfare always vary according to public opinion and the state's value preference. On the premise that the welfare state is a dialectical being, the most comprehensive definition of the welfare state can be obtained from Briggs:

> A welfare state is a state in which organised power is deliberately used (through politics and administration) in an effort to modify the play of market forces in at least three directions--first, by guaranteeing individuals and families a minimum income irrespective of the market value of their work

> or their property; second, by narrowing the extent of insecurity by enabling individuals and families to meet certain 'social contingencies' (for example, sickness, old age and unemployment) which lead otherwise to individual and family crises; and third, by ensuring that all citizens without distinction of status or class are offered the best standards available in relation to a certain agreed range of social services [1961: 228].

For him, the welfare state is defined as a state guaranteeing all citizens an 'optimum'(rather than the older idea of 'minimum') level of welfare in some key areas of social life irrespective of the value of their property, and of their incomes. Defining services offered by a state as 'the best standards available in relation to a certain agreed range of social services', however, he comprehends enough the possibility of disputes over what are the best standards in a society.

1.2 THEORETICAL PERSPECTIVES ON WELFARE STATE DEVELOPMENT

1.2.1 OVERVIEW

It has been argued so far that in all advanced industrial societies collective efforts have been made to develop elaborate social policies. Governments are heavily involved in these efforts - generally as providers, but if not at least as regulators. Research into the factors responsible for the rapid expansion of social welfare provisions in the industrial countries has attracted widespread interest. Many social scientists have recognised that the growth of statutory welfare in these societies is a development of considerable historical significance which requires generalised explanation.

Theoretical accounts of the development of social policy differ among themselves with respect to the extent to which they view social policy development as a result of the rational actions of individuals or collectivities, as well as with respect to the relative role in this process assigned to factors such as group and class conflict, parliamentary processes, interest groups and the autonomous actions of state officials. The theories of welfare state determination are related mainly to the following three

questions: what are the relative roles of class (e.g., union power, monopoly capitalists) and non-class (e.g., economic development, demographic change) factors in determining social welfare spending; who are the main beneficiaries of the welfare state; what is the role of the state in determining social welfare spending?

In the early stages of research on welfare, accounts were developed mainly around two forms of explanation: the theories that stress socio-economic factors (e.g., industrialism and monopoly capitalism theory); the theories that stress political factors (e.g., social democratic and interest group theory). On the other hand, there have been attempts to integrate the economic and political factors of social policy development. These integrated perspectives interpret the appearance and expansion of the welfare state as largely a product of industrialisation and the political mobilisation of the working class. Insofar as all previous theories try to explain mainly why demands for social welfare policy occur in industrialised societies, they can be named 'society-centred' theories [Skocpol, 1985: 3-37]. In recent years, the role of the state and the autonomy of state officials have been intensively debated [see, for example, Skocpol, 1979; Orloff and Skocpol, 1984]. Such state-centred theory stresses the historical approach and the autonomous role of the state in developing social policy. Besides these theories, there are other approaches that are more interested in the process of policy-making, for example, system analysis theory[3] and elite theory.[4] Although these theories are useful for comprehending some aspects of formation and change of social policy, they, as a general theory to comprehensively interpret social policy, have some limits.

In this section, we discuss five broad theoretical approaches: theories of industrialism, monopoly capitalism, social democracy, interest group politics, and state-centred theory, and expose the strengths and weaknesses of the arguments proposed by

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[3]System analysis theory regards policies (output) as the products of the political system generated in the relationship between the political system and its environment through the dynamic procedure of inputs, conversion, outputs and feedback. See, for further details, Easton [1979: 21-33].

[4]Elite theory emphasises that restricted elites participate in the procedure of a policy decision. See, for further details, Wool [1974: 21].

these theories. Based on this exposition, we proceed to build our own theoretical framework for this thesis.

1.2.2 THEORETICAL APPROACHES TO THE DEVELOPMENT OF SOCIAL POLICY

1. Industrialism Theory

Industrialism theory is based on three basic assumptions [Kerr and Dunlop, 1964: Ch. 6; Kahn, 1973; Wilensky, 1975: Ch. 2]: (1) industrialisation causes new social needs, and the technological imperatives of industry shape the economic and social institutions of all industrialised nations; (2) economic growth provides the material basis for social policy expansion to satisfy needs created by an industrial society; (3) the welfare state is on the whole egalitarian in result. First, industrialisation causes the changes and breakdown of traditional forms of family and work. These changes include the growth of population (particularly of an aged population), the developed division of labour, the creation of a landless working class, the rise of cyclical unemployment, changing patterns of family and community life, and industry's increasing need of a reliable, healthy and literate workforce. These rapid and broad changes lead the state to the provision of welfare services to deal with such problems. This view has been taken to its logical conclusion in convergence theory, which stresses the standardising effects upon all industrialised social structures, of the demands of modern technology and an advanced economy.

Second, one of the most important factors is that industrialisation enables the state to accumulate the wealth to provide populations with broad social services. Cutright [1965], for example, argued that economic development is the key basis of the growth of social security.

Finally, according to industrialism arguments, technological and industrial developments lead to reduced inequality, partly through the growth of social welfare and pension spending. Directly, the logic of industrialisation leads to greater social equality through the growth of middle-level occupations, greater knowledge and skills of workers, higher educational levels, increasing worker control over crucial knowledge,

and growth of high economic rewards [Wilensky, 1975: Ch. 5]. Indirectly, industrial development leads to greater social equality through higher welfare spending. Groups in need receive the greatest share of welfare expenditures, and, on the whole, the effects of welfare spending are egalitarian [Kerr et al, 1964: Ch. 2].

Among these arguments, it is clearly the technological determinism (convergence theory) that is controversial. Industrialism theory argues that industrialisation, decline of workforce participation in agriculture, urbanisation and demographic dependency ratios are far stronger variables for explaining the expansion of welfare spending and programme coverage than regime types. Following this argument, though states have different political ideologies and cultures, they all go forward towards the welfare state and have similar social service systems. Rimlinger's [1971] historical research into countries of very different political traditions, for instance, supports this argument. Modern social services, he found, emerge in liberal, paternalistic and collectivist ideological systems to provide for social needs through broadly similar forms of welfare intervention. The most authoritative advocate of this theory, Wilensky, declares that 'economic growth and its demographic and bureaucratic outcomes are such important factors that such heavy brittle categories as socialist versus capitalist economies, collectivistic versus individualistic ideologies, or even democratic versus totalitarian political systems are almost useless in explaining the origins and general development the welfare state'[1975: xiii].

Undoubtedly, the experience of industrialisation and economic growth has had a profound impact upon the development of welfare states. Nevertheless, this theory is very significantly weakened by the misplaced assumption that the identification of changing needs in itself explains the development of new institutions to meet such needs [Pierson, 1991: 20]. Emphasising the automatic response of governments to the needs of the population, industrialism theory cannot grasp the importance of ideologies and welfare efforts of policy-makers, which play actually an important role in the process of a policy decision. Robertson criticises convergence theory for underestimating not only the extent to which a society may be shaped by governmental interventions, but also the diversity of interests and ideologies that may underlie such interventions because of the deterministic nature of its emphasis on the effects of modern technology [1976: 12-13].

Additionally, this view has been challenged by several empirical surveys. Carrier and Kendall, for example, draw attention to the deviant case of the United States which though probably the most advanced case industrial nation in the world has not developed a welfare state to the same extent as Western European countries [1973: 214]. Mckay [1989] found that ideologies of President Johnson, Nixon, Carter, and Reagan played important roles in determining environmental, urban and social policy. O'Connor [1988] examined changes in welfare effort of 17 OECD countries from 1960 to 1980. He found that despite the adoption of apparently similar welfare programmes in economically developed countries there is not only diversity but also divergence in welfare effort.

In sum, industrialism theory was successful in finding a broad correlation between economic growth and the development of the welfare state. Cross-national data for the 1940s, 1950s or 1960s were matched to the convergence hypothesis [Skocpol and Amenta, 1986: 133]. The logic of industrialisation, however, is weak in explaining the detailed profiles of social policies in industrial nations. Indeed, as Mishra argues [1981: 46-47], differences that may seem minor in the context of a very general and formal theory such as convergence theory may be of considerable importance from the viewpoint of welfare recipients.

2. Monopoly Capitalism Theory

The typical examples of conflict theory are neo-Marxist perspectives. These perspectives can be divided into two groups: (1) monopoly capitalism theory; (2) social democratic theory. A crude version of neo-Marxist theory is found in the conspiracy theory of welfare. The main theme of conspiracy theory is that social policy does not evolve out of humanitarianism, but as a response by the ruling elite to threats to social stability. Social control and an affirmation of the work ethic are its main objectives [Higgins, 1978: 15]. For example, the intent of welfare provision in the US, Piven and Cloward argued [1972], has always been one of 'regulating the poor', allowing for more generous provision at times when mass mobilisation (rather than mass need) pressed upon the prevailing order, but then reimposing tighter labour market disciplines upon

recipients (by moving them off welfare rolls) once the immediate threat of disorder has been defeated.

This view of the welfare state as primarily the instrument of capitalist social control is more elaborately developed in monopoly capitalism theories built up by such writers as O'Connor, Gough and Offe. According to monopoly capitalism theory, the state plays a more active role in advanced monopoly capitalism than it did in the theories of Marx. Traditional Marxist theory views the state as an instrument to be filled and controlled by representatives of the dominant class and to serve primarily as a means to repress protest among workers.

In contrast, monopoly capitalism theory sees the state as crucial to capital reproduction. According to O'Connor, the state must perform two major but contradictory functions [1973: 6]. The first function is to assist in private capital accumulation. In order to increase the productivity of labour and the profits of capital, the state subsidises the costs of education, social insurance, research and development, and transportation and communications. The second function is to maintain social harmony or legitimacy through expenditures for non-productive parts of the population (e.g., public assistance, food and housing subsidy). These expenditures control the surplus population politically and expand demand in domestic markets. O'Connor goes on to argue that these functions are contradictory and that they create a fiscal crisis for the capitalist state because of the increasing difficulties involved in raising the revenue required to meet the cost of public services. At the same time, the state cannot afford to neglect them because of the effects such neglect would have on profitability and social harmony.

Gough defines the welfare state 'as the use of state power to modify reproduction in capitalist societies' [1979: 44-45]. Gough views the development of this welfare state as essentially contradictory. It 'simultaneously embodies tendencies to enhance social welfare, to develop the powers of individuals, to exert social control over the blind play of market forces; and tendencies to repress and control people, to adapt them to the requirements of the capitalist economy' [ibid.: 12]. On the one hand, welfare state institutions are seen to be consonant with the interests of capital. On the other hand, the origins of the welfare state lie in organised working-class struggle and the ameliorating response of organisations of the ruling class to the threat. The welfare

state, then, is a 'contradictory unity', exhibiting both positive and negative features for both capital and labour.

Offe [1984] makes the similar point that monopoly capitalism must preserve the commodification of labour for economic growth and at the same time decommodify labour to reduce the harmful effects of the private market. Both these processes are necessary for the survival of monopoly capitalism, but they are inherently contradictory. If unregulated, the development of the capitalist economy tends systematically to exclude elements of labour power and capital from productive exchange through the underemployment of labour or the underutilization of capital. To re-establish the conditions under which capital and labour will be drawn into profitable commodity exchange, the state is forced to intervene in the accumulation process through regulations and financial incentives, public infrastructural investment, and the sponsoring of neo-corporatist arrangements. Offe calls this strategy 'administrative recommodification' [ibid.: 123-125]. This process of administrative recommodification, however, also brings about a process of decommodification, which undermines the circumstances for the fuller utilisation of capital and labour. All state policies of recommodification require a broad intervention in the economy, these strategies in turn place ever greater areas of social life outside of the commodity form and outside the sphere of market exchange [ibid.: 125-129]. The principal contradiction of the welfare state, then, is that strategies of recommodification effect a widespread process of decommodification.

For Offe, this de-commodification results from economic, political and ideological contradictions. On the economic level, all state policies of re-commodification do have the empirical side effect of depriving capital of either capital or labour power or the freedom to use both in profitable ways, the remedy turns out to be worse than the illness. A second structural contradiction is related to the organisational power structures created by reformist state strategies. The most obvious example is public administration and all the agencies that are created and controlled by it (such as public schools and hospitals, public services agencies, welfare bureaucracies, the military, etc.). The problem is that the state's attempts to maintain and universalise the commodity form require organisations whose mode of operation is no longer subject to the commodity form, because those sectors of the economy are not immediately

controlled by market mechanisms. Finally, the ideological contradiction is related to the normative and moral infrastructure of capitalist society. For a capitalist commodity economy to function, the normative syndrome of possessive individualism must be the basis of both the behaviours of actors, and their interpretations of the actual and future behaviour of others. The contradiction of welfare state capitalism on the ideological level results in the subversion of this syndrome of possessive individualism. To the extent that exchange relations are no longer 'naturally' given, but are created and maintained through visible political and administrative state strategies, the actuarial exchange value of any unit of labour or capital on the market can be seen as determined as much through political measures as through the individual management of one's property and resources.

In sum, there are many diverse neo-Marxist views of the state, yet they share a number of common attributes. The welfare state is seen as a response to the contradictions of advanced monopoly capitalism and is largest where capitalist power is most concentrated. From this point, monopoly capitalism theories show some similarities to functionalist and industrialism theories. Both theories are structural-functionalist because both see the welfare state as responding to functional imperatives. However, the theories diverge over the effectiveness of social welfare spending in reducing inequality. Advocates of monopoly capitalism theory reject the welfare state as a source of equality for the poor and working class, while functionalists see the welfare state as benefiting all members of society, particularly the needy [George and Wilding, 1985: 110-112].

The welfare state relieves pressure from the contradictions in the short run, although this does little to change the nature of class relations, the power of capital, or the levels of social equality. The state may become relatively autonomous compared to traditional Marxism conceptions but is not a source of structural change for the good of the working class. According to monopoly capitalism theory, the welfare state grows not because of its beneficial functions for the whole society but because of its functions in the stabilisation and legitimation of the position of the economically dominant class in capitalist society. As a result, the welfare state in the logic of Marxist theory can only be seen 'as a snare and a delusion or as a heresy' [Pinker, 1971].

Monopoly capitalism theory does open the way to a deeper understanding of the varied roles and functions of social policies in capitalist society. Nevertheless, it has some weakness. First, it assumes that state policies benefit the capitalist class. While early public welfare measures often had a coercive and disciplinary element, they still represented an improvement in the basic circumstances of many members of the working class. Furthermore, the unintended consequences of welfare state legislation might significantly strengthen the defensive powers of the working-class [George and Wilding, 1985: 114; Higgins, 1978: 17].

Second, this theory devotes little attention to explaining the diversity amongst similar capitalist nations. Even if all capitalist nations face the same accumulation demands, each nation may fulfil them differently. Enormous variation in welfare state policies exists between capitalist nations that is not adequately explained by the neo-Marxist theory.

Another criticism of monopoly capitalism theory is that it provides inadequate treatment of democratic politics. That is, it exceedingly simplifies or disregards the diversity of modern political life and the pressures and constraints of democratic politics. The theory's excessive economic determinism fails to account for the different policies of nations like Sweden and the United States, which have similar levels of democracy but which result in quite different systems and levels of welfare.

3. Social Democracy Theory

Although industrialism theory and monopoly capitalism theory are very different in their framework of analysis, they have the same viewpoint in that they explain the development of welfare states as the response to functional imperatives in the industrialised society. That is, on the one hand, industrialisation theory argues that the welfare state develops by a natural process of technological development given industrialisation. On the other hand, monopoly capitalism theory argues that the state will enlarge social policies in the stage of monopoly capitalism owing to the necessities of accumulation and legitimation. Consequently, the two theories have the view that 'politics does not matter'.

In contrast, social democracy and interest group theories have the view that 'politics makes a difference'. Social democracy theory shares the assumption of the dominant role of class conflict in capitalist societies but differs from monopoly capitalism theory in its view of the relative power of the subordinate class. While monopoly capitalism theory sees welfare spending as a means for capital to maintain its dominant position, social democracy theory sees welfare spending as a reflection of the political power gained by workers. [Hewitt, 1977, 1979; Korpi, 1983; Esping-Andersen, 1985].

Social democracy theory is mainly based around three key points. First, the theory assumes that the group most important to the growth of the welfare state, and the source of power leftist parties, is the working class. In the market, since power depends on ownership of capital, labour occupies a subordinate position. However, labour can obtain power resources in the political sphere through organisation of its relatively large numbers. Where unions are organised, strong and large, they can translate these resources into political power in the class struggle for equality [Korpi, 1983: 312].

Second, unlike other neo-Marxist theories, social democracy theory proposes that the state autonomously and substantially affects economic relations, and is not necessarily dominated or constrained by capital. The power of the state may be wrested from the capitalist class by workers through democratic means.

Finally, who has the means of production is not important under the mass parliamentary democracy. Since the excesses of liberal capitalism have been checked by an interventionist social state that has counteracted the inequitable outcomes of liberal capitalism through legislative interference, the social democrats argue that their ends can be achieved without nationalisation of the means of production.[5]

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[5]For social democracy, the vital importance of Keynesianism resided in its status as a system of political control over economic life, namely, the managerial revolution. Keynes' advocacy of a 'managed capitalism' offered a neat solution to the social democratic dilemma of how to furnish reforms for its extended constituency and maintain its long-term commitment to socialism without challenging the hegemony of private capital.

According to social democracy theory, welfare spending must reduce inequality because it is supported by the disadvantaged working and lower classes who benefit from such expenditures [Stephens, 1979].

Social democracy theory is a useful framework of analysis in that it stresses political forces that industrialism and monopoly capitalism theories disregard. Particularly, the theory can be assessed in terms of the empirical literatures [see, for example, Stephens, 1979; Castles and Mckinlay, 1979; Castles, 1982; Hewitt,1977; Myles, 1984; O'Connor, 1988; Esping-Andersen, 1985]. Despite this strength, it has also some weaknesses. First, many welfare programmes, particularly in the early stage of welfare state, have been introduced by liberal and /or conservative elites. The historical record also shows that the state may have its interest in the promotion of social policy. For example, Lloyd George's argument that 'you can not maintain an A-1 empire with a C-3 population' [quoted in Gilbert , 1970: 15] can be interpreted in this context.

Second, the theory fails to deal with ethnic, racial, religious and cultural cleavages that cut across class boundaries [Parkin, 1979: 11-27]. Even if class position dominates electoral choice, it is not clear that class-based policies can be directly implemented. For leftist parties, their unionised constituency in most countries is too small to gain control of the government without alliance with other groups. These alliances, however, may require a compromise of social democratic ideals [Przeworski, 1985: 23-29].

In addition, it has little to say either about the forms of welfare states taken in countries low on labour mobilisation and labour party government control or about current options in countries with weak social democracies.

4. Interest Group Politics Theory

Just as social democracy theory may be seen as a political version of Marxist theories, interest group politics theory may be seen as a political version of industrialism theory. Whereas social democracy theory sees the welfare state as the result of the

strength of the working-class and leftist government control, interest group politics theory focuses on the political power of diverse interest groups. According to interest group theory, social welfare spending is the result of political competition and collective action among a variety of increasingly powerful non-class interest groups [Pampel, 1989].

Interest group theory focuses on the following social changes in advanced industrial nations. First, traditional political divisions along class lines may have declined. As scarcity diminishes in advanced industrial nations, economic factors become less decisive sources of political conflict, and class-based voting declines [Inglehart, 1987]. The growth of the ideologically and organisationally fragmented middle class thus blunts the division between labour and capital [Hicks and Swank, 1984]. Under this circumstance, parties tend to move toward the centre. Although philosophical differences exist among parties, they may not translate into clear, class-based policies and outcomes [Bollen and Jackman, 1985]. To attract large numbers of voters with divergent interests, all parties thus face pressures to move toward the centre and downplay tangible policy outcomes [Downs, 1957]. The pressure may be particularly acute for working-class parties whose strongest supporters - union members - are too few to gain political control of the government without alliances [Esping-Andersen, 1985].

Second, collective action based on ascriptive characteristics such as racial, ethnic, religious, linguistic, gender and age groups has increased in advanced industrial democracies [Parkin, 1979]. Such an ascriptive-based politics, which cut across class divisions and blur class boundaries, may increase group solidarity and enable to overcome traditional class-based politics in modern democracies.

Third, a highly industrialised society brings about the diversity and heterogeneity of occupations, industries, and economic groups, all of which produce social fractions within broad classes [Hodson et al., 1988]. This change makes it difficult to form a unified front that represents the whole capital or labour class. Combined with ascriptive characteristics, business and worker differentiation create a variety of smaller interest groups that transcend and fragment broad class categories [Pampel and Williamson, 1989: 14].

The mechanism by which the above changes are connected with welfare spending is explained well by public choice theory. Although public choice theory is primarily concerned with collective or non-market forms of decision-making, it can be applied to explaining why welfare spending inherently increases, too. On the one hand, public choice theorists, by assuming that people are rational utility maximisers, depict voter choice as analogous to market choice [Mueller, 1979]. On the other hand, a political party is a team of rational persons seeking to control the governing apparatus by gaining office in election [Downs, 1957: 25]. Under such assumptions, well-organised interest groups demand the support of their representatives for particular programmes in return for their votes, and government that is seeking to maximise its electoral appeal is driven to support the particular claims of well-organised interest groups and to satisfy the claims of special interests [Pierson, 1991: 45-47].

Interest group politics theory may be best applied to the elderly [Pampel and Williamson, 1989: 41]. The increase in the percentage of the population over age 65 is found in all developed nations, but less obvious, and perhaps more important reason is the greater increase in the percentage of voters who are aged. For example, the percentage of aged votes rose to 22.2 in Sweden in 1982 (source: Statistics Sweden, 1986) and to 32.5 in West Germany in 1984 (source: Statistiches Bundesant, 1986). Their large membership can be mobilised against cuts in benefits or in favour of increased benefits or new programmes. Through both voting turnout and effective lobbying, then, increasing numbers can translate into policies favourable to the aged. An additional reason is homogenisation of interests. Retirement makes the aged dependent on the state, and low fertility makes families less reliable sources of support. Despite their diversity in status, location, and beliefs, nearly all aged persons benefit from increased public pension spending [Pampel, 1981].

Interest group theory claims that the welfare state is not necessarily redistributive. In fact, it may be harmful to the interests of the disadvantaged [Janowitz, 1985]. Instead of being a mechanism for the needy, the welfare state can be viewed as a mechanism for the relatively advantaged to maintain their position. The poor have difficulty in organising, and as a result often benefit less from welfare state spending than do other organised interest groups. Instead, government spending goes to more powerful groups, resulting in little tendency for inequality to decline.

Interest group politics theory is a useful framework in that interest groups become increasingly important in advanced society, and the theory grasps well the reality of electoral politics in modern democracy. Though the theory may apply to a highly industrialised nation, for example, to the United States, where interest group politics develop well, however, it is not adequate to states where democratic politics do not develop well (e.g., South Korea before democratisation), and to states where, while democratic politics develop well, political power is relatively less important (e.g., Scandinavian states).

5. State-Centred Theory

The four previous theories attend primarily to demands of external groups on the government. In these perspectives the state itself is not taken very seriously as an independent actor. The demand theories have an unassailable persuasiveness, but they do not help us isolate how states differ internally in meeting welfare demands.

In contrast, state-centred theory explains the development of the welfare state from the side of the state. This theory views that states have their interests and reasons for the development of the welfare state regardless of external group demands. This theory also recognises the importance of industrialisation, democratisation, and class interests. However, it does insist that all these influences are mediated in practice by the independent effects of state organisation. The state in this theory may be a site of autonomous official action, not reducible to the demands or preferences of any social groups [Skocpol, 1985; Orloff and Skocpol, 1984]. That is, the relationship between the macro causes of welfare state development and actual social policies and practices are shaped by the differing configuration of historically unique nation states.

The advocates of state-centred theory stress the following characteristics of the state. First, the greater part of social policy has been propelled by visionary state officials political leaders [Orloff and Skocpol, 1984; Ashford, 1986; De Swaan, 1988]. For example, one way to explain the gap in the development of the welfare state between Britain and the United States is to maintain that Britain has a strong civil

service and competing, pragmatically oriented political parties in contrast to the United States [Orloff, A. S. and Skocpol, 1984].

Second, this theory stresses the process of policy formation. That is, we need understanding of 'political learning process' fully developed by Heclo [1974: 304-322]. If there are similar social needs, these needs may be or not reflected in actual social policy according to the process of policy formation. In fact, what is required is an account of the process by which social issues move onto the policy agenda, what policy proposals are accepted or rejected, and how and by whom such policies are implemented.

Third, the degree of state centralisation is relevant to an explanation of welfare spending. Nations in which decision making is most concentrated in the central government should be better able to minimise the influence of fragmented opposition and expand national welfare spending [Deviney, 1983].

Finally, government bureaucracies generally have a tendency to expand their budgets to maximise their power. To expand budgets, welfare agencies have to develop new social programmes and numbers of recipients of social benefit. As a result, such efforts of administrative agencies cause the growth of the welfare state regardless of external factors [Deviney, 1983].

State-centred theory complements the society-centred factors and enlarges the comprehension of the welfare state by stressing the role of the autonomous and positive state. Because state-centred theory is concerned less with the generic development of the welfare state than with the historically unique development of differing welfare states, however, it is difficult to develop a generalised theory from such an approach so that it may simultaneously apply to several nations. In addition, state-centred theory leaves something to be desired to explain the fundamental reasons why social demands for social policy happen owing to its focusing less on the potential demands of constituent groups and more on the ability of state managers to meet their goals in dealing with external groups.

1.2.3 EVALUATION AND RELEVANCE TO KOREA

In this section, we have reviewed five perspectives on welfare state development. Although all the above theories, in their ways, try to explain why the continuous expansion of social policy occurs in modern societies, none of them would appear to offer a totally satisfactory explanation in themselves. Furthermore, we cannot obtain a comprehensive explanation from the existing theories that can be applied to any time and any place. In reality, each approach carries within itself a number of contradictions and alternatives. They do not have equal explanatory significance, nor are their explanatory capabilities consistent through different phase of policy development. It can be said, therefore, that to search for a single approach is less useful than adopting a more eclectic approach which draws on the strengths of different theories. As Alford notes, the difficulty with single bodies of theory, or single paradigms, is that 'each paradigm has a tendency to claim more explanatory power than it possesses and to extend the domain of its concepts to answer these questions it is actually unable to deal with'[1975: 152].

Social policies have been seen as responses to long-term change conceived in socio-economic terms. The forces that transform societies are thought to be industrialisation and urbanisation. Ideal-typical conceptions of the welfare state have been abstracted from certain understandings of a few national histories, and then turned into general explanatory variables. Applied to the Korean case, therefore, such conceptions should be adjusted to its specific circumstances.

The socio-economic interpretation of social policy development provides a useful and potentially fruitful approach to the problem. In general terms, as Liechter explains [1979: 51-53], the wealth of a nation determines the degree of freedom or the constraints imposed on a nation's policy decision makers in providing public goods and services. As will be discussed later, the underdevelopment of social welfare in Korea before the 1960s could be explained in this context. However, Korea has experienced outstandingly high rates of economic growth since the 1960s. Nevertheless, the Korean government has rejected the option of developing into a welfare state, nor has it expressed much direct concern about income redistribution. We may say, therefore, that the case of Korea shows the importance of the welfare effort of the state.

The class-based approaches have shown their strength in identifying political actors and assessing the power resources which political actors can mobilise to realise their interests. In the Korean political environment, however, class politics is less salient than in advanced capitalist nations. As we shall see later, trade union movements were subject to harsh oppression, and business organisations were not able to make themselves strongly heard independently from the authoritarian government. The social democracy theory may explain why the Korean welfare state has lagged behind those of nations where the working class have exercised their political power. Yet, the theory cannot explain how particular social policies, especially those we shall explain in Chapter 4, could be introduced in Korea.

As will be examined in Chapter 4, in Korea, it can be argued that the relatively independent role played by the Korea government in social policy development is an especially distinguishing feature. Most social policy decisions were made in a confined institutional terrain, to which only a small number of decision-makers had access, until the democratisation process began. With the minimal role of the party, pressure groups, and the legislative body, the President, who has been the most powerful and important institution in Korean politics, ministers concerned with social policy, and policy institutions to which policy experts belong had made policy decisions in the confined circle of institutions. Therefore, the state-centred theory provides much substance to the interpretation of social policy development in Korea.

However, it should be noted that even the statist approach alone is inadequate because of the need to take into account the social constraints that circumscribe states' policy choices. In particular, a fundamental weakness of authoritarian regimes such as the Korean government before democratisation in the late 1980s arises as a result of their severing links with any popular base so that they are left without adequate means to legitimatise themselves. The state thus has been obliged to seek some measures to guarantee political stability. In these circumstances, an efficient, well-managed system of social welfare provision may be an important element in keeping the populace passive [Ward, 1986: 2]. In this respect, George and Wilding mention that the first and most important way in which social services contribute to political stability is through the amelioration or solution of social problems which would provoke serious discontent and might be used as an indictment of the existing economic and political order [1984: 189].

In explaining the expansion of social policy, the following two points must be considered. First, the expansion in the scope and volume of social services has been a general feature of all industrialised societies regardless of any perspective. Romanyshyn summarises the view of social welfare as a gradual movement from a residual to an institutional concept, from charity to citizen right, from special to universal social services, from minimum to optimum provision, from individual to social reform, from voluntary to public responsibility, and from welfare for the poor to the concept of a welfare society [1971: 33-37]. Such changes of the concept of social welfare are part of the expansion of social services and welfare expenditure.

Second, the definition of a social problem is a relative concept according to the definition of reality of any given society members. In other words, social phenomena that most modern societies regard as social problems (i.e., poverty, sickness, inequality) have existed throughout human history. Why, then, have such social phenomena been debated hotly in advanced societies for the first time? In addition, most industrialised societies are confronted with similar social ills. Nevertheless, why does the degree of the development of social policy appear differently even in the most advanced nations? To answer these questions, what is required is the knowledge of how and why a society sees a certain social phenomenon as a social problem and some attempts are made to resolve it.

About this, social behaviourism,[6] which is based on the phenomenological perspective, seems to be very helpful [Carrier and Kendall, 1973; Robertson, 1980]. This perspective stresses the members' knowledge of society and its social problems, namely, 'definition of reality'[Carrier and Kendall, 1973: 221]. Recognition is then given to the different frames of reference, different perspectives of reality, different versions of the issues at stake [Donnison, 1962: 30]. This approach leads to the conclusion that social responses to a problem are a function of the way in which the problem itself is perceived, and that this perception in its turn is shaped by the shared beliefs of policy-makers or the public [Robertson, 1980: 14].

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[6]Social behaviourism focuses on individuals as its primary units of analysis. It sees such order and predictability as exist in social life as deriving from similarities in the beliefs, values and expectations held by individuals; and social change as arising from alterations in these systems of values and belief. See Robertson [1980].

Based on the above understanding, this thesis will approach the development of social policy in the context of the particular historical and cultural background of Korea. In doing so, the various theories described previously will be complementarily interpreted with each other to comprehend the whole shape of the Korean welfare state.

1.3 MODELS OF WELFARE

1.3.1 THE MEANING OF WELFARE MODEL

In the previous section, we have examined several determinants of welfare state development. As the determinants of social policy are various, so too the types of the welfare state are very diverse in terms of scope and contents of welfare programmes, magnitude of resources allocated in welfare, and the form and degree of mix of public and private welfare systems, etc. In fact, there is no consensus on what is the welfare state and how to get there even amongst social scientists. Research on welfare models or ideologies gives attention to the very diversity of the welfare state.

As examined in the previous section, industrialism theory claims that: industrial societies display increasingly similar institutional arrangements; they are also converging in their attitudes towards social problems; all have reached approximately the same conclusions about how to deal with them. On the other hand, writers like Bell [1960] and Lipset [1963] declared 'the end of ideology' in the early 1960s. They argued that, since the fundamental political problems of the industrial revolution had been solved in the advanced industrial countries, the ideological debates had become redundant. Their belief in technocratic solutions to social problems meant that only 'objective' and 'scientific' social science with a strong quantitative emphasis could provide the answers [George and Wilding, 1994: 10]. Both theses agree in that industrial societies are converging towards similar institutional arrangements, and that political and ideological debates do not matter. However, these arguments were weakened considerably from about the late 1960s [Mishra, 1981: 48]. The rediscovery of capitalism as the dominant presence in Western societies, social conflicts centred on race and the war in Vietnam

called the notion of the 'end of ideology' seriously into question. From the other side of the fence the Cultural Revolution unleashed by Mao in China affirmed the role of ideology in a dramatic fashion.

Furthermore, the serious economic recession of the 1970s gave rise to scepticism about the principles of welfare statism, and led to diverse debates on welfare ideologies. Such debates on welfare ideologies are fundamentally related to the choice between social values such as freedom versus equality, equality versus efficiency, collectivity versus individualism, selectivity versus universalism, and needs versus merits, etc. Social welfare reflects a moral commitment to care for the less fortunate, and it is related to the particular ideologies of societies. About this, Horton argues that any attempt to explain social problems inevitably involves normative theory, values, ideologies or whatever one may care to call the subjective categories of our thinking about society [1966: 713]. Weber stresses more firmly the linkage between social policy and value:

> The distinctive characteristic of a problem of social policy is indeed the fact that it cannot be resolved merely on the basis of purely technical considerations which already assume settled ends. Normative standards of value can and must be the objects of dispute in a discussion of a problem of social policy because the problem lies in the domain of general cultural values [1949: 56-57].

In brief, models of welfare[7] have become the important tools used to classify the differences of approach to policy and the varieties of response to social needs, and to develop a new approach to the welfare state by writers who are anxious about the weakening of ideal of the welfare state after the 1970s.

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[7]The concept of models of welfare in this thesis is one that integrates two concepts: models of the welfare state and model of welfare ideology. Strictly speaking, both are different. The former is based on the premise of fundamentally supporting the welfare state, while the latter involves the positions that oppose the welfare state, more precisely government positive intervention in welfare. However, this synthetic approach may be permitted on the ground that, if some welfare ideologies oppose the welfare state, they do not oppose the fundamental goals of the welfare state (i.e., freedom, equality), but they only have different positions on the means or methods with which the goals can be realised.

Obviously, models of welfare are caricatures, to some extent, and it is impossible to find a country where social policies conform to one or the other in every respect. As Titmuss explains [1974: 136], however, models of welfare can serve a purpose in providing us with an ideological framework which may stimulate us to ask the significant questions and expose the significant choices. About this, George and Wilding explain that models of welfare provide the answers to several questions such as the following [1994: 6]: 'How large should state involvement in economic and social affairs be? What are the positive and negative functions of state welfare provision for the political, economic and social life of the country? What organisational forms should state intervention take? What is the ideal form of the society of the future and how does it differ from existing welfare states? What methods or processes are necessary to attain this ideal type of society?'

1.3.2 MODELS OF WELFARE

1. H. Wilensky and C. Lebeaux

One of the most widely used social policy models is that proposed by Wilensky and Lebeaux in their study of the impact of industrialisation on demand for social welfare services in the United States[1965]. To aid their analysis, they identified two dominant conceptions of social welfare in American society: the residual and the institutional.

> The first (the residual model) holds that social welfare institutions should come into play only when the normal structures of supply, the family and the market, break down. The second (the institutional model), in contrast, sees the welfare services as normal, 'first line' functions of modern industrial society-----They represent a compromise between the values of economic individualism and free enterprise on the one hand, and security, equality, and humanitarianism on the other [1965: 138-139].

The residual system, then, implies a minimal role for the state in the provision of welfare services: the family and the private market are the 'natural' or 'normal' mechanism for meeting people's needs, and it is only when these fail that statutory services are provided. There will be a tendency to offer benefits in kind rather than in cash so that recipients are less able to misuse their benefits, or to use them for purposes which were not intended. Eligibility for public services and benefits is based on means tests, and stigma is used as a deliberate policy. Individualism, personal responsibility and competition are stressed, and rewards are distributed according to desert rather than need.

The principles of the institutional model are the converse of those above. Social welfare is provided at an optimum level and is accepted as a proper, legitimate function of modern industrial society in helping individuals achieve self-fulfilment. Although Wilensky and Lebeaux believed that the residual attitude characterised much popular thinking about welfare in the United States at the time, they took the view that the institutional approach would gain wider support as the process of industrialisation continued [1965: 140].

2. R. M. Titmuss

Titmuss makes extensive use of the Wilensky and Lebeaux schema and successfully integrates it with his earlier classification of 'selective' and 'universal' social services. Titmuss also adds to the institutional model the notion of 'redistribution in command-over-resources-through-time' since, he argues, the institutional ideal is characterised not only by an emphasis on universalism but by a redistributive connotation. In addition to strengthening the conceptual basis of Wilensky and Lebeaux's dichotomy, Titmuss adds a third category, the industrial achievement-performance model [1974: 30-31].

The industrial achievement-performance model incorporates a significant role for social welfare institutions as adjuncts of the economy. It holds that social needs should be met on the basis of merit, work performance and productivity. It is derived from various economic and psychological theories concerned with incentives, effort and reward, and the formation of class and group loyalties. It has been described as the

'Handmaiden Model' [ibid.: 31]. Titmuss sees his three models as providing an ideological framework. Each model is based on different value premises and represents different criteria for making choices.

In using the models, Titmuss argues that the social division of welfare may be broadly grouped into three major categories of welfare: social welfare, fiscal welfare, and occupational welfare [1963: Ch. 2]. Social welfare comprises what are traditionally referred to in Britain as the social services: income maintenance, health care, housing, education, personal social services. Fiscal welfare comprises a wide range of allowances and relief from income tax, for example, relief on the interest payable on mortgages for owner-occupiers; allowances on life insurance premiums and superannuation contributions; allowances for covenants and additional personal allowances for those bringing up children on their own; allowances in respect of elderly and disabled dependents, etc. Occupational welfare includes the benefits derived from one's job, for example, occupational pension schemes; health services and insurance, etc.

To grasp a particular welfare state as a whole, it is important to consider all three types of welfare because, despite their different divisions, their aims are often the same. Furthermore, the three categories may be particularly significant in studies comparing one country with another. It thus is false to estimate the welfare level of a country simply from government expenditure on traditional social services. For example, in the United States and Japan that are usually called welfare state laggards, occupational welfare is well developed.

3. V. George and P. Wilding

Titmuss's models supplement somewhat oversimplified dichotomies like Wilensky and Lebeaux's model. As Pinker points out [1979: 233], however, their models have a weakness in that they exclude Marxism, which has provided the most forceful and sustained critique of welfare-capitalism from the debate about possible choices. Particularly, this weakness was highlighted in the 1970s. The serious economic recession of the 1970s gave an opportunity for the resurrection of Marxism.

It was George and Wilding who first reflected Marxism in the study of welfare ideologies.[8]

George and Wilding distinguish four models according to political ideologies: anti-collectivists; reluctant collectivists; Fabian socialists; Marxists [1985].[9] They make the differing views about social values the criterion for classifying four groups. Among them, particularly freedom and equality are the most important values [ibid.: 120]. For George and Wilding, individualism, pragmatism, humanitarianism, fraternity and other values are important, but they are secondary in the sense that they are used to support, to refute, to enlarge or to qualify the values of equality and freedom.

Freedom is the basic value for the anti-collectivists, like Hayek and Friedman. The view of freedom expressed by the anti-collectivists is not only a model of individual freedom, but one that is linked to the concept of the free-market economy, and a primary justification for inequality is that in a free economy people will be unequal. As a result, the anti-collectivists see the growing welfare state as a threat to the autonomy and independence of citizen [ibid.: 19-43].

In contrast, Marxists, at the other end of the continuum, see freedom in terms of the removal of obstacles to human emancipation and self-realisation. Marxists see equality as a central value of about equal weight to freedom. For them, freedom without equality is useless. If true individual freedom is to be a reality, it must be accompanied not only by a high degree of economic, political and social relations that individuals can pursue their interests freely within the ideological framework of an altruistic society [ibid.: 121]. They view the economic organisation of capitalist society as being inimical to these values.

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[8]About this, Mishra drew attention to the relevance of the Marxist view of welfare in 1975, Piven and Cloward alerted students of welfare to the neo-Marxist perspective in 1972. See: Mishra [1975: 287-313]; Piven and Cloward [1972].

[9]Recently, George and Wilding proposed six welfare ideologies in their book, *Welfare and Ideology* [1994]: the New Right, the Middle Way, Democratic Socialism, Marxism, Feminism, and Greenism. This thesis follows their previous four models on the ground that, though Feminism and Greenism are politically influential in the welfare state, it is difficult for them to be regarded as a general model of the welfare state.

In many respects, the values of the reluctant collectivists (Keynes, Galbraith, Beveridge) are similar to those of the anti-collectivists. However, the reluctant collectivists can be distinguished from the anti-collectivists by their intellectual pragmatism [ibid.: 44]. The reluctant collectivists accept the welfare state on the grounds of the failures of market to provide security and to meet basic needs. They retain, however, a degree of anxiety about state monopoly and prefer a mixed economy of welfare with private and voluntary provision alongside public [ibid.: 44-67].

Fabians (Titmuss, Tawney, Crosland), too, stress freedom as a central socialist value. For them, this belief demands a concern to reduce inequality because at certain levels, inequality is a major threat to freedom. From this point, the difference in their objective between Marxists and Fabians is not big. Rather, they differ on the political method and the pace that they consider possible to reach their objective. Fabians rely totally on the parliamentary road to equality. They see the welfare state as a principal means of achieving greater social equality [ibid.: 69-94].

4. R. Mishra

Arguing that it is difficult to make sense of the institutional model without considering the third model which is directly opposite to the residual model, Mishra adds the third model 'structural' welfare to Wilensky and Lebeaux's classic models. For him, the institutional model is a mix - a compromise between the residual and structural conception. The structural model is a view of welfare based on Marxist analysis of the capitalist system and of its eventual suppression by socialism [1981: 14]. The main difference between the institutional and the structural view is that the latter considers welfare as a central social value. By contrast, the institutional approach to welfare is largely pragmatic [ibid.: 134-135].

Similarly, Pinker rejects the residual and institutional dichotomy on the ground that they are based on oversimplified distinctions between egoism within the residual model and altruism within the institutional model [1979: 233]. Referring to the growth of collectivism and high levels of government expenditure in all Western industrial nations, Pinker argues that collectivism on this scale does not have to be consistent with either capitalism or socialism and that its influence has already been sufficiently

pervasive to create a new social system which will subsequently develop without regard to either of these doctrines [ibid.: 234]. Thus he suggests three models: classical economic theory, Marxism/socialism, neo-mercantile collectivism [ibid.: 233]. For him, the neo-mercantilist model stands in ideological opposition to the individualistic values of classical political economy, and equally to Marxist collectivism. The neo-mercantilist approach therefore rejects the possibility of either a natural harmonisation of welfare interests through the free play of the market economy or the inevitability of a conflict and the eventual replacement of capitalism by socialism.[10]

In later writing in 1984, Mishra developed new models of the welfare state. Considering that welfare states are confronting a crisis, Mishra suggests a way to overcome the crisis with corporatism. He presents an ideal type of welfare, the integrated welfare state (IWS) in contrast to the post-war Beveridge-Keynesian welfare type, which is called the differentiated welfare state (DWS) by him [1984: Ch. 4]. The integrated welfare state differs from the post-war welfare state in two respects. First, it sees economic and social policy as closely integrated and, therefore, in need of co-ordination. The result of this approach is that, unlike in the DWS, the economic implications of social policy are not shirked, whilst social policy objectives are introduced quite explicitly into economic policies. Second, the functional integration between the economy and social welfare is seen as interdependent with the relations between major economic groups. In short, the core of corporatism is collective responsibility [ibid.: 105]. Employers recognise full employment as a social objective, while workers accept the need for wage moderation and higher productivity as a prerequisite for economic growth and social welfare.

5. N. Furniss and T. Tilton

Arguing that, since the central phenomenon in advanced Western nations is public intervention in economic markets and property relations, the central issue is the

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[10]For Pinker, neo-mercantile collectivism represents a modern revival of the much modified mercantilist doctrines. In this model, the state comes to serve so many coalitions of interest that for all practical purposes it ceases to be the instrument of any single ruling class [1979: 234-236].

form and goal of this intervention, Furniss and Tilton distinguish three kinds of interventionist regimes: the social positive state, the social security state, the social welfare state [1977: 14-21]. Furniss and Tilton's study starts from dissatisfaction with the traditional classifications and evaluations of political regimes as 'totalitarian' or 'democratic', 'capitalist' or 'communist', and 'industrial' or 'post-industrial'. These, they suggested, lack utility because they preclude the ability to make elemental essential distinctions. In other words, it is necessary to develop perspectives to illuminate the social structural characteristics and political choices [ibid.: ix-x].

The primary aim of the positive state is to protect the holders of property from the difficulties of unregulated markets and from potential redistributive demands. The policy orientation is toward government-business collaboration for economic growth. In the field of welfare, there is a disinclination to do anything inconsistent with economic efficiency. This interest puts major emphasis on social insurance programmes founded on actuarial principles. As a result, the goal of the positive state corresponds to the residual welfare model, and welfare policy is to function as a means of social control. Furniss and Tilton did not call the positive state (for example, the United States) a welfare state because it does not perform the elemental function of a welfare state which is to guarantee surrogate forms of property for all citizens and not to restrict the benefits of autonomy and independence to those whom the economic order favours. Rather, the beneficiaries tend to be those who, under conditions of laissez-faire, one would expect would prosper most readily.

The important objective of the social security state is a guaranteed national minimum. A guaranteed national minimum is intended to overcome the limitations inherent in a welfare policy based on social insurance provisions. For this, it is necessary to supplement social insurance with government payments and services for those who are not qualified for social insurance. A guaranteed minimum is to be given 'as of right' to every citizen. The level of a guaranteed national minimum is raised to conform to advances in the standard of living. A recognised level of benefits is not something to be granted or withheld at public whim. However, the fundamental social value of the social security state is not a thorough egalitarianism. The governing principle is clearly not equality but equality of opportunity. It should leave room and encouragement for voluntary action by each individual to provide more for himself and his family.

The social welfare state aims to promote equality and solidarity. It seeks not merely to produce a guaranteed minimum for its citizens, but to achieve a general equality of living conditions. The social welfare state does not intend merely to extend benefits to the underprivileged and to raise benefits relatively over time. The ultimate aim is to shift decision-making power from employer to employee and to increase citizen participation within all decision-making organisations.

6. G. Esping-Andersen

The most systematic and the deepest study on models of welfare states was carried out by Esping-Andersen. Existing theoretical models of the welfare state, he argues, are inadequate on the ground that: they use the existence of a social programme and the amount of social spending as a criterion of classification; they assume a world of linearity [1990: 2-3]. He focuses his attention directly on the effect of social policy, that is, decommodification and stratification. According to this criterion, he distinguishes three clusters of the welfare states: liberal, corporatist, and social democratic [ibid.: 26-29].

The 'liberal' welfare state stresses means-tested assistance, modest universal transfers, or modest social insurance plans. Benefits cater mainly to a clientele of low-income, usually working-class, state dependents. In this model, the progress of social reform has been severely circumscribed by traditional, liberal work-ethic norms: it is one where the limits of welfare equal the marginal propensity to opt for welfare instead of work. Entitlement rules are therefore strict and often associated with stigma; benefits are typically modest. In turn, the state encourages the market. The consequence of this type of regime minimises decommodification-effects, effectively contains the realm of social rights, and erects an order of stratification that is a blend of a relative equality of poverty among state-welfare recipients, market-differentiated welfare among the majorities, and a class-political dualism between the two. The typical examples of this model, in his view, are the United States, Canada and Australia.

The 'liberal' obsession with market efficiency and commodification is never pre-eminent in the 'corporatist welfare states such as Austria, France, Germany and Italy.

What predominates is the preservation of status differentials; rights, therefore, are attached to class and status. This corporatism was subsumed under a state edifice perfectly ready to displace the market as a provider of welfare; hence, private insurance and occupational fringe benefits play a truly marginal role. On the other hand, the state's emphasis on upholding status differences means that its redistributive impact is negligible. The corporatist regimes stress the traditional function of familyhood. Social insurance typically excludes non-working wives, and family benefits encourage motherhood. The principle of 'subsidiarity' serves to emphasise that the state will only interfere when the family's capacity to serve its member is exhausted.

The 'social democratic' regimes pursue a welfare state that will promote an equality of the highest standards. This implies, first, that services and benefits be upgraded to levels same with even the most discriminating tastes of the new middle classes; and, second, that equality be furnished by guaranteeing workers full participation in the quality of rights enjoyed by the better-off. This model displaces the market, and consequently constructs an essentially universal solidarity in favour of the welfare state. In contrast to the principle of subsidiarity, the 'social democratic' regimes do not wait until the family's capacity is exhausted. The ideal is not to maximise dependence on the family, but capacities for individual independence. The most salient characteristic of the 'social democratic' regime is its fusion of welfare and work. It is at once genuinely committed to a full-employment guarantee, and entirely dependent on its attainment. On the one side, the right to work has equal status to the right of income protection. On the other side, the enormous costs of maintaining a solidaristic, universalistic, and de-commodifying welfare system mean that it must minimise social problems and maximise revenue. This is obviously best done with most people working, and the fewest possible living off social transfers.

1.3.3 Evaluation of Models and Relevance to Korea

We have reviewed the models of welfare approach developed by several scholars. How useful are they in analysing social policies in the developing countries?

Although no systematic attempts have been made to test their validity and utility in the developing countries, the contemporary features of social policy in the developing countries suggest that the conventional models of welfare in Western social policy do not readily fit the developing countries. By way of example, the recent developments in newly industrialised East Asian countries such as Korea, Taiwan, Hong Kong, and Singapore suggest that there may be a case for discussing what might be called 'East Asian Social Welfare Regimes,' which diverge from the Western pattern [Midgely, 1986; Jones, 1990, 1993].

However, it cannot be claimed that these models of welfare are of no value in analysing welfare approaches in the developing countries. As we shall see later, in Korea, residual ideas were widely accepted during the last three decades. This is compatible with the prevailing development paradigm of modernisation, which stresses economic rather than social development goals. An obsession with economic growth and the supremacy of economic ideas in development circles relegated social welfare to a position of little importance. Even if welfare ideas were regarded as worthy, the rapid expansion of statutory social service was disapproved by the government since it consumed scarce resources required for economic modernisation. In this regard, we may observe that Korea has followed the way towards the positive state in Furniss and Tilton's terms. Consequently, as discussed later, there is a good deal of evidence to show that social policy in Korea does not serve a 'first line' function, redistribute resources on the basis of need or cater for the whole population. Instead, as Hardiman and Midgley argue [1982: 17], social approach in Korea can best be conceptualised in terms of an 'incremental model' in which social protection programmes have largely been established on *an ad hoc* basis, accommodating demands as they occur.

Finally, if a group of certain countries qualifies as welfare states, then, the question must be asked what it is that makes them welfare states first, that is, what distinguishes them from those who are not welfare states. To answer to this question, we must construct a set of criteria that will identify the welfare state more precisely. This will be discussed in the remainder of the chapter.

1.4 THE INDICATORS OF SOCIAL WELFARE DEVELOPMENT

The debates on models of welfare result in the question of how we conceptualise the degree of social welfare development. The answer to this question depends on what we believe the best welfare is. In other words, the question may be answered differently depending on individual position on welfare ideology. For example, Wedderburn argues that the true object of the welfare state is to teach people how to do without it [1965: 136]. Following this argument, we may say that the external and quantitative enlargement of the welfare state is not necessarily desirable. However, considering that, particularly in the developing countries where the whole levels of welfare are very low, it is an urgent task to promote well-being by a positive commitment to welfare by governments, our discussion will follow the position that supports the welfare state, and centre around the extent of state responsibility for the provision of basic needs.

If this view is accepted, the measurable and hence testable indicators that show the degree of the welfare state development may be summed up into the following five factors: amount of social spending; comprehensiveness and coverage of public services; adequacy or generosity of benefits; the reduction in inequality [Gilbert and Specht, 1974: Ch.2; Mishra, 1981: 110-131; Flora and Heidenheimer, 1981: 28-32; Korpi, 1983: 184; Jones, 1985: 78-88]. These criteria must be interpreted with especial caution. In some countries, for example, the United States and Japan, occupational and fiscal welfare benefits develop well in spite of a relatively lower level of state welfare. Our attention here is mainly focused on social welfare among the three categories developed by Titmuss.

The most obvious and popular method adopted to examine the degree of welfare commitment is to compare levels of social expenditures between countries as a proportion of GNP and /or as a proportion of total public expenditure. The most typical research by this approach was explored by H. Wilensky [1975]. On the basis of the proportion of resources that twenty-two countries spend on social security in 1966, he distinguished three groups: welfare state leaders (Austria, to East Germany), which spend about 21 to 16 per cent of GNP on social security; middle-rank spenders of 15 to 11 per cent (the UK to Ireland); welfare state laggards of 10 to 6 per cent (USSR to

Japan). However, there are some problems in this approach. First, it is dangerous to simply compare social expenditures because items involved in them vary greatly from country to country. Second, by scoring welfare states on spending, we assume that all spending counts equally. To comprehend the degree of welfare effort of any given country, however, it is necessary to distinguish which programmes the country stresses among several public services such as universal social services, social insurance, and public assistance. If we see the development of the welfare state as an enlargement of social rights, we may say that countries, which stress more universal social services than contractual rights of social insurance, are the more advanced welfare states. Additionally, countries, which stress relatively public assistance programmes may be regarded as welfare state laggards. Because of these problems, we need other supplementary indicators to illustrate the degree of welfare state development.

The range and coverage of social services are related to the question; to what extent should the state be responsible for diverse contingencies that individuals may meet with over a life-cycle? The difference between the industrial welfare state and its predecessors is that the costs of security that were formerly internalised within the family or household are now externalised [Flora and Heidenheimer, 1981: 31]. While in the past the gratification of individual wants was regarded as a personal rather than a social responsibility, in welfare states the responsibility for providing the means for well-being is held to lie in society, rather than the individual. Then, to what extent should the state be responsible for individual well-being?[11] In relation to this question, we can say, quite rightly, that access to services should not be determined on the basis of differential income in such areas as are directly related to existence: health care and maintenance of national minimum standard income. It is appropriate to our sense of individual worth that all persons should be assured of secure life, despite income or status. For this reason, Walzer's argument - a relevant principle is 'the abolition of the power of money outside its sphere.....a society in which wealth is no longer convertible into social goods

[11]This question is two-dimensional: the border of responsibility of government's provision, and of limitation on citizen's liberty to purchase social goods that substitute or complement the publicly provided ones.

with which it has no intrinsic connection'[1973, quoted in Bell, 1976: 268] - seems to be very helpful.

If the state provides diverse welfare services for all people in needs, the level and contents of service are very low in contrast to the prevailing level of ordinary people, we cannot say that the services are adequate. Adequacy refers to the belief that it is desirable to provide a decent standard of physical and spiritual well-being, quite apart from concerns for whether benefit allocations are equal or differentiated according to merit [Gilbert and Specht, 1974: 41-42]. Adequacy depends on the definition of national minima. As a result, judgement of what constitutes adequacy (what is the national minima) is likely to be highly relative. However, it is not determined arbitrarily, but should be determined by the prevailing level of affluence and by the community at a specified time.

Finally, the effect of the welfare state results in the reduction in inequality. As discussed earlier, the belief that social expenditure benefits the poor is an essential component of some of the theories put forward by social scientists to explain welfare state development. In the real world, however, the kinds of equality envisaged are not uniform, and are partially contradictory.

Le Grand distinguishes five inter-related dimensions of equality, to do with variations in the amount of public expenditure, the use of services, the private costs imposed on users and the final outcomes between different groups, and the overall redistributive effect [1982: 14-15]. If we limit our discussion to final incomes, social expenditure should be allocated so as to favour the poor, so that their final incomes (roughly, private money income plus the value of any public subsidy received in cash or in kind) are brought more into line with those of the rich.

The redistributive effect of public expenditure can be measured by the degree that inequality of income is reduced by public expenditure. To some extent, social security is the same as financial security. This means that the state must give extra support to those groups within the economy that are financially weak.

Following these arguments, even though there are some differences in the method and the degree of welfare provision, most advanced welfare states would show broadly similar patterns in terms of: a continuous increase of social expenditure; the

expansion of coverage and programmes; the elevation of the level of benefits; the reduction in inequality. In the following chapter, we will review the evolution of Western welfare states on the basis of these perspectives.

CHAPTER TWO

THE EVOLUTION OF THE WELFARE STATE AND NEW TRENDS IN ITS DEVELOPMENT

This chapter reviews the evolution of welfare states in Western countries within a perspective of comparative study. Such an approach is not only important because it introduces us to a wider range of welfare regimes, but also because it helps to clarify the nature of the Korean system itself. Special attention will be paid to some fundamental questions. Why and how has the welfare state developed fast in Western societies in spite of a short history? To what extent have the special circumstances of a country exerted an influence on the evolution of its social welfare? What aspects of the welfare state are causing debates about a crisis, and how are individual welfare states responding to the crisis? Is the welfare state still going to remain a necessary system in highly developed societies, and, if so, what is the agenda for its future? To develop a workable model for a future welfare state, these questions should be answered first. Chapter 2 tries to seek an answer to them through surveying the process of Western welfare state development.

The chapter is divided into four sections. The first section reviews the process of welfare state development from the poor law period to the mid-1970s which saw the beginning of what has been called the period of crisis and contradiction in the welfare state. The second section surveys the reformation strategies of the welfare state after the world-wide economic crisis in the mid-1970s. In this section, we compare the historical and political origins of four welfare states, and try to seek an answer to the question of how national divergences have been reflected in the development of social welfare in any particular country. In recent years, welfare states have found themselves confronting various new circumstances such as sustained low economic growth, globalisation, environmental degradation, demographic change, new social movements, and so on. Consequently new welfare ideologies and principles, which are different from those in traditional welfare states, are suggested or executed by intellectuals and

governments. The third section discusses such new challenges and orientations to the welfare state. The fourth section concludes with a discussion of the lessons to be learned from the Western experience.

2.1 A Brief History of Welfare State Development

2.1.1 The Emergence of the Modern Welfare State

The history of social welfare can be summarised as 'the progression from poor relief to income maintenance', and as 'the progression from charity to social service' [Martin, 1981: 11]. While the modern welfare state is a product of the last 100 years, it has an important early history. The idea of the welfare state occurred some four hundred years ago with the break-up of the social institutions of the Middle Ages [Gregg, 1967: 4]. Modern social welfare has its roots in the dissolution of feudalism and the rise of mercantile and, later, industrial and corporate capitalism. Since the end of the Middle Ages, the developing nation-states of Western Europe had been confronted with the problem of poverty. Previously, this had been a matter of only local concern. With the emergence of national states and national economies, the problem of what to do with the poor necessarily becomes a matter of national significance. Widespread poverty was an ordinary phenomenon in pre-industrial society. In the view of mercantilists, poverty was not a social problem. They spoke even of the usefulness of poverty as a means of keeping the masses industrious. Poverty was a problem for them only to the extent that it endangered public peace. This view militated against raising the level of welfare of the common people [Rimlinger, 1971: Ch. 1].

During industrialisation, however, the problem of poverty changed. While the basic 19th century response to poverty was to try to strengthen older institutions, some of the consequences of industrialisation and urbanisation posed problems for which entirely new responses were necessary. Particularly, as industrialisation was diffused across some leading countries, world competition became more intense. More countries competed to sell their goods and all suffered a degree of economic instability in the later 19th century. All were under pressure to maximise productivity and efficiency [Thane,

1982: 106]. Responses to these pressures took a variety of forms. At this stage it became profitable, from the point of view of productivity, to develop and to maintain the capacity and the willingness to work. Thus, employers became increasingly aware of the significance of investment in human capital [Rimlinger, 1971: 103]. Workers came under pressure to work more intensively. One response to this was the growth of labour movements in all of these countries. By 1914, all economically developing countries were often under trade union pressure to raise wages and to provide pensions to the retired and benefits to the unemployed[Thane, 1982: 105].

On the other hand, industrialisation caused the severe social problems called the so-called 'social question'. The social question concerned such disparate phenomena as demographic pressure; proletarianization of the lower class; urban epidemics; criminality; destitution; industrial accidents; mass de-Christianization; the growth of organised unionism and socialism; illiteracy; 'vice' in the form of prostitution, juvenile delinquency, illegitimacy, alcoholism, etc.; social rootlessness and political subversiveness; and strikes and unemployment [Poggi, 1978: 114]. A number of these issues became progressively involved in the political process largely by: the enfranchisement of social groups that expected the state to attend to such issues; the resulting emergence of the notion of social rights of citizenship; and the assumption by the state of some responsibility for ameliorating the phenomena in question [ibid.: 114]. In short, these socio-economic and political circumstances facilitated the emergence of a new social policy different from the poor law. The problems were similar in all industrialising countries, but the response to them differed widely. That is, the emergence of the welfare state was a type of such responses.

To meet the demands of the times, there were manifestations of a new policy activism in areas such as public education, hospital organisation, unemployment relief, and many others. Beginning in roughly the last third of the 19th century, the most obvious example was the invention and diffusion of a new technique called social insurance. The poor law was localist, often improvised, and unreliable in the face of major economic downturns. Reacting to this legacy, policy innovators tended to search for national approaches that would standardise, plan for and guarantee resources to deal with the major kinds of economic and social adversity. The poor law was highly discretionary in its operations and it was clearly stigmatising. Policy makers sought an

alternative that would be non-judgmental and fairly automatic in helping the victims of socio-economic forces that were beyond their control. The invention and diffusion of the social insurance technique late in the 19th century were obviously a portentous development. At a stroke the social insurance system offered a workable model of a public policy that was national, standardised and non-stigmatising [Heclo, 1981: 389]. It has become usual to identify the beginning of the modern welfare state with the innovation of social insurance.

As social insurance programmes were adopted from the end of the nineteenth century onwards, major changes were discernible in the sphere of social ideas and their political application. Laissez-faire ideals and the belief in the individual's ability to improve his situation through his efforts increasingly gave way to socialist and collectivist attitudes amongst some but clearly not all sections of society. The scope of welfare schemes was still targeted selectively on the working class. The concern with public order was still central, the major objective being to integrate the workers into the capitalist economy and the national state. Public efforts centred on income maintenance for workers, and the range of state services in health, housing, and education remained limited. Before World War I, the ratio of welfare spending to GDP remained below 5 per cent throughout all Western European countries [Pierson, 1991: 110-111]. However, as contemporary research on the impact of programme age on current spending levels has shown, an important institutional basis for welfare provisions had been laid.

We can extend the historical patterns outlined above to distinguish two important macro-historical forces behind the emergence of the welfare state. The first is the growth of capitalism. The pre-history of the modern welfare state, the 'poor law period' was closely related to the early state building efforts of fifteenth and sixteenth century Europe [Rimlinger, 1971: Ch. 2]. The concern of these earlier states was primarily with the maintenance of public order, the punishment of vagrancy and the management of the labour market rather than the well-being of the poor [Pierson, 1991: 105]. However, the challenge presented by the industrial revolution compelled the state to intervene in social welfare in full scale. With the growth of capitalism, a number of nineteenth century states began to provide for the maintenance of public health, the regulation of conditions of employment and limited public education. These states also

showed a growing interest in the day-to-day surveillance and management of their national populations [Giddens, 1985: 172-197].

The second force is the growth of mass democracy in the last third of the nineteenth century. Many writers interpret the emergence of the welfare state as fruits of mass democracy [see, for example: Briggs, 1961; Flora and Heidenheimer, 1981; Ashford, 1986]. In thus linking welfare state development with the evolution of mass democracy, Marshall develops an account of welfare history in terms of citizenship theory [Marshall, 1963: Ch. 4]. He identifies three species of rights: civil, political and social rights. Civil rights (the rights necessary for individual freedom - liberty of the person, freedom of speech, thought and faith, the right to own property and to conclude valid contracts, and the right to justice) made possible the expansion of political rights (the right to participate in the exercise of political power). The winning of civil rights (in the eighteenth century) and of political rights (in the nineteenth century) made possible the securing in the twentieth century of an epoch of social rights. According to him, social rights mean 'the whole range from the right to a modicum of economic welfare and social heritage and to live the life of a civilised being according to the standards prevailing in the society' [ibid.: 74]. Such an expansion of citizenship results from, in his view, the enfranchisement of the working class and the rise of mass social democratic parties.

A democratic polity and a market economy constitute a fundamental political and economic foundations of the welfare state. That is, the welfare state is a state trying to solve the social problems 'within democracy' 'without a fundamental transformation of capitalism'. In this context, Thoenes points out that the welfare state can be distinguished from the fascist and communist forms of social welfare, not only because of its democratic aspects, but also by the smaller stress that it puts on collectivity [1966: 127]. The reason political democracy is important in the welfare state is that the increase of state intervention necessary for welfare is apt to invade individual freedom [see, for example, Beveridge, 1944: 21]. In short, European nation states, which started as conquering or predatory states, developed the welfare state within the evolution of

capitalism and mass democracy.[1] In the process of this transition, social welfare, as a means for nation building and the growth of capitalism, has also become a very important goal for modern civilised nations to seek to achieve.

If we accept this broad account of the emergence of the modern welfare state in European countries, an important question is raised: 'Can early European experiences be applied to new industrial nations that had not experienced industrialisation until the end of World War II, like Korea?'

In order to seek a preliminary answer to this question, we here focus briefly on three important issues: democratisation, a history of nation-building and a geopolitical factor. First, we note the emergence of the modern welfare state as an answer to problems created by capitalist industrialisation; it was driven by the democratic class struggle. Mass democracy, when it is red, is a political system that guarantees all citizens' equal participation in social and political activities; it tends to generate a democratic struggle for a more equitable share in the material wealth and cultural heritage of a nation. The period in which the modern welfare state developed witnessed the general breakthrough of industrialism, and decisive steps in the evolution of mass democracy. The reason the modern welfare state was pioneered in Europe in the late nineteenth century may thus be simply explained by the comparatively high levels of industrialisation and democratisation achieved in this region of the world [Flora, 1986: xiii].

The fact that industrialisation and democratisation developed simultaneously in Europe is very suggestive in comparing Europe with new industrial nations. Most new industrial nations had been under colonial or monarchic rule until World War II. As we shall see later in more detail, what they inherited from the past was absolute poverty and

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[1]About this, Rokan distinguishes four stages of political development to explain the growth of the European national states: (1) State Formation or the development of fiscal and military stages; (2) Nation Building or the building or growth of national states; (3) Participation or the development of mass democracies and the establishment of citizenship through the equalisation of political rights; (4) Redistribution or the development of welfare states and the establishment of social citizenship through the redistribution of resources, goods and benefits. See Rokan [1974: 73-97; 1974b: 562-600].

illiteracy in a great majority of their people. Often they then commenced a nation-wide economic development plan for economic growth and thus emancipation from poverty. That is, these would be a deliberate economic revolution led by the ruling classes, rather than a natural one from below. At the early stages of industrialisation, political democratisation was often suppressed in favour of the rapid economic growth. Even these nations have achieved substantial economic development during a relatively short period, social culture and social institutions have not changed as fast as economic conditions. In other words, their short histories of modernisation have not been enough to secure the fully developed rights of citizenship outlined by Marshall.

Second, in European society, a well-established form of political organisation, the nation state had already become predominant long before. The nation state had developed bureaucracy and accumulated national wealth, both of which were necessary for the introduction of a broad social security system. In addition, the European nation state had become used to the administration of the poor and workers through the poor law. With the development of industrialisation, the poor laws became obsolete, which necessarily called for other collective forms of social security. However, in the new industrial nations of the 20th century, unlike European countries, there has been no or a very short history of nation-building.

Third, European society is constituted of many countries in a relatively small area. This geopolitical environment may facilitate mutual imitation and competition. In particular, as Thane, in her book, *The Foundations of the Welfare State* argues [1982: 106], European countries, by the nineteenth century, had confronted an intense international competition for commercial supremacy. In addition, then European society was in the chaos of various political ideologies, for example, liberalism, socialism, communism, and a variety of right-wing and populist movements. To secure a united nation and a basis of political legitimacy, it was an urgent task for European nations to establish a dominant political ideology. Bismarck cannot be credited with the invention of social insurance, but he was the first to implement it. This paradox can be understood only in the context of the geopolitical circumstances then. Germany's innovation of social insurance had a prompt effect upon other nations in Europe, and made them introduce similar social security systems. In this context, Kirby and Taira find [1969] that even countries close to the European continent often had a relatively well-

developed welfare system. However, new industrial nations in East Asia do not have a conducive background for the development of the welfare state in terms of geopolitical circumstances. They are surrounded with other nations whose levels of state welfare are still low. For example, it is well-known fact that Japan, one of the most industrialised countries, began its social welfare programmes later and funded them at much lower levels than most other industrialised countries. In particular, in East Asian countries Confucian welfare remains an effective functional equivalent to welfare statism.

We have briefly examined the differences between Europe and new industrial nations. The absence (or relative weakness) of the three factors mentioned above have delayed the development of the welfare state in new industrial nations. However, one must not exaggerate different origins and characteristics. The obvious differences at the early stage of modernisation may become more and more weakened as time goes by. In this sense, European development did indicate the direction in which the rest of the world would move once the process of modernisation started.

2.1.2 THE EXPANSION OF THE WELFARE STATE

After World War I, a long period of expansion began in which the scope and the range of welfare state activities were successively widened. This period can be again divided into two sub-periods: consolidation (1918-1945); the Golden Age (1946-the mid 1970s).

To begin with, the inter-war years are characterised as a period of consolidation in social policy rather than innovation, in which social policies initiated in the earlier period were matured and stabilised. There was generally a great deal less argument about fundamentals and private and public boundary problems: less reversibility in programmes once established, less varied proposals and greater acceptance of the existing constitution of social policies [Heclo, 1981: 390]. The hard experiences of the First World War and the Great Depression of the early 1930s triggered new forms of government intervention in social and economic life, new relationships between the state, employers and trade unions, and a process of political realignment which established new political forces at the heart of the state. World War I and the Great

Depression undercut faith in any party programme that relied entirely on the private sector to solve problems. In this respect, this period is seen as the decisive epoch in establishing the institutions and practices of that more interventionist form of government in which the post-war welfare state was grounded.

Just as the inter-war years have been seen as years of 'consolidation,' so has the period after 1945 been widely characterised as ushering in a thirty years' Golden Age of the welfare state. As World War II came to an end, a number of countries created the broad and systematic platform upon which the developed welfare state was based. Deep and widespread uncertainty expanded people's moral horizon and this propelled the welfare state development after World War II. The distinctive indicator of this period was rapid expansion in welfare state provision. In general, the development of the European welfare state from the turn of the 20th century to the mid-1970s can be characterised as having very modest beginnings, surprisingly continuous expansion, and extraordinary acceleration in the final 15 years [Flora, 1986: xxi].

This expansion of programmes and coverage caused an absolute and relative growth of social expenditure. Around 1930 average expenditure on social insurance amounted to probably less than 3 per cent of GDP. By 1950 it had increased to 5 per cent, by 1960 to 7 per cent and by 1974 to 13 per cent. If one takes the broader concept of social expenditure (including all spending on income maintenance programmes, public health, education and housing), the growth of the welfare state is most obvious and impressive. Whereas in the early 1950s the share of social expenditure varied between more than 10 and less than 20 per cent of GNP, it had grown by the mid-1970s to between one fourth and one third of GNP, and in some countries to more than one third [ibid.: xxii].

There have been many attempts to explain the reasons of this extra-ordinary growth. Many scholars explain these developments as the post-war consensus. In this view, the new social, political and economic order of the post-war world was to be secured around (1) Keynesian economic policies to secure full employment and economic growth domestically, within the agreed parameters of an essentially liberal capitalist international market, (2) a more or less institutional welfare state to deal with the dysfunctions arising from this market economy and (3) broad-based agreement between left and right, and between capital and labour, over these basic social

institutions (a market economy and a welfare state) and the accommodation of their competing interests through elite-level negotiation [Bowles and Gintis, 1982].

However, the most important factor might be the high and sustained economic growth in this period. It was economic growth that made a reconciliation of the opposing interests of capital and labour viable and sustainable. Table 2.1 gives some general indication of this growth. In seven industrialised countries, annual growth in GDP stood at 5.1 per cent in the years between 1963 and 1972, while inflation during the same period stayed at 4.7 per cent. This contrasts sharply with the experience after 1973 when the average rate of economic growth fell as low as 2.6 per cent, inflation rose to 9.2 per cent. The years of sustained, low inflationary economic growth were also years of particularly low levels of unemployment. The period between 1963 and 1972 in which the average levels of unemployment in seven industrialised countries stood at 2.2 per cent contrasts with the experience after 1973, when unemployment reached 3.9 per cent. Thus the 'Golden Age' of the welfare state was facilitated by unprecedented and unparalleled good economic conditions.

Table 2.1 Economic growth, inflation, unemployment and social expenditure growth in seven industrialised countries

	Average yearly GDP growth (in %)		Average yearly increase in consumer prices (in %)		Average yearly rates of unemployment (in %)		Average yearly social expenditure growth (in %)	
	'63-72	'73-81	'63-72	'73-82	'63-72	'73-82	'60-75	'75-81
Austria	5.1	2.9	3.9	6.4	2.6	1.9	6.0	4.4
Germany	4.4	2.4	3.2	5.2	1.1	3.8	6.7	1.9
France	5.5	2.8	4.7	11.1	1.9	5.1	7.5*	5.9
Sweden	3.9	1.8	5.4	10.0	1.9	2.2	8.0	4.0
UK	2.9	1.3	5.9	14.2	2.0	5.4	5.0	2.5
Japan	9.9	4.6	6.0	8.8	1.2	2.0	9.7	7.3
US	3.9	2.6	3.7	8.8	4.7	7.0	7.7	2.8
Average	5.1	2.6	4.7	9.2	2.2	3.9	7.2	4.1

Note: * Excluding education
Sources: Scharpf, 1984, p. 258; OECD, 1985, p. 28.

Such a sustained economic growth, however, also undermined the premises of the welfare state that policy makers thought they were creating at the end of World War

II. The basic structure of the post-war welfare state was consolidated amid memories of profound insecurity in the past and fears of continued disruptions in the future. Namely, the 'austerity society' was the foundation of the welfare state [Marshall, 1963: 282-283]. As a society became increasingly affluent, the welfare state was attacked from all sides. Widespread dangers such as depression and war had struck every social group, but minor fluctuations in a period of overall growth touched only certain sections. The nature of social need to which welfare policies were responding in an age of affluence was individualised rather than a collectively shared experience. Under these circumstances, new thinking about the welfare state was produced. Instead of shared risks and vulnerability, its ethic was based on piecemeal compensation for anyone who lagged behind others' gains. For every increase in one group's income and consumption, there were always other groups that could make a legitimate claim to keep pace [Heclo, 1981: 396].

In sum, the period between 1946 and the mid-1970s recorded the peak of the welfare state in terms of social expenditure, universality and adequacy of social provision. Such an achievement of the welfare state was mainly due to sustained and unprecedented economic growth. However the more social policy became dominant in the economy and helped absorb its product, the more it risked being viewed as a mere appendage to the economy when that economic growth slowed or stopped.

2.1.3 DEBATE ON CRISIS IN THE WELFARE STATE

As noted earlier, the welfare state had developed continuously until the mid-1970s on the basis of sustained economic growth and the broad consensus on welfare state provision. However, by the early 1970s the signs of economic difficulty were manifest and the five-fold increase in oil prices which OPEC was able to impose in 1973 precipitated a severe slump throughout the western industrialised world. There followed considerable discussion of an alleged crisis in the welfare state. Here we explore this supposed crisis from a broad political perspective. We will approach the crisis, first by reviewing the debate about the cause and nature of the crisis, and then by discussing the real source of crisis.

2.1.3.1 PERSPECTIVES OF THE CRISIS

The various theories identifying a deep crisis in welfare capitalism can be divided into three groups: the New Right (in the UK, neo-Conservatives in the US), Marxists and pragmatists. The New Right sees the root of the political problems of welfare capitalism as lying in government overload. For various reasons,[2] the New Right sees government as having become overloaded with duties and responsibilities and it sees this as threatening to political stability and to the legitimacy of welfare capitalism [George and Wilding, 1984: 230].

All overload theorists see overload as leading to a loss of government authority. Brittan argues that representative democracy tends to set in train processes which undermine the conditions of its existence. Two endemic threats to liberal representative democracy are: (1) the generation of excessive expectations; and (2) the disruptive effects of the pursuit of group self-interest in the market place [1975: 129]. Effective democracy requires a considerable degree of popular self-control. However, there is no in-built mechanism that restrains politicians from making unrealistic offers to the populace in the democratic auction to achieve power. King sees the link as more between overload, ineffectiveness and loss of credibility and standing [1975]. He examines four reasons for this kind of overloading. First, governments sometimes attempt to achieve the physically impossible given the current knowledge base. Second, governments lack the necessary resources to meet their multifarious duties. Third, the

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[2]Mishra summarises the New Right arguments on government overload in four respects [1984: 36-37]. First, the post-war years have seen a vast growth in organised interest groups. Society has become highly politicised and the organisational slack, which provided democratic governments with room to manoeuvre and accept new demands, has been much been much reduced. Second, during the same period there has been a virtual revolution of rising expectations or, better still, entitlements. The idea of social rights and entitlements, and the notion that it is the government's responsibility to underwrite these, has become widespread. Third, traditional restraints on the part of various groups have been gradually eroded. Sectional interest is being pressed to the full as notions of traditional income differentials, deference or other modes of restraint lose their influence. Fourth, social complexity has increased greatly, but social knowledge lags behind and cannot handle difficult situations. As governments intervene in more and more areas of society, the limitations of social science become increasingly apparent.

number of dependency relationships in which government is involved has increased substantially. Fourth, there has been a lack of knowledge and understanding of how to cope with increasingly complex problems. For him, accordingly, the welfare state is 'a sort of unlimited-liability insurance company.' The result is pessimism, disillusion and the politics of recrimination.

Marxists agree with the New Right about the facts of the crisis. They agree about government overload and about the increase in welfare expenditure which makes it difficult for governments to pay their bills. They agree about a fiscal crisis and about a broader crisis of legitimation. Where Marxists and the New Right differ is in their analysis of the causes of the crisis and possible solutions. Marxists see the causes of the crisis as rooted and grounded in the inherent contradictions of capitalism as an economic system. They see excessive expectations and the difficulties generated by competitive politics as no more than symptoms of an underlying disorder in the economic, social and political system which is capitalism [George and Wilding, 1984: 236][3].

Offe, for example, understands that the welfare state has been functionally necessary to ongoing capital accumulation in that it has managed the social damage done by market processes and facilitated the supply of properly socialised wage workers. But, at the same time, the welfare state has inevitably generated new contradictions, in three basic ways: by encouraging new political demands based on social needs rather than market needs; by diverting resources from the private economy; and by attempting to plan and administer policies that are well beyond the inherent organisational and authoritative capabilities of capitalist states, which cannot themselves engage directly in economic production. Offe concludes: 'while capitalism cannot coexist with, neither can it exist without, the welfare state' [1984: 153].

The political implication of the Marxist view of the welfare crisis is that, since the so-called welfare state is a part of the larger capitalist system, the pursuit of welfare in capitalist society is the 'labour of Sisyphus' [Mishra: 1984: 89]. For not only does the system limit the nature and scope of 'genuine' welfare but since it is founded on insoluble contradictions, which must sooner or later cause serious economic crises, the

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[3]For more detail, see O'Connor [1973], Gough [1979], Wolfe [1970], Habermas [1976], and Offe [1984].

material basis of welfare provision always remains at risk. Therefore the only solution to these contradictions is its abolition or transcendence.

As we have seen, the crisis of the welfare state evoked two clear radical responses; one from the Right (neo-Conservatives) and the other from the Left (Marxists). The Right would roll back the state, at least in its welfare aspects, curtail political interference in the market economy, and rely on a self-correcting market to keep an advanced industrial economy and society afloat. The Left, on the other hand, points to the essentially contradictory nature of capitalism, and the consequent inability of welfare capitalism either to prevent economic crises from developing or to solve them when they do occur. Common to both positions is a rejection of the mix, the attempted synthesis of capitalist and socialist values, represented by the post-war welfare state.

The group, however, which we describe as the pragmatists, does not reject the mixed economy and the welfare state. The pragmatists differ from the other two groups of theorists of the legitimacy crisis in two important respects [George and Wilding, 1984: 242-243]. First, they do not see the crisis as rooted in the workings of democracy or in the contradictions of capitalism. That is, they do not see the crisis as systemic but rather as the product of a number of trends, errors and developments. Second, although they talk about 'crisis', they do not see the problems they describe as unresolvable within the present economic and social system. They believe that a way can be found to ease or solve the problems.

Some of the pragmatists would lay great stress on economic difficulties as the major factor of a crisis. Business recession reduces the ability of governments to achieve their objectives, for example, because they lack the necessary resources so reducing their effectiveness. It sharpens conflicts between groups seeking higher rewards or improved services. Another line of argument adopted by the pragmatists is to stress how centralisation and bureaucratisation have led to the failure of welfare state polices, the loss of public support, and so to a loss of authority for government [Dahrendorf, 1980: 400-401]. Dahrendorf, for example, emphasises this element in the decline of legitimacy. He argues that larger organisations have been less effective, planning has been clumsy, bureaucratisation has proved costly and that centralisation has weakened local support and denied participation. Horowitz emphasises what he calls

the 'stretching out effect of representational government', that is, the increasing sense of distance between rulers and ruled as in large part the source of the legitimacy crisis in the West [1979: 55].

In general, as a weak point of the pragmatists, the absence of theory is often noted [Mishra, 1984: 125]. The pragmatists lack an articulate theory (both normative and positive) of the welfare state. As a result, the most revealing characteristic of the pragmatists' early response to attacks on the welfare state is a non-response [ibid.: 123]. By the mid-1980s, however, various attempts to defend the welfare state had been made by some writers. For example, Harris, in his book, *Justifying State Welfare,* defends the welfare state around the theory of citizenship [1987]. He argues that an extensive welfare state is a requirement of social justice in any society that wishes to retain the utilitarian and liberal advantages of a market economy. Wilding argues that the welfare state is defendable on eight grounds: 'that the achievement of the last forty years has been considerable; that the welfare state enjoys widespread popularity; that the welfare state policies are an efficient way of meeting social needs; that such policies are the most effective way of supplementing, complementing and correcting the shortcomings of the economic market; that welfare state policies are the only satisfactory way of meeting needs which other traditional sources of welfare can no longer supply; that the welfare state is an important mechanism for securing political stability; that it provides a basis on which to build a genuine welfare society and, finally, that the welfare state is based on values which are the necessary basis for fair and civilised social life' [1986: 127].

2.1.3.2 Discussion

The main sources of crisis may be revealed through an examination of the economic, administrative, and ideological accounts. The most obvious reason for the switch from optimistic to pessimistic views about the welfare state is the growing cost of welfare provisions, and the damaging effect this may have had on overall economic performance and growth. Welfare benefits are commonly held to be in some way responsible for the economic malaise of the Western economies in the 1970s and 1980s, though there is some dispute about the specific economic mechanism involved. It may

be that state pensions have restricted private saving and thereby retarded investment and growth, or that unemployment benefit has reduced the supply and increased the cost of labour, or that the high marginal tax rates required to pay for welfare provisions have reduced entrepreneurial drive, the quest for high profits, and speculative investment. The great problem with these views, however, is that, by focusing on a period of rising unemployment, they inevitably tend to imply the existence of that causal association between welfare state expansion and stagnation which is supposed to be the subject of investigation in the first place. The answer to the question is to a large extent assumed by the way the question is asked; guilt is implied even before the trial begins [Johnson, P., 1986].

George and Wilding have analysed the large literature on the connection between social policy and economic growth [1984: 151-186]. Their conclusions are hostile to the view that welfare spending damages vigorous wealth creation. Their discussion of the connection between work incentives, taxation levels and levels of social security benefits is, in its presentation of the complexity of the connection between effort, motive and reward, a valuable corrective to the sweeping generalisations which were so common in the earlier literature. George and Wilding's discussion is, however, largely limited to Britain. In the debate about the welfare state and economic growth only comparative work could hope to be conclusive. Atkinson has reviewed the major empirical studies which have assessed the impact of social security transfer spending as a share of GDP, on economic growth rates [1995]. Of the nine studies, four find a negative relationship, three a positive relationship and two an insignificant relationship. Another survey of studies is undertaken by Esping-Andersen [1994], this time of those using a broader definition of welfare state effort - total levels of social spending as a share of GDP. Again the studies reveal a mix of positive, negative and insignificant effects on national output.

In short, the econometric tests continue, some showing that particular welfare state programmes have a large impact on the economy, others showing small or negligible effects, but none of them able to demonstrate categorically that the economic malaise of most western economies over the last decades was brought about by rising welfare expenditures. It seems unlikely, then, that new answers to enduring questions about the impact of state welfare schemes can be provided simply by reference to

changes in objective economic conditions. A financial crisis, if there is one, arises not from scarcity, which has always been a problem, but from beliefs about what constitutes tolerable burdens and how they should be shared. One obvious answer is that it matters greatly if key sections of the population believe the burden of welfare to be unacceptable. This means a financial crisis may be at heart a legitimation crisis [Moran, 1988: 411-412].

An account in terms of administrative crisis can be linked to a growing cynicism about the designs and actions of administrators and politicians. Big government is now often seen as more intent on pursuing its own, internalised ends, rather than serving the wishes and desires of its constituent electorate. The administrative capacity to carry out the task of the welfare state is also equally problematic. The welfare state, as a large and expanding section of government, has attracted a large and expanding share of such criticism. However, these arguments tend to undervalue the possibility of learning and organisational change. Unresponsiveness, hierarchy and rigidity are not necessarily endemic to welfare bureaucracies; they may be part of a development phase, to be succeeded by the evolution of different systems of administration. It could be possible in the future, for instance, to make political decisions about the extension of certain sorts of benefit more open to public scrutiny by requiring separate legislation, separate welfare budgets and taxes, and possibly periodical referendums on the structure of the welfare system. Bureaucracy might be made less monolithic by decentralisation, and more efficient through effective internal audits. The machinations of interest groups could be revealed through a more open system of government. In short, arguments in terms of an administrative crisis are often based on an ideological preference for small government, rather than on newly discovered knowledge.

We have argued that economic and administrative reasons cannot become a real source of crisis. We have also seen there are ideological reasons in the background of arguments about economic and administrative crises. Consequently, we find the fundamental source of crisis in the inherent conflicts of welfare capitalism. As George and Wilding argue [1984: 250], we see capitalism as having a naturally destabilising impact on society because it depends on the inculcation and nourishing of relationships and attitudes which are fundamentally anti-social. We also see a fundamental conflict between capitalism and democracy. The first depends on individualism, competition and

inequality, the second on co-operation, collective action and equality in certain spheres of life. At times a truce situation will exist when the economy is growing. But recession will highlight the fundamental conflict between self-interested economic relationships and the solidaristic social relations on which the public household ultimately depends. Crisis therefore is to be expected in a capitalist social welfare system. The problem is not conflict itself, but the way government and people conceive of the conflict, and cope with it. More strictly speaking, democratic regimes ultimately depend on popular support rather than ideological purity for their legitimacy, and it is with the electorate that the welfare state finds an important safeguard. That is, depending on the direction taken by public opinion on the welfare state, conflicts can lead to a serious crisis, or remain latent.

Alt, in his examination of the impact of economic decline on public opinion, detected a long-term withdrawal of support for many of the programmes associated with the welfare state and a decline, under the pressure of economic stringency, in the altruistic attitudes conventionally associated with support for public welfare programmes [1979]. On the other hand, Taylor-Gooby, through his empirical work on attitudes to state welfare in 1981, found overwhelming popular support for the welfare state, especially for old age and disability pensions, though in a more muted fashion for programmes that assist the able-bodied unemployed [1985]. These findings show us that we cannot say uniformly whether there is a legitimacy crisis in the welfare state, or not. Especially in a period of global economic difficulties the specific features of each national state and party system, and its distinctive array of social policy legacies inherited from the past, become crucial to explaining whether a crisis of the welfare state occurs at all, exactly how the crisis is defined, and what ideas, movements, and leadership manoeuvres will define alternatives for the future. This is the reason why in the following section we will survey the development of social policy in four countries during the recent decades.

2.2 ORIGINS AND DEVELOPMENT OF THE WELFARE STATE IN THE FOUR COUNTRIES

2.2.1 OVERVIEW

In the previous section, we reviewed a brief history of welfare state development in Western Europe. While this provides broad general trends of welfare state development, it fails in distinguishing national divergences. The substance of social policy in any particular country is structured by a number of ideological, sociological and economic requirements necessary to the continued survival of modern capitalism, which are, historically, continually redefined by changing economic and social circumstances. Most importantly, welfare states have been significantly restructured by international economic difficulties since the mid 1970s. In this section, we survey how individual welfare states, with different historical and socio-political backgrounds, develop their particular welfare systems and respond to 'a crisis' of the welfare state.

This section consists of case studies of four welfare states, Britain, the United States, Germany and Sweden. The US, Germany and Sweden are often held up as clear examples of three contrasting forms of welfare regime; Esping-Andersen's 'three worlds of welfare capitalism'. Britain is included as a fourth case study, being something of a hybrid and illustrating the significance of diversity and uniqueness amongst welfare states. Attention has been particularly focused on the historical and political origins of individual welfare states and on comparing the strategy of response to economic difficulties since the mid 1970s.

Tables 2.2 and 2.3 show the growth of social expenditure in the four countries surveyed here. From 1974 through 1990 the expenditure patterns across the four cases are quite similar, despite widely different starting points. As Tables 2.2 and 2.3 show, social security spending and total government outlays as a percentage of GDP are relatively flat over most of the relevant period. The exception is the recent surge in Swedish expenditures, which will be discussed below. There is a slight upward trend overall, with fluctuations related to the business cycle.

Table 2.2 Social Security Transfers as % of GDP (1974-90)

	Britain	Germany	Sweden	United States
1974	9.8	14.6	14.3	9.5
1980	11.7	16.6	17.6	10.9
1982	14.0	17.7	18.3	11.9
1984	14.0	16.5	17.6	11.0
1986	14.1	15.9	18.4	11.0
1988	12.3	16.1	19.5	10.6
1990	12.2	15.3	19.7	10.8*

*1989.

Source: OECD, 1992, Table 6.3.

Table 2.3 Government Outlays by Functions as % of Trend GDP

	Britain		Germany		Sweden		United States	
	1979	1990	1979	1990	1979	1990	1979	1990
Total	44.9	43.2	49.9	45.8	63.2	61.4	33.2	36.9
Public goods	9.5	9.7	10.0	9.2	10.5	8.8	8.2	9.3
Merit goods	13.6	12.2	12.3	10.9	15.9	13.4	6.1	6.0
Education	5.5	5.0	5.2	4.2	6.6	5.6	4.7	4.7
Health	4.8	5.1	6.3	6.0	8.1	6.9	0.9	0.9
Housing & other	3.4	2.1	0.8	0.7	1.2	0.8	0.5	0.4
Income Trans.	12.5	13.4	20.2	18.5	24.6	26.8	11.2	11.9
Pensions	6.7	6.5	12.7	11.2	11.0	11.5	6.9	7.0
Sickness	0.4	0.3	0.8	0.7	3.4	4.5	0.1	0.2
Family allow.	1.7	1.6	1.2	0.8	1.6	1.3	0.4	0.4
Unemployment	0.7	0.6	0.9	1.3	0.4	0.5	0.4	0.3
Other income supports	0.1	0.8	1.3	1.6	0.1	0.2	0.0	0.0
Admin. and other spend.	0.4	1.6	2.6	2.4	4.9	5.2	0.6	0.6
Add. transfer	1.4	1.8	0.5	0.4	3.2	3.7	2.7	3.5

Notes: (1) Numbers may not sum to total due to rounding.
(2) Defence and other public services.
(3) For the US, social security related to health spending included under 'additional transfers' below.

Source: OECD, *Economic Outlook*, December 1993, Table 21.

Table 2.3 offers more fractionalized indicators of shifts in social welfare spending among the four countries; spending patterns are reported for what the OECD terms 'merit goods' (primarily housing, education, and health care) as well as for various income transfers. The figures suggest a bit more divergence among the cases, with the United States and Germany emerging as somewhat more successful in curbing spending. A very few programme areas - notably British housing and German pensions - experienced significant reductions. Nonetheless, similarities across countries remain more striking than differences. None of the cases show major rises or declines in overall effort, and there are few indications of dramatic change in any of the subcategories of expenditure.

The data suggest a surprisingly high level of continuity and stability. These figures must be treated with caution, however, since major changes in the spending for particular programmes could be occurring within these broad categories. Policy reforms could have imposed lagged cutbacks that do not show up abruptly in spending figures. Furthermore, many other features of programmes, not just spending levels, are of significance. To investigate these issues and to get a better sense of the processes that generated these aggregate outcomes, we turn to a more detailed investigation of the four cases.

2.2.2 COMPARING WELFARE STATES

2.2.2.1 BRITAIN

In the history of the British welfare state, most important was the Beveridge Report that became the foundation of the full flowering of the welfare state after the World War II. The Beveridge Report recommended a comprehensive insurance system for the entire population. This system was to be one of pooling risks, a radically widened form of social insurance, in which one single contribution was to open the door to a number of assorted benefits. This pooling of risks meant risks were to be borne collectively by society. The state or community as a whole was to reduce insecurity for all citizens by meeting social contingencies by giving social protection from the cradle to the grave. This philosophy accepted that needy individuals were the victims of societal

forces beyond their control rather than problems they themselves had caused [Titmuss, 1974; Huttman, 1981:92].

Philosophies embodied in the Report were formulated in a period of war, when the British were facing extreme deprivations and making great sacrifices, sharing the battles and the burdens as a cohesive group rather than as separate class groups. This situation encouraged attitudes of collective concern for all citizens and support for promises to the less fortunate ones that conditions, the quality of life, in Britain would be better for them after the war. Indeed, though social initiatives within the war period were very modest, widespread social and political consensus on the future welfare state was secured. At the centre of this consensus was an ideology which accepted an extended role for the state in economic and social policy and implicitly guaranteed social rights of citizenship for the whole population.

By the mid-1970s Britain had developed a midsize welfare state with a mix of fairly modest income transfer programmes and relatively extensive and interventionist policies in health care and housing. However, as the pace of economic expansion began to falter in the 1960s, and was replaced by recession in the early 1970s, the difficulties in sustaining the pattern of state welfare in its post-war form emerged as a persistent focus of public and political debate.

The election of the Thatcher government in 1979 marked the decisive break between the era inaugurated by the Attlee government after 1945 and the new politics of welfare reform. There is obviously no single correct explanation of why the consensus which most people had perceived in the years after 1945 began to break down during the 1970s more easily in the UK than in other European countries. The arguments to be used here will, however, put particular emphasis on the British economic and political conditions.

First, the fundamental weakness of the British economy diminished the supply of resources for the welfare state to a comparatively much greater extent. Gamble's argument that 'Britain has now been in decline for a hundred years' is very significant [1981: xiii]. Britain had for a long time achieved only a modest rate of return on its use of resources. This deficiency was tolerable when the relative performance of other countries was not significantly better. But in the early 1960s it became clear that more

and more countries were securing a higher return on the resources they deployed. This meant that the British economy was in a relative decline [Johnson, N., 1987b: 144-145]. On the other hand, the welfare state as constructed during and after the Second World War expressed the culmination of a long tradition of social reformism directed to the equalisation of opportunities and the protection of wage-earners against the more acute risks of poverty, unemployment, sickness and age. What was achieved between 1944 and 1948 was ambitious in scale and coverage, at any rate in comparison with the welfare provisions of many other countries in the West at the time [ibid.: 145]. The result was a growing gap, clearly visible in the 1970s, between the rate of growth of the economy and the expectations of material benefits of all kinds on the part of the population. As this gap widened, inflation was inevitably stimulated.

Second, Britain is unusually 'statist' by comparison with other West European countries both institutionally and in terms of political or civic culture. Dunleavy argues that the statism of British public policy-making has not been grounded on some commonplace foundations - such as the weakness or fragmentation of the right, the strength of the left parties, the prevalence of corporatism, or the strength of a pro-welfare national consensus, but on a more particular mix of historical experience and pragmatism [1989: 285]. It is accepted that the experience of extraordinary wartime mobilisation in the UK had a powerful series of influences on post-war statism; public attitudes to the efficacy of state control shifted dramatically, reflecting the positive evaluation of wartime planning and public administration. However, as the wartime experience became more diluted, and the fiscal crisis of the state became more acute, this 'ungrounded' character of British statism had been dramatically revealed in the 1980s by the relative ease with which the Thatcher government inaugurated apparently far-reaching changes in the welfare state. Like Thatcher, many people in Britain tend to believe that personal qualities rather than organisation or grand principles are decisive in getting things done. Whether such a belief is in general well founded or not is unimportant. What matters is that it is widely held and thus established a certain degree of sympathy and support for the emphasis which Thatcher gave to acting decisively in and through the traditional institutions [Johnson, N., 1987b: 157]. In particular, central government in Britain has much greater control over the total size of welfare budget than many continental governments enjoy, and therefore its ideological preferences are

likely to be more potent. This considerable centralised power to control the volume of public welfare is both the product of the British electoral systems, with a 'first past the post' voting system and a single paramount legislative chamber, and the inheritance of a brief post-war period when there was widespread support for centrally funded universalism [Baldock, 1993b: 36; Taylor-Gooby, 1996: 111].

The birth of Thatcher government ushered in a new paradigm - the affordable welfare state. The new paradigm was different from the old in at least five main ways [George and Miller, 1994: 17-18]. First, the volume of public expenditure must be closely determined by current rates of economic growth, as resources rather than needs are the overriding determinant of public expenditure. Second, direct taxation rates were to be as low as possible. Third, the affordable welfare state implied a greater acceptance of private and voluntary provision both as supplements and as substitutes of state provision. Fourth, public services should be managed in ways that provide maximum value for money. Managerialism in public services was given a much higher weight than before. Fifth, the demands of consumers of the services should be curbed as far as possible. These five strands of the new paradigm evolved gradually during the 1980s and they have now been accepted, to a greater and lesser extent, by the main political parties of the country.

What, then, is the real outcome of the 1980s for the British welfare state? As Table 2.2 indicates, social expenditure as a share of GDP remains almost unchanged after more than a decade of Conservative governance. However, a cluster of related policies and social objectives were either abandoned completely or diluted: falling relative levels of benefits and services coupled with absolute declines in public housing and possibly health provision; greater opportunity for exit from state welfare programmes; some expansion of occupational and private provision of social services and benefits; greater centralisation of the control and administration of welfare services; the emergence of mass unemployment and a class of very long-term unemployed; and redistribution towards the rich and, to a much lesser extent, the middle-income groups, coupled with rising relative poverty. [Gough, 1990, quoted in Bryson, 1992: 89; Joseph Rowntree Foundation, 1995].

Despite the significant shifts in such directions under Thatcherism, however, it can be argued that important elements of the welfare state have survived. State social

services, with the exception of public housing, are largely intact. The income maintenance programmes have been substantially cut back both in value and coverage, but they have not been abolished and they still guarantee a survival of sorts to millions of people. On the whole, the British Conservatives found the welfare state to be a political minefield, as popular support for much social spending remained strong. British public opinion on social policy reveals the same pattern found elsewhere: a modest decline of support for the welfare state preceded the arrival of the Thatcher government but rebounded at the first hint of serious retrenchment. Public opinion in Britain has run strongly, and increasingly, in favour of maintaining or even expanding social provision [Taylor-Gooby, 1988]. In fact, the momentum of Thatcherite social policy has certainly been slowed down by both organised and riotous pressure from below, for example, the urban uprisings of 1981 and 1985, and the anti-poll-tax riot of 1990. The hard slog of the welfare pressure and interest groups as well as the new social movements such as the poverty lobby, the women's movement, anti-racist pressures helped to undermine support for Thatcherite conservatism, which contributed to the resignation of its leader in November 1990 [Ginsburg, 1992: 191].

While John Major has carried on the broad policies of his predecessor, there were early signs of a softer approach towards welfare services. Major's 'Citizens' Charter', outlined in 1991, indicated both a recognition of the depth of public support for state welfare services and at least a rhetorical commitment to maintain and improve them, although not necessarily in their old forms [Clarke and Langan, 1993b:71].

By the early 1990s the British welfare state had witnessed a sustained attempt to dismantle the social democratic features of the post-war welfare settlement and to install a more market-oriented pattern of welfare. This had pulled the state sector towards a more residualist position in relation to both welfare benefits and the provision of welfare services. This trend of the mixed economy of welfare in Britain is being sustained for the time being.

2.2.2.2 THE UNITED STATES

The modern welfare state in the US developed in two short bursts of popular pressure and social reform - the New Deal of the 1930s, and the rapid expansion of social programmes in the Great Society era of the 1960s. In the context of a United States with a strong liberal and individualistic tradition, social protection was regarded as a kind of unnecessary and even harmful intervention until the 1920s. The chief economic rationale that demonstrated the harmful consequences of social protection was the theory of Social Darwinism. Social Darwinism embodied the more general proposition of classical liberalism that achievement of the common good was conditional on the unhindered pursuit of individual interest [Rimlinger, 1971: 336].

It was only when the Great Depression revealed in a shocking manner the utter defencelessness of the citizen in the American industrial state that the still potent individualistic tradition could be overcome. The New Deal was prompted by a deep crisis of free-market capitalism, and the political agitation of many of its victims. The depression of the 1930s found the United States woefully unprepared to deal with the hazards of economic insecurity that are inherent in an industrial society. Roosevelt's response to the Depression involved a massive social experiment whose objectives were relief, recovery and reform.[4] The result of his efforts was the Social Security Act of 1935. This legislation included: a national old-age insurance system; federal grants to states for maternal and child welfare services, relief to dependent children, vocational rehabilitation for the handicapped, medical care for crippled children, aid to the blind, and a plan to strengthen public health services; a federal-state unemployment system. Conspicuously omitted was a national health insurance plan. If there were still many hesitations and reservations in the Social Security Act, it declared the birth of the

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[4]Roosevelt was not a socialist. Faced with an economic system at breaking point, he plunged into relief activities to save capitalism. There was no hint of any desire to use social security as a means of income redistribution from rich to poor in his message. It was to be a means that would enable workers to look out for themselves and their fellow workers, not a vehicle for reducing economic inequality among social classes, or for increasing the responsibility of the rich for the poor. In this sense, he was the quintessential 'liberal capitalist' [Rimlinger, 1971].

American welfare state and established a basis for its growth and development [Karger and Stoesz, 1990: 48].

In the 1960s, the Great Society programmes substantially extended public involvement in most areas of welfare. They were prompted by the rediscovery of poverty and unmet welfare needs in the affluent society. The Great Society programmes took place along three fronts [Glazer, 1986: 40]. First, the largest hole in the American system of welfare provisions was in some measure filled with the passage of laws setting up a system of Medicare (contributory health insurance for the aged) and Medicaid (non-contributory health care provision for the poor). Second, the United States began in some respects to move ahead of Western Europe by launching a complex group of programmes designed to wipe out poverty under the auspices of the Office of Economic Opportunity (OEO). Third, a major Civil Rights Act and Voting Rights Act outlawed discrimination in employment and education on grounds of race, and ensured the ability of blacks and other minority groups to register and vote. The Great Society Programmes succeeded in mitigating poverty and racial and gender inequalities.

No sooner had the final push to the completion of the American welfare state been launched than problems arose that delayed, raised doubts, and finally turned back the movement before it reached a fully developed form. Since the late 1960s there has been a so-called backlash against the welfare state, whose impact has been significant. Several factors have converged to challenge the liberal premise behind social welfare that major government social programmes are the most desirable way to protect vulnerable populations from social and economic insecurity[5].

One of the significant features of the American welfare state is dualism between programmes which are universally provided and those which are targeted at poor

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[5]Liberalism has a particular meaning in the US. Liberalism accepts the necessity of positive, social policy interventions to meet social needs, which are pushed forward by pressure and interest groups of many kinds, including those of the poor and oppressed, the middle classes, the women's movement, the labour movement, the business corporations and so on. Liberalism implies a pragmatic, welfare collectivism without explicit left, or right bias, but symbolised in concepts like the 'New Deal' and the 'Great Society' associated with Democratic presidents. Nevertheless, in contemporary American politics 'liberal' is often used almost derogatively: as 'socialist' might be in Britain.

people. Of course this dualism, reflecting notions of the deserving and undeserving, historically has shaped all welfare states, but it remains of central significance in the US. Glazer refers to two systems, 'Welfare I' and 'Welfare II' [1986: 42]. 'Welfare I' - the contributory programmes for all and education - still expands, and is almost intact. 'Welfare II' - the residual programmes for those not helped by the first type of programme - is in increasing disrepute. During the 1980s, 'Welfare I' has come under far less political pressure for cuts than 'Welfare II'. This dualism in the US welfare state presents a sharp contrast with much of Western Europe. In the well-designed welfare state, it is always the hope that the first type of programme will take care of the vast majority of problems, and the number needing programmes of the second type will be small and decline, as good education and health care makes almost every person a participant in the labour market and self-supporting. In addition, other distinctive features of the American welfare state are the enormous local diversity in policies and practices, the accompanying absence of a coherent national social policy consensus, and the integral role of private charitable and commercial interests within the welfare state.

Why is the American welfare state a somewhat undeveloped example, compared to the fully developed systems of other economically advanced states? There are a number of characteristics of American society that argue against, undermine, or prevent the universalism of social provision that has been the general ideal in welfare states. Following Glazer, the weakness of universal social provision as an ideology in the United States, and the weakness of efforts to create national and uniform systems of social provision reflect five features of American society: federalism, ethnic and religious heterogeneity, the problem of the Afro-American, individualism, and voluntarism [ibid.: 62].

During the Reagan presidency, the American welfare state witnessed a great shift of welfare ideas: from protection to competition; from intervention to custody; from dignity to profits; from social security to private enterprise; from equality to oppression [Iatridis, 1983]. An unprecedented federal budget deficit made expenditures for new social programmes implausible, and even led to consideration of trimming existing programmes. Indeed, during the 1980s, there were substantial efforts to arrest and reverse the growth of programmes directed primarily to the poor: AFDC (Aid to Families with Dependent Children i.e. single parent families), Food Stamps, and Medicaid. It took a number of

directions: reductions in the ceilings that define eligibility for AFDC, Food Stamps, and Medicare; returning programmes to the states; reducing the directive role and allowing more diversity among the states, hoping indeed for cost-cutting initiatives from the states; depending on, hoping for, or expecting that some of the holes opened up by the federal withdrawal would be taken up by private, voluntary, non-profit-making organisations, or even profit-making organisations; lumping some three dozen unrelated educational, social service, and community aid programmes into a few block grants totalling less than the separate programmes.

Although it is generally argued that the residual nature of the welfare state in the United States creates a narrow political base, the initial backlash against welfare was short-lived. President Reagan succeeded in arresting the growth of social expenditures or even introducing cuts in benefits levels, but his policy, despite the political rhetoric, was in some measure a continuation of previous trends. Almost all the New Deal programmes and many of the Great Society programmes have survived with significantly retrenched budgets. The experience of the 1980s in the United States shows that the welfare state is neither irreversible nor doomed.

From the neo-conservative restructuring of the 1980s in the American welfare state, three fundamental values emerge that bear directly on the shape of future welfare proposals: reciprocity, productivity, and familial responsibility [Karger and Stoesz, 1990: 304-308]. A growing literature on the American underclass suggests that welfare programmes contribute to dependency and dysfunctional behaviours, especially when benefits are not conditional on a standard of conduct expected of recipients. Consequently, a common feature of welfare reform insists that beneficiaries participate in such social activities as education or job-finding activities, as a condition for eligibility. For example, mothers on AFDC can be expected to enrol in educational programmes or engage in job-finding activities in exchange for benefits, or they risk being dropped from public assistance.

The shift in the US political climate away from liberalism and the lessened likelihood of a full-fledged welfare state justify a new concept for social welfare, the functional conception [Gilbert, 1986]. Essentially, neoconservatives are concerned about making welfare a productive institution rather than one that they perceive to be sapping the nation's social and economic capital. There are two ways in which the

productivity goal affects welfare reform. The first way is to enlarge the investment in human capital. Reich interprets welfare as investment in human capital that should be directed to productivity [1983]. Second, welfare programmes can be used to rebuild deteriorating communities in America. The redefinition of relief from an association with welfare to an association with work carries with it the prospect of using social programmes to reconstruct America's deteriorating infrastructure. Allying welfare to productivity draws social programmes closer to the American economic system, a strategy that may be necessary to justify greater expenditures for social welfare in the future.

Another thread in current welfare reform proposals is the belief that the government should abandon its role as the rescuer of first resort. Retreating to traditional values, this philosophy decrees that spouses (usually the father, since the mother is most often the custodial parent) have the ultimate responsibility for support of their offspring. Welfare reform ideologies that stress reciprocity, productivity, and familial responsibility reflect a return to traditional values of self-reliance, independence, individual responsibility, and the limited role of government.

Amid high praise and angry rebukes, on August 20, 1996, President Clinton signed an overhaul of the welfare system that gives states more power, limits eligibility and ends direct federal aid for poor children. 'Today we are ending welfare as we know it,' Clinton said, echoing his 1992 presidential campaign promise as he signed the bill delivered by the Republican-controlled Congress. 'But I hope this day will be remembered not for what it ended but for what it began, a new day that offers hope, honours responsibility, rewards work and changes the terms of the debate,' he said [quoted in the Korea Herald, Aug. 24, 1996].

Under the new law, federal welfare spending will be cut by about $55 billion over six years, mainly by reducing funding for the Food Stamps programme and aid to legal immigrants. It also imposes a five-year lifetime limit on receiving welfare and requires recipients to begin working within two years after receiving benefits. One of the more controversial changes ends a 61-year guarantee of federal aid for poor children. Aid to Families with Dependent Children, the main federal cash welfare programme, and smaller programmes are folded into an annual block grant to states to run their own programmes instead.

While the current political environment poses a major test of the resilience of the welfare state, both the American precedents and experience elsewhere cast doubt on the proposition that Republicans can draw on a deep reservoir of public tolerance for sharp cuts in social programmes.

2.2.2.3 GERMANY

Germany pioneered in social insurance (except unemployment insurance).[6] Germany's early social insurance legislation was deeply related to her particular political and socio-economic circumstances [Ritter, 1986: 33-58]. Compared with her competitors, Britain and France, Germany was an industrial latecomer. In particular, Germany had not been established as a unified nation until 1871. Bismarck, who was eager to maintain social harmony and state control in the newly unified nation, and to achieve rapid economic growth, regarded the Social Democratic Party and the free trade unions as the worst obstacles.[7] Bismarck used the two assassination attempts on the Emperor in May and June 1878 to introduce legislation suppressing both the Socialist Party and the free trade unions [ibid.: 32]. But his aims were pursued not only with such a punitive law, but also with the positive furthering of the welfare of workers. Bismarck saw the social insurance legislation as a means of winning working class

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[6]There were a number of reasons why Britain's state welfare system was introduced at a relatively late stage in comparison to Germany's: the absence of a powerful political movement to represent British workers, and of an effective state bureaucracy which would have allowed the state to perform a more constructive role outside of the work of its local authorities; its strong tradition of self-help, and of an emphasis on private property; the capacity of British traditional Poor Law to adapt itself to the new economic and social conditions created by industrialisation and urbanisation.

[7]By the late 1860s there was a discernible strain on relations between the state and organised labour. This followed the founding of the Social Democratic Party in 1869, with its rejection of Bismarck's policies. It was also a result of the Social Democrats' openly professed allegiance to the First International, which had adopted a radical programme at Basle in September 1869, demanding the immediate nationalisation of all land. Following the critical anti-government stance adopted by both of Germany's two main worker's parties during the France-Prussian War, the state's latent enmity was transformed into outright hostility [Ritter, 1986: 24].

allegiance and of destroying socialism. In addition to this, only the national government possessed the bureaucratic resources necessary to carry out such wide-ranging schemes [Thane, 1982: 108].

On the other hand, Germany's relatively lower level of worker welfare also became a motive for early legislation. In 1880 Germany's existing sickness insurance provisions only covered about 5 per cent of the population [Ritter, 1986: 38]. Germany's existing provisions for old age and disablement were even less universal [ibid.: 39]. While the risk of accidents was greatly increasing as a result of the growing numbers of industrial workers, Bismarck was firmly opposed to the legislation of a factory act, which would have reduced accidents and illness, because he regarded any such step as an interference in private affairs and in business efficiency [Tampke, 1981: 80]. Bismarck introduced social insurance as an alternative to a factory act.

During the Hitler era (1933-1945), Germany's social policy had to adapt to the objectives of the totalitarian state. Labour and social policy became part of the general system of Nazi economic and political control [Rimlinger, 1971: 132]. While, in Britain, the war experience had engendered a sense of national solidarity and confidence in state intervention and had thus prepared the ground for the Beveridge reforms, in Germany, by contrast, the experience of Nazi misuse of power had provoked opposition to any form of government-imposed centralisation or collectivism [Hockerts, 1981: 318].

The formulation of a new reciprocity of individual and state was cast into the mould of the *'Sozialer Rechtsstaat'*, which was a synthesis of two rather opposite constitutional principles of the *Rechtsstaat* and the *Sozialstaat* [Rimlinger, 1971: 139-148]. The *Rechtsstaat* stresses the equality of all individuals before the law and the individual liberty. The *Sozialstaat*, on the other hand, recognises state intervention for the realisation of social rights. To find the proper balance of individual and state responsibility, the concept of 'Social Market Economy' was suggested and developed under Ludwig Erhard. The ideas of the Social Market Economy have sprouted from the neo-liberal movement, in which neither the laissez-faire nor the controlled economy is acceptable alternatives. The Social Market Economy represents an attempt to reconcile the liberal position with a positive social programme. Advocates of the Social Market Economy recognise the efficiency of the free market mechanism about the production and to the allocation of resources. However, they argue that it would be a fateful

mistake to leave to automatic market operations the task of determining the ultimate social order and of providing on their own for the necessities of political and cultural life. The Social Market Economy, in their view, is the middle way, which relies on the free market but does not exclude social intervention. The idea of the Social Market Economy was officially embraced by the governing Christian Democratic Party in 1949. The German post-war social policy reforms have been carried out within this ideological setting.

Why is the German policy profile marked by the strange combination of a market-oriented economic policy and a welfare statist social policy and, in particular, by determined efforts to maintain high levels of social security? In particular, among the historical determinants of German policy of the middle way, the tradition of a powerful authoritarian welfare state had an important role [Dahrendorf, 1968, quoted in Schmidt, 1989: 66]. In the late nineteenth century, Germany had been the pioneer nation in social protection. The state's ultimate responsibility for the social welfare of its citizens has been a long-standing principle in Germany, sustained over various regimes. Obviously, the peak of state intervention was the National Socialist era, especially with the impact of war from 1939 onwards. But even after the defeat of the Third Reich (1933-45), and despite the fact that the occupation powers and the West German political elite sought to dismantle many interventionist features of the Nazi state apparatus and, through denazification, to purge its personnel, the pattern of bureaucratic continuity and long-grounded expertise in managing the economy and civil society remained a crucial factor shaping politics and policy. This contradictory political history of Germany has thus resulted in the coexistence and intermeshing of two distinct, though not mutually exclusive, philosophies of public policy: a philosophy of a social-reformist, interventionist policy-making and another of a liberal, democratic and market-oriented kind.

This feature of the middle way is reflected in the German version of the welfare state. The German state has an obligation to provide a decent standard of living and social justice, including, according to current standards, income security, employment security, and preservation of earning power. Nevertheless, in Germany the concept of the welfare state *(Wohlfahrtsstaat)* has a rather negative connotation, implying a paternalistic dependence undermining individual freedom and initiative, similar to the meaning of 'welfare' in the US. The comprehensive British Beveridge programme of

care from cradle to grave or the Swedish *Volksheim* ideology are rejected. Security has priority over equality, and a broad consensus would in any event support only the principle of equality of opportunity not that of equality of results [Zapf, 1986: 132].

The German social security system is characterised by two main aspects: universalism and status-maintenance. These features are helpful in explaining why an ideology of a welfare burden more easily took root in Britain than in a conservative welfare regime such as Germany's. The German social security system has covered the middle class (the white-collar class and civil servants) as well as blue-collar workers. The British system of income support, in contrast, has mainly covered the lower-income groups who had limited access to occupational pensions and whose employment has either been more precarious or has been in declining heavy industries with a large proportion of manual workers. Thus, although nominally universal, British income support or social security schemes have been characterised by what Titmuss termed a 'division of welfare' [1963], in which middle-class groups had much greater opportunities for private welfare and working-class groups relied almost entirely on state provision [Wilson, 1993: 114]. This difference between the two nations' social security systems means that Germany's social security system can secure broader support from people than Britain's.

The German social security system is based on actuarial, contributory principles which are similar to those adopted by commercial private insurance companies. The benefits are proportional to contributions. The close relationship between incomes in work and levels of income support in unemployment or retirement reproduces the same inequalities outside the labour market as occur within it. Thus Leisering characterises the German social security system as one of 'status-maintenance' in which the same status differentials are preserved when not working as when claimants were working, though at a reduced level of income [1988, quoted in Wilson, 1993: 147]. Germany's 'status maintenance' system of social security can be contrasted with the British system of flat-rate benefits in Income Support and Unemployment Benefit, which produces an equality for the unemployed, as long as one disregards personal savings and access to resources outside the income support schemes [Wilson, 1993: 147]. In Germany the size of social insurance contributions is visibly and individually linked to the size of benefits, including pensions. As a result, contributions are not perceived as taxation but

rather as insurance in the strict sense of the term where benefits are directly linked to the size of contributions. Britain, in contrast, retained a graduated system of social insurance contributions without graduated benefits. The lack of a link in Britain between earnings status and benefit entitlement meant the absence of the status maintenance principle of the conservative welfare state and the likelihood that social insurance contributions would be perceived as another tax rather than as genuine insurance [ibid.: 148].

The other form of income support in Germany is Social Assistance. Social Assistance is a non-contributory benefit. Social Assistance is intended to be an exceptional method of income maintenance for those who have no other means and are in need. Accordingly, Social Assistance is subject to the principle of subsidiarity, which is a central aspect of the conservative German welfare state. In German law subsidiarity requires that claimants must show that neither their own resources nor those of their family are adequate to meet minimum needs before they are considered eligible for assistance. In practice this entails a family means-test in which partners are responsible for each other, and parents for children and vice versa. The second aspect of subsidiarity is contained in the Federal Social Assistance Act which specifies that the state and the Länder must collaborate with voluntary welfare organisations in the provision of services such as children's homes, residential care for old people, and some social work training. Subsidiarity has resulted in a large voluntary sector in the provision of welfare services in Germany[8].

It is well known that Germany is a high spender on social welfare. Starting from the highest social expenditure ratio in 1960, the growth rate of the welfare state during the subsequent two decades was somewhat slower than in some other countries, but Germany still belongs to the top group (Table 2.2). Such a high level of welfare spending has been sustained by the relatively good economic performance of Germany. However, the strains of the postunification period raised the possibility of more dramatic reform. Germany's worsening fiscal situation, combined with concern about industrial competitiveness, generated growing criticism of the welfare state. Yet the response to unification emphasised continuity: East Germans were brought into the West German social policy regime on

[8]See, for more detail on subsidiarity principle,Jarré [1991].

extremely generous terms. In response to budgetary pressures since then, a series of cuts have been introduced in major social programmes, and more cuts are probably on the way.[9] However, the pattern has been to trim benefit levels rather than challenge the basic structure of programmes.

To conclude, budgetary pressures assure that an atmosphere of austerity will continue to surround the German welfare state. Indeed, the German government has been quite successful in holding the line on spending (Table 2.2). Yet, as Offe aptly puts it [1991], it has been a history of 'smooth consolidation'. A fundamental rethinking of social policy seems a remote possibility. The structure of political institutions - both constitutional rules and corporatist policy networks - puts a premium on consensus. By comparison with Britain and the US, the German welfare state seems to be extraordinarily depoliticized. The formulation and implementation of social policy is marked by an apparent lack of serious social and political conflict. It claims legitimacy by its appearance of combining market and individual freedoms with social justice. The ideology and the welfare system it has produced have proved very resilient and adaptable, thus far withstanding the fiscal crisis of the state and political attacks, like those from the New Right [Ginsburg, 1992: 95-97].

2.2.2.4 SWEDEN

The most important feature of the Swedish welfare state is the comprehensiveness of its welfare system. The Swedish welfare system aims to be comprehensive in three respects. First, the welfare provisions are not targeted to special problem groups but are supposed to cover the entire population. Typical examples are national health insurance for all citizens and for all types of illnesses, and the old age pension, a flat-rate, non-contributory payment to all citizens over 16 years of age. Second, the welfare programmes are institutionalised by legislation in such a fashion that it is a statutory right of the citizen to have a modicum of publicly provided social

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[9]Germany, for example, is considering cutting payments to the unemployed by a quarter if they refuse jobs offered to them. The Social Democratic opposition calls this the 'Americanisation of the German welfare system.'

welfare. In the main, the old liberal belief in the responsibility of the individual has been replaced by collective responsibility to help everyone maintain a normal standard of living. Third, the welfare provisions are supposed to cover a very wide range of life situations, including family concerns, leisure time activities, and political participation [Allardt, 1986: 108].

The original foundation for the welfare state in Sweden developed through compromise and collaboration across interest group and political lines. Even as early as 1880, the liberal welfare intelligentsia in civil society had been strong advocates of state reform, and managed to secure support from the farmers - a significant political force [Olsson, and McMurphy, 1993: 249]. Historically, in Sweden the land-owning peasantry plays an important role in the development of the Swedish society. There were on several occasions alliances between the king and the peasantry against the nobles. More important is the fact that the nobility in Sweden was never strong or large enough to eliminate the peasantry as a political force [Allardt, 1986: 110]. Structurally, the existence of a large agricultural population alongside a growing working class was an important pre-condition for the steps taken, both groups being mobilised in the process of transforming poor relief into public welfare policy. The result, the universalism so typical of the Swedish welfare system, was thus born out of the emergence of these broad popular social forces and their influences on the state and society in the making [Olsson, 1987: 47-48].

The 1930s was a decade of major change in the Swedish welfare state. Compared with that of near neighbour Denmark, for example, Swedish social provision was very modest. The long era of conservative and liberal rule before 1932 had produced remarkably few social reforms [Esping-Andersen, 1985: 153]. It was under these circumstances, with unemployment rising rapidly, that the Swedish Social Democrats assumed government power in 1932. The political regrouping in the early 1930s, in particular the election of the Social Democratic Party in 1932, and the compromises between farmers, labour and capital prepared the ground for the agreements in the field of welfare reform that followed in the mid-1940s. Rather than pursuing the traditional socialist policy, the Swedish social democrats pressed for a normalisation of the division of the spoils of continued and agreed capitalist growth. This celebrated 'historic compromise' ensured that capital would maintain intact its managerial

prerogatives within the workplace, subject only to guarantees on rights to unionisation, and capitalist economic growth would be encouraged. At the same time, the Social Democratic government would pursue Keynesian economic policies to sustain full employment and use progressive taxation to reduce economic inequality and promote provision for collective needs, such as education, health, and housing. Thus in the 1930s and beyond, the Swedish welfare state was secured as much by economic policy as by social policy [Pierson, 1991: 122-123].

Through its development, the traditional Swedish welfare state came to be characterised in the following ways [Olsson and McMurphy, 1993: 250]:

(1) an active labour market policy whereby unemployment was kept at a low level (compared to international rates);
(2) a comprehensive social security network closely related to active labour force participation;
(3) a large public service sector in the spheres of health, education and the personal social services;
(4) significant public regulation and subsidies in such areas as agriculture and housing;
(5) a system of extensive resource extraction - i.e. taxation - as a basis for financing.

Most importantly, the Swedish welfare state tries to maintain the full employment. 'The whole nation in work' is a slogan typical of the ethos of Swedish society [Olsson, 1987: 57]. Down to the early 1970s Sweden's strategy of full employment was based chiefly on a combination of an anti-cyclical investment policy and an active labour-market policy under the direction of the Labour Market Board. Counter-cyclical investment planning has basically meant a series of incentives and controls which encourage firms to set aside profits as reserve funds to be invested in times of recession. The labour market policy involves extensive training and relocation programmes for workers as well as public works schemes.

Apart from its labour market policy, a second major feature of the Swedish approach towards harmonising the economic and social goals of the welfare state has been a centralised system of wage bargaining at the national level between the employers' organisation and the main workers' organisation [Mishra, 1990: 49-51]. The annual wage bargains are generally based on a carefully calculated estimate of the increase in the national income. A broad framework of agreement outlining the principle

of wage settlement is arrived at and individual industry agreements are then negotiated by the two sides within the framework laid down at the national level. Overall, the Swedish approach to wage negotiations has been based on the appreciation of two things: the importance of wage moderation in conditions of full employment and close interdependence and, therefore, the possibility of trade-offs between social and economic policies which involve full employment, inflation, economic growth, social welfare and economic wages.

Down to the early 1970s the Swedish system worked very well in combining full employment and economic growth a generous and expanding system of social welfare. The oil-price shock of 1973, however, brought the future of the welfare state onto the political agenda in Sweden, as elsewhere. The consequences of international recession aggravated the Swedish structural weaknesses. A general loss of competitiveness caused by inflation, together with high imported energy costs, resulted in chronic balance of payments deficits. Several staple industries such as ship-building and steel collapsed. Unemployment was kept down only by industrial subsides and public sector job creation. This caused an acceleration in the growth of public expenditure, which rose from 52 to 65 per cent of GDP between 1976 and 1981. This was not compensated by a commensurate increase in the tax burden. The result was a rise in the budget deficit from 2 per cent of GDP in 1976 to 13 per cent in 1981.

In 1980, faced with a worsening trade balance and fearing that the budget deficit was unsustainable, the non-socialist government launched a new regime of 'economic realism' [Walters, 1985]. Stabilisation policy became more restrictive, focusing on reducing inflation; unemployment began to move upward. Curbing the deficit became the major objective of fiscal policy. Moving beyond reductions in future spending plans, the Centre Party and Liberal coalition in its 1982 budget proposed significant cuts in several existing social benefits [ibid.: 357-358].

Inevitably Sweden's entry into the era of 'cuts' was politically controversial. In the 1982 election, the Social Democrats, which pledged to defend the welfare state, returned to office. Their aim since 1982 had been to demonstrate that economic revival can be achieved without sacrificing the basic principles of the welfare state, amongst which they would include full employment. The Social Democrats tried to re-define the welfare state in a manner compatible with economic constraints; their economic

recovery policies impose limits on their social welfare ambitions but, rather viewing the welfare state as a luxury affordable only in the context of economic success, they insisted on its positive role in facilitating economic adaptation [ibid.: 356-357]. As a result, Sweden seems to have come through the acute crisis induced by the OPEC price rises of 1973 and 1979 and the depressions of 1975 and 1982 without sacrificing a basic ingredient of the post-war welfare state - full employment.

Over the last twenty years, however, Swedish governments have built up large public-sector deficits to finance the full employment commitment. As Sweden entered the 1990s, the prevailing economic problems such as the growing deficit, slow economic growth and rising unemployment developed into a crisis. By the end of 1990, there was a general consensus amongst the political parties that change was required. However, there was disagreement as to the course and emphasis that the changes should take. During the 1991 election campaign, the non-socialist parties advocated significant structural change, increased privatisation, cuts in public expenditure, and increased freedom of choice. The Social Democrats accepted the need for greater flexibility in the welfare system but did not want to move too far from the status quo [Olsson and McMurphy, 1993: 254].

The election of a Conservative government in 1991 which was committed to 'rolling back' key aspects of the welfare state and to substantially reducing taxation levels suggested that it was no longer possible to assume that the Swedish system would remain intact. Swedes are beginning to realise that more must be done to trim bloated welfare budgets. Yet not enough of them are prepared to accept the pain. Although the centre-right government of Carl Bildt had tried to convince people that his reforming measures - for example, slashing taxes on capital incomes, reducing welfare benefits, loosening rigid labour laws - should improve the Swedish economy in the long term, the short-term return from the reform was pain - in the form of higher unemployment and lower benefits. Swedish voters wilted under the budget-cutting ardour of the four party coalition government led by Carl Bildt and his Moderates. They voted him out as soon as they could. After a three-year sojourn in opposition, Sweden's Social Democratic Party has sailed back into office, promising little besides more taxes on income and capital. So Swedes have switched back to the snug security of the party which created the welfare state and is dedicated to its preservation. However, they have decided to

continue to endure the pain of various cuts, and they can expect at least another few years of austerity.

Even without economic difficulties described above, new challenges can be detected in the Swedish welfare state. First, there is growing consumer dissatisfaction over issues such as the lack of choice in services and the absence of popular control over the types of services offered. Although the welfare state had been built on the principles of 'equality' and 'quality' thereby creating one standard of high-quality care for all, this philosophy appears to be increasingly out of step with consumers' growing desire for 'choice' and 'influence' over welfare services [Walters, 1985: 254]. Many consumers feel they have little or no say over the quality and content of services offered. As the Swedish welfare state so heavily leans on state responsibility for welfare, it is particularly vulnerable if the public administration loses popular support. Second, Sweden is also committed to seeking membership of the EC and this may place other strains on its particular welfare regime, implying direct competition with countries with rather more limited forms of welfare provision. During the 1992 economic crisis, the Conservative Prime Minister stated that drastic changes in the welfare state would ultimately be necessary if Sweden were to gain EC membership in 1997 [Olsson and McMurphy, 1993: 265-266].

In sum, one can assert that although the Swedish welfare state has survived major crises it is currently subject to one of the most widespread transitions in its history. While universal welfare programmes still have broad public support in Sweden, there seems to be more explicit degree of support for both a reduction and a restructuring of the public sector [Svallfors, 1991]. There are already experiments that imply the increased use of market-style methods in the health-care sector [Garpenby, 1992], and there are a shift in the balance now towards the distribution according to contribution, and a move away from the traditional ideal of universality [Daatland, 1992]. The severity of the present economic crises which have generated tremendous internal pressure on the welfare system in the form of constant political and institutional adjustments cannot be doubted.

2.2.3 SUMMARY

In this section, we have compared the four cases of welfare states. Economic difficulties since 1970s have exerted a great influence upon all four. The analysis undertaken in this section does indeed suggest that, given the momentum of current political economic orthodoxies, the development of the welfare state has reached its limits, temporarily at least. The basis for this impasse seems to lie in a change in the leading political ideology rather than in economic over-burden. Of course, this does not mean that there are not economic difficulties and structural problems of the welfare state which become real obstacles to sustaining or promoting current welfare provision. Mainly, however, it suggests that the real limits of the welfare state may be set not so much by the faltering capacity of the economy as by changing patterns of political will and political support. In efforts to cope with the emerging economic constraints, individual welfare states have devised a number of incremental policy adjustments. The exact nature and extent of the adaptations vary considerably according to particular economic conditions and the socio-political contexts of individual welfare. states. In particular, popular support for the welfare state and the government's resolution to defend it seem to be most important in times of economic difficulties.

On the other hand, several similar patterns can be distinguished. First of all, these patterns have to do with a stabilisation of social welfare expenditure in the light of decreasing economic growth. To a greater extent in Britain and the US, and to a lesser extent in Sweden and Germany, funding for direct public provision of welfare benefits and services has been retrenched, despite the increasing demands. The change has been managed in three ways. One has been to restrict claims by attaching additional conditions to benefits that used to be more or less automatic. Workfare is an example of this. The second way to rein in spending is to provide universal basic welfare coverage, but to redefine basic downward. Sweden, for example, has reduced unemployment benefit from 90 per cent to 80 per cent of the former wage, and lowered the basic pension by two percentage points. The third and most controversial welfare reform is means-testing, to ensure that benefits go to those who need them, not those who can look after themselves.

However, attempts to achieve greater retrenchment of welfare provisions by tighter bureaucratic regulation and elements of privatisation have not had spectacular success in their own terms. No doubt, among other things, the constraints of an electoral democracy served to limit the extent of change in welfare provision. The welfare state has not suffered more than marginal trimming even in Britain and the US. However, it is important to note that politicians have tended to cut back programmes affecting the poor, the unemployed and other politically unimportant minorities. The outcome is that social inequalities in welfare appear to have widened during the last two decades. The relatively affluent middle class and skilled working class have successfully defended their share of the welfare state, while a very substantial minority of the working class have suffered a decline in their share of welfare relative to their needs.

Calling for greater decentralisation of services and citizen participation in local decisions can be discerned in all regimes examined here. Along with the decentralisation of responsibility from central government to local communities, there is an increasing effort to re-establish the family as the provider of services. But a more significant effort in transferring responsibility is the ongoing attempt to privatise social welfare provision. There are also trends for greater selectivism and voluntarism. The main justification of such efforts, apart from easing the burden borne by the government, is that social services may be more efficiently provided by non-governmental agencies.

Full employment has been a principal component and economic basis of the welfare state. This goal has been abandoned in principle as well as in practice by all nations except Sweden. Persistent large-scale unemployment constitutes a very substantial departure from the basic tenets of the post-war welfare state. This fact sets off the difficult struggle that the Swedish welfare state has been waging to retain this basic component of the welfare state. The most striking inequality in advanced capitalist societies today is between the employed and unemployed which is the product of particular economic policies. The important lesson to have emerged from the operations of the welfare state during the last fifty years, and particularly since the late 1970s is that economic and social policy must be looked at together.

The future of all four of the welfare states examined here looks increasingly uncertain. There seems little likelihood of a return to the political and economic conditions that sustained the post-war expansion of the welfare state; the post-war class

'settlements' embodied in the welfare consensus continue to wither away. Even in Sweden, the debate on the future of the welfare state intensified with the economic crisis of the early 1990s, and there is an apparently growing acceptance that the limits of the welfare state have been reached and that further retrenchment will be required.

Despite these symptoms of retrenchment of the welfare state, there is no evidence that the welfare state in the four countries examined here is being dismantled; it is more accurate to say that it is being restructured to better adapt to the changing rates of economic growth and new circumstances. For some commentators, this resilience is evidence of the irreversibility of what Therborn calls 'the universal welfare state'. For them, the most basic and crucial fact about the modern welfare state is its deep and massive presence in the day-to-day lives of millions of citizens. Therborn argues that the welfare state is the most pervasive feature of the everyday politics and policy of Western countries [1989]. He concludes that a radical anti-welfare state party or coalition will find it virtually impossible to succeed under democratic rules of universal suffrage and rights to industrial action. Similarly, Alber insists that because extended welfare states develop self-perpetuating features as the numerical importance of welfare state clients in the electorate grows, the political basis for a large-scale anti-welfare state backlash in the future appears rather weak [1988].

However, it is difficult to be quite so sanguine about the future of the welfare state as are Alber and Therborn. As we saw earlier, there are many changes in the features of the post-welfare state, for example, full employment, universalism and collectivism. In fact, public policy is usually not determined by objectives that have been established on the basis of forecasts of future social problems and requirements. Rather it is immediate social and political pressures which determine policy decisions and the course of events. Furthermore, radical changes are difficult to achieve in welfare states, and this is mainly because of their highly developed political, and judicial and social systems. Incremental changes therefore have the most critical impact on the welfare state in the long run. These small changes are sometimes almost unobserved, but together they exert an enormous impact. Welfare states are currently facing, and will face in the future, a variety of serious social problems and the emergence of new ideologies. The question is whether modern welfare states will be able to adjust to these diverse emergent needs or whether they will collapse in a series of small incremental steps. In this sense, we might say that challenges to the welfare state always

continue. In the following section, we will discuss new challenges to the welfare state and the new orientations of the welfare state necessary to cope with them.

2.3 NEW CHALLENGES, NEW ORIENTATIONS AND THE WELFARE STATE

2.3.1 NEW CHALLENGES TO THE WELFARE STATE

As noted earlier, what has been called 'the first crisis of the welfare state' originated in the fiscal crisis of the 1970s and early 1980s. The fiscal crisis of the welfare state has been resolved both in policy and in theory. Over the past decade, a second challenge to the welfare state has emerged. It is subtler and more broadly based than the previous one. Both academics and policy makers are viewing existing welfare state arrangements as problematic. However, the present critique of welfare capitalism is not based on an assumed conflict between state welfare and growth. It asserts that the welfare state is, at least in part, obsolete. As the social context in which the traditional pattern of state provision is embedded has altered in fundamental ways, so, it is argued, social policy is no longer able to meet needs effectively. The implication is that government should 'politely withdraw' from the role of providing welfare services for the mass of its citizens [Taylor-Gooby, 1991: 2]. In this section, we will discuss these new challenges to the welfare state and their implications under the two broad headings: policy environment and social values.

2.3.1.1 POLICY ENVIRONMENT

The OECD report, *The Future of Social Protection (1988)* argues that, as the exogenous variables with which policy instruments interact have significantly changed since the initial perception and formulation of the issues to which current policy structures are a response, the future agenda of social policy should differ from that of

recent decades [OECD, 1988]. Here we focus our attention on the three issues: demographic and family trends; labour market changes; andglobalisation.

First, demographic and family structures have changed considerably in all advanced industrial societies. The proportion of over-65s rose sharply in most OECD countries between the mid-1960s and the early 1980s and is now generally stabilised at a level where it will remain until a further rise early in the next century. However, the number of those over 80 has begun to increase in relative importance, and this rise is expected to continue for next decades. Another major sociodemographic change is the growth of lone-parent families, which have increased to account for over 10 per cent of all families with children in many OECD countries. This implies that a significantly larger proportion of parents and children will spend some time as a solo parent or as a child in a solo parent family. This raises specific questions about poverty in families with only one potential income earner. But it also raises wider issues about whether current structures of employment, income support and child care have adapted sufficiently to this sociodemographic change. Both the frail elderly and the lone parent issue are also affected by wider patterns of change in family structure and family responsibilities. Increased female labour force participation, greater geographical mobility, and higher rates of divorce and separation are all additional factors which require a rethink of assumptions about family caring and thus about the distribution of social responsibilities between the individual, the family, the community and the state [ibid.].

Clearly, there is concern about the increasing numbers of people, particularly elderly people, likely to become dependent on social welfare over the coming decades and the decreasing number of tax-paying wage earners available to meet the costs of such support. However, this will not necessarily hasten a crisis for the welfare state. While predictions of the numbers of elderly in this period are fairly reliable, most of the other variables upon which dependency projections are premised are very provisional. Accordingly, both Taylor-Gooby and Hills, for example, have cautioned against making precipitate policy changes now, on the basis of extremely tentative predictions and questionable assumptions about the elderly population in next decades [Taylor-Gooby, 1988; Hills, 1993].

The second major set of changes are those concerning the structure and operation of the labour market which mean that the context for which many social

security schemes were designed no longer exists. Crudely characterised, many social security systems were designed on the assumption that social insurance contributors (and thus occasional beneficiaries) would generally be males in steady, full-time organised employment with economically inactive wives. However, the world we now face is witnessing the increase of the labour market participation of female, part-time employment, and self-employment or contracted out work. These features of the current labour market cause difficulty for traditional social security structures. Several of them in fact are consequences of the growing employment of women, to which social security systems have often been less responsive than might be desired. While it is clear that the optimal structure for an income support system will be different in a labour market with these new characteristics compared with those common at the time of the development of welfare states, it is less obvious what shape such a future structure should have.

Finally, the globalisation of the economy does seem to have curtailed opportunities for the further development of national welfare states. The international mobility of capital through their main instruments - global financial markets and the multinationals - and the implicit capacity to relocate production from one country to another, have tended to enhance the power of capital over labour, and to weaken the capacities of the interventionist state. Labour movements in the core capitalist countries may force capital to move to other parts of the world where the working class is weaker. In addition, the free movement of capital over international borders means that taxation of business activity may be harmful to the economy. Insofar as the post-war welfare state was truly Keynesian, those changes in the international economy may be seen to have had a very significant effect on the future of welfare systems. Since the new global economy mercilessly punishes uncompetitive economies, Keynesian policies supporting high wages seem to conflict with the need to revitalise national competitiveness.

2.3.1.2 SOCIAL VALUES

The implication of the change in social values might be summarised in the question of whether existing welfare arrangements can be compatible with the pressures

for choice and differentiation which result from affluence. In many countries there is a belief that certain public services, most frequently health and/or education, should be available 'equally' to all citizens. Additional to this, there is in some countries a concern that the relative life chances of individuals should not be affected by differential access to health or education services, a concern which suggests a broadly uniform structure of provision for different groups in the population. Furthermore, many of the arguments for 'universality' of provision suggest that only by designing services for all the population, affluent as well as poor, will ensure that the services available to poorer groups generate the public and political support required to ensure services of adequate quality [OECD, 1988: 20].

As a society becomes more affluent, however, it is argued that such a universalist approach poses some problems. In general, affluence leads to a demand for more individually differentiated and higher quality provision. As the population becomes increasingly used to exercising its enhanced purchasing power to acquire non-standardised goods and services within an increasingly diverse marketplace, so, it is argued, do consumers wish to exercise increasing choice and differentiation over such vital commodities as health care and educational provision. This is allied to a further development in values in respect of expectations of fulfilment in social and personal activity. Just as affluence leads to an increased emphasis on quality rather than quantity in private consumption, so it affects preferences about the wider dimensions of quality of life. This has perhaps been most evident in respect of concerns about the social and ecological environment.

About these significant cultural changes, postmodernism provides new intellectual perspectives. Postmodernism claims that the universalist themes of modern society (society-wide political ideologies, the nation-state, the theme of rational planning in government policy, the large-scale public or private sector bureaucracy) are obsolete [Taylor-Gooby, 1994]. The theme is reflected in discussion of the emergence of 'new social movements' in welfare, pursuing particular goals related to their interest [Williams, 1992]. The result is a shift in the way people discuss welfare policy, directing concern towards the level of the individual service user and away from the Weberian emphasis on confidence in the rationality of state administration.

The challenge of post-modern theory lies in rejecting universal notions of human needs, rights and justice, and the rational deployment of policy in solving social

problems, and in recasting their agendas towards diversity and difference, so that the structure of universal and particular interests can be reconstituted [Hewitt, M., 1994]. As noted in the previous section, the account of postmodernism succeeds in reflecting some of the principal developments in recent social policies - decentralisation, consumerism, the use of the new technology to transform management, stress on the non-state sector, the decline in the status of professionals and experts and growth of privatisation and individualism. However, it shows a tendency to deny universal basic human needs which will be discussed in Chapter 6. These needs define respectively the essentially material nature of humankind and basic conditions for rational and autonomous human conduct in the face of technical, moral and political choices [Taylor-Gooby, 1991]. Hewitt thus argues that the development of cultural and lifestyle diversity is only possible if such universal provisions is in place. Without it, the emancipatory promise of postmodernism would remain a class-based privilege, a cultural lifestyle of the economically prosperous [1994].

2.3.2 NEW ORIENTATIONS FOR SOCIAL POLICY

The core of the above discussion is confined to the question of how to move towards a more active society, in which all members - individuals, the community and the state - have a constructive role, in a changing social and economic environment without abandoning the importance of social protection to people at vulnerable moments.

The OECD report, *New Orientations For Social Policy* (1994) clarifies that the key feature of new orientations for social policy is the change of the role of government: governments can no longer be thought of as providers of largesse, but instead, as partners that enable and empower people to take initiatives on their own behalf and to exert greater control over the circumstances of their lives. The new partnership between the government and the people is not simply an effort to shift responsibility, but to maximise human potential and choices available to individuals, thereby increasing personal dignity and the resources available to the economy. Based on this basic orientation, the report identifies five principles of the reorientation of social policies [1994: 19-20]:

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(1) Non-inflationary growth of output and jobs, and political and social stability are enhanced by the role of social expenditures as investments in society.

(2) There is a need to reconcile social programme costs with overall limits on public budgets, but at the same time to ensure that economy measures are consistent with programme effectiveness and social objectives.

(3) The optimal balance should be sought between public and private sector responsibility in providing for the variety of needs of society, and in light of the comparative advantages of each sector.

(4) High priority should be given to active measures which relate to employment, rather than to reliance on income maintenance alone; in general, the emphasis should be on the encouragement of human potential as an end in itself, as well as a contribution to market efficiency. Consistent with this objective, income transfer programmes should be structured to foster self-sufficiency through earnings, without sacrificing the goals of systems of social protection.

(5) Greater policy coherence should be achieved by a renewed focus on the means by which the strands of policy, from setting goals, formulating policies, implementing them, and, thereafter, administering programmes, may be pulled together across social, labour market, education, economic policies and across levels of government.

These five principles echo debates within the academic community of social policy writers - for example, ideas about welfare pluralism, civil society, a revival of citizenship and so on - which have been developed since the mid-1980s. Here we discuss the two perspectives of welfare pluralism or the mixed economy of welfare, and citizenship.

The mixed economy of welfare is an idea which provides a simple organisational framework for differentiating the roles of public, commercial, voluntary and informal sectors in the production and financing of social welfare. The basic proposition underlying this approach is that welfare - goods and services which satisfy basic needs and afford social protection - derives from a multitude of sources: the state, the market, voluntary and charitable organisations and the kinship network (including the household). For example, Johnson, in his book, *The welfare State in Transition* argues that the current perception of predominance of the state in welfare provision is unsatisfactory [1987: 2]. While the state should exercise a regulative role and remain

the chief source of finance, he argues, its role as a welfare provider should be considerably diminished, and a correspondingly greater role should be accorded to the voluntary, informal and commercial sectors.

In this context, Titmuss's belief in welfare unitarianism is worth noting. He believed that the statutory social services constituted the most important institutional feature of a civilised society because the egoism of the private market alienated people from each other whereas the altruism embodied in the statutory public services united and elevated them. It followed from this, in Titmuss's view, that the state should be the main funder and provider of social services, and that only the state had the authority to implement, without fear or favour, the redistributive policies that he considered necessary [1963].

It is significant, however, that across the spectrum of such collectivist thought the old assumptions about the self-evident merits of statutory service delivery (as distinct from funding) and centralised forms of administration (as distinct from policy-making) have been called into question. In recent years, prominence has shifted to the pluralist model based on the idea of a mixed economy of welfare sustained by a more evenly balanced partnership between the statutory, voluntary and private sectors. Arguments for a mixed economy of welfare rest on the premise that, in a free society, compromises have to be made between conflicting political objectives that may all be equally desirable, but cannot be resolved to the general satisfaction on the basis of any single criterion [Pinker, 1992]. In this sense, as Friedmann argues [1987:289], in response to pressures for decentralisation, demands for greater social participation and questions raised about citizen-state relationships, the mixed economy of welfare offers a flexible framework for reshaping modern welfare states according to national objectives.

However, we must be careful of the misunderstandings to which pluralists' arguments may lead. Often a reduced role of the state in welfare is viewed with approval as it may result in a more decentralised and plural form of welfare mix. For example, Rose argues that a crisis of the welfare state is not a crisis of welfare in a society. In mixed societies, families have a multiplicity of ways to maintain their welfare [1986: 36]. In similar vein, Judge rejects the view that in Thatcher's Britain the state was abdicating responsibility for promoting individual and collective welfare. In fact social policy in Britain is moving to a more viable conception of the state as an enabler

[1987]. Welfare pluralists are right in pointing out that any overall assessment of social protection in a particular society must take non-state forms of welfare into account, and in that partnership between statutory and voluntary sectors must be complementary. Yet, if their arguments mean that, when state welfare withdraws from social welfare, other sectors automatically compensate the shortage, it is wrong, as we learned from the experiences of the retrenchment of state welfare in the UK and the US during the 1980s. Therefore Kramer argues that 'there is a danger that those who have jumped on the bandwagon of the era of limits, signalling the end of the welfare state by advocating more volunteerism, are being coopted by others who have less concern with social justice than with tax reduction' [1981: 283].

In short, it is very important to remember that the state will have to continue to be the dominant welfare agency, if not the largest source of welfare. In particular, it is quite unrealistic to suppose that the social needs of the most vulnerable groups could be adequately met by their own (or anyone else's) voluntary effort. Thus, Pinker writes [1993: 72]: 'Pluralism means drawing on the best of range of welfare traditions and reaching compromises between competing welfare ideologies. To replace a unitary model of collectivism with a unitary model of individualism would be conceptually and politically nonsensical.'

In recent years, social citizenship, as a key idea on which to base the welfare state of the future, has been widely discussed. Seeking to distance the entitlement to welfare from the unpopular statism associated with public corporations and producer-controlled welfare bureaucracies, social citizenship is advanced as a mechanism for empowering ordinary individuals in the face of the dominance of both the state and the principal market actors. The classical idea of citizenship was, through the guarantee of some social minimum, to ensure that all individuals enjoyed the autonomy with which to pursue their various and self-defined life plans. Autonomy was a prerequisite of citizenship and where necessary the enabling state could legitimately intervene so as to create the circumstances for autonomy. Echoes of the earlier argument about autonomy can be found in contemporary advocacy of a revived and enhanced social citizenship. For example, Weale argues that a normative basis for the mandatory provision of a welfare minimum resides in the main imperative of the principle of autonomy [1983: 42]. For Weale, the principle of autonomy means that all persons are entitled to respect as

deliberate and purposive agents capable of formulating their own projects, and that as part of this respect there is a governmental obligation to bring into being or preserve the conditions in which this autonomy can be realised. Jordan also calls for a guaranteed basic income as part of a redefinition of the terms of citizenship which would guarantee the capacity of individuals to pursue their self-ascribed life plans [1987].

The core of such arguments is that the hostility towards the bureaucratic and domineering welfare state might be resolved by reallocating power from the state to the rights-exercising individual. The shift toward the mixed economy of welfare implies a redefinition of citizenship. Private services will play a greater role in the total welfare mix. This will lead to a stronger emphasis on market position and property rights as an avenue to welfare. In the context of an empirical obsolescence and theoretical disenchantment with the welfare state, the question of how far welfare services are an obligation on government becomes more pressing [Taylor-Gooby, 1992]. The strength of a rights- and needs-based approach to welfare is that it recognises that the capacity to exercise autonomy is crucially influenced by social location. There is a presumption that society is obligated not only to meet needs, but to meet them in a way that ensures equal opportunities to develop a moral life.

As we will discuss in detail in Chapter 6, there are many debates over the question of whether welfare rights can be equivalent in status to other rights such as the political and civil. The problem here is inequality of citizenship. Theoretically, as Marshall argues, all who possess the status are equal with respect to the rights and duties with which the status is endowed. However, there are in practice many restrictions on less powerful citizens, such as women and disabled people. Pateman, for example, argues that women have been opposed to the 'worker' and the 'citizen' and that women are confronted with the choice between two paths (housewife/mother and worker) to citizenship, both doomed to failure [1989: 196-197]. Accordingly, Taylor emphasises that the political context crucially determines the effectiveness of a citizenship model in empowering less than powerful people and groups [1989]. Thus, he argues, new forms of politics which acknowledge the different situations of groups within power structures and which allow diversity in terms of political organisation are prerequisites for an assertion of citizenship based on need.

This point illustrates the argument that state responsibilities in the sphere of welfare may need to include strong interventionist policies outside the domain of traditional state services. That is to say, if the scope and effectiveness of citizenship rights are to be enhanced, it is likely that this can only be achieved through a strengthening of the power and authority of the state in some key, if changing areas of life.

2.4 CONCLUSION

We have examined the development of the welfare state in Western societies. The lesson to be drawn from this short historical review is that fundamental controversies over the welfare state developed in times of prosperity as well as in times of economic crisis. This suggests that the ongoing controversies are an outgrowth of deep-rooted clashes of interests and values rather than mere responses to cyclical economic difficulties. It is generally believed that welfare state backlash movements, tax revolts, and rollbacks are ignited when social expenditure burdens become too heavy. However, our survey in this chapter shows that the opposite is true. Anti-welfare state sentiments over the past decade have generally been weakest where welfare spending has been heaviest, and vice versa. Esping-Andersen thus claims that 'the risk of welfare state backlash depends not on spending, but on the class character of welfare states' [1990: 33].

The welfare state emerged in Western societies at the end of the nineteenth century in response to social problems arising in the course of modernisation. Until the early-1970s, it had developed very rapidly on the basis of economic growth and a broad consensus on the necessity of welfare. From the mid-1970s onward, the global economic slump and the changing environment of social policy - for example, the increasing financial capacities of private households and growing consumerism - have intensified pressures to reduce welfare expenditure. Given the ongoing fiscal crisis of the state, it seems likely that governments will develop an interest in diminishing the financial obligations of the state, because citizens will be reluctant to tolerate increases

in taxation that mean a curtailment of real income. Fundamental cuts in welfare programmes will be possible, however, only if they do not mobilise the resistance of countervailing powers. As an analysis of the changing social structure of the electorate as well as recent opinion polls in Western society shows, there is a considerable potential for strong resistance.[10] Even if a dismantling of the welfare state were politically possible, however, the question of which functional equivalents could substitute for an extended welfare state would still arise. Here, the reformers usually point to the increasing financial capacities of private households and to the self-help potential in social networks. Yet, as discussed earlier, this seems unrealistic. A comprehensive social welfare system is necessary because traditional familial, communal, or private market welfare arrangements are wholly inadequate. In summary, we can say that the welfare state has continued to grow in most Western European countries even throughout the most recent period of austerity.

Concerning the new agenda for the future of the welfare state, many commentators argue that a number of restructuring imperatives would tend to force the welfare state ever closer to a 'residual', 'market-oriented' or liberal welfare state. Nevertheless, whatever the restructuring strategies are, as discussed earlier, it is certain that the state will still be the main agency to guarantee basic human needs of survival and autonomy for every citizen in modern society. Private provision may supplement, but cannot substitute for public welfare schemes. The welfare state will need to be continuously adapted and restructured, but it will not be dismantled. The conclusion of this analysis is that the welfare state has become a constituent element of the modern social structure for which there are no effective functional equivalents.

The experience of Western societies has two important implications for the development of the welfare state in Korea. As will be discussed later, in Korea the issue of welfare state construction is now, for several reasons, intensively debated. It implies that Korea can no longer avoid the reality that the welfare state is a central structural element of modern society.

However, the option of a sustained and healthy growth of state welfare in Korea is unlikely to take the form either of the substantial intrusion of government into welfare

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[10]For further discussion, see Pierson [1996].

provision or the rolling back the state to a minimal role. The identification of social welfare almost exclusively with the state has meant to an increasing bureaucratisation remote from accountability, which, as a result, has led to some of the difficulties of the welfare state. This suggests that one major avenue of change should be the investigation of the scope for re-expansion of a social policy role for agents operating not only within the state, but also in the profit-oriented private sectors and the traditional family itself. However, this should not lead us to forget that the welfare state is only the extension of the classic role of the protective state; it is the way in which the modern state acts as a reducer of uncertainties. There is no alternative to the idea of the welfare state in this regard. The real issue is not going to be whether Korea also has a welfare state, but what kind of welfare state regime it will be. Welfare proponents must seek the optimal balance, which of course varies from country to country according to its politico-economic conditions, to distribute the responsibility of welfare provision between individuals, the various institutions of civil society and the state.

CHAPTER THREE

THE HISTORICAL FOUNDATION OF THE KOREAN WELFARE STATE

As discussed earlier, the growth of capitalism and mass democracy are most important historical forces behind the emergence of the welfare state in Western societies. While these factors form the general background to the emergence of most welfare states, we have also seen that the historical and socio-cultural conditions of individual countries are very important in determining the particular shape of their social welfare systems. In recent years, the literature on social welfare has taken a growing interest in the social welfare systems of East Asian countries such as Japan, Taiwan, Singapore and Korea. In most cases, however, analyses have sought to fit East Asian cases into one of a variety of pre-existing social welfare models conceptualised from a Western framework rather than examining them in their own terms. As a result of such a Western-focused approach, East Asian countries have been criticised in the West for being welfare laggards [Goodman and Peng, 1995: 2-3].

Indeed, Korea has peculiar historical foundations of social welfare development very different to any Western nation. Historical experience and the dominant cultural values are embedded in individual lives, prescribing patterns of interactions among individual, the family, the community, and the state. These factors and the resulting situations may not have existed or not be similar to those in the Western experience of social welfare policy development. Thus, in order to understand the nature of Korean social welfare systems, it is essential to distinguish its specific contexts as well as common features. This chapter explains the socio-cultural and politico-economic foundation of the Korean welfare state. What historical and cultural factors have generated existing welfare provision in Korea? To what extent are those factors similar or different to Western experience? What implications do the specific historical background and the current situation of Korea generate for its social welfare

development? These are some of the questions this chapter addresses, and for which it provides preliminary answers.

The chapter is divided into five sections. The first and second sections explain the historical and socio-cultural context of the Korean welfare state. In the third and fourth sections, the progress of economic development and political democratisation is analysed. In particular, political development is reviewed in detail because it is very important for a proper understanding of the unique development of social welfare in Korea. The main focus of these sections is on explanation of why an authoritarian developmental state has emerged in Korea. Finally, we discuss similarities and differences in the historical, social, economic and political development of Western and Korean societies in terms of the origin of social welfare development, and consider their implications for future social welfare in Korea.

3.1 HISTORICAL CONTEXT

Throughout much of the 2,200 years of her recorded history, Korea was able to retain its status as the 'Hermit Kingdom' and a strong sense of its racial, linguistic and cultural homogeneity. These continued essentially until 1876 when, succumbing to Japanese demands, Korea was forced to open its door to the outside world. Since then, Korea has been beset by successive disastrous events which have brought destruction and profound distress to all portions of society. During the period of the world-wide expansion of Western imperialism, the last dynasty in Korea, the Yi dynasty was incorporated into the capitalist world system as a peripheral country. During the war with Russia, Japan and Great Britain revised the Anglo-Japanese Treaty of Alliance on August 12, 1905, obtaining British consent for the Japanese scheme to colonise Korea under the guise of protection. In the secret Taft-Katsura agreement, Japan and the United States recognised Japan's 'prerogatives' in Korea. At the Portsmouth Peace Conference, which was concluded in September 1905, Japan secured international acquiescence to its aggression in Korea. Korean history in the following 40 years was to be the process through which Japan made Korea a colony despite the strong resistance of the Korean people. Korea was forcibly deprived of its sovereignty and its people

were subjected to Japanese colonialism from 22nd of August, 1910, to 15th of August, 1945. This was a period in which the economic and other benefits of Japanese rule have to be weighed against the oppression and exploitation that characterised colonial status. When Japan was defeated in World War II, Korea emerged as a divided country, a victim of the new cold war. The South was run by the American Military Government (AMG) from 1945 to 1948, when the first national elections were held and an independent Korean government, the Republic of Korea, was established. The Korean War began on June 25, 1950. Battles raged up and down most of the peninsula until the front stabilised around the 38th parallel in 1951 and a truce was signed on July 27, 1953.

3.1.1 THE HISTORICAL HERITAGE

Korea was and is a nation with a rich heritage based on over twelve hundred years as a single, unified, and (most of the time) independent state. Where the great majority of today's developing countries were formed by colonial powers who amalgamated various tribes and principalities, Korea was unified by its own Silla dynasty rulers in the seventh century A.D., and Korean rulers continued to govern from then on with only brief interruptions during the height of first Mongol Empire and, in the twentieth century, of Japanese military power. The Korean people spoke one language, were of one race, and all shared a single culture.

The area of Korea is 221,607 square kilometres (about 85,563 sq. miles). At present, the land is divided into two parts: South Korea and North Korea (the People's Republic of Korea). The administrative area of South Korea is 99,237 square kilometres or about 45 per cent of the whole of Korea. South Korea is slightly larger than Hungary or Portugal, and a little smaller than Iceland. With a relatively small area, resources are very scarce (particularly in oil, minerals and usable land) except people. In mid-1992, South Korea had a population of 43,663,000, a density of 440 persons per square kilometre (source: National Statistical Office).

In many ways, the most important part of modern Korea's traditional heritage was the Confucian emphasis on education and self-discipline. It is remarkable fact that wherever the Confucian influence has been strong (including China itself, Korea,

Singapore, and to a certain extent Japan), modern economic development has prospered. Confucianism gave to Korea a deep sense of the importance of education, which resulted in Korea's having a more educated population than most nations in the nineteenth century outside of Western societies. Koreans were blessed by the invention of an excellent phonetic alphabet for their language, Han-gul, which brought elementary education within easier reach of the great majority of people [Mason, *et al.*, 1980: Ch. 3].

Another example of the Korean traditional heritage bearing directly on later economic and social transformation was the extreme isolation of the nation. China traded with the West for centuries, and Japan had the annual calls of the Dutch at Nagasaki, but, except for occasional shipwrecked sailors, Korea had no direct contract with European peoples or commerce. What little the Koreans knew about the West was obtained through their residents in Peking as filtered through Chinese eyes. Much of South and Southeast Asia had fallen under colonial rule, direct or indirect, in the sixteenth and seventeenth centuries. Western industrial and military might had not reached a point where it could challenge China until the first Opium War in 1839-1842, but, when the challenge came, China was quickly humiliated and forced to accept trade, missionaries, and other foreign residents from the West. The arrival of Commodore Perry's black ships were all that was required for Japan to agree to terms similar to those of China in 1854. Improbable as it may seem to an outsider, Korea, with one-third Japan's population and with a military that was even weaker in relative terms, chose force to resist French and American incursions as late as 1866 and 1871. When Korea was finally opened up to the West in 1876, it was dangerously late. Japan had already begun the political and economic transformation that was to turn that nation into a Western-style imperialist power by the end of the century. From that time on, Koreans' knowledge of industrialisation and the modern societies of the West was received through the filter of Japanese experience. Furthermore Korea was to be ruled for thirty-five years by a nation that was not only militarily strong but was right next door and possessed a considerable surplus population of its own. Colonial rule was not something remote and indirect, but very direct, profound, and traumatic in its impact.

3.1.2 THE IMPACT OF JAPANESE COLONIALISM

Although the period of Japanese rule of Korea (1910 - 1945) was brief, its impact on Korea was profound. For thirty-five (or forty) crucial years, Korea was influenced and ruled almost exclusively by Japanese. Koreans gained comparatively little experience in the management of the political affairs of their own country. When Koreans finally regained control over their own affairs in 1948, they had numerous foreign political models they could attempt to emulate, but their only direct experience was with the discredited system of the Yi dynasty and with the autocratic rule of the hated Japanese. In a very real sense, therefore, the political instability that characterised the late 1940s and most of the 1950s until the military coup of 1961 was also partly the heritage of Japanese colonialism. At a crucial point in Korean history, Koreans had been deprived of the opportunity to develop effective political institutions of their own. In addition without effective political institutions, sustained modern economic growth was also unlikely. To be sure, the Japanese occupation was conceived and carried through in the interests of Japan. Nonetheless, it left a residue that has inevitably influenced the course of Korean development. What the Japanese brought to Korea was access to modern technology and management. Managerial practices were changed in agriculture, industry, transportation, and government. Although the Japanese managed in their own interest, they managed well, and the lessons they taught were not forgotten by Koreans.

3.1.3 THE DIVISION OF THE NATION

For Koreans, who had long been denied independent development in all walks of life, the Japanese surrender in 1945 brought another confrontation - that of ideological conflicts such as many post-war colonial peoples have experienced, and the difficulty of overcoming and liquidating colonial conditions accumulated during the four decades of Japanese domination. Liberation did not bring the independence for which Koreans had fought so hard, but the inception of ideological conflict in a partitioned country.

The three years from independence in 1945 to the establishment of the ROK in 1948 were marked in Korea by internal political struggle and by constant friction

between the AMG in the South and the Soviet occupation forces in the North. Internally there were increasingly bitter power struggles and an almost complete breakdown in the economic, political and social order. In addition, the occupation of a divided Korea by the United States and Soviet Union frustrated the efforts of Koreans to establish an independent government. The transplantation of two conflicting political ideologies south and north of the 38th Parallel further intensified the national split. On the basis of the realities of the Korean peninsula, the Government of the Republic of Korea was proclaimed on August 15, 1948. Without being able to eliminate the vestiges of colonial rule, the new Government of Korea faced the pressing task of reconstructing the bankrupt economy left by the Japanese, and the chaos of the three years of the post-liberation period. These, together with various other problems, were too demanding a task for a new and inexperienced government. In particular, the ideological confrontation between the North and the South inevitably caused a tense military confrontation, another major burden placed on the government.

The partition of the nation was an unmitigated disaster. The most immediate impact of the partition was that an economy that had been built as an integrated whole was split into two. The geophysical characteristics of the Korean peninsula make it an economically interrelated unit, with the large mineral deposits and hydroelectric facilities in the North complementing the predominantly agricultural economy of the South. The division of the country destroyed this interdependence of the economy. It gave the South less than half the land, about three-fifths of the population, most of the agriculture, and very little of the industry.

The most important impact of the division of Korea, on the economy as well as on the society as a whole, was the Korean War (1950-1953) itself and the continuing military confrontation that has existed on the Korean peninsula ever since. The war was enormously destructive of lives and property in both the North and the South.[1]

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[1]According to Brown's report [1973], more than one of every twenty South Korean civilians, 991,000 people were casualties - 667,000 were killed or missing, 230,000 were wounded, 84,000 forcibly removed to the North Korea. The South Korean military suffered in excess of 40 per cent casualties, or some 320,000 killed or wounded. Physical destruction was also huge. Physical losses were equal to the entire 1953 national product. Some 661,000 buildings and facilities were destroyed, 40 per cent of which were dwelling and 20 per cent transportation goods and other infrastructures.

Furthermore the presence of a continuing military threat from the North has profoundly influenced the direction and pattern of Korea's economic and political development. The military threat forces South Korea to spend about 6 per cent of its GNP on defence, and to maintain the fifth largest standing army in the world [Nho, 1994: 23]. In addition, the war resulted in institutional and political changes. War and American support for the Korean military, not the voluntary internal operation of Korean cultural processes, had made the army predominant. This development led to the military coup of 1961 and subsequent rule by an authoritarian regime controlled by the military [Kang, 1992: 136].

The impact of the war upon the structure of society was no less profound. Trends undergone even before the twentieth century were given new impetus. One of these was the levelling of social distinctions and the loosening of old bonds [Lee, H.B., 1968: 55]. At the same time, the war itself was responsible for the continued erosion of traditional values and the increasingly fluid nature of the society. It brought almost all Korean men into the armed forces, through which they were exposed to a way of life most had never seen before, and to the possibilities of urban life and modern technology and the values that accompanied them.

Two other important and interrelated social changes were also given impetus by the war. One of these was urbanisation, the other, increased education. The period of Japanese rule, with its industrialisation, war-related activities had already seen a rapid rise in the number and size of cities. During and after the war, however, the growth of urbanisation in Korea was accelerated, with the population in the largest cities (those over 100,000) nearly doubling between 1949 and 1960 to represent 23 per cent of the total population. Korea had become more urban than some of the industrialised countries of Europe [Henderson, 1968: 100]. The growth of urban areas was accompanied by a virtual explosion in education. Here, too, the trend had begun earlier. But in both quality and quantity, postliberation changes in education were markedly different. Educational increases in the colonial period had been primarily at the lower levels. Though the number of students in Korea at all levels increased over 16 times from 1910 to 1941, only 5 per cent of Korean children were by 1941 going beyond primary school. After 1945 the situation was very different. Primary education became universal. Secondly and higher education grew even more rapidly. In the 20 years after

liberation, the number of college students rose about 18 times; middle and high school students 14 times [The Ministry of Education, 1966: 1].

In short, the Korean War had left deep wounds in the internal consciousness. It had destroyed the optimism and utopianism of the early period of independence. Urbanisation, education, mass media, and the rapid introduction of foreign ideas and techniques into a once insulated culture were all creating a new national self-consciousness. In this sense, it is perhaps from that date that modernisation based on the self-awakening of the nation set in.

3.1.4 SUMMARY

The modern history of Korea was a series of misfortunes and disgraces. While the colonial status of Korea ended in 1945, the nation's human resources had been left underdeveloped by the Japanese and the integrated industry and infrastructure built during Japanese rule - always oriented toward Japanese interests in any case - was separated by the division of the nation. The Korean War was the culmination of its tragedy. Desperation, however, makes for motivation, both personal and collective. As Jones describes [1993: 199], 'Korea took off because she had no choice, no acceptable choice. There was nothing to lose by going all out for economic advance - or, rather, far too much to lose by not doing so. The only way out of destitution or impending destitution - for families and societies alike - was up.' There have been dramatic changes in Korea since 1945, changes that have taken Korea a long way from its traditional and colonial heritage. Independence, military government, separation from the North, war, and the influx of 4 million refugees and returnees from the North and from Japan combined to destroy much of traditional authority, create a mobile population, and open the way to new men. Existing class barriers were broken down and along with them, obstacles to upward movement. There were no unassimilated ethnic groups, and the cultural homogeneity of the Korean population facilitated the easy mobility of ideas and new techniques and practices.

3.2 SOCIAL CULTURE

In recent times, there has been a growing interest in the cultural dimension in development. In particular, the Third World has very different cultural factors. Thus, Midgley argues that any account of the Third World social policy should pay attention to the institutionalised patterns of obligation and similar cultural practices that respond to the needs of dependent individuals and families. In addition, cultural factors expressed at the level of national ideology and political power are important for a proper understanding of the origins and present functions of modern welfare institutions in the Third World [MacPherson and Midgley, 1987: 136-138].

For 1960s modernisation theory, traditional cultures were viewed as a barrier to economic development. Extended families, attitudes toward work, hereditary rather than meritocratic systems of advancement, and fatalistic value systems were alleged to be endogenous barriers to transformation and growth in the Third World. But this is not always the case. In recent years, the new scholarship argues that in at least one non-Western culture, an East Asian variant is capable of fostering the types of behaviour necessary for rapid economic growth. It is suggested that their common Confucian heritage accounts for the developmental success of Japan and the East Asian NICs [Appelbaum, 1992: 15-16].

In some very important ways, Korean culture has been moulded by influences emanating from its neighbours. The Chinese imprint can be seen particularly in the Confucian ethics of Korean society, in civil service concepts, and in some significant religious influences; the Japanese, in administrative and organisational methods, and in concepts of modernisation. Nevertheless, Korea retained important distinguishing characteristics of its own that have differentiated the Korean reaction to the influences of modernisation from those of the Japanese and Chinese [Cole and Lyman, 1971: 14]. As described above, significant in this connection is the fact of Korea's relative insularity. Having centuries ago closed its borders to other ethnic groups and its ports to outsiders, and discouraged commercial activity, Korea emerged into the twentieth century a remarkably homogeneous society. There were no significant minority groups and no important alien groups. There also were no significant regional or separate

political loyalties to compete seriously with the authority of the central regime [Henderson, 1968: 34-35]. A second important characteristic was the fluidity of the class structure that did exist. As far back as the end of the seventeenth century the rigidity in the class system had begun to decline [ibid.: 195-198]. The levelling process was greatly accentuated by Japanese rule, and by independence the lines of class division had been greatly blurred.

Of course, not all of these special characteristics have been cited as assets. Henderson sees the homogeneity of Korean culture and the fluidity of the class structure as having had detrimental effects on the Korean capacity for modern political organisation [ibid.: 193-194]. Historically, in his view, they prevented the development of strong intermediary institutions - whether based on class, region, or economic interest - thus forestalling the development of both the objective basis and organisational experience for a pluralistic society. Combined with a high degree of political centralism, they also contributed to a strong 'upward draft' that drew political activists to the centre of power and put them into a type of competition in which factions became common, while stable forms of group interest and countervailing influence were absent. These characteristics, Henderson argues, have been transferred to modern political behaviour.

However, in the same cultural setting one can readily also see advantages for a society that had to achieve difficult economic and social adjustments to meet the challenges of the twentieth century. As noted earlier, unlike a host of other newly independent nations, Korea did not have to overcome strong regional or religious differences in order to establish a viable political structure. It was able to take important economic steps, like the land reform of 1948-1950, more easily in part because there was a lack of class unity or even perceived common class interest on the part of those most adversely affected. Furthermore, the absence of deeply alienated minorities, and by 1945, of any historical class of oppressors, eliminated divisive and vindictive elements from the body politic. Consequently, if there were a strong 'upward draft,' it was one to which nearly all elements felt they might have access.

Another important characteristic was the absence of strong inhibition against material gain. The Confucian ethic, of course, was not oriented toward capitalism. Moreover, an environment characterised by scarcity and limited resources, as was traditional rural society in Korea, can tend to breed suspicion of anyone who gets ahead

and to reinforce the demands of the extended family on the individual's increased resources [Moos, 1966]. But none of these influences acted in Korea to create a serious anti-materialism as did some of the religions of South and Southeast Asia, which accentuated spiritual not only above but against material pleasures. Events in the postliberation period would confirm the responsiveness of the population to economic incentive. In short, Korean culture included many potentially favourable conditions for modernisation.

3.2.1 RELIGIONS IN KOREA

Religion in Korea covers a broad spectrum of faiths and beliefs. Buddhism, Christianity, Confucianism and numerous other indigenous religions exist. Although none of them dominates, they all influence contemporary Korean society. Despite the coexistence of many different religions, Korean history has never witnessed internal strife or conflict caused by religious differences. This is not to say that Koreans are fickle when they come to religion, nor that they are especially gullible. Rather, in religion as in much else, Koreans tend to be pragmatic. They will try anything once, and the criterion for evaluating a system of belief or a course of action is whether it works in a pinch.

Interestingly, an example of this strong pragmatic inclination is found in Christianity's rapid growth. Christians have grown in number from about 1.2 million in 1957 to some 14 millions now. Christianity is now only slightly less popular than Buddhism in Korea. Why should the seed have fallen on such fertile soil in Korea, when intrepid Christian missionaries have failed to convert more than a trifling 1 per cent of the people in Japan? The popular explanation is that Koreans turn to the gospels because they have suffered so much. A shrimp caught in the battle between two whales, as the saying goes, Korea has been invaded by the Japanese, the Chinese and Genghis Khan; it was the site of the first great clash between capitalist democracy and international communism; and its population until recently suffered from military autocracy and social insecurity. With all these reasons for being miserable, it is argued, many Koreans seek happiness in the next world instead. But Buddhism also offers relief

from worldly cares. Some prefer to attribute the popularity of Christianity to the practice, common in the evangelical Protestant churches that have expanded fastest in the past 30 years, of promising material rewards from God to those who pray sincerely. Thus John Lee, president of Seoul's main Anglican university, points out that Christianity's rapid growth has occurred concurrently with that of the Korean economy. 'Many people's prayers have evidently been answered' [The Economist, Dec. 10, 1994: 85].

Perhaps the most significant culture that has influenced Korean values and their beliefs about social and political economy has been Confucianism. In particular, Confucian ethics are very important in the understanding of the roots and philosophical foundation of social welfare in Korea. Historically, the ideology of Confucianism as transplanted into the Korean soil had flourished and prospered, like the other major philosophies and religions of Shamanism, Buddhism, and Christianity. The Confucian cultural influence on Korean society, however, has received more critical and balanced evaluation in terms of both positive and negative legacies.

The question of Confucianism's appropriate role in the modernisation of traditional Korean society in the twentieth century has not by any means been settled. For example, many Western observers held the view that the failure of a country like China or Korea to achieve an economic breakthrough was at a time when Confucian influence in the society was at its peak [Eckert, *et al.*, 1990: 410]. This is a rather simplistic view that requires further explanation. It was not so much the ideology of Confucianism as the sociology of the existence of a powerful land-based aristocracy that seems to have hindered the process of modernisation of the traditional society of Korea. The historical reality was that the Yi dynasty's *yangban* elite, who were well-educated Neo-Confucians, were basically opposed to economic and social reform on solid Neo-Confucian grounds.

Moreover, there has been a revival of interest in this question of the proper role of Confucianism in the process of Korean modernisation. Today, a more positive assessment is given to Confucianism, at a time of rapid socio-economic and political developments that characterise not only Korea but many other East Asian countries [see, for example, Rozman,1991; Appelbaum, 1992]. The elements of Confucianism that are seen as particularly important to this new economic culture are: filial respect and respect

for one's elders and superiors; a high value placed on education; a commitment to meritocratic forms of personal advancement; a capacity for hard work; and an ascetic commitment to deferred gratification. In the neo-Confucian economic culture these elements have been transmuted into deferential attitudes toward managerial authority (resulting in greatly reduced labour relations problems); high rates of personal and corporate savings; a commitment to the firm as a collectivity; and a willingness to forgo leisure in favour of long hours of committed work. In short, the Confucian culture, at least in the context of capitalist economic systems, has played a role akin to that of Protestantism during the initial rise of capitalism in Western Europe [Appelbaum, 1992: 16].

Under the Confucian tradition, political culture can be characterised as a hierarchical view of political life - authoritarianism - on the part of the ruling elites and a corresponding subordination on the part of the ruled. As will be discussed later, Korea's economic miracle is conceptualised by Johnson as having been engineered by bureaucratic-authoritarian regimes of a capitalist developmental state [Johnson, C., 1989]. The capitalist developmental state is characterised by a strong state that readily intervenes in the market to influence the economy, a high degree of state autonomy vis-à-vis civil society, an efficient bureaucracy, and an authoritarian regime and style of politics. Korea's authoritarian regime acted to repress and exclude certain popular sectors in civil society, denying their active and participatory role in politics. Organised labour, for instance, was deprived of the right to collective bargaining and political mobilisation. The authoritarian regime, with all the advantages that they controlled, was too strong for an opposition that was generally weak and divided [Kihl, 1994].

Christianity has also played an influential role in Korea's modernisation. Catholicism was introduced to Korea in the nineteenth century, and was an anti-feudal alternative to Confucianism, preaching egalitarianism. It emphasised filial piety, but placed divine authority above family. Similar to Protestantism in calling for the dignity, autonomy, and equality of men and women, it provided the spiritual correlate to democracy in Korean liberation ideas. It offered solace and hope to the lower classes, where its popularity has been strongest. Protestantism has also been associated with modern Western civilisation and democracy and with the growing desire for a modern way of life. For many migrants to the cities, churches provided a focus of activity and identity, which also influenced their views on politics and

economics. Christian activists have dominated Korea's dissident movement. Both Catholicism and Protestantism are growing fast among the poor in cities as well as in the countryside. The Protestant Urban Mission was an activist group designed to protect the rights of textile workers, and the Catholic Farmers' Association was active in organising farmers to defend their interests [Bedeski, 1994: 104-105].

3.2.2 FAMILY CUSTOMS

Confucian cultural norms give particular emphasis to the institution of family. In early times, the typical Korean family was large. Several generations often lived together, and many children were desired for stability and security. It was not unusual for the number sharing one house to total a dozen or more. In recent years, the movement to urban areas and the spread of flat-type housing have meant that newly married couples tend to live in their own quarters instead of living with other family members, giving rise to an increasing number of nuclear families.

Traditionally, in a Korean home the head of the family is regarded as the source of authority. All family members are expected to do what is ordered or desired by the family head. Strict instructions are to be obeyed without demur. It would have been unthinkable for children or grandchildren to place themselves in opposition to the wishes of their elders. Obedience to the superior is regarded as natural and one of the most admirable virtues. On the other hand, it is understood that the patriarch of the family would be fair in dealing with the family members. Under this system or order, the man traditionally has been given the responsibility of representing, supporting and protecting the family as well as the power to command. If he cannot wield this power and exercise this responsibility, he loses authority as the head of the family.

The Korean people have always attached importance to the concept of filial piety. Filial piety is considered the basic component and premise in the forming and shaping of personality. The traditional family consciousness expresses itself in filial piety, attaching the most importance to the father-son relationship. Parents are the absolute authority, to be accorded strict obedience and respect. Sentiment, love, and duty between family members are normally strong and cannot be severed. Relations among

family members are not merely self-serving ones, but extend far beyond. Family members are conscious of their bondage of blood, and have established a tradition of co-operation and mutual assistance. Among Koreans there is a strong bond between relatives and clan members. This goes beyond personal interests of hopes of gain, adhering to traditional principles regarding mutual co-operation as a solemn duty. Because of this, the family system is one of security in which people in trouble can count on support from relatives. In this context, Korea's lack of attention paid to public social programmes is partly a consequence of the Confucian ethic that makes members of the Korean society less dependent on a formal social safety net.

3.2.3 SOCIAL RELATIONS

The traditional Korean society was made up of essentially three classes: the aristocracy or *yanban*, commoners, and the 'lowborn' who were mainly serfs or slaves. Entrance into the aristocracy was less restricted than in the case of Japan, but more so than in China. In China, in principle at least, anyone who passed the three degree examinations could enter into the highest reaches of the bureaucracy. In Korea, for the most part, only those who were by birth *yanban* could take the examinations. At the other end of the scale, serfs or slaves could be bought and sold by their masters. In actual practice, however, the boundary between serfs and commoners was not always clearly drawn. Slaves sometimes owned land, and the obligations of a commoner to his landlord or government official often went well beyond the payment of rent and taxes. There was also considerable movement by families through the generations from commoner to slave status and back again.

By the end of the nineteenth century Western influences began to penetrate Korean society, effecting changes in the social stratification and values of the stagnant Yi dynasty. In particular, Japanese rule systematically dismantled the old society at the local and national levels. The old social strata lost their legal status: *Yanban* and commoners were made equal before the law, and slavery and the category of the lowborn were abolished. The process of change accelerated after World War II. The land reform, which was carried out by the American Military Government (AMG) and

Korean authorities between 1945 and 1950, caused fundamental changes in the economic and social system of Korean society. The AMG confiscated and redistributed all land held by the Japanese. After the land reform in 1950, the percentage of tenants in the farming population fell from 48.9 per cent to 7 per cent in 1965; the amount of land farmed by tenants fell from about 60 per cent to 15 per cent in the same period. A new class of independent, family proprietors was established [Kang, 1992: 115]. Furthermore, as noted earlier, by the Korean War the rigidity of class structure had been greatly dismantled.

Such a class fluidity contributed to the adaptability to economic modernisation. While there was disdain for merchant activity, and a consequent absence of any proud, entrepreneur, middle class in traditional society, the breakdown of class rigidity, especially at the top, and a long decline in the aristocratic privilege of dissociation from economic concerns made it easier for ambitious, respectable persons to move into entrepreneurship after liberation. Many of Korea's modern entrepreneurs are thus descended from the former landlord class [Cole and Lyman, 1971: 17].

In recent times, interestingly, the majority of population has begun to see itself as largely middle-class, though this middle class contains significant economic disparities.[2] As individuals are largely ranked according to their educational background rather than family standing, education is the key to social status and financial security. It is very common for Korean parents to sacrifice their lives solely for the education of their children. Ideologies of meritocracy and classlessness have meant that those who fail in society have little to fall back on and seen to be responsible for their own failures. Handicap - physical and mental - is also highly stigmatised. Similarly, in comparison with some other industrialised nations, there is little protection for the 'weaker' members of society; job security and high work safety levels exist only for those who gain the elite, core positions. Labour markets, therefore, demonstrate profound core-periphery

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[2]According to national social statistics survey, about 60% of the population (in particular, about 83% of college, university graduates and over) consider themselves middle class [National Statistical Office,*Social Indicators in Korea 1993*: 274].

distinctions that have crucial significance for the types of social welfare systems which have developed [Goodman and Peng, 1995: 15].

Confucians assume that people cannot live alone because they are social beings by nature and they act in structured situations according to certain principles and expectations. Confucians' basic interests and concerns are with human ties and interactions and with reciprocal altruism and many Koreans continue to maintain the old tradition of ritual and civility. One of the most outstanding examples of mutual support in Korean society is the '*Hyangyak*', a village code to establish a system of mutual support. The spirit of the *Hyangyak* is embodied in four objectives that emphasise: mutual encouragement of morality, mutual supervision of misconduct, mutual decorum in social relationships, and mutual help in time of disaster or hardship [Lee, K.B., 1984: 207].

Kye', a mutual financial association, is also an outstanding example of reciprocal altruism in Korea. Everyone who becomes a member of the association has equal rights and obligations, regardless of their age or their social status. A *Kye* is a kind of communal benefit society or co-operative. Every member of a *Kye* contributes a fixed amount at each monthly meeting over a period of time. Through these mechanisms, community members help each other in the promotion of business, the correction of misconduct, the furtherance of civic pride and community problem solving.

In the light of this culture of mutual support programmes, why then are social welfare systems underdeveloped in contemporary Korean society? The question might be explained partly by the underdevelopment of strong intermediary institutions such as organised labour, and partly by the Confucian ethics mentioned above. Because of the authoritarian political culture, there has been no direct channel through which the masses can influence the ruling group to meet their needs. Moreover, the political structure's emphasis on economic development makes it difficult to moderate any social stress factors through the development of a social welfare infrastructure. Under these situations, those in authority neither realised the importance of social policy, nor gave consideration to such policy in government decision-making.

3.2.4 THE PASSING OF THE TRADITIONAL SOCIAL CULTURE

In the above discussion, we have seen that Confucianism has had a deep influence on many parts of the Korean traditional social culture. The question to be addressed now is to what extent the influence of the Confucian ethic continues to exist in Korean society and characterise the social behaviour in this society.

The vast changes that have swept Asia, along with the rest of the world, in recent decades have been reflected in a different life style for many Koreans. Trends towards modernisation in society have been accompanied by alterations and adjustments in customs and traditions. Industrial development provided much of the impetus for the promotion of values of scientific and economic rationality and technological expertise. Furthermore, by the late 1960s Korea's cities had become the focus of dynamic change as millions of people left their rural villages, and the all-embracing kinship system, for the cities and salaried employment in new industries and commerce. This process raised the business class and modern managers as a new elite class despite their a low status in traditional society.

Industrialisation and urbanisation had an impact on the family, too. Rapid industrialisation developed occupational and regional migration which was accompanied by family dissolution. With this family separation, the normal family pattern consistent with the progress of industrialisation has became the nuclear or conjugal family. The literature on economic development often assumes that the modern industrial system is more compatible with the conjugal family which is centred on the married couple rather than on large kinship networks. Technological change and business organisation have enhanced occupational mobility and demographic migration. Migration from rural to urban areas has broken down the extended family system of traditional society, and obliged it to move to the nuclear family system at least in geographical terms (Table 3.1).

These trends are indicative that the resources of households, traditionally the main sources of welfare, may be shrinking. Furthermore, modernisation and industrialisation challenge and modify traditional values and norms. Traditional Confucian society emphasised an ethical and moral perspective that deprecated material

and ontological values and stressed instead values of honour, dignity, integrity, and virtue or righteousness - not money, affluence or any physical conveniences. Modernisation has fostered the belief that moral and spiritual power is bound up with material and physical power. According to Paik, this has transformed Korean consciousness from a fatalistic, passive mentality to an 'anything can be done' economic expansionist outlook. Economic goal attainment has become an end in itself and no attention may be paid to what effect it would contribute socially [Paik, W.K., 1992: 126-133]. In addition, modernisation, accompanied by demographic changes, urbanisation, and industrialisation, has increased intergenerational friction, led to lower status for older people and a diminishing of their former significant family role.

Table 3.1 Composition Rates of Household by Type (%)

Year	One generation	Two	Three	More than four
1960	7.5	64.0	26.9	1.6
1970	6.8	70.0	22.1	1.1
1975	10.9	68.9	19.2	0.9
1980	14.6	68.5	16.5	0.5
1985	18.2	67.0	14.0	0.4

Source: National Statistical Office, *Social Indicators in Korea 1991.*

These changes mean that the enlargement of social welfare becomes an important social issue in Korea, too. Industrialisation and urbanisation are causing increasing demand for social welfare protection and provision in Korea, just as in Western societies in the late nineteenth century. So long as the family is seen to be the basic unit and last resort of individual security, there is no doubt that it will retain its core function as the main institution of individual security. It is also true that, despite the challenges, there are those who maintain that Korea - for all the high-rise buildings, superhighways and technological advances - is still one of the most Confucian of all countries, retaining beneath the surface a long cherished approach to the proper way of life. However, most important is the fact that Korean society is unlikely to remain an exception to the general trend that the family in industrialised society is too vulnerable to take charge of all burdens of individual security and well-being.

3.3 INDUSTRIALISATION

Korea's economic growth over the past 30 years has been referred to as one of this century's economic miracles. When Korea joined the International Monetary Fund in 1955, it had a per capita gross national product (in current dollars) of only $65; in 1992, its per capita GNP was $6749 (source: IMF, International Financial Statistics). Many scholars have attempted to answer the puzzle of why Korea has grown so much faster than most developing countries. The common observation is that the miracle has been orchestrated by a strong, ubiquitous, and interventionist state. The orthodox or neo-classical economic theories which stress the economic benefits of a minimalist regulatory role of the state are severely challenged by this successful case of economic development. As Amsden points out [1989: 3], Korea's success is an example of a new way of industrialisation that challenges long-held assumptions of generations of economic thinkers.

Johnson characterises the Korean state since 1961 as a 'capitalist developmental state' (CDS) [1989]. By CDS he means a state which eschews ownership but exercises control through the manipulation of incentives, rationing of resources and capital, cartels, and so-called 'administrative guidance'. It leads economic development, directly mobilises and allocates capital, licenses or subcontracts its projects to private entrepreneurs, and plays the predominant role in controlling the organisation of workers. It differs from both the forms of the command economies and the laissez-faire model of neo-classic theory. For Johnson, all CDSs are authoritarian but not all authoritarian regimes are CDSs.

Following Johnson, such state-initiated economic development sooner or later faces a crisis due to its extreme imbalances. In fact, in order to achieve rapid economic growth, Korea's developmental elites chose a strategy of unbalanced development which promoted economic development preferentially at the expense of social and political sectors. Such a strategy has produced a seriously unbalanced society, one that is highly developed economically, moderately developed socially, and deeply underdeveloped politically. It is this imbalance that produces the ultimate crisis of legitimacy for developmental elites. In recent years, in spite of a brilliant performance of economic

growth, Korea can be seen to be undergoing political reforms along with a speeding up of democratisation. Significant changes are also taking place in the political climate of Korea. These changes include explosive demands for more equitable distribution of rewards, which has led to severe labour disputes since the late 1980s. Facing these new changes in economic values, the Korean economy currently finds itself situated at the cross-roads.

3.3.1 A PERVASIVE POVERTY: BEFORE THE 1960S

Political events have repeatedly interrupted the growth of Korea's economy. This was never truer than in the period 1945-1953. During these years, the economy was disrupted first by the collapse of the Japanese colonialism and later by the arbitrary division of the nation. The following civil war destroyed much of the urban housing and industry in Korea and devastated the countryside. When the Armistice was signed in 1953, the level of production of the Korean economy was far below what it had been during the early 1940s. The GNP for 1953 amounted to $2,715 million at 1970 constant prices; per capita GNP was $134 at 1970 constant prices [Mason, *et al.*, 1980: 92].

The 1950s paralleled the millennium of dynastic rule that ended in 1876 in that more energy was spent in plundering the existing surplus than producing more, the surplus itself arriving in the alluring form of US foreign aid for war reconstruction [Amsden, 1989: 38-39]. The Korean economy more or less survived on the basis of US economic and military aid in the 1950s. Despite large inflows of foreign assistance, economic performance during the 1950s failed to meet the expectations of either the Korean people or the aid donors. In fact, economic growth continued to be assigned secondary importance in the early years after liberation. The issues of independence, partition, and the Korean War had attracted public concern much more immediately than had economic development. In the late 1950s, however, attitudes began to change. The large influx of foreign aid after the Korean War had changed the basic character of the economy, creating new sources of wealth, new opportunities, and new problems. For many critics it was the disparity between large scale, well-publicised aid and low living standards that symbolised much of their discontent over economic conditions in this

period. Dissatisfaction with the Rhee regime therefore led to political unrest. Furthermore, declining aid and persistent inflation acted as a brake on production and investment. The growth of output declined to nearly zero in per capita terms [Cole and Lyman, 1971]. Thus, by the early 1960s, US officials had become extremely gloomy about the prospects of Korean development [Mason, *et al.*, 1980: 195]. The mood was also aptly summed up in the popular slogan of the opposition party in the late 1950s: 'We can not live like this any longer. Let's have a change' [Henderson, 1968: 127].

While the economy drifted along with import-substitution industrialisation, a few important economic changes had taken place. The first was land reform carried out 1948-1950. As described earlier, the land reform achieved something only few nations in the world have done: the virtual elimination of the landlord class, the creation of a relatively egalitarian class structure, and a relatively equitable income distribution. This reputation has become increasingly undeserved as industrialisation has advanced. Korea now has unusually high levels of aggregate economic concentration and of wage inequality by international standards. In particular, the value of real estate and other assets, which tend to appreciate with inflation, rose more rapidly in the 1970s than wages. Because this value is excluded from income and these assets tend to be owned by higher income earners, the inclusion of such assets would result in an even greater measure of inequality [Amsden, 1989: 38].

The second important change was the distribution of Japanese-owned properties (land, property, and production facilities) and privatisation of state-owned enterprises and later state-owned banks. All these properties were distributed, at extremely low prices, to the individuals who had close political connections with the ruling elites. In particular, this was the origin of the modern Korean capitalist class [Koo, 1992: 123-124]. Consequently, the 1950s witnessed a decrease in the size of agricultural enterprises and the death knell of the nobility, along with an increase in the size of industrial enterprises and the tentative grouping toward a symbiotic relationship between the state and the progenitors of large diversified business groups (in Korean, *chaebol).*

3.3.2 ECONOMIC GROWTH IMPERATIVE: THE 1960S-THE 1980S

Until the early 1960s, the Korean economy had been locked in literally 'a vicious circle of poverty'. Park Chung-hee, who led the coup in 1961 and became a supreme ruler for the next two decades, distinguished himself from his two predecessors (Rhee Syng-Man and Chang Myon) in terms of his strong commitment to economic development. He justified the coup in terms of the urgent need to rescue the nation from the brink of starvation as well as to defend it from the communist threats. 'A nation of wealth and power' was not merely a political slogan but also his dream, and his firm conviction.

At that time, Korea had in principle a choice between two alternative approaches to economic development. One was to continue an import substitution strategy. The other was an outward-looking developmental strategy emphasising trade promotion. In view of its poor natural resource endowment and small domestic market, the new government adopted the latter strategy. The essence of the outward-looking development strategy adopted in 1964 was the promotion of labour-intensive manufacturing exports in which Korea had a comparative advantage. Since 1964, the developmental strategy based on the export platform has achieved spectacular success. Between 1961 and 1972, total exports expanded more than 40 times, manufactured exports expanded 170 times, and the rate of export growth averaged more than 60 per cent per annum [Im, 1987: 242].

The most important factor in this success story is the role of the state. No sooner had Park captured state power than he launched a series of Five-Year Economic Development Plans, and created the Economic Planning Board (EPB), a central economic decision-making agency with a large degree of autonomy from private interests and other agencies. Economic development was taken as the most important goal, a sacred mission, of the state, by which the power holders hoped to be judged by the people in terms of their right to rule. The regime's guiding economic philosophy was not really a free market economy, but a 'guided capitalism'. This characteristic of Korean government, as noted before, is aptly explained by the concept of the 'capitalist developmental state (CDS)' in Johnson's terms . A developmental state is a state that has a considerable amount of autonomy to adopt policies without interference from class

interests and a capacity to implement these policies effectively. Fortunately, the Park regime inherited a state structure that had stood historically above the civil society, with an enormous amount of coercive capacity based on large police and military forces. The civil society, on the other hand, was weak and relatively undifferentiated, with no powerful class. In short, the historical conditions of state-society relations in Korea were amenable to the transformation of the Korean government into a developmental state [Koo and Kim, 1992].

Besides these institutional reforms, the state obliged the large capitalists to participate in the export platform through both incentives and penalties. Incentives for exporters included bank loans on preferential terms, relief from taxes and custom duties on imported materials used to manufacture goods for export, and discounts on transportation and electricity costs. State penalties for capitalists who did not follow export-promotion policies included unfavourable tax rates, the restriction of import licences, and the rejection of commercial as well as public bank loans, both of which were under strict state control. Foreign loans and foreign currency exchange, which also required governmental guarantees, were provided only to those who followed state economic policies [Im, 1987: 244].

Consequently, individual capitalists have carried out most of the industrial development projects. As mentioned above, the presence of major individual capitalists resulted from the acquisition of former Japanese properties at bargain prices and privileged access to foreign aid, bank loans, and public contracts in the 1950s. When the military junta took power in 1961, it enacted the 'Special Law for Dealing with Illicit Wealth Accumulation' to confiscate the illegally amassed fortunes of the large capitalists. However, the junta found that compromise was necessary because the large capitalists controlled organisation, personnel, and facilities, and capital necessary for rapid economic growth. This compromise between the state elites and the large capitalists defined the character of the mutual collaborative relationship that had been the dominant pattern until recent years.

In the early 1970s a major shift took place in Korea's industrial policy for the promotion of heavy and chemical industries. This shift in policy emphasis was seen as essential to upgrading its industrial structure. In 1973, the government announced the Heavy and Chemical Industry Development Plan which aimed at developing capital-intensive and technologically sophisticated industries such as shipbuilding, machinery,

steel products, and petrochemicals. As Nam observes [1982: 3], it was a strategy to kill two birds with one stone, by developing indigenous defence industries[3] and restructuring the export composition in favour of more sophisticated and high value-added industrial goods.

With this economic turnaround, the government and conglomerates resumed active investments in heavy and chemical industries. The *chaebols* were a critical element in implementing the government industrialisation plan throughout the 1970s. The collusive relationship between the bureaucratic authoritarian state and big business deepened in this period. The *chaebols* were to deliver impressive economic performances and the state was to provide all the necessary conditions for capital accumulation. During the 1970s, the *chaebols* were able to expand and entrench themselves as a formidable power bloc in the Korean political economy [Koo and Kim, 1992: 134]. In 1973, the top fifty *chaebol* accounted for 32 per cent of GDP. By 1980, the *chaebol* dominated the economy, accounting for 49 per cent of GDP, 24 per cent of total sales, 18 per cent of manufacturing employment, and over half of Korea's total exports [Haggard and Moon, 1990: 218].

By the late 1970s, the Korean economy had faltered. Growth rates that had averaged almost 10 per cent a year between 1962 and 1978 fell to just over 2 per cent between 1979 and 1981, with a particularly sharp contraction of the economy in 1980. At the same time, inflation rose to 26 per cent from an annual average of 16 per cent between 1962 and 1978. The high inflation discouraged productive investment activities, subsequently jeopardising the long-term growth prospects of the economy.

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[3]There were several reasons why the Park regime made this hasty move into heavy and chemical industrialisation in the early 1970s. One Of the most important reasons was the political environment of the period. In the early 1970s, significant changes took place in Far Eastern geopolitics. Nixon's visit to China and the ending of the old Cold War brought uncertainty to the Korean peninsula. The Nixon Doctrine stressed greater effort for self-defence among US allies, and the Nixon administration made a partial withdrawal of US military forces from Korea in 1971. A former general, Park felt a great threat in all these changes and determined to strengthen Korea's military power domestically. His decision to promote steel and chemical industries was very much influenced by defence considerations.

Complicated interactions between domestic policy and the external environment made it difficult to weight the importance of the various factors contributing to the economic crisis. Exogenous shocks, both international and domestic, contributed to Korea's problems: the second oil shock worsened Korea's terms of trade and balance of payments; rising interest rates increased the country's debt-service burden; and the assassination of President Park in 1979 created uncertainty; and a major crop failure in 1980 aggravated inflationary pressures and slowed growth [ibid.: 216].

In 1979, the new government announced a broad stabilisation programme. The reforms were basically aimed at realigning the relationship between the government and the private sector to give more autonomy to the latter while at the same time allowing market principles to play a larger role. At the same time, responding to the demands of distributional justice, the government promised that it would bring in some social welfare measures. The usual five-year economic plan would now embrace social welfare goals, thus the 1982-1986 plan was labelled the 'Fifth Five-Year Economic and Social Development Plan.'

3.3.3 SALIENT CHARACTERISTICS OF KOREA'S ECONOMIC DEVELOPMENT

1. The Government-led Development

Throughout the 1960s and 1970s, the Korean government was deeply involved in the economic development process, not only by drawing up development plans but by leading the private sector towards achieving the goals set in the plans. After World War II, the absence of a strong, indigenous, landed class, rule by the Allied Military Government and the infusion of massive US aid created a situation in Korea which eventually led to a strong development-oriented state. The developmental state directed the export-led manufacturing that emerged in the 1970s and has been heralded as 'the Korean economic miracle.'

The strength of Korean government was enhanced by the inflow of foreign capital in the form of public as well as commercial loans. The government distributed public loans to sectors it deemed important for its economic development plans. A large majority of foreign loans (approximately 90 %) required government guarantees for

payment and put the government in charge of distribution. But a more powerful mechanism of state control over the private sector was its control over domestic banks, which the military junta wrested from private ownership in the first months of coming to power. To a great extent, as Wade argues [1990], the autonomy and the capacity of the Korean developmental state resides in its control over the financial system.

An equally important way in which the Korean government intervened in the economy involves the control and repression of labour. There is little doubt that the government's relations with labour have been as integral to the Korean economic miracle. After studying the similarities and differences between labour relations in Singapore, Korea, Hong Kong, and Taiwan, Deyo has noted that the export-oriented industrialisation drive was possible because the working class was neglected and exploited [Deyo, 1987: 183]. In fact, anti-union activities and political demobilisation have contributed to the country's competitiveness in the international market by reducing the cost of Korean exports.

2. The Developmental Alliance between the State and the Chaebol

Among the NICs of East Asia - Korea, Taiwan, Singapore, and Hong Kong - Korea stands out for its exceptionally large industrial firms, many of which reached their great size through the monopolistic or oligopolistic favours from the state. During Korea's remarkable economic growth period, the relationship between the state and big business leaders has been comparable to that between a domineering patron and an obedient client. President Park forged a narrow developmental alliance with *chaebols* in order to pursue rapid economic growth. The Korean government provided special financial incentives to large companies. A substantial part of its favours were given to big businessmen who financially supported Park's military regime. This was the typical patron-client tie that can be found in many other countries; what was different in the Korean case was its pervasiveness (compared to Western democracies) and its growth within a highly efficient institutional host (compared to Third world regimes). Clientalism was thus a major factor in Korea's state-corporatist growth strategy [Nam, C.H., 1995]. This state-*chaebol* alliance facilitated a remarkably rapid rate of economic growth, but produced enormous capital concentration and a skewed distribution of

wealth. Workers had to accept a minimum wage while farmers had to work more to maintain profitable outputs. The gap between the prosperous expanding *chaebol* and the deteriorating standard of living of the marginalized working class became more and more obvious.

The very success of development policies based on a narrow development coalition, however, worked to undermine the unity of this coalition by bringing into being new class forces. The expansion of the working class and the middle classes in Korea, the outcome of rapid exported-oriented industrialisation, led to the formation of a loosely organised 'distributional coalition', in Olson's terms,[4] which presented itself as representative of the masses. When the rise of the mass movement in the 1980s strained the relationships between the Chun regime and the *chaebols*, the state could no longer protect and favour a privileged segment of capital. By the late 1980s, the relative autonomy of the state vis-à-vis conglomerate capital declined considerably, and so did the ability to control the behaviour of the *chaebols* [Koo and Kim, 1992: 145]. The government, for instance, promised that its grip over the private sector would be loosened through monetary liberalisation. The government also promised to lower exorbitant land prices by adopting a semi-socialist policy that would redefine property rights *(t'ochi konkaenyom)*. This new policy was seen as a departure from the patron-client ties that had existed between the state and the big land owners. Heavy taxation of the latter was supposed to nullify the special favours previously given by the state to the *chaebol*, who had exploited sky-rocketing land prices for their business expansion. Furthermore, the new Kim Young-Sam regime has promised to complete the reforms by dismantling patron-client ties between the state and big business, and President Kim promised never to receive political funds from big business during his term.

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[4]Following Olson, if a special-interest group can increase the income of its members while reducing the efficiency and output of the society, it leads other constituents of the society to collective struggles over the distribution of income and wealth rather than to the production of additional output - they are 'distributional coalitions. See Olson [1982: 43-47].

3. Growth-Oriented Development Strategy and Equality

The 1950s were characterised by a weak government policy that had no clear objective with respect to either efficiency or welfare. Not surprisingly, that period was a time of low growth and uneven distribution of income. With the launching of the First Five-Year Plan in 1962, however, the Korean government began to exert tremendous influence on the economy to maximise its growth potential, specifically by pursuing an export-led development strategy. As has been described, this emphasis on growth during the next three decades transformed Korea into a rapidly industrialising nation.

Throughout this period, social welfare policy was given a low priority for policy makers for the most part. Despite this lack of attention, during the 1960s equality improved along with growth. The government's export-oriented development strategy, which focused on the promotion of highly labour-intensive industries, accelerated the rate of growth and provided a steadily expanding pool of job opportunities for the unemployed and the underemployed, as well as for the growing labour force. The consequent increase in the income of low-skilled labour was a positive force in income distribution.

But by the early 1970s, the distribution of income began to deteriorate again, primarily because of a shift in government policy. As noted earlier, the heavy and chemical industrialisation resulted in not only a growing imbalance in wealth distribution between large conglomerates and small companies, but also a widening gap in wage differentials between them. In addition, the emphasis on capital- and skill-intensive industries rapidly increased the demand for highly skilled and educated manpower. The corresponding rise in the wages of the skilled labour served as one force behind a worsening income distribution [Kwon,S.W., 1993: 39-40].

In the 1960s, although the government's economic policy prevented wage workers from sharing equitably in the benefits of economic growth, the long-impoverished masses were content simply to be employed, regardless of the poor working conditions and the extremely low subsistence wages. Thus despite mistrust and cynicism, 'developmentalism' under the slogan of 'economic growth first, distribution later' gained the tacit approval of the popular masses. In the late 1970s, however, a

strong sense of distributive injustice spread across diverse sectors of the population: factory workers, farmers, small-business persons, and white collar workers. Although they did not belong to the same class, they were bound together by their common moral anger against the collusive relationship between the authoritarian state and the *chaebols*. Social welfare policy thus has become an increasingly important social issue since the late 1970s. Although social development policy received some greater attention after the formulation and implementation of the Fourth (1977-1981) and Fifth (1982-1986) Five Year Socio-Economic Development Plans, however, efficiency remained the government's primary objective.

3.3.4 NEW CHALLENGES AND POLICY DIRECTION IN THE 1990S

The Korean economy has been faced with endless challenges for the last three decades, and it has somehow properly responded and successfully adapted to those challenges. Currently, however, Korea is facing several new challenges which arose essentially in the process of rapid democratisation and globalisation. President Rho's declaration of democracy in 1987 has triggered off the rapid unravelling of the authoritarian political and social order - a process which is now most aptly described as a social revolution. The sudden democratisation has given rise to popular attacks on a whole range of government policies as well as social institutions and practices, many of which were instrumental in successfully promoting high economic growth in the past. These attacks stem from popular feeling that Korea's economic miracle is based on sacrifices by certain groups like workers and farmers. They are also closely related to the inequality and imbalances resulting from the growth-oriented policies of the past. In any case, this social revolution has critically weakened the socio-political foundation of Korea's sustained economic growth.

The international trading environment has also been deteriorating with a surge of protectionism and competitiveness. On the one hand, Korea's advanced economic status in recent years has triggered calls from abroad to open up its domestic markets and to expand domestic consumption. In addition, advanced countries are increasingly reluctant to sell technology to Korea as it attempts to develop industries that have been

dominated by advanced countries. On the other hand, Korea is rapidly losing its competitiveness in low wage based labour intensive industries, as its real wage has risen at an average annual growth rate of 5.8 per cent in the 1960s, 7.5 per cent in the 1970s, and 7.6 per cent in the 1980s. Concomitantly, other developing countries with much lower wage rates are rapidly catching up with Korea in these industries.

Korea's modern economic development success has been built upon a strong co-operative relationship between workers and employers, and more broadly between all income classes of the nation. The greatest difficulty - in fact, the crisis - that faces the Korean economy today is that such co-operative discipline no longer exists in the society. In launching the economic development drive in the early 1960s, the Park regime managed to build national co-operation by appealing to the people's desire to be liberated from poverty. In coping with the economic crisis that followed the second oil shock of the late 1970s, the Chun regime also successfully managed to organise national co-operation by proposing an 'equitable sharing of sacrifices' among employers, workers and farmers. More recently, however, such bases for national co-operation have been lost.

Many reasons can be discerned. For one thing, the relationship between workers and employers has been changed from one of close co-ordination and co-operation to one of tension and conflict. In early July 1987, for example, workers at a number of key big-business groups engaged in strikes that gradually spread through the economy. In the two months from July 4 to September, there were more disputes than had taken place in the previous ten years [source: Chosun Ilbo, September 9, 1987]. Some broad claims were often made for equal rewards rather than equal opportunities, jeopardising the very fundamental ground for capitalistic efficiency. Furthermore, farmers have begun to revolt against agricultural import liberalisation and efficiency-oriented economic management. New farm groups have formed, and street protests by farmers have increased dramatically, focusing on the issues of farm debt, taxes, and import liberalisation in agriculture. Moreover, the government has been criticised for allegedly having colluded with capitalists, pauperising the workers and farmers, and favouring the rich. But most important is the fact that the lower-income people including workers have begun in recent years to think that the fruits of economic growth have not been shared equitably [Nho, 1994: 35-38].

One of the ironies observable in Korea's economic development history is that plans that are effective in the short-term may be counter-productive in the long-term. Perhaps most exemplary are government-directed economic initiatives adopted in the early stages of Korea's economic development plans that have caused unbalanced growth (regionally and sectionally) and concentrated support on the large capitalists. In a sense, government policies necessary to fuel rapid growth (expansion) have produced major inequalities that are now extremely difficult to remedy. However, political democratisation has now made necessary more rapid economic democratisation - a feat that may be even more difficult to achieve than political democratisation [MacMaus, 1990].

In relation to this, a social survey on perceptions of the quality of life and social conflicts, which was conducted by Seoul National University sociologists Kwon Tai-Hwan in 1986 and 1988, is very suggestive. According to this survey, crime and income inequality were conceived by respondents as the most serious problems among nine items: prices, taxes, human rights, crime, corruption, housing, pollution, labour disputes ,and income inequality [Kwon, T.H., 1989]. This shows that Koreans generally see the rapid economic growth as having more negative implications than positive ones for the quality of life in Korea.

President Kim, who was inaugurated in 1993, promised a formal leap forward to a new economy, from one of regulation to one of competition. The new government launched a new five-year development plan (the Seventh Plan) to expand the country's growth potential, solidify the foundations of international trade, and improve people's living conditions. Most noteworthy in the reorganisation plan was the abolition of the Economic Planning Board which had been the centre of national economic policy-making since the early 1960s. This was interpreted as a clear willingness to reduce administrative regulations by slimming down government organisations.

The challenge for continued Korean economic development is to develop policies that diffuse protests about economic inequalities but do not stifle that nation's economic growth. It is somewhat ironic that at the very time the nation's economic development plan calls for less government intervention in the economy (a pure market model), political demands on the government to iron out inequalities have intensified. The main conclusion here is that sustained economic growth cannot be achieved unless reforms promoting greater

equality and justice are effectively carried out. Perceptions of fairness of the system must be shared by a large proportion of a population if a system of economic and political democracy is to prevail. Truly, equality is the hardest hurdle to jump on the long road of economic development.

3.4 POLITICAL DEMOCRATISATION

There is a general agreement that in the West political change has been closely interwoven with social and economic change. Although the relations between social and political change have varied among Western countries, in general it can be said that the rise of democratic institutions has been shaped by powerful social forces [Mason, *et al*, 1980: 33]. The growth of democracies in the West occurred in a social environment in which government was not expected to undertake the tasks that have been asked of governments in the new states. Adam Smith's *The Wealth of Nations* indeed required that government limit its role to the maintenance of law and order and the protection of the state against foreign encroachment. It was not until late in the nineteenth century that an expansion of the franchise led to political demands that brought government as an active participant into decisions affecting social welfare. This was, moreover, a slow development. Social welfare legislation, the growth of trade unions into powerful interest groups, and extensive government regulation of business practices have largely been twentieth-century phenomena. Political democracy in the West then, emerged and grew strong during a period when government decision-making played a relatively minor role in the socio-economic development process.

The central point is that Western democratic institutions and practices developed in a socio-economic environment very different from that confronting governments of the new states. In market-dominated economies an expansion of the franchise could take place and the institutions of representative government take shape without affecting, except slowly and over time, the process of socio-economic development. The tasks confronting government were not very serious. This, however, was certainly not true in the less-developed world in general. Freed from the incubus of colonialism, populations demanded, if not the millennium, a reasonable facsimile thereof. People

talked of how long it might take to attain the per capita incomes of Western countries; would it be ten years, twenty years, or thirty? Obviously this task could not be left to private enterprise and market forces which were actually underdeveloped then. Consequently, the government had to answer the demands. Governments that could not meet their population's expectations were either overthrown or maintained themselves in power by increasingly repressive internal security measures.

Korea presents in some ways a typical example of the divergence from Western-type economic and political development. Korea's industrialisation accelerated from the early 1960s. Late industrialisation led to the emergence of the strong developmental state in Korea. As Castells argues, the rise of the developmental state in Korea was born out of the need for survival, and it grew on the basis of a nationalist project of self-affirmation of cultural and political identity in the world system [1992: 58]. As noted, the Korean developmental state fostered economic growth vigorously while preventing the workers from participation and consumption. The prevailing image of the state has been that it ought to stand above and over the private sectors. Deeply anchored in the Confucian norm of public service, this self-understanding has had enormous implications for state policy over economic enterprises including large conglomerates. However, the recent experience of democratisation clearly shows that the degree of the state autonomy and elite cohesion has seriously deteriorated during the last several years. Furthermore, the Korean developmental state suffered long and much from the systematic exclusion of the popular sectors and hence the lack of political legitimacy. This exclusion has caused such pervasive side-effects as the breakdown of political trust, the proliferation and intensification of social conflicts and the widening gap between the rich and the poor [Han, 1995].

Thus, it is important to take into account the duality of the Korean developmental state. The Korean developmental state was probably more than successful in accelerating economic growth, but it could not last long because of its built-in contradictions. Even the collusion between government and capitalists became problematic. It remained effective only insofar as the still growing enterprises needed support from the state. Nevertheless, once the economy grew enough in terms of its size and vision, it became a source of strain, not an agreeable parameter of interaction. A good example was that one of the largest of the clients, Hyundai's Chong Chu-Yong, broke loose from political dependence and formed a

political party of his own in 1992, challenging his former patron-state and establishing Korean industry as a powerful and independent new political force. Chong lost the presidential election in December, 1992 but his unprecedented behaviour has caused a fundamental change in the Korean political economy [Nam, C.H., 1995: 357]. Thus, in recent years, Korea has witnessed the eruptions of discontent from the conglomerates, not to mention labour conflicts. Consequently, such an accumulated discontent caused the battle for political liberalisation in the late 1980s, leading to genuine democratic reforms.

3.4.1 THE FIRST AND SECOND REPUBLIC: 1948-1961

The capitulation of the Japanese on August 15, 1945, left Korea in chaos. The 70,000 Japanese administrators who had governed Korea disappeared rapidly. A casually arranged agreement separated the areas of Russian and American occupation at the 38th parallel. The forces of the Soviet Union had begun to enter North Korea on August 12, before the final capitulation, and were soon busy organising a political regime under their chosen representatives. The commander of the US Military Government forces, General John R, Hodge arrived on September 7. Uninformed about Korean affairs, Hodge found himself beset by the claims and clamour of dozens of Korean factions.

A general election was held in 1948 in the southern half of Korea. The Rhee faction was overwhelmingly successful in this election, and on July 20 the Assembly elected Rhee as the first President of Korea. Despite the existence of certain trappings of democracy, the Rhee regime was indubitably an authoritarian government, but it was a personal authoritarianism based on an astute manipulation of political factions, as well as suppression of outright opposition, in contrast to the latter authoritarianism of President Park, who built up and governed with a highly developed bureaucracy. Rhee gave no systematic attention to economic development. He was very little an administrator and very much a politician as contrasted with Park, who had shown himself to be a very effective administrator but to whom politics and politicians were anathema [Mason, *et al,* 1980: 41-45].

The Korean War had numerous consequences for later political development. It eliminated the remnants of organised Communist activity in Korea, and considerably diminished sympathy for communist instructions and practices. The leftist opposition to government no longer flaunted the Communist label and even the espousal of moderate left policies became dangerous. For example, Cho Pong-Am, leader of the moderate left Progressive Party, ran for president against Rhee in 1952 and 1956. The party advocated a programme of socialist democracy, a planned economy, and peaceful unification. Cho managed to get two million votes as against Rhee's five millions in 1956. Cho was arrested in 1958 and charged with espionage activities, found guilty, and shot. His party collapsed. The tragic end of Cho and his Progressive Party made it unequivocally clear that a serious leftist movement could not be openly promoted in Korea without falling victim to violent suppression by the government.

In the aftermath of the war, the country was beset with many problems - economic, social and political. Social disorder and hostility to the government complicated the already staggering problems created by the war. These problems provided a powder keg of anger and resentment that waited only for a spark to set it off. The spark was provided by President Rhee and the Liberal Party in the course of the elections of 1960. Realising its own unpopularity, the ruling regime used every means, legal and illegal, to rig the elections in its favour. Nation-wide student protests ensued, and when students marched to the Presidential mansion, more than a hundred were shot and killed by police. Rhee declared martial law, but the military refused to carry out his shoot-to-kill orders. Rhee had no choice but to step down. Nonetheless, one legacy of the Rhee years was a strong presidency which could oversee the polity and manage the levers of civilian power.

After the fall of Rhee, the first democratic government (The Second Republic) was formed under the leadership of Chang Myon. Chang inherited an ill-managed economy with enormous economic problems, and he faced inordinate expectations for an immediate delivery of economic welfare and political democracy. Yet, compromised as it was by old opposition politicians with conservative class interests and no clear political or economic vision, the new regime was indecisive and slow in developing any coherent programme to attack economic and social problems. The continuing economic difficulties combined with political instability invited a military coup on May 16, 1961.

From this day through to 1987, when parliamentary democracy was inaugurated again, three authoritarian military regimes seized power: from 1962 to 1971, the Third Republic of Park Chung-Hee; from 1973 to 1979, the Yushin Regime of Park Chung-Hee; and from 1980 to 1987, the Fifth Republic of Chun Doo-Hwan.

3.4.2 THE MILITARY COUPS AND THE TRIALS OF DEMOCRACY: 1961-1987

3.4.2.1 THE THIRD REPUBLIC

Until 1961 the armed forces in Korea had maintained a position of relative political neutrality. The military junta therefore lacked a sufficient social base of support for military rule and enough power to break the national consensus for democracy. The junta resolved the problem of legitimacy in two ways: restoring democratic institutions and promoting economic growth.

The lessons of the downfall of the Rhee regime significantly influenced the decision of the military junta to restore formal democratic institutions after two years of military rule. An opposition party was allowed and even encouraged. A National Assembly with democratic and legislative powers was established, and the leaders of the new regime repeatedly declared their loyalty to the concept of political democracy. It should not be overlooked, however, that the military regime sought an institutional framework for governing within a restricted democracy which guaranteed the core interests of the military power holders. Despite his initial endeavour to remove the crude characteristics of a military cabinet, Park's power structure gradually became more and more centralised than Rhee's previous regime. He wielded almost absolute power, never restricted by any constitutional limitation and built the efficiency-oriented structure of elites considered to be a necessary instrument for achieving indefinitely prolonged power. He was prone to believe that desirable national goals are achieved by disregard or suppression of political opposition. Therefore, he considered the political opposition and criticism as an enemy to be attacked and destroyed [Kang, 1992: 143-144].

It became evident early that the promotion of economic growth was to be the primary objective of the military regime, and that economic growth was regarded as the chief factor that would legitimise the new government. As General Park said in 1963, 'Economic resurgence is an integral part of a nationalistic vision of a more independent Korea to come - more independent of the United States aid and control and, as an economically stronger and independent entity, more able to deal with North Korea' [Park, C.H., 1963: 19-20]. The 1960s thus saw the development of a politico-economic strategy. Economic growth became the primary objective of government, and political stability was considered to be essential to economic growth and the maintenance of an effective defence posture against political aggression from the North. Political stability was to be achieved by infrequent changes in top government positions, by imposing limitations on civil liberties, and by assuring strong military backing for government policies. If necessary, universities, the usual breeding grounds of dissent, would be shut down and the intellectual community kept under close surveillance. The government's security forces were deemed adequate to this task, with the army in the background available if necessary.

The most important feature that characterised the policy-making process during the Park regime was the pattern of executive domination and extreme centralisation. The President and his top advisers were at the centre of policy-making, and President Park maintained extraordinarily close touch with all aspects of the economy. He needed elites more concerned with the implementation of policies than with their formation; the type of elite system he wanted was an instrumental one. In other words, he did not like politics-oriented elites, but administrative-oriented ones [Paik, W.K., 1982: 53-54]. Ruling elites formed in this type of political process are always subordinate to the political leader. Such an elite can never be deeply rooted in the people's mind, and hence has no appeal and little power over them. It is largely an instrument devoted to serving and implementing the leader's will. Inevitably, this kind of political system makes the personality of the ruler extremely important.

3.4.2.2 THE FOURTH REPUBLIC: THE YUSHIN REGIME

Entering into the 1970s, Korea was undergoing a series of uncertain developments. As regards the economy, although the export-oriented development strategy achieved a rapid economic growth, it also produced numerous socio-political tensions in the Korean society in the late 1960s and early 1970s. The regime faced growing public demands caused by problems such as inflation, balance-of-payment's deficits, foreign indebtedness, income inequality, and economic recession.

More important than these economic factors was the changing domestic political situation. By the early 1970s, Korea became a far more differentiated and politically active society than it had been in the early 1960s. Labour conflicts began to rise, student and political opposition movements intensified, the agricultural sector showed signs of disaffection, and the opposition party grew into a more formidable force under the leadership of a shrewd politician, Kim Dae-Jung. Park was nonetheless intent on staying in power beyond the constitutional limit of two four-year terms. In 1969, he changed the constitution to increase the number of permitted terms to three and ran for the 1971 presidential election [Koo and Kim, 1992: 133].

The two elections of 1971 (presidential and national assembly) illustrated the growing legitimacy crisis clearly. The opposition-party candidate, Kim Dae-Jung included popular democratic demands in the New Democratic Party's platform. His campaign theme was the realisation of populist demands based on a populist economy. According to him, the economy should increase the standard of living of the majority through a fair distribution of the fruits of economic growth, an employee share-owning system, agrarian revolution, and new taxes on the rich. Kim represented popular democratic demands for the first time in post-war Korean politics. Although he was defeated by the incumbent Park, who openly and massively interfered in the election using police and administrative forces, the substantial support for Kim showed that popular democratic forces had the potential to defeat the ruling power bloc even under restricted democratic institutions. The national assembly election, one month later, resulted in another defeat for the ruling power bloc. The opposition party won a sweeping victory in major urban industrial areas (33 seats vs. 7 seats) and 46 vs. 19 in all

urban areas. The ruling party maintained a majority by winning over-represented rural areas (67 vs. 19) and 86 vs. 65 in all [Im, 1987: 254-255].

The institutional crisis and ensuing popular agitation forced the ruling power bloc to consider a regime change. President Park took drastic measures to cope with a growing economic and political crisis. In 1969, he proclaimed the Provisional Exceptional Law concerning labour unions and the settlement of labour disputes in foreign-invested firms. The law imposed severe restrictions on labour organisation, prohibiting strikes in foreign-invested firms. It was followed in 1971 by the proclamation of the state of emergency and the Law Concerning Special Measures for Safeguarding National Security, which suspended indefinitely the workers' right to collective bargaining and action. The culmination of all these authoritarian legislative actions was the installation of a Korean version of the bureaucratic-authoritarian regime, the Yushin regime, in October 1972. With this internal coup, Park closed all the political space and bestowed upon himself a life-time presidency with unchecked executive power [Koo and Kim, 1992: 131-132].

Under the Yushin regime, the state structure became extremely authoritarian. The president could nominate one third of the members of the National Assembly, the Chief Justice, and other Supreme Court Judges. In terms of the Yushin constitution and a series of measures processed by the Emergency State Council, the President would be empowered to declare a state of 'martial law' and 'national emergency,' when deemed necessary by the President. President Park made full use of his emergency powers, and the political opposition was kept firmly in check by a long series of prohibitions against criticism of the government and other types of political action. With all these extraordinary powers invested in the hands of the president, he could enjoy further enormous power in the whole range of state affairs, including economic, socio-political, and national defence affairs. President Park used the state bureaucracy as a major tool to rule. The technocrats' role dramatically increased and replaced politicians' political power. In fact, Park tried to reinforce his unchallengeable authoritarian leadership by using the state bureaucracy and bureaucrats as a major political mechanism. Democracy was portrayed by the regime as an inefficient form of politics.

In consequence, under the Yushin system some significant changes were made. First of all, in the political sphere, even the mere forms of democracy or political

pluralism began to be abandoned. The Yushin constitution provided for an indirect election of the President, and the appointment by the President of one-third of the 219-member National Assembly, and the reduction of the powers of the legislature and the judiciary. In the economic area, the intervention and controls of the government were intensified. And socially, the government's manipulation of civil society took the form of direct rule without major intervention of politicians, bureaucrats or interest groups. In other words, major policies were decided and implemented by a group of presidential secretariats and supported by members of Yujonghoe (political Fraternity for Revitalising Reforms) who were selected by the President and were responsible only to the President himself [Kang, 1992: 187-188].

The Yushin regime led to tremendous strains within Korean society. After one year of the Yushin reforms numerous political protests were mobilised against the constitution. When political channels were not sufficiently open to the transmission of demands of various socio-economic groups to the regime, the political system began to show strains which could not be solved by normal procedures. The chief symptoms of the political strain appeared in the increasing political protest toward the end of the Park's Yushin regime.

3.4.2.3 THE FIFTH REPUBLIC

At the end of the 1970s, the Korean economy faced structural problems that originated from both external and internal sources. Externally, a recession in the world economy following the second oil shock in 1979 was a serious blow to the economy, which was by now very dependent on the world market. Korea's oil import bill doubled, while its exports slowed down due to decreasing demand and to the creeping protectionism in the advanced industrial economies.

Internally, the massive investment in heavy machinery and chemical industries resulted in severe overcapacity and a poor financial situation for many large firms. Chronic problems of high debt combined with export decline, especially in shipping and construction industries, pushed many firms toward insolvency. Throughout the 1970s,

the inflation rate was generally high, but it was particularly high toward the end of the decade. The consumer price index rose by 28.7 per cent in 1980 as compared to 14.5 per cent in 1978. The business sector complained that they were losing competitiveness in the export market due to a high rate of wage increases in the latter part of the 1970s.

The IMF pressured the Park government to undertake a stabilisation programme. In April 1979, the government adopted the Comprehensive Stabilisation Plan, which was aimed at price stabilisation and liberalisation of the economy. The stabilisation plan included a wage freeze, and the liberalisation plan included cutting down on low-interest export loans to businesses and on farm subsides. These economic problems and responses contributed to a rising level of labour unrest and protests by students. In spite of a series of so-called Emergency Decrees which made any criticism of the president or his decrees illegal, and the arrest and torture of thousands of students, religious leaders, dissidents, and workers, the opposition movement continued to grow. In 1979, a labour strike at a wig factory, the Y.H. Company, triggered a major political crisis when the striking women workers moved to the opposition party headquarters to continue their protest after they were forcefully evicted from their factory by the police. The opposition party's support of the workers and violent police repression that followed deepened the political crisis as angry protests and labour strikes spread across major industrial cities in the south. Faced with this crisis, the ruling group split internally, which eventually led to an abrupt ending of one chapter of Korean history. Park, the architect of the two decades of growth, was assassinated by the head of the Korean CIA on October 26, 1979 [Koo and Kim, 1992: 138-139].

When President Park was assassinated, his formal position was temporarily filled by the Prime Minister, Ch'oe Kyu-Ha. President Ch'oe was forced to resign, however, and General Chun Doo-Hwan, who moved Korean troops into the streets of Seoul on December 12, 1979 and declared martial law on May 18, 1980 to establish his power, was elected president on August 27, 1980. President Chun reformed and purified the Park regime rather than revolutionising it. Chun's inaugural address outlined four goals: (1) to domesticate democracy to fit uniquely Korean conditions; (2) to bring about a true welfare state; (3) to establish a just society; and (4) to revitalise national sprit through educational reforms and promotion of Korean cultural norms. In addition to these goals, he proclaimed national emancipation from (1) the perennial threat of war

from the North, (2) poverty, and (3) political oppression and the abuse of power. Despite these formal goals and slogans, the actual operation of the Chun regime did not achieve them; particularly, his goals of establishing a just society and a welfare state. This will be discussed later.

President Chun moved swiftly to rationalise Park's old political system. He ordered 567 political leaders and former party officials who were responsible for political corruption and social unrest to cease political activities for eight years. He banished 232 higher government bureaucrats from government service. He reduced the power of Korean Central Intelligence Agency, renamed it the Agency for National Security Command. One hundred seventy-two newspapers, magazines, and journals were banned, and the news media were unified into one news agency. Labour activities and social unrest were completely repressed. The new labour law was the most restrictive and oppressive in Korean history. For example, unions were limited to a single workplace and the government was given the power to dissolve any union or order new officers to be elected in any union whenever the government feared harm to the public interest. The government also was given the power to alter or cancel any collective agreement signed by a union and employer. The new labour law also made it illegal for any third party (church, citizen, or national union official) to interfere in any union bargaining or labour dispute with an employer. This measure and other restrictions led to a 30 per cent drop in union membership and severely weakened the ability of the unions to organise [Suh, D.S., 1982].

3.4.3 MOVING TOWARDS DEMOCRACY

By any measure, 1985-87 were momentous years for Korea. In Korea, the National Assembly had rarely been given significant powers, and the procedural and substantive integrity of elections had been perennially undermined since the Constitutional Assembly in 1948. The conspicuous downgrading of the National Assembly by the Park's Yushin regime helped to dilute the meaning of parliamentary elections still further, a situation that was aggravated by the introduction of a novel procedure whereby one-third of the Assembly seats were filled by persons who were de

facto appointees of the president. Under the Fifth Republic of President Chun the National Assembly continued to be relegated to the position of ratifier, rather than initiator, of policy, with its substantive functions barely exceeding those of a debating society.

However, the election for the National Assembly held on February 12, 1985, the second under Chun's rule, produced results that stunned all observers and may well turn out to be a significant milestone in Korea's tortuous path to democracy [Koh, B.C., 1985]. Given both the rules of the electoral game, which heavily favoured the government party, and the awesome resources at its disposal, the ruling Democratic Justice Party (DJP) could not be expected to suffer a defeat. The only question thus became whether it would be able to duplicate its electoral performance of 1981. In that year the DJP had polled 35.6 per cent of the total valid votes. When the election returns were counted, however, the result was a disappointment. The voters failed to support the Chun regime to the extent it had expected. The DJP share of the popular vote declined to 35.3 per cent. What did surprise the observers was the emergence of The New Korean Democratic Party (NKDP) as the major opposition party. The best that the NKDP, barely a month old, expected was to win about 30 seats, mostly in the traditionally anti-government urban areas, but it won a surprising 50 seats. The NKDP, furthermore, received 29.2 per cent of the popular vote. Politically, the NKDP's emergence as the largest opposition party would have far reaching effects. First, the Chun regime faced an outspoken opposition for the first time. Second, the unexpected strength of the NKDP in the election helped to transform Korea into a de facto two party system. Third, as a result of all this, the role of the National assembly was certain to change; it would no longer function as a ratifier of predetermined policy and a mere debating society, but began to assert the right to shape policy and to hold the government accountable for its actions. Finally, the series of conciliatory measures that followed in the wake of the election suggested that the Chun regime would not and could not conduct its business as usual but had to adapt, however grudgingly, to the winds of change.

In addition, throughout these years, university students, perhaps the most volatile social force in Korea, were unceasing in the exercise of their opposition to the

Chun regime.[5] The key grievance was that President Chun had been installed by military coup following the 1979 assassination of Park. His regime lacked basic legitimacy. The traditional justifications of military authoritarianism in Korea - the need for stability to facilitate economic growth and as a defence against aggression from the north - were less available to Chun. It was Park's regime, not his, that had launched Korea on its path of high-speed economic growth; and it was argued that the military's intervention in politics in 1980 and 1981 created greater instability than anything done by the opposition politicians or students. President Chun countered by seeking to rebase his legitimacy on the championing of Korean pride and nationalism [Johnson and Um, 1987].

However, the Olympics, which focused international attention on Korea's economic successes and its political shortcomings, proved to be a great constraint, opening a window of opportunity for protest. If the government had declared martial law to stop the protests, the international Olympic Committee would have been forced to shift the games elsewhere. That would have humiliated the nation and discredited Chun. Thus the demonstrations went ahead in favour of a constitutional amendment authorising the direct election of the president. Unlike the previous Korean constitution, the Fifth Republic constitution limited the presidential tenure of office to a single seven-year term. President Chun , therefore, was due to end his term of office before March 3, 1988. The opposition forces remained adamant in insisting upon constitutional revision to make the presidential election a direct popular election. In order to stop the demonstrations, Chun in April 1986 unexpectedly made a concession and declared that he would support any constitutional change endorsed by the National Assembly.

This concession ended the demonstrations and led to protracted squabbling and ultimate deadlock among the various political parties and factions. Then Chun misread the public mood and made a fatal blunder. Hoping to reverse his earlier concession and using the Olympics and his own departure from office as excuses, on April 13, 1987,

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[5]The Ministry of Education reported in its White Paper that there was a total of 3,877 on-campus rallies, demonstrations, and other disturbances, with 46% or 1,792 of these occurring during the first spring semester of 1985.

President Chun said that he had decided to put constitutional change on hold. A month later, on June 10, the national convention of the DJP nominated former general Roh Tae-Woo as its candidate to succeed Chun in an indirect election. The country erupted in violent street demonstrations. Thousands of students and citizens poured into the streets. The riot police, who responded mainly with massive tear gas sprays, were hopelessly outnumbered by the demonstrators. The central districts of Seoul were turning into what New York Times reporter Clyde Haberman depicted as a 'war zone' [New York Times, June 22, 1987].

In a dramatic turn of events, on June 29 candidate Roh proposed political reform that included not only direct presidential election, but also guarantees of human rights, a free press, autonomy for local governments and universities, and freedom of political organisation. This effectively ended the 'spring of discontent' Han, 1988: 54].

The subsequent presidential election of December 16, 1987,[6] and the parliamentary elections of April 26, 1988, ended the authoritarian regime in Korea, ushered in the Sixth Republic, and inaugurated parliamentary democracy. President Roh of the Sixth Republic made significant efforts to institute democratic reforms. For example, freedom of the press was expanded so that the media could criticise the government more openly. Labour unionism became more active with the introduction of the new minimum wage.[7] Student demonstrations were less harshly suppressed. The political neutrality of the military was repeatedly confirmed by the government. Local government autonomy was reintroduced after thirty years in the form of city, province, county, and municipal district councils [Park, J., 1992].

1992 was, almost as much as 1987, a landmark year in the advancement of Korea's democracy. After 31 years of direct or indirect political domination by the military and soldiers-turned-politicians, Korea elected a civilian president in a peaceful

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[6]Roh was elected with 36.6% of the votes cast. Kim Young-Sam was second with 28%, while Kim Dae-Jung came in third with 27% of the votes. A divided opposition not only brought itself down - despite the fact that two Kims together received more than a majority (55%) of the votes - but also it produces a minority government that would face challenges to its legitimacy.

[7]For detailed analysis on the freedom of the press and labour activism under the Roh government, see Billet [1990].

and fair election. President Kim declared in his inaugural address of February 25, 1993, that he wanted to create 'a New Korea for a New Age'. President Kim's 'New Korea' reform programmes have three basic components: social welfare enhancement, economic revitalisation, and political reform. Of these programmes, the social reform programmes, directed at improving the Korean standard of living, includes such policy objectives as tax relief for low-income families; expansion of residential housing and housing loans; easing of traffic congestion; expansion of mass transit systems; purification of water supplies; and establishment of centres for the elderly and handicapped. Kim's social reform agenda has an interesting moral element, blaming a degradation of values in Korean society on class stratification, materialism, and indolence. To cure this 'social malaise,' the programme appeals for a national reconciliation of the Korean people and stresses the virtues of social equality, individual freedom, and a return to a diligent work ethic.[8]

3.4.4 SUMMARY

In a relatively short time, Korean society has undergone a series of substantial political and economic changes. The collapse of an authoritarian rule and its replacement with democracy in the late 1980s was clearly one of the most dramatic political developments in Korea in modern history. This process of political change and democratic transition, began with the 12th National Assembly election in February 1985, ended with the 14th Presidential election in December 1992 and the inauguration of a new civilian government in February 1993.

As a way of understanding the process of political change from authoritarianism to democracy more deeply, a neo-Marxists theoretical approach, which stresses the dual (sometimes contradictory) functions of the capitalist state - to promote economic accumulation while maintaining political legitimacy - is helpful. As we have seen in the previous chapter, Marxists analyse the history of Western parliamentary government in

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[8]For detailed analysis on the reform under the Kim government, see Cha [1993]; Lee and Sohn [1994].

terms of the tension between capitalism as an economic system and democracy as a political one. Although the overriding goal of the state is the reproduction of capitalism, their arguments remind us that both business profitability and the confidence of the electorate must be maintained to sustain a liberal, democratic polity.

Authoritarian regimes often are much better at promoting profitability and economic growth than in engendering political legitimation. Often military and bureaucratic-authoritarian rulers came to power as the solution to perceived economic mismanagement and sluggish growth. In the short run, the attainment of rapid economic development itself provides a measure of popular legitimacy (this seems to have been the explicit strategy of Park Chung-Hee in Korea). In the longer term, however, the success of a programme for economic growth may lead to a serious legitimation problem, as those sectors of the population which are excluded and victimised demand the removal of the authoritarian regime and its replacement by a democratic one [O'Donnel and Schmitter, 1986: 15]. In the case of Korea this type of pressure from below built up throughout the Chun regime - leading ultimately to a full-fledged legitimation crisis in early 1987 and a sudden loosening up in June of that year.

Now that Korea has achieved political democratisation, its society has witnessed sudden, explosive changes in every aspect of life. People have been exposed to new phenomena and ideologies, and begun to demand the overall restructuring of society. In this new age of democracy where the civil society is strengthened and activated, the bureaucratic authoritarian regime is no longer accepted by a more enlightened public. With the lessened role of the state in the economy, and an enhanced and strengthened position of interest groups in civil society, a period of more dynamic and open politics has dawned in Korea.

In the process of democratic transition, the changing role of the state and state-society relations are central as determinants in the historical transformation. During the authoritarian phase of economic development, the state could use its legitimacy to carry out rapid economic growth under the autonomous direction of the state. During the democratisation period, however, this state autonomy has become constrained by newly activated social groups in civil society, such as the working class and middle class citizens. It means that the state needs to secure its legitimacy by guaranteeing their participation in the progress of policy-making and welfare rights. In this context, the

important question is the extent to which political democracy affects social policy. To a certain extent, the answer may depend on whether reform moves on further into the socio-economic domains or becomes confined only to the political one. This will be discussed below.

3.5 CONCLUSION

The main focus of this chapter is on an explanation of modernisation in Korea. In this final section, we discuss the implications of this modernisation for the development of the welfare state in Korea. Korean development during the last three decades can be characterised as an 'unbalanced development' among various sectors of society. The economy achieved remarkable growth, but there was a little improvement in human rights, social justice and economic equality. Although the standard of living for an average Korean household rose noticeably, the living environment deteriorated rapidly. In the process of economic growth and industrialisation led by the state, society witnessed the disintegration of its traditional values, the emergence of anomalistic competition and the development of conflicts between various socially important groups. In short, economic growth failed to achieve concomitant developments in the social and political realms. The result was an increasing frustration among the people, and the government response to this was an ever growing oppression [Kwon, T.H., 1989: 5].

Democratisation triggered a simultaneous explosion of long-suppressed social demands; including those for economic reforms, legal justice, social equality, local autonomy and national reunification. There is no doubt that these demands will crucially shape the future for Korean society and the quality of life of its people.

While Korean society is now more open and free than it was before 1987, the trajectory of further political and socio-economic reforms is unclear. The reform movement in Korea is likely to face a number of potential obstacles. First of all, the strength of conservatism in Korean society has become a formidable obstacle to the development of the welfare state. From a historical perspective, recurrent and violent political changes tend to be followed by radical reorganisation of the social, economic and political system. Korean political changes during the last several decades, however,

have not produced any significant ideological and structural change. Major consequences of the political instability have been right-wing dictatorship, economic problems, and political corruption. In the Korean context, 'right-wing dictatorship' simply indicates a type of government characterised by autocratic rule based on right-wing political ideology [Jung, 1980].

The external input into the right-wing ideology has mainly come from the US. Americans not only created a right-wing government in Korea, but also provided massive military and economic aid to maintain it. This US role has been largely based on security interests. The ideology has been used internally as a means of consolidation of dictatorial power. The major characteristics of the Korean right-wing ideology is its rigid anti-communism, used as a tool to suppress any opposition to government. The external threat of a North Korean invasion has provided a rationale for the rigid use of anti-Communist justifications. Korean politics since 1948 has been continuously dominated by 'conservatives', whether in ruling or accepted opposition parties. All the conservative parties have, at one time or another, offered progressive programmes - such as equal social and economic opportunities, and equitable distribution of wealth, and social welfare - or have sought to be identified with the interests of poor urban and rural masses. Yet this has proved to be a kind of lip service, designed only to attract votes by the necessary appearance of loyalty to the principles of liberal democracy and a free economic system.

The strength of conservatism is also partly caused by the underdevelopment of party politics. Because of the autocratic nature of successive Korean regimes, political parties have been of marginal importance. Furthermore, the real pressure for democratisation has come from neither the working class as elsewhere nor the political party and elites. On the contrary, energy for change has come largely from civil dissidents (including students) among whom the middle class challenges are of crucial significance. Even in the 1980s, opposition parties' support and leadership was drawn from an elite and/or middle class social base similar to that of the ruling Democratic Justice Party. The most important differences between parties are the consequence of regional cleavages rather than distinct class or ideological allegiances. While the Korean middle class frequently argue for democratic reforms and insist upon some measure of political and economic equality, their own values and behaviour often remain rooted in

notions of hierarchy and the privileges that come from personal connections. This means that the apparent commitment to democratic reform is mitigated considerably or even evaporated when the middle class is transformed into a conservative force [Han, 1995].

Secondly, there is evidence of a growing asymmetry between capital and labour in terms of power resources available. The popular expectation of distributional justice and equal participation in all major institutions is relatively easily frustrated. The power of the business conglomerates has tended to increase visibly under civilian rule. It has something to do with the policy of internationalisation and globalisation which favours the economic sectors with international competitiveness. For example, the total sales of the 30 largest conglomerates amounted to 78.8 per cent of the GNP in 1992, but they increased to 80.4 per cent in 1993 and 82.2 per cent in 1994. In particular, the total sales of the 5 largest conglomerates amounted to 53.3 per cent of the GNP in 1993, and the figure increased to 54.1 per cent in 1994 (source: Maeil Kyongje Shinmoon, April 1, 1995). Here we can see a paradoxical difference between the past authoritarian regimes and the present civilian government. The past regimes attempted to discipline the business groups by various authoritarian means. The situation seems to have changed, however, with the civilian government. New government has not only exempted business groups from the burden of political contributions but also increasingly depended on them in a structural sense while pursuing the policy of globalisation. Thus the business conglomerates are now finding themselves in a position where they can speak out even more comfortably and confidence than under any of the authoritarian regimes of the past.

In contrast to this, industrial workers, whose number has been increased dramatically during the last three decades, still remain very weak in organised strength compared with the conglomerates. More often than not, the management-patronised labour union provides a source of labour-labour disputes. Once a labour union patronised by the management is registered, it is illegal for the labourers to organise another union because only one union is allowed in each establishment. Since the intervention of a third party is prohibited, even debate within a labour union itself is hard to achieve, often resulting in surveillance and punishment by the state power. Thus,

labour unions remain insulated from political activity while the workers' demands for participation in management are rejected.

Finally, Korea's 'semiperipheral' position as an intermediate nation in the global economy leads to a number of structural constraints generated by conditions of international competitiveness and the configuration of interests in the domestic political economy [Smith and Lee, 1991]. The country faces a number of pressures that combine to threaten its international economic competitiveness. The continuously changing, global industrial division of labour has created a situation in which Korea can no longer provide labour as cheaply as poorer and more peripheral societies (in, for instance, South Asia). Ironically, wage costs have risen as a direct result of the success of the developmental state; the rise of a new, more self-conscious urban industrial working class has made the old low-wage strategy politically untenable. From the advanced core nations, which are the main markets for export-oriented industrialisation, comes the threat of protectionism and pressure to inflate the Korean currency (won). While a move toward innovative capital-intensive production sometimes seems to provide a route to restored world competitiveness, the difficulty of overcoming technological dependency and developing state-of-the-art research and development facilities and personnel is enormous.

As a result, Korea is caught in the international 'sandwich effect,' unable to compete in highly sophisticated, core-type production but rapidly losing its ability to provide very low-wage, industrial labour in comparison to the more peripheral countries. Korea's need to wriggle free of the 'sandwich effect,' as well as a political climate in which working-class acquiescence to labour discipline, subsistence wages and restricted consumption can no longer be taken for granted, has created a growing consensus among planners and policy-makers that the country must embark on a new development path [Cho, 1989]. Of course, as Block argues, while 'class struggle is the economic dynamism of capitalism' [1977], this situation can potentially become a motor for further development. But, such proposition is more appropriate to advanced capitalist societies with a tradition of political pluralism and a capacity to sustain indigenous technological change. The constraints of dependent development in the case of Korea create a more negative tension between pressures for democratisation and continuing

repression (as the elite attempt to carry on with export manufacturing dependent on wage restraint and political demobilisation).

As we have seen earlier, European welfare states were born as an answer to problems created by capitalist industrialisation; they were driven by the democratic class struggle. Industrialisation created immense social problems. Furthermore, these problems were shaped and intensified by the capitalist structure of the European economies and by the increasing impact of the business cycle. Those problems caused intensified class conflict, the mobilisation of the new working class and its organisation into trade unions and labour parties. The mobilisation of anti-system forces was moderated and mediated to some extent by an institutionalisation of industrial conflict, the more general mediation of class conflict through the evolving parliamentary institutions, and finally by an increasing state intervention and the creation of new public welfare institutions. Buoyed by economic growth, state revenues rose remarkably in absolute terms, and slowly the European states took a larger share of their national products, which could be used for development of the economic infrastructure, for internal order and for social welfare. In particular, during the period of the so-called golden age of the welfare state (1960-1975), European welfare states experienced unusually rapid growth of national incomes, which became the foundation of a national consensus on the enlargement of social welfare. In short, the foundation of European welfare states has been solidified over a century by a comparatively high level of industrialisation and a deep-rooted tradition of democracy in this region.

As mentioned above, however, Korea is different, being a late-comer to industrialisation and democratisation. Late industrialisation, which was orchestrated by a strong interventionist state, has been successful, but social conflicts have been harshly repressed. Socialism has been banned by law. The labour movement has been repressed and depoliticized. No leftist party exists, and party politics has yet to be properly institutionalised. Furthermore, globalisation has become a serious challenge to the Korean economy characterised by dependent development in the semiperiphery. This picture is quite different from those of advanced welfare states in their formative years of social welfare policies. This difference leads us to a conclusion: the blossoming of a full-blown Western-style welfare state is unlikely to appear in Korea in the near future. We shall see in the next

chapter how the differences outlined here have influenced in detail the evolution of social welfare policy in Korea.

CHAPTER FOUR

THE EVOLUTION OF SOCIAL WELFARE POLICY IN KOREA

4.1 INTRODUCTION

The previous chapter explained the foundations of social welfare in Korea. In this chapter, we explore the way in which these cultural, economic, and political factors have influenced the evolution of social welfare policy in Korea. It was not until the early 1960s that the notion of the right to a decent minimum standard of living has become an increasingly important and integral part of Koreans' everyday lives. In recent years, all Koreans have come to be covered by medical insurance plans and the medical assistance programme. Various public pension insurance schemes, Industrial Accident Compensation Insurance, and Employment Insurance are in operation. In addition, public assistance programmes are aiding the extremely poor, and various personal social service programmes are being developed. More and more people, and particularly the middle class, are enjoying benefits from these state welfare programmes, and especially the social insurance programmes.

However, despite the rapid improvement of social welfare, it has been argued so far that social welfare has not received the substantive support it deserves. The level of benefits provided by public assistance programmes remains very low, and many needy people are not covered by pension insurance. Social service provision is still in its infancy.

At this point of time, this chapter addresses the very basic question of why and how Korea, with a late industrialisation and a strong authoritarian state, has developed the social welfare system we find today. The main focus is centred on the explication of the changing patterns of interplay among competing explanatory variables affecting the course of social welfare development in Korea. In doing so, it is hoped that the nature and structure of Korean welfare state can be illuminated, its future development be

estimated, and some specific structural parameters be identified that are applicable to both developing and developed countries.

Theoretical explanations for the origin and development of social welfare programmes are plentiful. In Chapter 1, we have seen five theories of social policy determination: industrialism, monopoly capitalism, social democracy, interest group politics, and state-centred theory. While all these explanations have something to contribute to an understanding of social welfare development, we are not in a position to declare conclusively which particular determinants of social policy are the most important and most universal. About this, Higgins argues [1981: 55]; 'although general observations may help to create an overall framework for the discussion, they must be tested against the evidence in each particular country or policy area which we are studying. The student should begin from the assumption that all factors are potentially relevant and should eliminate some of them and accord others particular significance only on the basis of empirical observation.' From this stand-point, this study will not make an attempt to single out one of these five approaches as the 'correct' approach. Instead, an effort will be made to locate the circumstances under which some of these five factors become critical or to lose their hold over this process.

In the meantime, it has been expounded in the previous chapter that the foundations of social welfare development in Korea as a whole have appeared to be different to that in more developed welfare systems. It means that in confronting social problems, the same solutions may not be applicable for every country, and the consequences may not be the same for every country. Similarly, that various determinants of social policy have acted in concert needs to be recognised in the Korean situation because various specific cultural and historical factors form a unique social situation in the country. As we have seen in the previous chapter, a prominent theme in the political-economic literature on NICs including Korea is the strength of these states and the primacy they attribute to economic development. While this debate has centred mainly on the relevance of state policy for economic growth and export expansion, relatively little attention has been accorded the related issue of the state's role in provision for social welfare. Given the close linkage between economic development policy and the welfare role of the state, one's perspective on the developmental role of the state is reflected in one's understanding of social policy [Deyo, 1992: 289].

From this case analysis of social welfare development in Korea, it can be argued that the relatively independent role played by the Korean state in social policy development is an especially distinguishing feature. A fairly well defined sense of state interests characterises this kind of regime and significantly affects the trajectory of policy development. The constellation of factors influencing welfare policy development in Korea, therefore, has several characteristics that distinguish it from such processes in most advanced industrial nations, and that are likely to be relevant in other developing countries.

This chapter is divided into five sections. Following the introduction, the three sections explain the process of social welfare development in Korea. In order to expound the changing patterns of social welfare development, a diachronic analysis is employed. The policy development process is divided into three periods: the first is from the Japanese colonial period to the early 1960s; the second, from the early 1960s to the late 1980s; and the third consists of the years following 1987 when the authoritarian regime is said to have ended. The first period is characterised by economic devastation and resulting stagnation, and the welfare efforts exclusively in the form of emergency relief and foreign aid. The second is the period of accelerated industrialisation planned and induced by the 'authoritarian capitalist developmental state,' during which labour was effectively repressed and depoliticised, and the major welfare state schemes followed suit. Three major social welfare programmes - public assistance, medical insurance, and pension insurance - each having been introduced with different political aims, will be highlighted. The third period since 1987 enables Korea to enter into the rudimentary stage of the welfare state. Thanks to political democratisation, forces leading to the transition of the welfare state, particularly labour's growing demand for participation in both a political and economic capacity, are traceable. As a result, various welfare-related legislation has been enacted or revised. Finally, the fifth section provides a summary analysis of the major arguments and findings presented in this chapter.

4.2 BEFORE THE 1960S: EMERGENCY RELIEF AND FOREIGN AID

4.2.1 THE DEVELOPMENT OF SOCIAL WELFARE DURING THE JAPANESE RULE: 1910-1945

It is worthwhile pointing out here that although social welfare in the modern, Western sense of the term did not become fully established in Korea until fairly recently, this does not mean that social welfare as a concept or as a practice did not yet exist in the country. Rather, throughout most of her history, the primary social welfare roles were assumed by the family, and sometimes the local community. While public relief and public assistance were available, they were mostly in the form of charity and local mutual aid reserved for truly destitute individuals without any family support and the state was able to assume what may be called a position of 'peripheral non-responsibility'[1] with regards to social welfare towards their citizens through the imposition of a combination of Confucian and Buddhist rhetoric. While the Confucian rhetoric extolled the virtues of filial piety, diligence, and conflict avoidance, the Buddhist teachings further reinforced these values with the notion of karma - the idea of benefit and obligation - and of private charity and acceptance of the status quo [Goodman and Peng, 1995: 18].

Throughout the Yi dynasty (1392-1910), for example, social welfare programmes were attended to within the extended families, because blood relationships were considered the most important. Greater demand for social welfare caused by war, an infectious disease, or natural disasters resulting from flood or drought, could be tackled by the charitable administration of the King. Generally speaking, this period is characterised by paternalism: the social welfare system existed only as a form of benevolence from the King.

Korea opened its doors to Western countries at the end of the Yi dynasty. At that point Japan invaded Korea. The rule of the Japanese did little to inculcate Western liberal values such as egalitarianism. Although Japan first brought the Western concept of social welfare to Korea, it used social welfare as an instrument for political control. During this period, Japan had a relatively well-developed social welfare system - for example, the Health Insurance Law (1922), the National Health Insurance (1937), and the Welfare Pension

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[1]This term was first used by Komatsu [1992] to describe social welfare in Meiji Japan.

Insurance (1941) - , but the Japanese did not enact any of these schemes for the Korean people. Only the Poor Law, which was enacted in Japan in 1929 and implemented in 1937, was enacted in Korea 15 years later (1944), but it was not put into effect at all. Nevertheless, the law was the important keystone which introduced the modern concept of the welfare state in Korean history. According to this document, 'the state shall have the obligation to support those who are poor, permanently disabled or ill.' Thus social policies in Korea were ad hoc relief and were not different from traditional social policy based on the patrimonial virtues of the state. The relief programmes were a minimal effort of the colonial authority to maintain social order and colonial exploitation, and to seek some acceptance from the colonised society. There were, of course, some private charitable institutions mainly sponsored by foreign Christian organisations. But the facilities and provisions of these private organisations were not sufficient to meet the existing social needs of the majority of Korean people.[2]

Japanese colonial rule in Korea left an undifferentiated and undeveloped social policy apparatus, and virtually no social policy applicable to a modern state. In fact, the state neither played nor was expected to play a role in social policy. Midgley argues that the development of social welfare in the Third World is often a product of the colonial heritage [1984]. For him, although indigenous systems of welfare existed in many Third World societies before the advent of European rule, modern statutory social services in the Third World are not derived from these provisions but from European conceptions of welfare which were introduced during colonial time. However, this argument would not apply to the Korean case at this period. The less developed state capacity in social welfare created immediate problems when, after Japan's surrender, the American Occupation Authorities attempted to institute some basic social welfare tasks.

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[2]Social welfare facilities in 1927 included 3 neighbourhood welfare services, 10 personal counselling services, 4 housing services, 8 job information services, 25 child welfare services, 26 poor-relief services, 24 correctional services, and 2 services for aged [Chang, I.H., 1985: 179].

4.2.2 THE DEVELOPMENT OF SOCIAL WELFARE UNDER THE AMG AND THE FIRST REPUBLIC: 1945-1960

The liberation of Korea from Japan in 1945 put the society into a millennial phase with all kinds of pent up wishes and aspirations seeking their outlets. But, it soon accompanied the American Occupation (1945-48) as well as the division of the territory which meant for the South not only the loss of heavy industry and almost all the developed electricity power, but also a heavy influx of refugees from the North.

The American Occupation Authorities showed little enthusiasm for the development of systematic welfare system comparable to that which the US introduced in Japan. The US occupation policy in Korea was completely different from that in Japan, where the US pressured the Japanese into establishing a comprehensive social welfare system and provided technical support. The only American interest in Korea was to build an anti-Communist bulwark which was based on the support of the liberal conservative Korean allies and opposed to the revolutionary Korean nationalists [Chung, 1992; Kang, 1992]. The main task of the Occupation Authorities in relation to social welfare was to restore the social order and to prevent starvation and epidemic diseases.

The American Military Government (AMG) introduced 'market ideology' that emphasised the private sector in the area of social welfare including the medical system, while the Japanese regarded it as the state's major task. The AMG abolished the state's monopoly of the social welfare functions and allowed the establishment of various private social welfare institutions including private hospitals and the private training of the medical professions. This policy reversal with regard to the medical system resulted in a lack of training facilities in the private sphere and medical infrastructures because the private sector could not grow fast enough to fill the vacuum after Japanese medical professions left the country. On the other hand, the encouragement of private social welfare institutions with a great amount of the relief aid resulted in the proliferation of the private social welfare organisations, particularly foreign charity organisations. The social welfare administration during this period was uncoordinated and unsystematic with no clear policy directions and principles [Chung, 1992: 126-127].

In sum, the American rule left an odd form of social policy apparatus: the partial installation of the American system and ideology emphasising professionalism and market ideology, and the establishment of the right conservative regime. Given lack of state capacity, the conservative nature of the state led to inattention to social welfare and little effort to enhance state capacity in the social welfare area.

In 1948, the current Constitution was first proposed. The Constitution explicitly enunciated the concept of the welfare ideology and the state's obligation to guarantee human rights:

> All the people shall have the right to minimum standards of wholesome and cultural living. In all spheres of life, the state shall use its endeavour for the promotion and extension of social welfare and security, and of public health.

However, one has to admit that this Constitution was more of an imported aspiration of the newly independent nation after World War II than of actual realisation through living experiences. The right to the minimum standard of living was far from the realities of Korean society. The new Korean government inevitably could not establish modernised social welfare institutions, because of economic failure and administrative inability resulting from the Japanese rule and the Korean War. As a result, social welfare services were supplied through the private sector operated by foreign financing and foreign staff; most were Christian missionary groups. Therefore, the main objective of social welfare was focused on the relief of immediate social ills, including flood and fire victims, distribution of free grain during years of bad crops, placement of orphans in institutions or adoptive homes, aid to disabled veterans, and programmes for family planning.

One of the historical events which had a continuing impact on the development of social welfare policy in Korea was the Korean War [Kang, 1992: 140-142]. The problems left by the war have persisted economically and psychologically, and have had an inevitable impact on the people and other social institutions. With the exception of the cost of raising the size of Korean army from 100,000 men in 1950 to as many as 650,000 in 1951 hereafter, the war created huge national defense expenditures. As we can see in Table 4.1, such a huge defense spending is associated with small increases in social welfare expenditures.

Table 4.1 Social Development and Defense Expenditures (1965-1990)

(Amount in billions of Won; %)

Year	Government total	Social Development Expenditure (as % of Gov't Expenditure)*	Defense Expenditure (as % of Gov't expenditure)
1965	93.5	5.0 (5.4)	29.8 (31.9)
1970	441.3	16.8 (3.8)	102.3 (23.2)
1975	1,535.3	61.2 (4.0)	442.4 (28.8)
1980	6,466.8	264.9 (4.1)	2,263.2 (35.1)
1985	15,000.3	843.3 (5.6)	3802.5 (25.3)
1990	32,536.9	2,450.3 (7.5)	6856.2 (21.1)

*Social development expenditures include the expenditures for health, housing, human resource development, and social security.

Source: Ministry of Finance, *Various Issues of Summary of Financial Statistics.*

As we have seen in the previous chapter, the 1950s witnessed the emergence of capitalist class in Korea. Capitalists in most advanced Western industrialised societies have sought autonomy in their quest for capital accumulation, have tolerated limited state regulations, and have opted for compromises by offering welfare measures as part of management-labour relations. The political role of the bourgeoisie in Western societies was, in one sense, to promote liberal democracy. For Korean capitalists, the authoritarian state was not necessarily a hindrance to capital accumulation because the state provided financial resources and intervened in labour-management relations in favour of managers. Korean capitalists took advantage of the considerably weakened labour movement and did not accept labour as either a social or political force. This institutional feature of the large Korean capitalist class played an important part in the dynamics of industrialisation, politics, and the development of the social welfare system in Korea.

In the meantime, the weakness of the working class under the Rhee regime constituted a significant institutional factor shaping the form and content of social welfare policies in the early 1960s, as well as in the subsequent process of Korean political and economic development [Chung, 1992: 134-137]. The labour movement during the colonial period was stimulated by confronting the harsh Japanese colonial rule with a mounting nationalist spirit rather than by any class-based collective interest. The Korean working class temporarily showed militancy and strength immediately after the liberation. After the leftist labour movement was defeated by the conservative alliance during the American occupation, the militant labour movement and organisations were abruptly weakened and adopted a conservative position.

Since the leftist labour organisations had been demolished by the conservative alliance, a new national labour organisation, the Federation of Korean Trade Union (FKTU), became the only official labour organisation representing working-class interests. The rate of the union membership under the FKTU was very low (see Table 4.2). The FKTU was not a spontaneously organised trade union from below to defend workers' interests. It was an anti-Communist political organisation that was organised by the conservative elites to destroy the leftist labour unions. Key members at the higher level of the FKTU were coopted by the Liberal Party and the Rhee administration largely on the basis of a patron-client relationship in exchange for political privileges and material benefits.

Table 4.2 Trade Union Membership in 1950s

Year	Number of unions	Number of union membership	Rate of unionisation	Number of employed (thousand)
1957	572	241,680	2.99	8,076
1958	634	248,507	2.83	8,784
1959	558	280,483	3.20	8,768
1960	914	321,097	3.76	8,521

Source: excerpted from FKTU (1979), Table 6.1 in p. 431 and Table 7.1 in p. 495.

The more significant obstacle to an effective labour movement was the establishment of a security state built on strong anti-Communist sentiment. The struggles between the left and the right during the American occupation and the tragic Korean War firmly consolidated an anti-Communist ideology in Korean society, making the labour movement extremely vulnerable to state repression. Any demands or organisational activities of workers or opposition groups were easily condemned as communist conspiracies.

During the post-war reconstruction period, which ended roughly by 1960, the Rhee regime was more concerned with political than with economic and social problems. It had no overall economic strategy nor a systematic social policy. The basic social policy taken by the government was to provide the necessities for refugees and homeless people. The Rhee regime's deliberate negligence towards social welfare was also clear from the fact these relief activities had been implemented on the basis of the Poverty Law of 1944 enacted by the Japanese colonial authorities. This colonial law continued to exist until 1961 when the Life Protection Law was enacted by the military government. The Poverty Law of 1944 was a Japanese effort to justify its colonial rule based on the patrimonial spirit. Thus, the law as a

modern social policy was incomplete in specification and criteria and gave much discretion to the governor-general and the colonial administration. Social administration during the Rhee regime was arbitrary and very limited in its range of state actions. The Rhee regime had to rely much more on private organisations (usually foreign charity organisations and US aid), but they were definitely insufficient to meet the existing needs.

In sum, even though public relief in this period was in great demand, there was no historical experience as a basis for social welfare development. The state did not have its own systematic welfare policy, not to mention statutory provisions. The corrupted authoritarian state could not see the welfare policy as a structural necessity in a modernising capitalist society. Social welfare during this period was operated mainly as charity and emergency relief, funded by foreign aid. It was neither regarded as related to the workers' productivity and primary distribution, nor as of great political significance. The constitutional provision of the right to a decent life was more of an idle aspiration than that of practical feasibility.

4.3 THE DEVELOPMENT OF SOCIAL WELFARE UNDER THE AUTHORITARIAN CAPITALIST DEVELOPMENTAL REGIMES (1961-1986)

4.3.1 THE THIRD REPUBLIC

When General Park and his allies seized power by the military coup in 1961, it was recognised that political stability and legitimacy depended largely on the reduction of high levels of unemployment and enhancement of standard of living. The Park regime put forth the 'abolition of poverty' and the 'realisation of the welfare state' as the revolutionary catchwords of the new regime. Poverty was still widespread and deep rooted (see Table 4.3). As stated, the Park regime launched its First Five-Year Economic Development Plan in 1962. Park's ambition to establish the welfare state was to be assisted by future rapid economic growth.

Table 4.3 Selected Economic Indicators 1961-1972

Year	'61	'63	'65	'67	'69	'70	'72
National Income (US $)							
GNP (100 million)	21	27	30	43	66	78	107
Per Capita GNP	82	100	105	142	210	243	319
GNP Growth Rate (%)	5.6	9.1	5.8	6.6	13.8	7.6	5.1
Structure of Employment							
Primary Industries		63.2	58.7	55.2	51.3	50.5	50.6
Secondary Industries		9.7	10.3	12.8	14.3	14.3	14.2
Tertiary Industries		28.1	31.0	32.0	34.4	35.2	35.2

Source: excerpted from Oh, C.S., 1992, p. 65

Acceptance of the need to adopt a strategy to achieve rapid economic growth, coupled with an absence of significant nonlabour agricultural, mineral, or other economic resources, encouraged an emphasis on light, labour-intensive industrialisation that might generate quick gains in employment. A prerequisite of labour-intensive industrialisation in Korea has been disciplined and low-cost labour. In order to maintain the competitive labour costs, the state was to play an active role in suppressing labour movements through the corporatist control of labour unions [Lee, H.K., 1992: 153]. The state's control of labour was tightened at the end of the military rule. In 1963, replacing the temporary laws enacted immediately after the coup, the military government comprehensively amended the labour laws and reinforced state intervention in labour affairs. This amendment was meant to be a step in the transition to a civilian form of government and to facilitate economic development by taming the militant labour movement. The authorisation for new labour unions and the non-partisan character of labour unions were imposed in the revised labour laws. A political alliance between organised labour and party politics was prevented by prohibiting a political party from collecting political funds from unions. These represented a significant change for the labour movement in Korea [Chung, 1992: 172-173]. In this way, labour policy was construed from the vantage point of capital accumulation and economic growth and it was generally accepted that the primary goal of economic planning was to increase the rate of economic growth as rapidly as possible. It was assumed that rapid growth would result in significant improvements in general welfare for the mass of the population [Lee, H.K., 1992: 153]. Indeed, the incidence of absolute poverty was actually greatly reduced. Applying the rather conservative poverty line estimated by Suh and others, 40.9 per cent of the total

population were under this line in 1965, while the figure fell to 23.4 per cent in 1970 and further down to 14.8 per cent in 1976 [Suh, 1981: 33].

In addition to the implementation of ambitious economic development plans, the new military regime enacted a variety of social legislation, replacing some of the old colonial laws and creating specific legal references that prescribe the state's responsibility for social welfare of the needy. They included: the Living Protection Act (1961), the military Pension Act (1963), the Industrial Accident Compensation Act (1963), Medical Insurance Act (1963), the Basic Law for the Korean Social security System (1963), Child Welfare Act (1961), Disaster Relief act (1962), and many others followed suit. However, many of these turned out to be more of a propagandised pledge to create legitimacy which was needed by the new military regime. They were not an expression of the full-fledged, immediate commitment to the ideology of the welfare state. Most of the programmes were not put into effect.

There are several reasons why the Park regime was not seriously concerned about the development of social policy during this period. First, the Park regime gave the top priority to economic and industrial development. Social policy was defined by government spokesmen as 'luxuries'. Therefore, the issue of income distribution and equitable social development was not considered as important by Park's Third republic. Second, the military regime had no intention of using social welfare in order to conciliate organised labour, as did some populist military regimes in Latin America. As mentioned above, the Korean labour union was being caught up in the web of state control. An opposition labour movement had to work on its survival in the face of increasing repression by the military government. In the meantime, the power bloc had no trouble in dealing with workers in the process of promoting a labour intensive export platform because market conditions (for example, an unlimited labour-surplus economy) had kept low wages even without state intervention. It found itself more or less confident in reigning without recourse to comprehensive social welfare schemes. Workers were content with getting regular paid jobs at extremely low subsistence wages. Finally, basic socio-economic conditions were not favourable for the implementation of particular social insurance programmes. As Flora and Alber argue [1981], an underlying socio-economic condition for welfare development is the increase of the labour force as a result of industrialisation. In the early 1960s, Korea was on the verge of extensive industrialisation led by the military regime. In 1963, the GNP per capita was merely $100. The agricultural sector produced the largest part of the GNP. The labour force in the

secondary industries was only 9.7% of all employment (see Table 4.3). This level of socio-economic development was far below the level of the Western industrialised societies when they adopted social security policies in the early 1900s.

Thus, minimal social welfare systems were put into effect throughout the 1960s. They included the pension schemes for military personnel, and for government employees, workmen's compensation, and restrictive public assistance in the name of Livelihood Protection. In an attempt to rationalise and restructure public administration, the new military regime had imposed a retirement age on government employees. The pension was not only a means to protect their retirement welfare but also a means to upgrade their status vis-à-vis other occupational groups, and thereby to secure their continuing loyalty to the new regime. Government employees and the military were the first two occupational groups that started receiving pensions (in 1962 and 1963 respectively).

The enactment of the Livelihood Protection Law of 1961 represented an important break from the past in the sense that it was the first substantiation of the Constitutional right to decent level of living, though the budget for the public assistance was first allocated in 1969. Nevertheless, the basic structure and the nature of the programme featured many of the same principles of the old relief policies. The definition of a healthy and culturally acceptable minimum standard of living was left to administrative hands. No systematic calculation of the minimum cost of living was required. The poor could not apply for the protection in active pursuit of their rights, but they are to be selected and examined passively by the authorities.

The Industrial Accident Compensation Insurance was the first compulsory welfare programme for the workers introduced in Korea. In 1962, the Social Security Committee (SSC)[3] examined three alternatives for the possible introduction of a welfare programme:

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[3]After the military coup, the new Minister of the MOHSA, Chung Hee-Sup, who was personally interested in social security policy, adopted the policy agenda of the establishment of the SSC. In March 1962, the law for the establishment of the SSC was enacted by the junta. The SSC started as a staff organisation of under the Minister of the MOHSA without policy-making power. Eight professional members of the SSC were appointed to research social security programmes. In fact, the newly appointed members of the SSC were not formally educated about social policy. They were medical doctors and lawyers who had no experience in the formulation of social welfare programmes. They obtained knowledge of social welfare policies by collecting literature on social welfare programmes in advanced countries through the

industrial accident insurance, unemployment insurance and health care insurance. Recognising unfavourable socio-economic conditions and low administrative capacity for the implementation of an unemployment insurance programme, the SSC soon gave precedence to the implementation of the injured workers' compensation programme; it believed that increasing industrialisation would lead to a rise in workplace injuries. The Industrial Accident Insurance Act imposed the whole insurance pay-roll cost on employers, who had already been made liable for industrial accidents by the Labour Standard Law of 1953, and there was no serious objection from business about the arrangement of the insurance scheme. From the point of view of employers, compulsory insurance against accidents would make their financial situation more secure and predictable in case of industrial accidents. Without such an insurance scheme, a serious accident might lead business into bankruptcy. At the beginning, the programme covered labourers in firms with 500 employees or more.[4] Since then, the number of people covered has expanded gradually to workers in small factories. From 1987, the programme has expanded to cover workplaces employing more than five people. This gradual and pragmatic approach became the basic approach to other forms of social insurance such as medical insurance and national pension scheme. The fund of the programme is financed solely by contributions from employers. The government subsidises the administrative costs.

During the Third Republic, the state applied itself to economic growth with little interest in the development of social welfare policy. Most economic reforms and policies were devoted to the successful industrialisation under the guidance of the state, granting most favours to the business sector. Accordingly, the basic principle regarding social policy was that social welfare programmes should not hamper the economic development process.

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recommendations of international organisations such as ILO and WHO. The Japanese model was in particular attractive to members of the SSC for several reasons: they had been educated during the Japanese colonial rule; they could thus easily comprehend Japanese literature; and they believed that Korea's administrative structure and law system were very similar to those of the Japanese. The character of the SSC and the sources that the SSC consulted directly shaped the form and content of social welfare programmes. Under the military government, social policies were designed exclusively by the SSC.

[4]In 1964 when the Industrial Accident Insurance was first implemented, the number of workplaces with more than 500 employees was only 64 and the number of workers covered by this programme was 82,000.

Furthermore, there was continued suppression of interest groups and the masses from political participation, which might have otherwise influenced the ruling group to meet social needs. Because of the absence of democratic inputs to government, any progress in social policy development depended wholly on the interests of a small group of political leaders and bureaucrats. However, they were not interested; they believed that implementation of social welfare programmes would undercut both economic growth and associated employment gains. Instead, their main approach to welfare was job creation through rapid economic growth so that individuals could have the means to meet their own social needs as well as satisfying their economic wants.

4.3.2 THE YUSHIN REGIME

As we have seen in the previous chapter, Korea encountered a political and economic crisis at the end of the 1960s, bringing about a political regime change and an economic transformation in the 1970s. The export-oriented industries and abundant cheap labour faced a downturn. At the same time, the Park regime confronted its serious legitimacy crisis at the turn of the decade. In the 1971 presidential election, President Park almost lost to Kim Dae-Jung who proclaimed populist economic programmes as alternatives to Park's developmentalism. Responding to these political economic crises, the relatively restricted and democratic Park regime was transformed into a 'bureaucratic authoritarian' regime, whose economic development strategy was switched from the light industry based on export-oriented industrialisation to heavy chemical industrialisation (HCI). As described in the previous chapter, the shift to HCI had a dual purpose of developing indigenous defense industries and restructuring the export composition in favour of more sophisticated and high value-added industrial goods.

The characteristics of HCI were different from those involved in the earlier phase, which implied the need for a different set of policy measures. Heavy industries are characterised by less routinised tasks, employ workers with higher level of education and skills, and require more on-job training [Deyo, 1989: 198]. So the task before the Park regime was to hold the line on wages and at the same time promote a skilled work-force, conditions difficult to maintain in a tight labour market suffering from acute shortage of

skilled labour. The Park regime responded to the new imperatives, as had the German state a century earlier, through a two-pronged strategy of repression and paternalism [Ramesh, 1995: 236]. The development phase of the social policy in Korea was coincident with this changing political economy, but it was restricted and asymmetrical.

Rapid industrialisation in the 1960s produced an important social basis for the development of social welfare policy for the 1970s. The most significant factor in the composition of the Korean class structure was the rapid growth of the working class. According to Suh's estimate on census and labour force survey data [Suh and Yeon, 1986], the proportion of wage earners of the economically active population, including low-level salary workers, increased from 31.7 per cent in 1960 to 44.7 per cent in 1980. In particular, the industrial working class increased remarkably from a mere 9.7 per cent in 1960 to 24.0 per cent in 1980. The rapid growth of wage earners was supported by the corresponding rapid decrease of farmers and fishermen. More important were the increasing inequalities and internal dynamics among social classes shaped by the industrialisation process. The labour-intensive exports generated many new jobs to absorb the growing labour force, which meant a significant improvement in the distribution of income among employees [Park and Yoon, 1988: 15]. As Table 4.4 shows, the Gini coefficient of urban employees dropped from 0.399 in 1965 to 0.304 in 1970, which was well below the estimate of overall inequality (0.322). The continuing creation of jobs and economic growth could partially explain why the issue of social welfare was not seriously raised during the 1960s.

During the 1970s, however, income distribution became more dispersed, compared with the 1960s. As the HCI drive deepened from the mid-1970s, the composition of industrial labour force rapidly increased compared with the labour force in the other areas. In particular, an increasing proportion of Korean workers was employed in large firms. The number of employees in large firms employing more than 500 workers increased by 27.8 times from 1960 to 1979 [Chung, 1992: 213]. Income distribution deteriorated during the 1970s, not only between social classes, but also within the labour sector. The overall Gini coefficient for the distribution of income in 1976 is estimated to have been 0.381 and 0.357 in 1982 (see Table 4.4).

Table 4.4 Comparison of Over Time Gini Coefficients and Its Percentage Changes by Sectors

Year	overall		rural		employee		employer	
	gini	%	gini	%	gini	%	gini	%
1965	0.344	-	0.285	-	0.399	-	0.384	-
1970	0.322	-3.5	0.295	3.5	0.304	-23.8	0.354	-8.1
1976	0.381	14.8	0.327	10.8	0.355	16.8	0.449	27.2
1982	0.357	-6.3	0.306	-6.4	0.309	-13.0	0.447	0.0

Source: Park and Yoon, 1988. p. 14.

Wage differentials between blue and white collar workers, skilled and unskilled, male and female, and educated and non-educated workers were widened. The HCI drive substantially changed the class structure within the labour force. Unlike the labour-intensive export growth, the HCI required an increasing proportion of skilled workers. In particular, from the mid-1970s the Middle East construction boom created a shortage of specialised technicians and skilled workers and caused a rapid increase of wages and salaries. Such a labour shortage in the skilled labour market pushed real wages higher than productivity gains for the first time in Korean history.[5] While the wages of skilled workers rose sharply in this period, the wages in the labour intensive light manufacturing sector had been kept at the subsistence level by the government policy of maintaining international competitiveness. Because of widening wage differentials and the ensuing severe labour segmentation, the workers in the labour intensive export sector felt high relative deprivation.

However, increasing social inequalities and distributional conflicts themselves do not determine the specific form and content of social welfare programmes in relation to redistributive effects. They are more closely related to the political power of relevant social groups, mainly the working class, as industrialisation deepens. The increase in the size of the working class *per se* does not necessarily bring about increased political power of the working class. More important is the class formation in relation to the organisational capacity of the working class and its linkages with political institutions that can bring about specific demands in policy outputs. As noted, the Yushin political system disabled party politics, although in Korea political parties hardly functioned as a mediator between social interests and the state. The state bureaucracy virtually dominated the whole process of

policy-making. The organisation of the labour unions was severely restricted, and strikes were virtually prohibited. In fact, the Yushin regime started with the repression of the labour movement and other opposition forces (see Table 4.5). Workers' collective action and the labour movement were perceived as more threatening politically to authoritarian regimes than any other social movement, because it could disrupt the whole national economy directly through work stoppage.

Table 4.5 Frequency of Labour Disputes and Union Organisation Rates

Year	Frequency of Disputes	Rates of Unionisation	Year	Frequency of Disputes	Rates of Unionisation
1960	256	-	1976	110	23.3
1961	122	-	1977	96	24.3
1962	0	-	1978	102	24.0
1963	70	20.3	1979	105	23.6
1964	7	23.3	1980	407	20.1
1965	12	22.4	1981	186	19.6
1966	12	22.7	1982	88	19.1
1967	18	22.2	1983	98	18.1
1968	16	21.1	1984	114	16.8
1969	7	21.3	1985	265	15.7
1970	4	20.0	1986	276	15.5
1971	10	19.7	1987	3,749	17.3
1972	0	20.4	1988	1,873	22.0
1973	0	20.4	1989	1,616	23.4
1974	58	22.1	1990	322	21.7
1975	133	23.0	1991	234	-

Source: Korea Labour Institute, *Labour Trend Analysis*, 1988, 1991.

The failure of the labour movement to develop a centralised and political movement can be attributed to several important factors. First, the government's harsh and effective repression of the labour movement was too formidable to establish an autonomous national-scale labour organisation. Second, the consciousness of workers had not yet reached a political level. Non-labour groups such as students, religious groups, and other active opposition groups against the Yushin regime's political repression and economic injustices, supported the grass-roots labour movement by raising labour issues and providing labour

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[5]Between 1975 and 1980 labour productivity increased 11.2% annually and real wages rose 13.4% while during the 1972-1975 period, the annual increase was 9.3% and 6.3% respectively [see Im, 1987].

education particularly for the less educated female workers, but their support was organisationally fragmentary and their ideological stances diverse. Third, the less consolidated class structure and labour market conditions made it difficult to form a unified labour organisation and movement. The militant labour movement and democratic unions occurred largely in the labour intensive export sector in which low-wage female workers were concentrated. The female workers entered the labour market only temporarily, and many of them quit their jobs after marriage. On the other hand, a strong labour movement had not yet occurred in the heavy industrial sector. The HCI drive quickly absorbed the skilled male workers. Thus, the skilled workers not only received higher wages, but also the Yushin regime strategically prohibited collective actions in the heavy chemical industrial sector related to defense industries [Chung, 1992: 222-223].

In addition, during the 1970s the entire rural sector had been co-opted by the regime's rural mobilisation strategy. By 1971, rural life had deteriorated because of the rapid industrialisation strategy. President Park launched the New Community Movement (NCM, *Saemaul Undong*) in 1972. The NCM was initially aimed at improving the farm village environment and encouraging an active participation of women in development, thus increasing agricultural production and income; it was further aimed at creating a positive social atmosphere to induce the Korean people to move towards a self-sustaining economy by developing the spirit of self-help, and self-sufficiency, and diligence at the next stage. As the NCM brought enthusiasm into the rural sector and increased rural production in the first half of the 1970s, the Yushin regime extended the NCM to workplace, schools, and urban areas. Consequently, the NCM as a rural movement gradually became the regime's political and economic mobilisation strategy to induce compliance with the Yushin policies and to shrink the autonomous political space of the society.

As a result, during the 1970s, the popular sector (including farmers and working class) failed to organise themselves as an autonomous political force and thus to transform fragmentary distributional conflicts into unified and organised policy issues. These limitations of social forces resulted in the establishment of restricted and asymmetrical social security programmes. The National Welfare Pension Programme of 1973 and the Medical Insurance programme of 1976 were formulated, but implementation of the pension programme was postponed and the medical insurance programme only began to provide its benefits to certain segments of society from 1977.

4.3.2.1 THE NATIONAL WELFARE PENSION PROGRAMME

The idea of the old-age pension programme had already appeared in the Ministry of Health and Social Affairs (MOHSA) during the 1960s. It was known that Park mentioned the old age pension programme in the presidential election campaign in 1967 and this event stimulated the SSC to study the pension programme. However, it was simply 'political rhetoric' rather than a serious policy option. The SSC had developed its own preliminary model of the pension programme, largely following the Japanese model. The SSC had no intention of introducing the pension programme for the mobilisation of domestic savings, although it recognised that the pension programme could help the formation of domestic capital. The members of the SSC were concerned with anticipated social problems and the gradually rising age of the population. But the SSC's policy idea was never attractive to the President or to economic technocrats during the 1960s because distributional conflicts during the 1960s and the old age problem were not serious enough for state elites to initiate social security policies as a policy alternative. As of 1973, the proportion of the aged population (65+) was 3.3 per cent in Korea. This is comparable to the UK figure of 5.2 percent in 1908, the date when the first public pension scheme was introduced. The idea of the care of the elderly as a social responsibility was not widespread yet. Many, both young and old, believed that children were the security of the aged. Consequently, in the Third Five Year Economic Development Plan prepared in 1971, there was no mention of the public pension insurance.

The initiation of the pension programme as a policy agenda came from the Korea Development Institute (KDI), the research institute of the EPB. Compared to light industry, the HCI projects needed the mobilisation of far larger amounts of capital with more complex forms of processing. The main financial sources available to the new industrial strategy were foreign capital inflow through governmental approval and guarantees, but this method had certain constraints. In these circumstances, the government needed some other measures that could mobilise domestic savings. The KDI was interested in the pension scheme for this reason. In November 1972, the KDI proposed to President Park a social security pension programme as a means of mobilising domestic capital for the HCI [Park, 1975: 103-105; Jun, 1980: 85]. In addition, state elites thought that the implementation of the pension programme at the time was also appropriate in the face of increasing demands for

redistribution. At the New Year's press conference in January 1973, Park publicly announced a plan to develop a social security pension programme for all retired workers. Thus, the NWP was 'autonomously' initiated by the Yushin regime in relation to social classes in the sense that there were neither organised nor specific demands for the pension programme from social groups and organisations. However, this autonomous state action should not be seen as the voluntary will of policy-makers to improve the redistribution of income. Rather, state elites strategically aimed at expediting the HCI drive and, at the same time, sought to improve the degraded political legitimacy of the Yushin regime [Chung, 1992; Kang, 1992]. Therefore, the economic aspect of social security programme development in Korea was quite different from that of industrialised countries. While European experiences show us that social security is one of the by-products of industrialisation, in the case of Korea social security pension policy emerged as an effective means not only to increase savings, but also to channel potential savings from unorganised to organised financial markets [Kang, 1992: 211-212].

When the basic outline of the programme was announced, there was a surge of critical opinion expressed from outside state institutions. A common response reported by newspapers was a strong suspicion that the fundamental aim of the NWP rested in the mobilisation of domestic savings, not in the welfare of the people. The representative of the employers, claimed that the rate of contribution fee (4%) was a heavy burden for employers, and complained that the government should share the contribution for the insurance fund. The FKTU, the government-controlled national labour union, as representative of the employees, complained that the pension programme was designed for the purpose of economic development. Neither ruling nor opposition parties played a significant role in mediating specific social interests in the making of the pension programme. While the ruling party claimed to modify the NWP in minor areas, the opposition party simply expressed its suspicion of the motivation behind the pension programme.

However, social groups and political parties were hardly influential in changing the form and content of the government's original plan. In order to justify the programme in the face of the negative response, the government engaged in public relations campaigns and revised the original scheme slightly. Even though the policy-making process of the NWP took diverse steps to reach a final decision, state elites had already chosen the NWP as one of the means to achieve a given objective. This policy-making process had effectively been

chosen by the KDI from the very beginning [Jun, 1980: 143]. On November 7, 1973, the National Welfare Pension Act was passed in the National Assembly without a significant change to the final draft. The promulgation of the NWP typifies the way the authoritarian developmental state approaches welfare policy. It by-passed interest politics completely, once it was deemed necessary for the national goal of the HCI drive.

The NWP consisted of two different categories of coverage: Class I was the compulsory plan covering the employees with earnings of at least 15,000 *won* employed by firms with 30 employees or more; Class II allowed other people, who were not covered by Class I, to participate voluntarily in the programme. The NWP was financed through an equal contribution of both employers and employees. The government provided only the administration cost. Thus, the NWP basically adopted the Bismarckian 'occupational' approach to pension by covering only employees with a certain level of income, not a 'universal' approach (such as the Beveridge plan in England and the Scandinavian model) that maintains the national minimum regardless of occupation and income. The reduction of the existing inequalities and the guarantee of the national minimum through the NWP were seldom considered.

The hastily formulated NWP was scheduled to be implemented in 1974. The first oil shock in 1973, however, allowed postponement and made the new Act dormant for 13 years until it was revised and up-to-dated in 1986 and finally put into effect in 1988. In retrospect, the implementation of the NWP was uncertain from the beginning. Under circumstances including the weak financial capacity of the business sector and the labour-intensive industrial structure based on low wages, the contributions to the pension fund might have been an unbearable financial burden on both employers and employees without the state subsidies [Chung, 1992: 252]. Furthermore, the oil shock devastated the HCI plan. Rising oil prices pushed manufacturing costs up, which caused further financial pressure. The industry groups objected persistently to the implementation of the NWP. They mobilised their political power and utilised the state to bar the implementation. Their argument was that financing such a pay-roll tax would cause considerable problems if it resulted in an increase in the unit cost of labour. It would raise domestic prices, increase the relative cost of labour, and probably affect the growth of employment, which would be highly undesirable at Korea's present stage of development. They were advocating a medical insurance programme instead of a pension programme, largely because the former is both less costly than a NWP

programme and also helpful for the maintenance of healthy workers. Although the industry groups did not have enough political power to oppose the will of the government, the government had to listen to the business community because the maintenance and the legitimacy of Park's regime hinged on economic development [Kang, 1992: 276].

In sum, the formulation of the NWP originated in political propaganda and as an instrument of domestic capital mobilisation, with very little intention to promote welfare. The instrumental autonomy of the authoritarian Yushin regime was able to formulate the NWP in spite of the negative attitude of the general populace to achieve rapid capital accumulation, and it, combined with the state's lack of financing capacity, was also the source of the suspension of the NWP's implementation.

4.3.2.2 THE MEDICAL INSURANCE PROGRAMME

Originally, the Medical Insurance Law was enacted in 1963. However, it remained as a voluntary pilot project rather than a medical insurance programme for the following reasons: (1) financial difficulties of firms; (2) low incomes of the industrial workers; (3) the scarcity of medical resources; (4) lack of understanding both of employers and workers of the function of the medical insurance programme [Kang, 1992: 278; Om, 1989: 20]. In 1977, the first year of the Fourth Socio-economic Development Plan, which came to incorporate the objective of social development and promotion of equity, the MOHSA implemented two important health care programmes: the medical insurance programme for the general population, and the medical assistance programme for the poor. It may be worthwhile to explain how and why the one and a half decade delayed medical insurance programme was able to be implemented by a political decision, and why Korea adopted a compulsory medical insurance programme instead of adopting a general tax funded health care system or encouraging a private medical insurance scheme.

Some socio-political factors contributed to this political decision to introduce the medical insurance programme. First, during the 1970s, there was an intensified political crisis against the Yushin regime. The government, therefore, had tried to reduce the criticism against the regime, and needed to obtain political support from industrial workers [Om, 1989: 26]. The failure to implement the pension programme pushed the government to

initiate an alternative social security programme in replace of the NWP. Furthermore, instead of the NWP, employers were advocating a medical insurance system for their workers largely because medical insurance is helpful for the maintenance of healthy workers. In fact, the success of Korean industrialisation created an increase in demand for industrial labour. During the 1970s, the quality and stability of the labour force had become more problematic, as the development of the HCI deepened. Once workers are no longer easily interchangeable, the maintenance of those who have acquired skills becomes a matter of social concern [Kang, 1992: 280].

Second, as mentioned earlier, the Korean medical system was developed through the imposition of the American style medical system on the Japanese colonial style. The American occupation introduced a private-oriented medical system which emphasised the role of the private sector in training medical doctors and delivering health care. However, the introduction of the American system without the equivalent infrastructure under the poor economy created problems in meeting the imminent medical need. Furthermore, the subsequent Rhee regime paid little attention to constructing infrastructures and expanding the role of the state in public health care [Mason, et al., 1980: 311]. In 1976, private hospitals accounted for two thirds of hospitals (124 out of 186), and 60 per cent of hospital beds (12,871, out of 21,497). All clinics (6,111) were private, since no clinics were established by the government. The teaching hospitals of national medical colleges, provincial hospitals and health centres were the main source of health care in the public sector [Om, 1989: 26].

The rapid growth of the private sector without the corresponding expansion of the public health sector had some important consequences with regard to the health care system in Korea. The bulk of health services was supplied through the mechanism of the free market with an eye for profit and was largely confined to the major urban centres. The medical services were sold almost exclusively to the middle- and upper-income classes who could afford to pay for them. The poorer segment of the population had little in the way of health care available to them, except on a public assistance basis in general hospitals run by the provincial governments. Even there, the opportunities for free treatment were extremely limited. Such hospitals were often inadequate because of insufficient financing and the quality of medical services provided was far from satisfactory. With the rapid rise in medical care costs, the ability to afford adequate health care was no longer a problem only for the poor. Therefore, political pressure on the state increased as the cost of health care went

beyond the financial means of much of population, coupled with a general belief that health care should be a major concern of society. There were frequent medical scandals in the mid 1970s. Both private and public hospitals and clinics required patients to deposit in advance guarantee payment for inpatient care, and refused to admit patients who could not make such a deposit. They sometimes discharged already admitted inpatients who could not pay for the necessary extra costs beyond the original deposit. However, the government had limited ability to avoid scandals as it was unwilling to refund the financial loss of hospitals and clinics derived from the treatment of poor patients. These frequent medical scandals and limited ability of government to regulate private clinics and hospitals encouraged the government to introduce a compulsory medical insurance scheme.

Another important political factor in the situation of Korea was related to external conflicts and international pressures. Dialogue between North and South Korea was initiated during the 1970s. In order to assure a favourable comparison between the conditions of the two different Korean populations, the South Korean government felt the need to pay attention at the social welfare of the population in addition to economic development. Since North Korea was admitted to the World Health Organisation (WHO) on 17th of May, 1973, the North Korean delegation to the WHO took every opportunity to criticise South Korea's medical situation. This was reported to the President of South Korea, and, as a result, President Park ordered the introduction of the medical insurance programme. Moreover, during the 1970s several development agencies, such as the United Nations, World Bank, and International Labour Organisation, urged their member states to pay attention to the broader welfare implications of economic development. These international expectations created additional new pressures on the Korean government.

In these circumstances on 22nd of December, 1976, the government amended the Medical Insurance Act of 1963 and put it into effect in 1977. The policy-making process of the medical insurance programme was much like that of the NWP in 1973 in that it was initiated by the president, and was designed exclusively by a small group of bureaucrats in the MOHSA. Before the introduction of the medical insurance in 1977, the President stressed the importance of health care services particularly to the poor by stating that health is the 'fourth basic necessity of life' along with food, clothing, and shelter [Park and Yeon, 1981: 151]. His emphasis on the importance of health changed the attitude of other ministries to

the medical insurance programme and minimised resistance from related interest groups to the implementation of the medical insurance programme.

After the outline of the medical insurance programme, the business sector claimed that the government should share more in the expenditure of the insurance programme and provide a tax reduction. In the face of the business sector's demand the government decided to provide a tax reduction on but only the employers' contribution, revealing its firm stance on the government financing only a minimum of the medical insurance programme. The labour organisation, the FKTU, called for the reduction of the burden on the workers' part and more benefits for the workers. But their demands were not adopted. Unlike the case of the NWP, public opinion in general welcomed the implementation of the medical insurance programme. This difference in response might be explained by the fact that this kind of programme had been long awaited and that it promised visible benefits for proposed contributions. However, political parties and other popular sector organisations could not do anything except follow the government's lead [Chung, 1992: 260].

The new law established two types of insurance plans. Type I is the compulsory plan covering the employees together with their dependents, working in firms or the industrial establishment with a certain number of regular workers. In 1977, it started with those working in establishments with 500 or more regular employees to be compulsorily insured. It broadened to 300 in 1979, 100 in 1981, and 16 in 1983. Others, both employees in smaller firms and self-employed including farmers, remained to be covered by the Type II insurance plan, the voluntary community based medical insurance scheme. In addition to the medical insurance, the Medical Assistance programme (medicare) was introduced to serve the poor eligible for public assistance. This is wholly government-financed and administered.

For the Type I insurance, the employee and the employer share the contribution which may range between 3 per cent to 8 per cent of the monthly remuneration. The Type II, the insured has to bear the total expense. It is useful to explain why Korea chose the compulsory medical insurance system as its major financial mechanism for health care instead of a general tax funded health services system or a privately run insurance system [Om, 1989: 33-34]. The most important reason is the constraints upon the government budget. Since 1972, Korea had allocated approximately 6 per cent of its GNP for defence which had taken about one third of the total annual government budget. In order to finance defence expenditure, the government introduced the Defence Tax in 1972. Therefore, it was difficult

for the government either to legislate a Health Tax to finance health care services or to budget extra money for health services, unless the government was willing to sacrifice other sectors including economic development. In fact, the government had put top priority on economic development, and considered economic growth as a mechanism to extend welfare through the creation of employment. Thus, the government adopted social insurance as the major financial mechanism of social security programmes under which expenditures are financed by premiums collected from employees and employees. In addition, the slow development of the commercial insurance industry, which was in its infancy until the government started to support the modernisation of the insurance industry from 1977, and the failure of the original voluntary medical insurance programme encouraged the government to adopt a compulsory public medical insurance programme.

Even though it was supplemented by the Medical Assistance Programme for the poorest strata of the population, the medical insurance of 1976 addressed to the social needs of those who could pay the contributions, and the enterprise-based insurance society was adopted for the sake of administrative convenience. Consequently, the redistribution was more or less limited within the class. In addition, those who did not have employers paying employers' contributions, such as farmers, the self-employed, informal sector employees and the unemployed, were still outside the medical insurance programme. One may argue that a practical approach is inevitable to introduce a social welfare programme in the first place. However, it clashes with the idea of social policy which is protecting the vulnerable. The poorest in the population could not push the state to formulate the programme for more redistributive effects. In fact, the excluded segments of the population did not have official channels to express or resist their exclusion from the programme.

4.3.2.3 SUMMARY

Throughout the Yushin period, the authoritarian regime responded to the pressures from below, not with democratic reform, but with an intensified repression and restricted paternalism. Ever-widening income gaps and the general revulsion against the political authoritarianism, combined to form social pressure for the authoritarian government to adopt alleviative social measures. Yet they were restricted and asymmetrical. The public assistance

and related social welfare services were kept to a minimum even after foreign aid withdrew completely by the mid 1960s. Even when it adopted nation-wide medical insurance, it emphasised financial independence of the insurance societies so that social insurance would not increase the financial burden of the state. The state had no intention of changing the existing social relations and the strong commitment to economic growth. Rather, this programme was a partial remedy for the government's lack of attention to social welfare, but preserving the existing patterns of power relations. As a result, it failed in securing a national minimum that would have come from universalising the benefits and so reducing inequalities. The Yushin regime was no different from the Park regime of 1960s in that it had not fully committed itself to welfare as a structural necessity in a modern society.

4.3.3 THE FIFTH REPUBLIC

As described earlier, the Yushin regime collapsed with a sudden death of the powerful dictator in the critical conjuncture of the economic crisis and the growing popular movement. The Authoritarian forces led by the new military took over the state apparatus and suppressed the democratisation movement and distributional demands. The institutions of the new Fifth Republic exhibited fundamental continuities with the Yushin system: a strong president, a weak legislature and judicial system, limitations on political activity, and an even more restricted press. Since the new military installed an authoritarian regime without a hegemonic base, that is, the consent of subordinate groups to the existing social order, they had no alternative than the systematic use of government power to achieve the regime objectives [Im, 1989]. Even though they emphasised the 'construction of the welfare state' as a legitimising inaugural platform, it was nothing but a political rhetoric. The reorganisation of the economy and the austerity policy prevented the Chun regime's initiating reform of social programmes which could drain the state's budget, in spite of its welfare platform.

The 'social purification' campaign was extremely harsh on democratic union leaders. The harsh repression of unions resulted in the sharp decline of union membership and the

number of unions.[6] The purge of union leaders and the disbanding of democratic unions were followed by the enactment of new labour laws, which were more repressive in character than those of Yushin.[7] Repressed were not only the union organisations. Faced with symptoms of an economic crisis such as negative economic growth, high inflation, heavy foreign debt and rising unemployment, the technocrats of the new government tried to overcome the crisis by using the conventional tools of fiscal restraint, monetary control, devaluation, and controls on wages. In the short run, repression sufficed to scuttle demands for greater provision for social welfare, and to hold wages down.

After a three year repressive period (1980-1983), the Chun regime adopted a 'national reconciliation' policy by relaxing the control of society. The Chun regime's appeasement strategy aimed at a smooth consolidation of its power by controlling the upcoming National Assembly election in 1985 and the subsequent presidential succession in 1988 within the current political framework [Lee, C.J., 1985]. After the relaxation of repressive control, autonomous organisations and social movements in various areas of society were resurrected. The Workers Welfare Association (WWA), for example, was formed in 1984 by unions and workers blacklisted during the Chun years. WWA activists and other militants (especially ex-student organisers) helped to strengthen the labour movement and give organisational expression to the growing politicisation of workers. Also formed in 1984 was the United *Minjung* (People's) Movement for Democracy and Unification (UMDU), a coalition of twenty-three organisations representing writers and artists, students and professors, workers (including WWA) and farmers, and various religious and women's groups. Its creation represented an important step forward in the development of a common programme of action for the progressive opposition, something that was lacking in the period immediately following Park's death [Hart-Landsberg, 1988]. A growth of the popular sector movements and organisational capacity allowed concerted coalition between the institutional political forces, the opposition party, and the social movement forces in the popular sector.

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[6]For example, membership in the FKTU plummeted from 1.5 million before 1980 to only 800,000 in 1984.

[7]For details of new labour laws enacted in the Chun Regime, see Im [1989].

As described in the previous chapter, the general election of 1985 gave a great shock to the ruling party, and turned out to be a significant milestone in Korea's tortuous path to democracy. After the virtual defeat of the ruling party in the election, increasing distributional conflicts such as the labour and farmers' movement, and the intensifying democratisation movement became significant threats from 'below'. In September 1986, President Chun announced the 'Three Measures for the Promotion of Social Welfare'. These measures included the implementation of the minimum wage law, the national pension programme, and the expansion of the medical insurance programme to the entire nation. This announcement of welfare measures was a double-edged political strategy on the part of the ruling party, as the timing of the announcement indicated. The social movement forces then did not demand implementation of specific social welfare policies. Rather, their demands took a more fundamental and generalised form. Being pressured by the increasing distributional conflicts joined with the democratisation movement, the ruling party needed to mollify distributional demands from the general populace and separate them from the radicalised forces by repressing the radicalised sectors. In April the ruling party opened negotiations with the opposition party about the revision of the constitution, and at the same time, took a strategic move to exclude the radicalised social movement groups. Thus, concession and repression were put together behind the promulgation of these social welfare policies [Chung, 1992: 295].

The expansion and reform phase of the Korean social welfare policy occurred within these structural contexts. Emphasis was placed upon the development of the medical insurance and the revision and enforcement of the social welfare service laws adjusting them to the social situations which drastically changed over a few decades. In order to promote the tradition of filial piety and respect for the elderly in Korea, the Welfare Act for the Elderly was legislated in 1981 and the Charter of Respect for the Aged was promulgated in 1982. They were motivated by concerns over the nuclearisation of families caused by rapid industrialisation and urbanisation over the past couple of decades. The primary features of the Welfare Act for the Elderly are an emphasis on tax incentives, awards, and honours to encourage families to provide care and shelter for elderly relatives. A number of other approaches, enumerated as policy goals but not necessarily as programmes, are: counselling, with referrals to voluntary or available institutional services; health diagnosis; special privileges for the elderly, such as free bus fares and reduced train fares; recreational

programmes for the elderly; vocational development; occupational training and guidance; and housing and social services. Other than free and reduced fares and tax incentives by lowering inheritance taxes for children who provide living space in their homes for parents, little is provided in the way of social services (in-home or community care) or institutional care for the Korean elderly [Palley, 1992]. In addition, the Welfare Act for the Physically and Mentally Handicapped was passed in 1981 and was revised in 1984. The Social Welfare Service Act was revised in 1983, in an attempt to systemise and rationalise the delivery system of the welfare services. The Law for the Education of Preschool Children was enacted in 1982, to establish thousands of *Saemaul* day-care centres all over the country.

The main issue about Medical Insurance during this period was the reform of its administrative and financing structure. There were two efforts to reform the medical insurance programme along with its gradual expansion. The first reform effort was made by the social policy professionals and a group of social bureaucrats in the early 1980s. The second reform movement was initiated by farmers in the late 1980s. However, both of them failed. Consequently, the medical insurance programme expanded to the rural sector in 1988 under the current co-operative system. In addition, the National Pension Act · and the Minimum Wage Law were enacted in 1986 and were put into effect from January 1, 1988. These developments are described below.

4.4 After Political Liberalisation: Towards a Welfare State

Political liberalisation, triggered by Roh's declaration of political reform on June 29, 1987, was a turning point in the history of Korean social welfare development. In fact, the essence of the June 29 Declaration was the liberalisation of the past authoritarian rule. However, Roh's political concession did not include substantive socio-economic democratisation like workers' rights in capital-labour conflicts, wage policy, or welfare policy. Whereas the declaration put the formal, procedural democratic mechanism in place, socio-economic reform was left to future competition among contending political forces.

Labour's response to the new political climate was very swift. As shown in Table 4.5, in 1982 and 1983, labour disputes had dropped sharply under the new labour laws. In 1984, this trend was reversed: labour actions took on a more political cast, due in part to the

penetration of the labour movement by student radicals.[8] In early July 1987, workers at a number of Key big-business groups engaged in strikes that gradually spread through the economy. In the two months from July 4 to September 4, there were more labour disputes than had taken place in the previous ten years [Chosun Ilbo, September 9, 1987]. Labour's demands centred on wage increases and better working conditions, but also raised more fundamental political issues, including a reduction in government intervention in union affairs, greater freedom to organise independent unions, and changes in the structure of dispute settlements.

While the FKTU and various industrial unions were trying to regain confidence and influence by demanding reforms in the labour law, independent labour associations formed on a regional basis to defy the labour establishment as well as the government. These associations, formed by the Movement Circle (*Undonggwon*),[9] played a leading role in organising at the company-union level and in mobilising a broader network of anti-government elements. In the two months following Roh's concession, over one thousand new company-level unions were formed [Dongah Ilbo, September 29, 1987]. In short, the July-August labour struggles were spontaneous actions of labour as a result of the accumulated discontents of workers throughout the industrialisation process which brought about a change in the objective conditions of class and industrial structure.

However, it should be noted that the radical social movement forces failed to establish an independent institutional base in the newly formed democratic politics. The radical social movement forces decided to participate in the National Assembly election of 1988, in an attempt to establish a bridgehead for the popular sector in institutional politics. They formed parties of their own (Han'gyure Party and the Party of Popular Masses), but no candidates from them were elected. The radical parties not only had very narrow

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[8]Before the Chun regime, student demonstrations and actions had largely been confined to campuses, with few ties to other social groups. But in 1980s, an 'organic linkage' between defiant students and increasingly class-conscious industrial workers was established. Labour in the relatively new heavy industries was particularly likely to become radicalised and ally with the student movement.

9Undonggwon, or the Movement Circle, refers to a coalition of radical students, intellectuals, and labour and church activists organised under the slogan of 'people, nation, and democracy'. The Circle constitutes the heart of the radical opposition movement in Korea.

organisational bases and resources, but also the division among them and their radical ideological stances did not let them survive in the conservative atmosphere of Korean politics [Chung, 1992: 304].

When the labour outburst touched the core of the national economy, including the major export sectors such as the automobile, shipbuilding, electronics, and the defense-related heavy industries, all the political forces worried about the negative impact of the industrial unrest on the process of democratic transition. These nationwide workers' strikes were a real test of how institutional politics could accommodate the demands of the working class, in other words, the nature and capacity of the political parties and forces. Faced with industrial unrest, the mutual abstention strategy prevailed among reformist elements within the government and the moderate opposition forces. The ruling elites abstained resorting to repression of workers' collective actions and instead left the resolution of conflicts in the hands of capitalists and workers themselves, without resorting to the traditional method of state repressing over the striking workers. The opposition parties, in turn, did not publicly side with workers, and abstained from exploiting workers' eruptions for their own political advantage. They did not want to provide hard-liners any excuse for reintervention. The passive response to labour affairs continued through the process of making the new constitution [Im, 1989: 299-301].

The opposition parties demanded the inclusion of the constitutional rights of workers to share profits and to participate in the management of enterprises. But this demand soon encountered strong resistance from the capitalists. In the negotiating process with the ruling party, the opposition party dropped the most important elements of popular socio-economic rights to hasten the constitutional reform. Thus, the new constitution neglected to ensure the socio-economic rights of citizens and an active role of the state in social welfare. The passive action of the opposition parties about the working class's interests can be also seen in the revision process of the existing notorious labour laws. The new labour laws made by the agreement of both opposition and ruling parties still included the clauses to restrict labour movement such as the prohibitions of plural unions, the intervention of the third party, and the political activity of the labour union, although the new labour laws relaxed regulations on union activity, compared to the previous laws.

Thanks to democratisation, important breakthroughs have come along in the social welfare fields since 1987. As we shall see later, the medical insurance programme was

extended to the rural population (1988) and the urban self-employed (1989), thereby the total population came to be protected by either medical insurance or medical assistance. The national pension programme and unemployment insurance were put into effect in 1988 and 1995 respectively. In addition to these major social insurance plans, many pieces of social legislation were revised and introduced: Equal Employment Act (1987), Maternity Health Care Act (1987 revised), Maternity Welfare Act (1989), Act Relating to Employment Promotion of the Handicapped (1990), Employee Welfare Fund Act (1991). In particular, The Minimum Wage Act was enacted in 1987 and put into effect in 1988. It had been a recurring issue and had been demanded by organised labour, the FKTU, whenever labour movements were intensified. However, the enactment of the minimum wage law had been postponed due to the Korean industrial structure, which depended on low wages, and the opposition of employer's organisations. Thus, the new minimum wage law is indicative of the democratisation process, establishing a minimum daily wage for the first time in Korean history. It started with those working in the manufacturing industry in firms with 10 or more regular workers. It was broadened to the mining and construction industries in 1989, and to all industries in 1990. The minimum wage shall be determined according to the category of business taking into consideration the cost of living of workers, the wages of kindred workers, and labour productivity [Article 4].

In sum, political liberalisation resulted in the establishment of a formal democracy without dismantling the core authoritarian state power and the repressive and conservative state apparatus. The establishment of a formal democracy opened a limited channel for the popular sector to express its interests more openly and actively, compared with the previous authoritarian regimes. However, the formation of a conservative democratic regime still kept narrow the range and degree of reforms in the interests of the popular sector. As described earlier, the political parties in Korea are largely based on regions and factions, not solidly on class interests. Thus, there are clear limits to the representation of the specific interests of the popular sector such as workers, farmers, and the urban poor. In the succeeding section, we shall see some examples of these limited reforms through the analysis of the expansion and reform phase of major social insurance programmes.

4.4.1 THE EXPANSION AND REFORM OF THE MEDICAL INSURANCE PROGRAMME

The organisational arrangements for the medical insurance programme started with the 'co-operative' system in which numerous self-supporting insurance societies were organised. Since medical insurance had expanded incrementally over the years as shown in Table 4.6, many medical insurance funds were organised by occupations and managed separately. As medical insurance expanded to smaller firms and the utilisation rate increased, many insurance societies began to suffer financial deficits due to the small size of the insured population. Administrative costs began to take an increasing portion of the total insurance expenditures as small insurance societies proliferated. In addition, the small scale insurance societies limited the redistributive effect.

Table 4.6 Key Dates in Development of Korean Medical Insurance System

Dates	Events
1963	Enactment of the Medical Insurance Act
1977	(1) Implementation of compulsory medical insurance for workers in large establishments employing 500 or more workers. (2) Enactment of the Medical Protection Act (medical care for the poor under the Public Assistance Law)
1979	(1) Medical insurance for civil servants and school teachers. (2) Medical insurance for the workers in firms employing 300 or more.
1981	(1) Medical insurance for the workers in firms employing 100 or more. (2) Medical insurance for 3 experimental districts of agricultural and fishery villages.
1983	Medical insurance for the workers in firms employing 16 or more.
1988	Medical insurance for the residents of farming and fishery villages.
1989	Medical insurance for the urban residents

Thus, the MOHSA decided to merge small insurance societies into larger region-based ones in order to create a large risk pool and facilitate the efficiency of administration in 1980. However, this reform proposal provoked strong resistance from employer organisations, the central organisation of the insurance societies (the National Medical

Insurance Council), and the advisers of the president. The enterprise-based insurance society system was preferred by the employers as it could be a means of controlling labour-management relations in the sense that the employers provided a half-share of the contribution for workers. The National Medical Insurance Council opposed the reform plan not only because it represented the employers' interests, but also because the reform threatened their own institutional interests. The presidential staff emphasised that the unified system had a high possibility of increasing the financial burden of the state, as well as its responsibility for managing the programme. Consequently, the final decision at the level of the president was to hold off the integration plan.

Since the reform effort failed, the MOHSA had prepared for the expansion of the medical insurance programme to the entire nation under the current co-operative organisational framework. On the brink of the expected financial deficits of the rural insurance societies under the co-operative system, however, the actual timing of the expansion to the entire nation was uncertain. In 1986, in order to win the presidential election due the following year and the general election in 1988, the ruling party, which faced a great political challenge from the opposition party, conducted a survey to find which government projects to give priority in order to obtain political support from voters. The sampled uninsured farmers and the urban self-employed gave their first priority as the expansion of medical insurance schemes. The ruling party, which had maintained its majority of seats in the National assembly through the support of most farmers, and also required political support from the urban self-employed, strongly demanded the government to extend medical insurance coverage to farmers and the urban self-employed, with the government sharing premiums for them [Nho, 1994: 169-170]. Thus, as described earlier, the Chun regime promulgated 'Three Welfare Policies' in 1986 as a strategy to soothe popular discontent derived from unequal distribution. During the presidential election campaign, the candidate of the ruling party promised the extension of the medical insurance programme to the rural sector in 1988 and to the entire nation in 1989. Other candidates in the opposition parties also promised government subsidies for the regional medical insurance programme. Although expansion and the other welfare policies were not central issues in the presidential campaign, the social welfare policy gradually became politicised and then became a popular issue.

After the presidential election, medical insurance was extended to cover those who had been excluded: those in rural areas in 1988 and those in urban areas in 1989 respectively. The government began to pay 50 per cent of the premium,[10] which was the equivalent of the employers' contribution in the case of salaried employees. This marked a breakthrough in the development of the Korean social welfare policy in terms of the role of the state in the financing of social welfare programmes. As we have seen before, the Korean government had not played the role of the provider in the financing of social welfare programmes before the new constitution of 1987. Funds for major social welfare programmes (for example, the Industrial Compensation Insurance and the Type I Medical Insurance) came from the contributions of employers and employees. With the exception of the Public Assistance Programme, only administration costs were subsidised by the general revenue of the government. The role of the state could be seen as a regulator which made programmes compulsory without providing funds for programmes [Kwon, H.J., 1995]. It could be argued that such a change in the role of the state resulted from the changed political environment (democratisation) and improved economic situation.

When the programme was implemented in the rural areas in 1988, the excessive financial burden on farmers provoked farmers' protests.[11] The initial period of the farmers' protests against the medical insurance programme was unorganised. In June 1988, however, a group of medical doctors and social security professionals, in alliance with social movement

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[10]Originally, the government intended to subsidise 35% of the fund to farmers. But, in response to the farmers' protests the government increased the government subsidy to 50% of the insurance fund.

[11]For the financing scheme of the medical insurance in rural areas, the MOHSA developed a different financing method, a flat sum system. The flat sum contribution to insurance consists of two parts: the basic rate component; and the ability rate component. The former is an equal contribution to the fund in proportion to the number in the household. The latter is the payment in proportion of income and wealth (15 scale). The proportion of the two parts is determined by each insurance society. Thus, the specific amount of the contribution is different, depending on the society. The financing scheme of the regional medical insurance programme gives farmers a heavy financial burden. While the medical insurance for the wage earners covered dependents with the insured contribution, the regional insurance imposes the contribution on all household members. While a small portion of wages and salaries becomes the base of the contribution for the wage and salary earners, income, wealth, and every member of the household become the basis of the contribution for the farmers.

organisations in the popular sector such as farmers, religious groups, and the urban poor, organised 'The National Committee for the Countermeasure to the Medical Insurance (NCCMI)'. The NCCMI prepared an alternative medical insurance programme. The basic form of the alternative insurance programme was the unified system with a progressive contribution scheme for the insurance fund. It was designed to maximise the redistributive efforts and solidarity among people through the financing and organisational scheme. This was the first popular sector-initiated reform movement which specifically demanded the reform of the social welfare policy and suggested alternatives, which was impossible under the previous authoritarian regimes. In this coalition participated farmers, the urban poor, religious groups, and progressive professionals such as medical doctors and academics. However, the labour sector was not active in this reform movement. This implies that the medical insurance programme was effective in dividing the popular sector into wage earners vs non-wage-earners by first providing benefits to the working class including the salaried middle classes [Chung, 1992: 333-335].

The general election of 1988 encouraged the multi-party system and led to an Assembly with no majority party. The ruling party failed to secure a majority in the National Assembly. Pressured by the farmers' militant action, the three opposition parties agreed to submit the new Medical Insurance Bill based on the unified system, which largely reflected recommendations delivered by the social movement forces. As a coalition was made among the three opposition parties, the ruling party agreed to pass the opposition parties' proposal. Finally, in March 1989, the National Assembly unanimously passed the new Medical Insurance Bill. The new Bill stipulated a progressive financing scheme. It required the richer to pay more, and the poor to pay less compared with the old law. The previous accumulated funds by workers would be shared among all people. After the reform the contribution rate would be adjusted to the income level and the benefit structure would be equally applied to all people. Consequently, for most low income wage earners there was nothing to lose, except for those in a small portion of higher wage and salary earners.

However, the new Bill provoked strong resistance from the existing insurance societies, the upper and middle classes, and the government. The new Bill meant significant change in the structure established by the existing insurance organisations. From the viewpoint of the upper and middle classes, they would lose considerably and gain nothing from the possible unified system. There might be transfer of money from their fund to others

who would use the health service more frequently and pay less than themselves. More importantly, the government had been worried about the consequence of the reform of the medical insurance programme to the government's fiscal structure. Under the existing co-operative system based on a self-reliant financing scheme, adjustment of the contribution rate was flexible; resistance to increased premiums could be dispersed within insurance societies because the responsibility for deficit was attributed to the members of the insurance society. However, under a single fund system, the increase of the contribution rate would invoke resistance from all the insurers. Thus the government would need to subsidise the programme through revenues. Consequently, the bill was vetoed by the president, the reform movement initiated by farmers with the support of social movement forces and political parties was aborted. This aborted reform reflected the persistent strength of the bureaucratic power and the limited power of the popular sector and opposition parties, even though the democratisation relatively enhanced their political power [Chung, 1992; Kwon, H.J., 1995]. In other words, the failure of the reform could be partly explained by the fact that the previous authoritarian force and its growth-oriented coalition with capitalists classes still dominated the state's policy-making procedure. At the same time, the farmers' movement failed in allying its efforts with those of other popular sectors because the existing medical insurance scheme divided the popular sector into wage vs non-wage earners by providing its benefits to only wage earners and the salaried middle class and letting them pursue their narrow sectoral interests.

4.4.2 THE IMPLEMENTATION AND EXPANSION OF THE NATIONAL PENSION PROGRAMME

The National Pension Programme was put into effect in 1988. Since the implementation of the pension programme had been suspended in 1974, the government continued to prepare for it. Given the preparedness of the government for the pension programme and the lack of a strong motivation for its implementation, the timing of the implementation seemed to have waited for certain political events to prompt its implementation. In September 1986, President Chun's promulgation of the 'Three Measures for the promotion of Social Welfare' became a catalyst for the final decision to implement the programme.

Furthermore, in contrast to the high level of inflation in the 1970s, the inflation rate in the 1980s was kept at a low level. In 1973 when the National Welfare Pension Act was enacted, the average annual inflation rate was about 16 per cent. With success in curbing the annual inflation rate to 3-4 per cent by 1982, the foundation for implementing the pension programme began to solidify around the mid-1980s. Increased GNP per capita from $396 in 1973 to $2,000 in 1986 and improved national savings rate had been signalling the ability of both individual workers and business firms to pay pension premiums. The experience of advanced countries show that the introduction of social security pension systems is essential for the continued stable growth of a capitalist economic system. Despite her growing economic status, Korea seemed rather late in introducing a national pension system necessary for social stabilisation. Among the 40 countries whose GNP per capita exceeded $2,000 in 1985, only three countries, namely Korea and two oil-producing countries, Oman and the United Arab Emirates, had failed to implement social security pension programmes [Min and Tchoe, 1989: 6].

Apart from these econo-political backgrounds, the introduction of the National Pension Programme of 1988 was timely in terms of the demographic structure [Kwon, H.J., 1995: 150-152]. The population in Korea is relatively young compared to those in Germany and the UK (see Table 4.7). Korea does not yet face the problem of an ageing population as OECD countries do at the present [OECD, 1988].

Table 4.7 The Comparison Age Structure of 1990 (%)

	Germany*	U. K	Korea
0-14	15	19	25.4
15-64	69	66	69.5
65+	16	15	5.1
Dependency ratio	44**	51.9**	44

* West Germany
** Projection in 1988
Source: OECD, 1988; *Korea Statistical Yearbook*, 1991.

If we break down the dependency ratio of Korea into the aged and child dependency as in Table 4.8, however, we can find an interesting implication for the future demographic structure and old-age pension programme. Even though the whole dependency ratio is still very much accounted for by the child dependency, child dependency has been sharply reduced. This means a smaller influx to the working population. The cohorts born prior to

1975, when whose total fertility rates were very high compared to those of the next cohorts born between 1955 and 1975 begin to retire, in approximately 2015, old age dependency will sharply increase because the influx to the economically active population will become smaller while the outflow from the economically active population to old age will be getting bigger. In other words, Korea will face the old age problem in the near future (see Table 4.8).

Table 4.8 The Trend of the Dependency Ratio

	1960	1970	1980	1985	1990
Aged dependency	0.07	0.06	0.06	0.07	0.07
Child dependency	0.73	0.77	0.54	0.46	0.37
Dependency ratio	0.80	0.83	0.61	0.52	0.44

Source: *Korea Statistical Year-book*, 1991.

Moreover, about 75 per cent of the aged have no means to support themselves and are dependent upon their children. Accelerated urbanisation during industrialisation and the increase of nuclear families have eroded the traditional social institutions supporting the elderly, creating a major social problem (see Table 4.9). The introduction of the social pension programme in 1988 as a first step was very critical in this regard.

Table 4.9 Income Sources of the Elderly (%)*

	Korea	Japan	US	UK
Work	21.8	42.0	27.3	11.6
Public pension	1.7	64.6	82.1	87.7
Private pension	-	8.4	27.1	35.5
Personal saving & wealth	9.0	27.0	67.1	28.3
Dependent on Children	78.2	29.8	2.4	1.7
Others	5.7	7.5	11.6	20.0

* percentages are double discounted.
Source: Min and Tchoe, 1989, p. 3.

Learning from the initial negative attitudes of the general public regarding the high contribution rate, the new pension programme lowered the contribution rate for the first several years, and planned gradually to increase the contribution rate in order to reduce possible resistance derived from the high contribution rate. Thus, the initial contribution rate, starting in 1988, was 1.5 per cent equally for the employers and employees. Then the rate was supposed to gradually increase over time (see Table 4.10). However, the state did not contribute to the fund except for administrative costs. The state had been very strict in

keeping the principle of 'you get what you pay for.' This contribution scheme reduces the effect of income redistribution; rather it stratifies the existing social inequalities.

Table 4.10 Provisional Contribution Rates by Years (%)

Source of contribution	1988-1992	1993-1997	1998 & after
Employee	1.5	2.0	3.0
Employer	1.5	2.0	3.0
Conversion of RPR		2.0	3.0
Total	3.0	6.0	9.0

Note: 1. The rates are applied to employee's average monthly wages.
2. Farmers and fishermen should pay the whole contribution, starting at 3% of the income reported during the first 5 years period of July 1995-June 2000, 6% during the next 5 years, and 9% thereafter.

Source: MOHSA, *Major Programmes for Health and Welfare 1995*, p. 93.

The National Pension Programme began with salaried employees as did the Medical Insurance, and expanded the number of people it covered incrementally. In 1988, The programme applied compulsorily to all workers between the ages of 18 and 60 who were working at workplace with 10 employees or more. The coverage was extended to the workplace having five employees or more from January 1992 and in 1995, to the self-employed who are residing in the rural areas, farmers and fishermen. The government plans to extend the coverage to all the people including the urban self-employed by the late 1990s [MHW, 1995].

The reform of the medical insurance scheme was politically sensitive and brought about protests and pressure for reform because the programme had provided its benefits to some sectors of the society, causing discontent within the non-covered sectors. However, the reform and implementation of the pension programme proceeded silently without raising any significant responses from the populace. The ruling party was interested in the implementation itself rather than the form and content of the programme. The ruling party, which was shocked by defeats in the general election, needed new policy initiatives because its legitimacy had decreased critically. On the other hand, the opposition party and the social movement forces were much concerned with constitutional change, democratisation and with the mobilisation of the popular sector. The demands of the social movement forces in the popular sector were more fundamental. Furthermore, the provision of pension benefits had to wait a long time.

Thus the reform and implementation of the national pension programme enacted in 1973 proceeded very slowly without arousing popular sector reactions. Consequently, the content of the national pension programme was generally very similar to the one in 1973; the reform did not bring about a substantial improvement in redistributive effects.

4.4.3 THE IMPLEMENTATION OF THE EMPLOYMENT INSURANCE SYSTEM

In 1995, the Employment Insurance System (EIS) was finally introduced in Korea, in accordance with the election promise by President Kim. Interestingly, even though the term 'Employment Insurance' is not widely used and not defined well, Korea adopts it instead of unemployment insurance. Originally, the unemployment insurance programme was a passive institution in that it only aimed at paying unemployment compensation to jobless persons and had no linkage with other programmes to adjust employment structure and develop job skills. In recent years, however, there has been a widespread shift of ideas and activities linked to unemployment insurance. Some of these developments are: improved and extended allowances for training or retraining, the promotion of geographical mobility of labour by payments towards the cost of removal, subsistence and travelling, and allowances connected with the rehabilitation of disabled workers.[12]

Korea developed the EIS as a means to carry out active labour market policy in order to cope with the rapidly changing economic environment and to strengthen economic vitality. In addition to the traditional activity of unemployment insurance which pays unemployment compensation to the unemployed, the EIS aims to prevent unemployment, expand employment opportunities, develop and improve workers' ability and promote other welfare of workers. It also promotes reemployment through active employment exchange

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[12]Some countries have now integrated measures of this kind not only with income maintenance provision but also with the wider implementation of national manpower policy. One example is Japan, which adopted a new law (the Employment Insurance Act) at the end of 1974 to establish a new employment insurance scheme and the change of its title is significant. And in the West Germany unemployment insurance was integrated into the Employment Promotion Act of 1969, which contained many active labour market policies such as short-time working allowance, promotion of all-year employment in the building industry and various job creation schemes.

service and vocational training. In order to function as a means of active labour market policy, the EIS contains 3 activities: (1) Employment Security Activities; (2) Vocational Ability Development Activities; (3) Unemployment Benefits [MOL, 1994].

The term 'unemployment insurance' was firstly seen in the Employment Security Act, enacted in 1967, which indicated that unemployment insurance activities should be a major service of the government. Several times were there discussions concerning the adoption of unemployment insurance in the 1970s and 1980s. However, with the fear of negative impacts of unemployment benefits such as work disincentives and longer unemployment spells, it was not easy to make the need to introduce the unemployment insurance scheme understood and to get further advancement. Entering into the 1990s, however, Korean labour market began to show significant changes in many aspects, and a serious labour shortage and emerging job mismatch problems were considered to be bottle-neck to sustainable economic growth. Thereupon, the adoption of the employment insurance programme was actively examined again as a means to cope with the many problems related to the labour force and employment. Through the publication of the Seventh Economic and Social Development Plan (1992-1996), the government's position concerning the EIS firstly announced that it would be introduced in the latter part of the Seventh Plan period. In July 1993, with the announcement of 'New Economic 5-Year Plan', its implementation was fixed from the year of 1995.

There were big differences in opinion about the EIS-covered business size at the time of its start in July 1995. The labour-side demanded that the EIS should cover at least all firms with over 5 employees at its start, whereas the management-side contended firms with over 150 employees were suitable on the ground that the EIS could be just another burden on employers of small businesses. Finally, the EIS began with firms with over 30 employees and may expand its coverage to firms with over 10 employees before 1998. The fund for the EIS is financed through the pooling of resources usually derived from contributions paid by covered workers or employers or both. In many countries the government also helps to finance the scheme by using general taxes. In Korea, the premium for unemployment benefits is equally shared by management and labour, whereas premium for the other two activities (employment security and vocational ability development activities) is solely borne by employers. The total premium rate is within a range of not exceeding 15/1,000 of the standard monthly total wage paid to employees. The effective premium rates are determined

by the Presidential Decree in taking account of the changes in insurance earnings and expenses, and economic conditions. The government bears the administration cost.

4.5 CONCLUSION: INTERPRETATIONS OF SOCIAL WELFARE DEVELOPMENT IN KOREA

This chapter began with the basic question of why and how Korea has developed the social welfare system we find today. The last three decades of Korean history is indeed a microcosm of the diverse forces and variables of welfare state development. In this chapter we have seen the futility of attempting to locate a single theory with which to explain the development of welfare policy. In addition, this chapter also demonstrates the limited utility that policy models derived from advanced industrial democracies may have for understanding policy-making processes in dependent, developing nations like Korea. For example, the European emphasis upon collective class action has limited applicability in Korea where concepts of class and class conflict are not well formulated in the minds of most people. Thus, such theories as social democracy and interest group politics that emphasise the role of group pressures seem particularly suspect in the Korean case.

Korean experience shows quite a different trajectory that distinguishes it from such processes in most advanced industrial nations. In Korea, colonialism, geopolitical security relations, and weak popular classes resulted in a state-led, dependent industrialisation and late democratisation. These, dependent industrialisation and late democratisation, critically affected the development of Korean social welfare policy. Thus, through the Korean case, we can find some partial validity, as well as limits, to existing perspectives on the specific process of social policy development. In the following section, we examine some aspects of the Korean welfare state development.

1. Nation-Building Imperatives

For many students of social policy, the idea that nation-building is the foremost imperative for the NICs, including Korea, in the post-war era has been used to explain the strong role played by these governments in managing their economic policies, and also in

explaining how social welfare came to be subordinated to the state's economic priorities [Amsden, 1985; Heidenheimer, et al., 1990; Deyo, 1992]. Furthermore, it has also been argued that, motivated by these nation-building objectives, the state has been able to manipulate national support for its economic goals and deflect public pressure for social welfare development. This has been achieved through a variety of means, including the mass media and social culture. There has also been active state control of labour unions and bans on civil activities, such as organising public protests. Thus, Korean nation-building displays its very conservative character: state power is skewed in favour of capitalists; the state has been more concerned with accumulation than distribution in the making of social welfare policies.

The level of economic development as the key determinant of social policy is very important. In particular, in less-developed countries, the persistent vulnerability of the economy and the unequal distribution of the resources it generates pose serious problems. Certainly the realisation of resource limitations has had a pronounced impact on welfare policy development in Korea. The underdevelopment of social policy before the 1960s can be partly attributed to the lack of resources to enhance welfare, but yet the problem is that rapid economic growth since the 1960s has not brought about corresponding social welfare provisions. Korean experience is an empirical evidence to suggest that public social welfare provisions are not necessarily 'a universal and inevitable concomitant of economic growth' [Wilensky, 1975] at least in a straightforward way.

Overall, the organising principle of the Korean social welfare policy is very similar to a Bismarckian approach to social security policy. The timings of policy adoption were related to the state's preemptive strategy to reduce distributional conflicts and facilitate economic growth. The ruling elites in Korea never like social welfare as an institutional concept. The ruling elites subscribe to the residual concept of social welfare: that social welfare programmes should come into play only when the normal structure of family and market breaks down. As Park argues [1990: 227-228], the ruling elites in Korea only temporarily accept the institutional concept of social welfare when they come across political crisis. However, having overcome it, they immediately return to the residual concept of social welfare by reinforcing the cherished Confucian culture of mutual support, informal support networks, filial piety, social harmony, and loyalty to the nation. They prefer to keep funds flowing into the productive sectors of the economy, to encourage the work place and

the family to share welfare burdens, and to supplement private welfare with state funds only when it is essential to do so. Thus, social welfare philosophy in Korea has not involved any radical vertical redistribution of income or diversion of resources from more immediately productive uses.

2. Social Welfare as a means of Legitimation

The statist approach to social policy development emphasises the innovative ideas and role of state bureaucrats in developing social policies under a given state structure. In this perspective, state bureaucrats play a relatively autonomous and architectural role. As we have seen, the Korean government's administrative capacity and state structure played a significant role in social policy-making. Cohesive regime elites were frequently called upon to act as innovators, initiating programmes to promote long-run system stability and national economic expansion.

While the state-centred explanations are helpful in accounting for the development of social welfare in Korea, it should be noted that even the statist approach alone is inadequate because of the need to take into account the social constraints that circumscribe states' policy choices [Spalding, 1980; Ramesh, 1995]. Following the monopoly capitalism theory, the state must perform two major functions: accumulation and legitimation [O'Connor, 1973; Gough, 1979; Offe, 1984]. Indeed, no state is above the need for support from the ruled. As we have seen, the Korean authoritarian regimes suffered from a weakness of political legitimacy. Most major social welfare programmes were initiated and developed at a time of political crisis. The poor performance of the president and the ruling party at elections in Korea, despite restrictions on the opposition parties, made it essential for the government to take measures to build popular support. The 1971 election, in which President Park almost lost to Kim Dae-Jung, was followed by a barrage of measures to please the public and make the government more acceptable. The measures included income support for farmers, the National Welfare Pension Programme, and medical insurance schemes. That the government did heed the election result was also evident in the events following the 1985 Assembly election in which the ruling party received only 35.3 per cent of the popular vote and was able to rule only because of the appointed legislators. The election was followed by a series

of reforms in the forms of relaxation of restrictions on trade unions and political activity, and expansion of social welfare programmes.

Another source of social opposition that has played a part in the emergence of social welfare programmes in Korea is trade unionism. The increase in trade unionism and labour unrest (particularly in the late 1980s) played an important role in extracting concessions from the employers and in expanding social welfare. However, it is not being suggested here that the social welfare programmes in Korea were established in response to demands for such programmes expressed through opposition parties and trade unions. Rather the election results and industrial strife highlighted the government's unpopularity which it sought to overcome by providing new social welfare programmes. Consequently, the Korean social policy has not developed consistently. Rather, the development of social welfare over the three decades indicates that the state's approach to welfare has been haphazard and extremely pragmatic. Social policy innovation resulted from a sudden burst of political decision making. The Korean government has often been reluctant to pursue active social policy measures without strong political pressures. In other words, the fact the state autonomy has not resulted in a dismal social policy record, particularly during recent years, is in part explained by the need for political legitimation.

3. The Weakness of Interest Group Politics

As Rimlinger points out, the growing strength of organised labour and the development of the Labour Party in turn-of-the century England provided a major stimulus to the erosion of laissez-faire politics and the adoption of England's social security laws [Rimlinger, 1971]. Similarly, a substantial number of Scandinavian commentators have more or less explicitly attributed high levels of welfare to the dominant role of the social democratic parties in Denmark, Norway and Sweden over the last half century [Castles and McKinlay, 1979]. In the case of Scandinavia, Castles and McKinlay argue that it is the strength and unity of working-class movements which has augmented the demand for public welfare.

In Korea, however, most of the popular classes (for example, the working class, farmers, and the urban poor) were politically weak and did not have their own independent organisations and political channels to forward their interests in social policy-making. The

official organisations of the popular classes (for example, the FKTU) were manipulated by the state's corporatist control, and thus were used for obtaining the compliance of local organisations to the state's policies, rather than for articulating the interests of rank-and-files. Movements for independent popular organisation had been persistently repressed by the state. Thus, the popular classes that were immediately affected by the programmes could not influence the policy-making process in the direction of their own interests. While the workers in the large industrial sector and the salaried middle classes were protected by some programmes, due to both the state's strategic needs (accumulation and legitimacy) and administrative expediency (the cost sharing principle), other popular classes such as farmers, the urban poor, and low income workers in small firms were excluded from the programmes. They did not have their own independent organisations and political parties to articulate their interests and influence the policy-making process.

Thanks to the recent democratisation in Korea, liberal democracy has become an important political and institutional space, in which structurally weak classes can affect social policy-making through their mobilisation and organisational capacity. However, it remains to be proven in the Korean case if the recent democratisation - a formal democracy.that allows regular elections and limited political liberalisation - will allow the rise of autonomous popular class organisations which might participate in social policy-making [Chung, 1992].

4. The Asymmetrical Development of Social Welfare Programmes

In the process of social welfare development in Korea, the main emphasis has been on social insurance schemes. This implies that the extent of social welfare has been determined by employment, and most likely, the employment of male wage earners. Social insurance schemes are also both highly status-differentiated and uneven in coverage. Basically, this approach has very low costs, whereas it produces high political returns. In Korea, the adoption of a social insurance programme provides the state with an ideal mechanism for selectively incorporating labour sectors into the regime's benefit structure and moderating confrontations between business and labour. Social insurance schemes can continue to expand under the auspices of 'governmental services' and paternalistic concern, while the actual costs of the programme to the government are quite low. In addition, this

approach provides the regime with a highly visible and concrete symbol of an ongoing progressive commitment to welfare, mainly due to the coverage of social insurance.

The financial attraction of social insurance is easily demonstrated. The method of financing social insurance programmes is one of the most conspicuous features of the Korean welfare system. In this system, the social insurance programmes are mainly financed by contributions from both employers and employees. The government usually subsidises only the administration cost. The role of the state is to impose statutory rules which oblige employers and employees to join the programmes. In other words, the state is a regulator which induces welfare programmes but does not provide resources.

This limited state commitment to the financing of welfare programmes, however, has constrained the expansion of the welfare system. The compulsory contribution system left out those who did not have employment status. Those who did not have employment status had to either pay the equivalent of the employers' contribution or receive subsidies from the government, but the government was reluctant to give subsidies. A good example is found in the development of the Medical Insurance Programme. Since the programme was funded by the contributions of employers and employees before 1988, it could not cover those who did not have an employment status. This caused social grievances from the people who had not been provided with health care by the programme. From 1988, the government moved to the new role of provider, from that of regulator, financing a part of the programme for those who had been outside, namely regional members. This broke through the deadlock in the expansion of medical insurance. However, the change in the Medical Insurance Programme did not affect the financial arrangements for other programmes such as the National Pension Programme and the Employment Insurance System. They are financed by compulsory contributions. This is a typical example of the regulator role of the state [Kwon, H.J., 1995].

In contrast to the relatively well-developed social insurance programmes, other social welfare programmes such as public assistance and social welfare services (for the disabled, the elderly, children, women, and the mentally handicapped) remain underdeveloped. Those in need have been heavily dependent on the family for their survival. Even though urbanisation and modernisation have eroded most personal support systems, the state's agenda remains that the family will continue to provide the main social welfare role. The Old Age Welfare Act and the Charter of Respect for the Aged are good examples. In particular,

the public assistance programme, as discussed later, is far from sufficient for maintaining human dignity.

This form of social welfare system can be explained by a common principle that social welfare programmes should not hamper the economic development process by requiring no more than minimal financial support from the government. Instrumental autonomy is reflected in this principle. At the same time, the concentration of policy-making power in the state bureaucracy facilitates it. As a result, the Korean social welfare system does not aim at securing a national minimum by universalising benefits or reducing inequalities, but adopting the occupational approach and selectively providing benefits for politically and economically important segments of society, largely workers in the large industrial sector and the middle classes. This organisational form of social insurance programmes is generally regressive in terms of redistributive effects.

5. Incrementalism

Over the last three decades, social welfare measures have been introduced and expanded in Korea, but not with long term plans, nor with a comprehensive future picture of the welfare state in mind. What Hardiman and Midgeley call 'incrementalism' [1982: 17] is the basic approach of the Korean government. There was no master plan like the Beveridge plan in Britain for social-policy making. Social policy has drawn the attention of the decision-makers only when they needed a short-term political strategy [Park, 1990; Kwon, H.J., 1995] or the effective utilisation of human resources [Deyo, 1992] from time to time. The basis of policy development has been essentially pragmatic rather than ideological. Foreign social welfare models have been restructured to suit the needs of the state, national purpose, and cultural orientations. This has resulted in a selective adoption, and goes some way towards explaining the uneven patterns of development [Goodman and Peng, 1995: 50]. As a result of this approach, the Korean welfare system is very complex. There are various institutions, which are organised partly according to occupations, partly by regional zone. Six Ministries deal with social welfare, with no centralised administration. There is no harmonious, co-operative working relationship among the institutions. There is no rational co-ordination between the public and private sectors about social welfare. The Korean

welfare system has largely adopted welfare measures in isolation from each other without a basic concept of social welfare.

In addition, the coverage of social welfare programmes has been expanded gradually. As we have seen, the Industrial Accident Compensation Insurance, the Medical Insurance, and the National Pension programmes have expanded the number of people they covered over the years. In the process of expansion, those programmes began with the people who could pay the contributions. In other words, these programmes started as middle class programmes, while they left the less well off outside. By contrast, in the Western European nations, initially coverage was limited to workers in particularly strategic industries or in peculiarly dangerous occupations. Mining, for example, was often one of the first industries to be covered [Tampke, 1981: 72-73]. Considering that the government subsidises the administration costs, and these subsidies are financed through revenue, the less well off, who are excluded from the welfare programme, are doubly damaged in a sense. In this sense, the current Korean social welfare system has an anti-social welfare character and deepens the inequality among all the population. This will be discussed in detail in the next chapter.

CHAPTER FIVE

OUTCOMES OF SOCIAL POLICY IN KOREA: AN EVALUATION FROM TWO PERSPECTIVES (SECURITY AND EQUALITY)

As we have seen in the previous chapter, Korea's social protection programmes have largely been established on an ad hoc basis, accommodating demands as they occur. A comprehensive reappraisal of all programmes is required to improve their effectiveness. To evaluate the results of any social welfare programme is, in other words, to answer the question 'To what extent has the programme contributed to the achievement of socially-desired values?' There is a great variety of views about social values to be achieved by social policy in Korea. As described in Chapter 1, however, there is in the academic literature a widespread consensus that the modern welfare state can be assessed in terms of two essential social values: security and equality. In this chapter, we evaluate the outcomes of social policy in Korea from these two perspectives.

From the perspective of security, we analyse three dimensions of social welfare programmes as follows: (1) comprehensiveness and coverage: to what extent the Korean welfare state is responsible for diverse contingencies that individuals may meet with over a life-cycle?; (2) adequacy: are the level and forms of social services appropriate to a decent standard of physical and spiritual well-being? To evaluate the promotion of equality, our main attention is focused on redistributive effects of public finance and social welfare programmes.

The chapter consists of four sections. The first section describes the overall socio-economic environment relevant to social welfare policy in Korea as a background for the subsequent discussion. The second section reviews and analyses social welfare programmes in terms of security. In the third section, we analyse the trend in the distribution of income over the three decades through a review of the few available existing studies. In addition, we assess the effects of Korea's public finance systems and

social welfare programmes on income redistribution and poverty alleviation. Based on these analyses and findings, the last section of this chapter concludes with a discussion of the Korean welfare model.

5.1 ECONOMIC AND SOCIAL DEVELOPMENT AND THE QUALITY OF LIFE

Korea was one of the poorest countries in the world immediately after the Korean War. Since the early 1960s, the Korean economy has achieved remarkable progress. This period has been marked by rapid growth of output and by structural transformation. Economic development in Korea appeared to reach the stage of self-sustaining growth around the middle of 1980s, and changed the image of Korea to that of a promising, newly industrialising country at the threshold of joining the group of advanced countries.

Table 5.1 GNP per capita, Selected Countries

	US Dollars 1991	Average Annual growth rate (%), 1980-1991
Upper-middle income countries	3,530	0.6
Portugal	5,930	3.1
Korea	6,330	8.7
Greece	6,340	1.1
High-income countries	21,050	2.3
Ireland	11,120	3.3
Spain	12,450	2.8
Singapore	14,210	5.3
UK	16,550	2.6
Japan	26,930	3.6
World	4,010	1.2

Source: World Bank, 1993.

In fact, Korea grew faster than any other countries listed in the World Bank's 1993 World Development Report in terms of GNP per capita between 1980 and 1991. Only Taiwan - which was not listed in this survey - seems to have kept pace with Korea. In the course of this spectacular rise, Korea passed most of the Asian NICs sometime in

the 1970s and Portugal by 1991 (see Table 5.1). In 1995, Korea's per capita GDP placed 32nd in the world with $10,163 and Korea ranked 11th with GDP of $456 billion. According to the Korea Development Institute's recent report, Korea is likely to emerge as the seventh largest economy in the world in the year 2020, joining the Group of Seven world top economic powers [The Korea Herald, May 7, 1996].

Now we address the fundamental question 'To what extent has this economic advance been enjoyed as well as experienced?' In the process of rapid industrialisation, the living standard or the economic well-being of the average Korean has improved substantially since economic growth began to accelerate in the early 1960s. Social indicators show that rapid economic growth has brought about substantial improvement in economic welfare and the living standard as shown in Table 5.2.

Table 5.2 Major Social Indicators of Korea

	1965	1975	1985	1990
Per Capita GNP (US $)	100	594	2,194	5,659
Population Growth Rate	2.57	1.70	0.99	0.99
Population Structure	100	100	100	100
0-14 years	43.5	38.1	30.0	25.7
15-64 years	53.2	58.4	65.7	69.3
65 years and more	3.3	3.5	4.3	5.0
Average Years of Education Received				
Enrolment Rate	5.03	6.62	8.58	9.54
Primary School	96.6	103.2	102.0	100.6
Middle School	42.3	74.2	99.1	99.0
High School	27.5	43.6	86.4	97.2
College and University	-	9.5	35.6	38.1
Crude Birth Rate (per thousand Pop.)	35.0	24.6	16.4	15.5
Crude Death Rate (per thousand pop.)	11.0	7.3	6.3	6.0
Infant Mortality Rate (per 1,000 Live-Births)	61.8	41.4	13.3	12.8
Life Expectancy at Birth				
Male	-	59.8	62.7	66.9
Female	-	66.7	69.1	75.0
Daily Calorie Supply (per capita)	2,189	2,390	2,687	2,853

Source: National Statistical Office, *Social Indicators in Korea*, various Issues.

Korean economic growth has emphasised high human resource development in education. Of the relevant education indicators, the enrolment rates in various levels of schools are significant in assessing the development level of education in Korea. It is important to note that the investment in people was made well in advance as it requires a long gestation period. Thereby, Korean society was ready to supply an abundant, motivated, and trainable workforce which enabled a sustainable economic growth. Selected population, health and nutrition indicators for Korea are not as impressive as the education indicators, yet are somewhat better by the standards of developing countries. As modern medicine continues to increase the life span, and a rapid rise in income enables the average Korean to live in improved conditions (mainly due to better nutrition and sanitation), the increase in longevity and the decrease in infant mortality are particularly noteworthy.

As Korea reached the stage of a leading country of NICs, however, the country started to face such typical problems of industrialised countries as pollution, environmental deterioration, crime, and industrial and traffic accidents. In addition, We recognise that Korea's high-growth development strategy of the past three decades has been accompanied by acute social problems including unfair economic opportunities, increasing inequality of income distribution, and the lack of provision for the basic needs of the poor. They have led to a sense of relative poverty among large segments of the population, thus hindering sustained socio-economic development. As the nation becomes more affluent, concerns over income inequality and relative poverty continue to grow, along with rising expectations about the satisfaction of basic needs and an improved standard of living.

It is important to point out that state-led capitalism in Korea deepened social conflicts rather than ameliorated social harmony in a variety of ways in exchange for successful economic expansion. The Korean state stuck to the 'growth-first-distribution-later' ideology to fulfil its goals. Koreans appear to have changed their views on equality due to the rise in income as the economy has developed. When they were very poor, especially immediately after the Korean War, their major concern about equality was associated with obtaining basic human needs, and many people survived on materials provided by domestic and foreign welfare organisations. As the economy improved to the stage where most problems of absolute poverty could be solved, the

equality issue shifted to the question of relative wealth and income and, more broadly, the whole question of the quality of life.

This observation clearly suggests that, in order to understand the implications of rapid economic growth for the society as a whole, we have to assess how it has affected the quality of life of the average Korean. Bronfenbrenner and Yasuba use the term economic welfare in this context. They think economic welfare consists of six components, which can be readily summarised as follows [1987: 94-95]:

(1) The current standard of living, represented as a first approximation by real per capita GNP.

(2) The probable future standard of living, as represented by real per capita GNP and its growth rate.

(3) The society's distribution of income - and its wealth, accumulated past income - among classes of income earners and wealth owners.

(4) Security of the standard of living from both short-term shocks associated with business-cycle downturns and longer-term shocks associated with technological change, resource exhaustion, population explosions and the like.

(5) Compatibility of the standard of living with the maintenance of physical and mental life and health.

(6) Compatibility of the standard of living with the maintenance of civil liberties.

Development strategy centring around economic growth concentrates on the first two items. The social development approach in a broad sense, however, concentrates on the last four items, the prevention and cure of poverty and insecurity and the reduction of the costs of affluence. The quality of life approach gives more weight to social development in terms of relative importance, although fully recognising the importance of a sustained economic growth as a key factor for long-term social development. Rather, a decent quality of life can be consistently pursued when there is balance between economic growth and social development.

In the pursuit of social development, it is often recommended that, although the market mechanism would be used for general economic activities, the government should intervene more actively in social areas to meet the basic needs of the people by supplementing the market mechanism, and ensuring an appropriate balance between social development and economic growth. In the case of Korea, the aggressive

industrialisation policy of the past three decades resulted in an unprecedented record of economic growth, while until recently social welfare received less attention. The government adopted a strategy of pursuing social welfare policies in conjunction with stabilisation, and structural adjustment measures that were seen as of greater short-term significance to the nation's health. Because of the emphasis on efficiency over equity and the government's desire to avoid potentially negative incentive effects on work through an overemphasis on social welfare provisions, the 'welfare state' was postponed to sometime in the future.

As a result, the rapid economic growth of the past three decades has resulted in a growing imbalance in wealth distribution, regional and sectoral growth, and between large conglomerates and small companies. Among others, one noteworthy problem confronting Korea today is the increasingly pervasive feeling that Korea's economic success and the increasing affluence of the majority of Koreans are founded on the sacrifices of less fortunate people; the poor and the vulnerable, including women and farmers. In other words, the poor have been primary victims of this uneven growth. It is generally believed that attention to social welfare has not been commensurate to Korea's income level and the government's means. The level of benefits provided by public assistance programmes is still too low, and many needy people are not yet covered by pension insurance.

The average living standard of the poor in Korea may be better than those in other developing countries, but is still far from satisfactory. The most urgent issues that need to be addressed for the lower income classes are housing conditions, health status and education. These issues are particularly important because the lower income classes spend a relatively larger amount of their income on education, housing and medical care. In terms of health and housing, the poor in Korea seem to have serious difficulties. Furthermore, the educational level among the poor is considerably lower than the national average.

Traditionally, the everyday sayings: 'good students come from the poor' and 'no one is rich for more than three generations' were believed by most Koreans to be true. However, rapid economic growth and the lack of corresponding social development have created new beliefs: that one can be rich for many generations by virtue of birth, and that higher educational opportunities are becoming closed to the children of the

lower income classes. The belief that better students are from poorer families is no longer true. Nor is the saying that family can not be rich for more than three generations [Choo, 1980: 324-325].

In short, Korea's public policy presents a conflict between a well-developed economic development strategy and the lack of a clearly focused social development plan. This phenomenon is often referred to as 'distorted development'. Distorted development exists in societies where economic development has not been accompanied by a concomitant level of social development. In these countries, the problem is not an absence of economic development but rather a failure to harmonise economic and social development objectives, and to ensure that the benefits of economic progress reach the population as a whole [Midgley, 1995: 4].

Discussing Korean development, Kim notes that 'a substantial part of economic development gains has been clustered at the thin upper crust of society.... While the core that directs economic activities reaps tremendous advantages, the periphery that comprises the masses remains poor and untouched having at best only some nominal share in the social services provided by the government.' Moreover, he goes on to observe that the social aspect of development is at worst discounted and at best inadequately or irrelevantly addressed [Kim, D.H., 1991: 9-18]. This analysis contends that while an economic development focus is well developed in Korea's public policies, the social development goal is not. Consequently, the underprivileged have become even more discontented as a result of the accelerated urban-rural, interclass and regional disparities, which have deepened social conflict and created a major bottle-neck to further development in recent years. Therefore, it is important to emphasise policies that will address various social imbalances as well as sustain economic growth in order to become a mature society. The analysis that follows will also demonstrate how this lack of balance is specifically reflected in social policies for the underprivileged in Korea.

5.2 THE PERSPECTIVE OF SECURITY

Entitlement to adequate levels of social protection is a basic human right, as well as a measure of human welfare. In this context, Oli Kangas defines social rights in terms

of legal social entitlements. According to him, 'social rights refer to legislated social provisions aimed at guaranteeing economic welfare and security for every citizen, and the standard of those provisions corresponds to the prevailing standards in the society' [1991: 15]. In most advanced countries, the concept of social security has been expanded to encompass a framework of social protection which provides generalised basic social support for all citizens, regardless of contribution or employment history, although these factors remain important in determining the level of some benefits above their basic minimum. This has enabled the state to extend income support to individuals on the basis of need rather than acquired rights, and has facilitated the provision of health care to entire populations [ILO, 1993: 2].

Korea today has the entire set of social security schemes, with the exception of family benefits,[1] found in the industrialised countries. However, the general consensus is that Korea's social welfare programmes are far from satisfactory and their effects on the poor are very limited. The social security system in Korea is still in its developmental stage and its scope is being expanded gradually. Korea's existing social security system consists of social insurance, public assistance, social welfare services, and social security related services including public housing and public health, among others. Of these, social insurance is the most important in terms of the number of people covered and the amount of benefits paid. In particular, health insurance plays a major role. Pension insurance for the general public has just been introduced and will be extended in the coming years. Employment insurance was introduced in 1995. Table 5.3 presents a brief description of the schemes in each branch of social security.

In terms of its objectives and functions, the social security system can be classified into three categories: health security, income security and welfare services. These will be discussed below in turn.

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[1]Traditionally, family benefits have been employment related. In industrialised countries, however, there has been a strong tendency to create schemes for the self-employed and other groups not already covered or, more commonly, to make family benefits a universal benefit financed out of general revenue. In Korea, on the other hand, family benefits are still restricted in most cases to public and private sector employees.

Table 5.3 Summary of the Social Welfare System in Korea

Type	Source of Fund	When Commenced
1. Social Insurance	Contribution by Insured persons	
Medical Insurance		
a. Industrial employees	a. Employees and employers	1977
b. Civil servants and Private school teachers	b. Civil servants and gov't: Teachers, gov't, schools	1978
c. Self-employed	c. Insured persons and gov't	1988 (rural) 1989 (urban)
Pension Insurance		
a. Civil servants	a. Civil servants and gov't	1961
b. Military personnel	b. Military personnel and gov't	1963
c. Private school teachers	c. Teachers, gov't and schools	1975
d. Industrial employees	d. Employees and employers	1988
e. Farmers and fishermen	e. Farmers, fishermen and gov't	1995
Industrial Accident Compensation Insurance	Contribution by employers	1964
Employment Insurance	Employees and employers	1995
2. Public Assistance	Gov't budget	
a. Relief for the Livelihood		1961
b. Medicaid		1977
c. Disaster Relief		1962
3. Social Welfare Services	Gov't budget	
a. Senior Citizens		1961
b. Unfortunate Women		1961
c. Children in need		1961
d. Handicapped		1961
e. Vagrants		1982
4. Social Security Related Services	Gov't budget	
a. Education		1969
b. Public Health		1954
c. Public House		1977
d. Veterans Programme		1961

5.2.1 HEALTH SECURITY

In terms of coverage, health security in the Korean welfare system is the most developed area of welfare. Health security in Korea mainly consists of medical insurance and medical aid (medicaid) under the public assistance scheme. Basically, the

medical insurance system in Korea can be classified into two different divisions by employment status, one for employees and employers, and the other for the self-employed. The medical aid programme uses government funds to provide free inpatient and outpatient care for the poorest patients and care at reduced charges for those slightly above the poverty line. Table 5.4 shows the number of persons covered by health security.

Table 5.4 Current Status of Coverage by Health Security (1994)

(Unit: 1,000 Persons)

Classification			Persons	Rate
Total			45,394	100 %
Medical Insurance	Sub-total		43,258	95.3
	Employees of industrial establishments		16,416	36.2
	Gov't and private school employees		4,784	10.5
	Self-employed	Sub-total	22,058	48.6
		Rural areas	5,517	12.3
		Urban areas	16,487	36.3
Medical Aid			2,136	4.7

Source: National Federation of Medical Insurance, 1995, p. 10.

For the first division, the funding source consists of premiums levied on employees and employers supplemented by copayments. The premium size is determined by membership, but must fall within a range of 3 - 8 per cent of the wage bills. The ceiling upon wages was abolished in 1985. Management and labour divide the premium equally. Only the insured are asked to pay premiums while family dependents are free of payments. For the second division, the programme levies a fixed amount of premiums per household based on cash income, assets and number of dependents. In view of the fact that the insured under the regional medical insurance programme include many of the poor, the government provides a matching fund including administrative costs, which is equal to approximately one half of the total cost.

The medicaid programme consists of (a) Medical Aid for the needy in the lowest income bracket, and (b) Medical Assistance for the indigent. Under this programme, all health services are free for those who are unable to work, while those who can work pay 50 per cent of hospital expenses with the exception of outpatient expenses which are free. Beneficiaries of the Medicaid programme are selected by local government administrators who take into account economic factors such as income and assets. The criterion for

selection is determined by the Minister and may be subject to change yearly. Medicaid is a public assistance programme which implicitly entails significant income transfers between families at different income levels.

In most cases, the benefits of medical insurance are provided through medical services in kind, although cash benefits are given in exceptional cases. Certain expenses, such as those for cosmetic surgery and blood, along with clinical tests, are excluded from the benefits in most cases. Predetermined coinsurance rates are applied to both outpatient and inpatient services with the latter being favoured. Coinsurance rates also differ by level of care. As the size of medical institutions increases, the proportion of direct payments assumed by users becomes higher in the case of outpatient services, thus discouraging the concentration of patients around large hospitals. There is no difference, however, in coinsurance rates between the insured and his or her family dependents.

The compulsory social medical insurance system has the ultimate goal of providing an adequate amount of medical care to the entire population regardless of income, age or location. Undoubtedly the development of a medical insurance plan in Korea has made significant contributions to increased accessibility to health care services. Theoretically speaking, every Korean is given access to health care services. In practice, this is not necessarily true. First, medical insurance does not cover all the costs of health care when patients use health care services. The insured or their dependents are required to share a part of their medical expenses when receiving medical care services provided by the medical insurance programme. Patients have to pay 20 per cent of total costs in the case of hospitalisation, and approximately 50 per cent in the case of out-patient services in general hospitals. Moreover, the use of health services is limited to 210 days in any one year, after which patients are obliged to meet the costs in full.

Second, health services are less accessible in rural than in urban areas because of the gross imbalance in the distribution of health resources. As Table 5.5 briefly reveals, health manpower and health institutions are high concentrated around urban areas. Consequently, residents in rural areas have considerable disadvantages in accessing health care services.

Finally, the organisation of health care delivery in Korea is not favourable to the poor who are, in many cases, receiving Medicaid benefits. They are confronted with a double barrier. One is related to the fact that coinsurance rates are very high in Korea. Except for a

small number of extremely poor people, benefit recipients under the Medicaid programme must contribute their shares to the cost-sharing pool for inpatient services. These out-of-pocket expenses are much more burdensome for low-income groups than for others. Another barrier is associated with the trend that physicians are more unkind to beneficiaries of the Medicaid programme. The medical fee for the recipients of medicaid is only 90 per cent of medical insurance fee, regulated by the MOHSA. This results in discrimination in treatment of patients between the poor recipients of medicaid and others covered by medical insurance. Many benefit recipients complain about alienation and deprivation of human dignity.

Table 5.5 Health Resources by Region (1990)

Per Hundred Thousand Persons	Urban	Rural	National
Number of Physicians	84.2 (133)	19.0 (30)	63.1 (100)
Number of Dentists	18.1 (124)	4.4 (30)	14.7 (100)
Number of Herbalists	13.0 (125)	3.6 (35)	10.4 (100)
Number of General Hospitals	0.63 (121)	0.22 (42)	0.52 (100)
Number of Hospitals	0.82 (109)	0.56 (75)	0.75 (100)
Number of Clinics	31.6 (93)	41.2 (121)	34.0 (100)
Hospital Beds per Thousand Persons	3.55 (115)	1.74 (56)	3.08 (100)
Total Pop. (thousand)	32,364	11,136	43,500

Note: Numbers in parenthesis reflect percentage compared to the national figures.
Source: Ministry of Health and Social Affairs, *The Year-book of Health and Social Statistics*, 1991.

In short, a universal right to health care has been achieved in a relatively short period of time in Korea, but in terms of the quality of health care there remain gaps in provision and a continuing degree of inequality.

5.2.2 INCOME SECURITY

Protection of income is needed when income is suspended or reduced under various unexpected circumstances such as unemployment, illness, life cycle effects such as retirement, an increase in the number of dependents, and the death of a spouse. Income security in Korea is mainly secured by means of pension programmes. The loss of income as a result of illness is not covered by health insurance benefits. It is customary in Korea,

however, for employers to pay their sick employees for a considerable duration of time. As for loss of earnings due to occupational accidents, benefits are given under industrial insurance. For unemployed workers, unemployment benefits are provided only for a limited period of involuntary unemployment. For the needy, various benefits are provided under the livelihood assistance programme.

5.2.2.1 PENSION PROGRAMMES

Korea now has four public pension programmes: for civil servants, military personnel, private school teachers, and national pensions. The first three types are special systems in the sense that each programme has occupation-specific insured persons. The remaining one is called the National Pension Scheme since this programme is open to all citizens aged 18 to under 60 who reside in Korea, excluding the people who belong to the above-mentioned three occupations. Here we limit our discussion to the National Pension Scheme.

Since January 1, 1988 when the National Pension Scheme was implemented, the number of insured persons has been increased continuously with the expansion of coverage. In the beginning of implementing the scheme, the compulsorily insured persons were employers and employees in firms with 10 or more employees. In January 1992, the compulsory coverage was expanded to the employed in firms with 5 or more employees and in July 1995, to the self-employed who are residing in the rural areas, farmers and fishermen.

Table 5.6 Number of Insured Person (1995)

(in persons)

Year	Total	The Employed in the workplace	The Self-employed in the Rural Area	Voluntarily Insured Persons	Vol. & Cont. Insured Persons
1988	4,432,695	4,431,039	-	1,370	286
1994	5,444,818	5,382,729	-	48,332	13,757
1995	7,469,394	5,500,201	1,906,840	48,165	14,188

Source: *National Pension Corporation,* 1996, p. 34.

The National Pension Scheme has a redistributive payment schedule, while the other three have proportional ones.[2] Under the National Pension Scheme, the amount of pension received is divided into two parts - one is the basic amount and the other is the additional amount. The basic amount consists of the average monthly remuneration of all insured persons (equalised part) and the average amount of the monthly standard remuneration of an insured individual (earnings-related part). The additional pension amount varies according to the type and the number of dependents.

The basic pension amount is calculated from the following formula:

$$\text{Basic Pension Amount} = 2.4 \times (A + 0.75B) \times (1 + 0.05n)$$

where, 'A', which represents an equal distribution component, is the average amount of the Standard Monthly Income of all insured persons in the workplace and in the rural area in the previous year of the year when the pension is first paid, and 'B', which represents an income-proportional component, is the average amount of Standard Monthly Income during the aggregate insured term of the insured person. 'n' is the number of additional years exceeding 20 years.

There are four kinds of benefits under the National Pension Scheme: the old-age pension, invalidity pension, survivor pension, and lump-sum refund. The standard level of pension benefits is estimated at 40 per cent of the income paid to the insured person who has retired after 20 years of the insured term and whose monthly income level is the median of the Standard Monthly Income of all insured persons. The amount of benefits ranges from 40 per cent up to 100 per cent of his or her income if the amount of the monthly income is lower than the median mentioned above. Meanwhile, less than 40 per cent of the income will be paid in case of the opposite. The levels of benefit are as shown in Table 5.7.

Public pension Schemes in Korea are still immature in terms of coverage. As of December 1995, all public pension programmes covered only about 9 million (45 per

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[2]For example, the Formula for the basic pension amount of Civil Servants Pension is as follows;

$$\text{basic pension amount} = 3.0 \times B' \times (1 + 0.02)$$

where B' is the final monthly earnings and n is the number of additional years 20 years. As this formula shows, this pension scheme is income proportional.

cent of the economically active population). The entire working population will be covered by the early 21st century. The limited coverage of pension rights raises a question about the moral ground of the pension programmes, not only because pension rights are limited to a small segment of the population, but because those who have an entitlement to pension at their retirement are economically more secure than the rest of the population [Kwon, H.J., 1995: 196-197]. For instance, government employees and private school teachers are among the categories of people who have stable jobs. The National Pension Scheme also covers mostly those who are employed, in other words, those who have a stable income source (see Table 5.6). Thus, pension rights are not only limited but inequitable in distribution.

Table 5.7 Levels of Benefit

Pensions	Benefits
Old-age Pension	
Basic Old-age Pension	Basic Pension Amount (100%) plus Additionals
Reduced Old-age Pension	Certain rate of Basic Pension Amount (72.5~92.5%) plus Additionals
Old-age Pension for Active Seniors	Certain rate of Basic Pension Amount (50~90%)
Early Old-age Pension	Certain rate of Basic Pension Amount (75~95%) plus Additionals
Special Old-age Pension	Certain rate of Basic Pension Amount (25~70%) plus Additionals
Invalidity Pension	Certain rate of Basic Pension Amount (60~100%) plus Additionals
Survivor Pension	Certain rate of Basic Pension Amount (40~60%) plus Additionals
Lump-sum Refund	Contributions already charged and legally fixed rate of interest

Expanding the National Pension Scheme to the urban self-employed and the working poor raises administrative as well as philosophical problems. Under the present system, the urban self-employed can join the programme voluntarily. They, however, have to pay both the equivalent of employers' and employees' contributions. This must deter the self-employed from joining the programme. It is difficult to know the true state of affairs of these people. Many of them have a very low income level. As in the Medical Insurance, government financial support would solve the present problem.

In addition, the National Pension Scheme does not have any income guarantee programme for people aged 60 or above as of 1988. However, these are persons who have directly or indirectly contributed to the development of Korean society since the construction period of the 1950s and the early period of economic development in the 1960s. It is neither equitable nor fair to exclude these people simply because no such programmes previously existed then. The government should consider providing pension benefits for these elderly people. In advanced countries, pension programmes for the elderly have been implemented only 4 or 5 years after the introduction of the pension programmes. In such cases the government may offer conditional pension benefits (for example, 72 years or older) or reduced payments [Min and Tchoe, 1989: 31].

5.2.2.2 WORKER'S COMPENSATION

Worker's Compensation in Korea was the subject of early attention, as in most other countries. The Labour Standard Act of May 10, 1953 (most recently amended in 1990) established the liability of the employer for a number of benefits. The Industrial Accident Compensation Insurance Act of 1963 (most recently amended in 1994) now applies to enterprises with 5 or more employees. Contributions are paid by only the employer to the central public fund, which according to the industry's frequency of accidents, ranges between 0.4 per cent and 3.55 per cent of the payroll, with an average of 1.94 per cent in 1994. The government bears the cost of administration, which accounts for 1.0 per cent of total expenditures.

In order to receive work-injury benefits, no minimum qualifying period is required. In the case of temporary disability, medical treatment along with 70 per cent of wages are provided while under medical treatment. After medical treatment, a lump sum is paid according to the degree of disability. The severely disabled have a choice between a pension and a lump-sum payment. The less severely disabled receive only a lump sum. In the case of permanent disability, a choice is given between a pension equal to 138 - 329 days' average earnings and a lump sum payment equal to 55 - 1,474 days' earnings, according to the degree of disability. In the case of a worker's death, a lump

sum payment equal to 1,300 days' average earnings or a pension is provided to the surviving family together with a funeral grant.

The Industrial Accident Compensation Insurance Programme is a typical social security scheme which has undergone an evolutionary process during the past three decades in the nation. There remains, however, problems and issues to be tackled for further improvements in the programme such as coverage extension to small firms and the introduction of efficient safety management system. The Industrial Accident Compensation Insurance Programme covered 7,273,132 workers in 1994, 65 per cent of non-farm employees [MOL, *The Year-book of Labour*, 1995]. It has expanded its scope beyond the insurance operation. The first expansion of its functions was made by the opening of the Industrial Rehabilitation Centre in 1971. As of 1994, the Insurance Fund maintains 10 hospitals and three rehabilitation centres, a total of 2,648 beds [ibid.: 317-8]. Despite the programme's good record of extending coverage and improving medical facilities, considering that there is a large amount of unmet needs in medical facilities, on the one hand, and, on the other hand, that these moves are financed by the private sector - i.e., the employers' insurance premiums - there remains the question of whether government funds should be used for the further development of this programme.

In terms of the protection of workers, industrial accident compensation is only a second best solution. The most important protection is the prevention of accidents. For this reason, the effectiveness of an industrial accident insurance programme must be seen together with efforts to prevent accidents. The rate of industrial accidents remained high until the late 1980s. Even though the government is not solely responsible for the prevention of accidents, the government did not devote itself to effective prevention. The Labour Standard Law which had dealt with industrial safety had only ten clauses on industrial safety and did not specify safety regulations at work or employees' responsibilities. In 1981, the Industrial Safety and Health Act was passed and it specified the responsibilities of the Ministry of Labour, employers and workers. As shown in Table 5.8, the industrial accident rate has been slowly reduced over the years. Even after the 1981 Industrial Safety Act, the rate did not sharply decrease, but good progress has been made from the later part of the 1980s.

Table 5.8 Industrial Accident Rate*

1965	1970	1975	1980	1985	1990	1994
5.9	4.9	4.4	3.0	3.2	1.8	1.18

* Industrial Accidents Rate = No. of Victims / No. of workers covered by Industrial Accident Insurance*1,000
Source: MOL, *The Year-book of Labour Statistics*, various Issues.

5.2.2.3 UNEMPLOYMENT BENEFITS

In the 1990s the world economy has been confronted with many changes. Some of them are; the increasing globalisation of production processes, the extension of market-oriented economic policies, the emergence of trading blocks like NAFTA, the European Market and the opening-up of markets by the new General Agreement on Trade and Tariffs. It is expected that the new World Trade Organisation of the General Agreement on Trade and Tariffs will have the power to ensure the conformity of all member states' laws, regulations and administrative proceedings with its agenda, and whereby it will further reinforce the globalisation of the world market. In addition, the Green Round and Blue Round to link environmental issues together with trade issues will pick up momentum and now make another challenge to world economy and employment in many countries.

Also in Korea, the dominant influences on its economy in the 1990s are likely to be growing globalisation, liberalisation and the pervasive spread of new technology. In this context, frictional unemployment is expected to rise as a result of increasing international competition and accelerating structural adjustment of the Korean industries. It is also expected that the demand for skilled labour will continue to increase along with Korea's industrial deepening and upgrading [MOL, 1994: 1-3].

In fact, until the early 1990s the Korean economy did not have much difficulty in absorbing about 500 thousand new entrants to the labour market every year mainly due to rapid economic growth. However, the effect of a sagging world market and slow-down in economic activity from 1992 made an increase in the number of suspended or closed firms and substantial employment reductions in some businesses [ibid.: 7-8]. 1993 witnessed a large increase in the unemployment rate in contrast to the downward trend until recent years (see Table 5.9).

Table 5.9 Unemployment Rate

(Unit: %)

1970	1975	1980	1985	1990	1991	1992	1993
4.4	4.1	5.2	4.0	2.4	2.3	2.4	2.8

Source: National Statistics Office, *Economically Active Population Survey*, various Issues.

In order to meet this changing situation, the government introduced the Employment Insurance System in 1995. As described earlier, the programme emphasises worker retraining, an improved employment service, and provision of subsidised job training during unemployment.

There are two kinds of unemployment benefits in Korean unemployment insurance: the Basic Allowance and the Employment Promotion Allowance. The latter is again divided into four allowances: an Early Reemployment Allowance; a Vocational Ability Development Allowance; a Wider-area Job seeking Allowance; and a Moving allowance. The Basic Allowance is provided to the unemployed with qualification after a two weeks waiting period. To be eligible for unemployment benefits, claimants should satisfy the period of employment insured. For 18 months before one is unemployed, the insured period is required to be at least over 12 months. The daily amount of the Basic Allowance varies in proportion to one's wages while employed. The rate of the daily amount is around 50 per cent of the daily wages regardless of income brackets. The Basic Allowance is provided for 30-210 days according to the insured period and the age[3] at the time of unemployment.

The Employment Insurance System began with firms with 30 or more regular employees, covering more than 4 million employees in 1995. The system applies mostly to occupational groups which are relatively well organised and in which employment is relatively steady. Consequently, relatively vulnerable groups are excluded from the programme. They are forced instead to rely on means-tested public assistance which is not well-equipped to serve the needs of the unemployed. Since they are part of the employable and trained labour force, they must be prevented from drifting into the ranks

[3]The rationale for relating age with the benefit duration is very difficult in Korea for older workers to find appropriate new jobs because most companies keep seniority system.

of the poor and from losing their incentives to look for jobs, together with work habits, and skills. The urgent question is how to extend the programme to them.

5.2.2.4 PUBLIC ASSISTANCE

The public assistance programme is the most direct means of helping the poor in Korea. This programme is designed to guarantee a minimum standard of a decent life for those who are indigent and cannot afford to make a living by themselves. What is more important in this area is to help the poor become self-supporting by expanding employment opportunities. The public assistance programme is composed of livelihood protection and medical aid. Since medicaid was dealt with earlier, public assistance in this section covers the livelihood protection programme that has its base in the Livelihood Protection Act of 1961 (amended in 1982).

As shown in Table 5.10, the recipients of livelihood protection are classified into three groups, according to legal qualification, work ability, and their income and property: (1) Institutional Care recipients, who have no income earning ability and who, at the same time, have to stay at public or private institutions, because they have no house in which to live, (2) Home Care recipients, who have no income earning ability but can live in their own home, (3) Self-support recipients, who are able to work, but are either unemployed, or employed without an income sufficient to maintain their minimum standard of life. The determination of whether one has income earning ability is extremely simple. According to the Livelihood Protection Act, a person between age 18 and 65 is assumed to have income earning ability unless mentally or physically disabled. To qualify for livelihood protection, the beneficiaries' income and wealth can not exceed the ceilings set by the government each year. The number of recipients who meet the legal qualifications and the criteria for selection simultaneously amounts to about 1,755,000: 78,000 for institutional care, 307,000 for home care and 1,370,000 for self-support care, which is 3.9 per cent of the total population in 1995 [MOHSA, 1995: 56].

As shown in Table 5.10, the public assistance programme provides income support for the first and second categories who have no income earning ability. The allowance per person in welfare institutions is 72,000 won (equivalent to £ 60) per month and 78,000 won (equivalent to £ 65) per month for those in private homes. These amounts include livelihood aid, medical aid, and educational aid, etc. In Korea, education is the most probable way by which children of a poor family can get out of their parents' poverty. The educational support scheme began in 1979. The government paid the entrance and tuition fee to the middle school students of poor families at the beginning. Considering that it is difficult to get proper jobs without educational attainments equal to or higher than those of upper secondary school graduates in this education-oriented society, it has expanded the payment of those who are students of the vocational high schools since 1987.

Table 5.10 Contents of Aid (1995)

	Benefits	No. of Persons (in thousands)
Institutional Care	Residential Care, Income, Medical & Educational Support	78 (4.4 %)
Home Care	Income, Medical & Educational Support	307 (17.5 %)
Self-support Care	Medical, Educational Support & Job Training (Conditional Income Support)	1,370 (78.1 %)
Total		1,755 (100 %)

Source: MOHSA, *Major Programmes for Health and Welfare*, 1995.

The most rapidly growing welfare branch in the public assistance programme is a business loan programme for self-help, which offers the poor opportunities to start small businesses or to expand existing ones. It is very important to give the poor an opportunity of supporting themselves. In this respect, the business loan programme is very effective among poor people. However, the loan ceiling is set fairly low and there is not much opportunity to receive loans, the effectiveness of this programme seems limited. As of 1995, the government lends money to each household within the limit of 9 million won with 6 percent yearly interest, on the condition of repayment in 5 years with 5-year grace period.

Government programmes designed for low-income groups should have two major goals. The first is to provide a minimum living standard for people who otherwise would live below the minimum level. The second is to provide the opportunity for those currently living in poverty to move out of poverty and, at the same time, to provide the opportunity for people currently not living in poverty to remain above the poverty level [Kwon, S.W., 1993b: 121]. Livelihood protection, medicaid, and business loans are intended primarily to provide income support to the poor or near-poor people. The second goal may be more difficult to reach than the first goal. The only way to increase upward mobility of the poor and to prevent downward mobility is through training and education. Training and educational programmes seem to appeal to a majority of the people in poverty in Korea.

The principle of 'less eligibility', which has appeared through history in many countries, has been applied in Korea and survives to the present day. The Korean Constitution and the Livelihood Protection Act declare that assistance should be provided to all who are in need, through whatever cause. However, in Korea, the implementation of welfare legislation is limited by lack of financial resources.. Indeed, in order to keep within the budgetary provision, the government is faced with the dilemma of either restricting the number of recipients of public assistance or else reducing the amount granted to the individual to a level which is so low to be quite insufficient to provide anything approaching subsistence. Consequently, the 'less eligibility' principle can be found in the current public assistance policy. This refers to any policy to discourage people from claiming public assistance and encourage them to tackle their economic problems by themselves.

There are a number of results of the application of this principle. First of all, the public assistance policy differentiates strictly the able-bodied from non-able-bodied, in terms of providing benefits. Livelihood assistance is provided only to the home and institutional care recipients who are assumed not to work because of age or disability. Even though an able-bodied worker cannot support himself and his family due to unemployment, he is not eligible for livelihood assistance. As a result, only 385 thousand people, or less than 1 per cent of the total population, were receiving livelihood assistance in 1995. On the other hand, around 80 per cent of poor recipients

with the same low-incomes as that of home care recipients receive only medical and self-help oriented assistance programmes [Nho, 1994: 284-285].

Low-income programmes, on the whole, seem to be insufficient in meeting with the welfare needs of the poor. Although the public assistance programme is designed to provide a minimum income for subsistence of the 'hard-core' poor, the benefit level is far below research estimates of the minimum living standard. For example, in 1988, the Korea Institute for Health and Social Affairs (KIHSA) did a household expenditure sample survey in order to establish the minimum living expenditure of households by using the market basket method. It used materials based on the public assistance household's pattern of consumption. The KIHSA identified the 1988 minimum living expenditure from the survey, and then estimated 1989 and 1990 figures by taking the inflation rate into account. As Table 5.11 indicates, the monthly living expenditure of Home Care provided by the government was only 40.3 per cent in 1988 of the minimum living expense by the KIHSA, 44.8 per cent in 1989, and 45.9 per cent in 1990, respectively.

Table 5.11 Comparison of Livelihood Aid and Minimum Living Expense

(Unit: won, person/month)

	1988	1989	1990
Aid for Home Care (A)	29,900	35,643	39,000
Minimum Living Cost (B)	74,220	79,490	85,055
A/B (%)	40.3	44.8	45.9

Source: KIHSA, 1990.

Korea has a small annual budget for the public assistance programmes, which is spread out thinly to a relatively large number of beneficiaries. In 1991, public assistance expenditure was 451.1 billion won, 6.8 per cent of the total social welfare expenditures. During the last two decades, the volume of public assistance expenditure has dramatically increased, from 4.7 billion won in 1970 to 451.1 billion won in 1991 (see Table 5.12). However, the proportion of expenditure for the poor to the total government expenditure has decreased. Looking at the broader framework of Korea's social development policy, government spending has been increasing quite rapidly centring around social insurance, while the public assistance programme is lagging behind other programmes of social policy areas as Table 5.12 shows.

Table 5.12 Trends in Social Welfare Expenditures

(Unit: billion won)

	1970		1980		1990		1991	
	Amount	%	Amount	%	Amount	%	Amount	%
Social Insurance	14.4	45.3	403.3	53.8	4,040.7	74.0	4,969.3	74.3
Pension	12.2	38.4	183.1	24.4	1,289.4	23.6	1,714.4	25.6
Health	-	-	148.2	19.8	2,164.0	39.6	2,478.2	37.1
Industrial Accidents	2.2	6.9	72.0	9.6	587.3	10.8	776.7	11.6
Public Assistance	4.7	14.8	133.9	17.8	492.6	9.1	451.1	6.8
Livelihood Protection*	4.7	14.8	119.7	15.9	341.2	6.3	278.1	4.2
Medicaid	-	-	14.2	1.9	151.4	2.8	173.0	2.6
Social Welfare Programmes	0.5	1.6	9.1	1.2	114.8	2.1	142.1	2.1
Public Health	3.2	10.1	71.1	9.5	216.7	4.0	330.8	4.9
Public Housing	2.5	7.8	71.1	9.5	226.5	4.1	264.1	4.0
Veterans Relief	6.5	20.4	61.8	8.2	366.7	6.7	527.4	7.9
Total	31.8	100.0	750.3	100.0	5,458.0	100.0	6,684.8	100.0
Total as Percentage of GNP		1.15		2.04		3.18		3.24

* Includes disaster relief.

Sources: KDI, *National Budget and Policy Goals*, various Issues; Ministry of Home Affairs, *Financial Year-book of Local Government*, various Issues; Ministry of Finance, *Summary of Financial Implementation of Fiscal Year*, various Issues.

5.2.3 SOCIAL WELFARE SERVICES

Social welfare services are linked with the target groups of poverty policy in Korea. The major emphasis of social welfare services has been on children, the disabled, the elderly and women who need special care. They are entitled to use various welfare facilities and rehabilitation centres. Those who want to be employed have the privilege of being hired under the employment promotion law for the elderly and the handicapped.

Social welfare provision, however, is still in its infancy due mainly to lack of budgetary support and lack of social attention. Most vulnerable people still rely on their families for care and economic security. By custom and because of the general weakness of

governmental social welfare service programmes,[4] security for them is regarded generally as a private or family concern. The Confucian ethic in East Asia places unique emphasis on the family. The family is the basic unit of consumption, income distribution, and also social welfare in Korea. However, traditional values and relationships among family members in Korea have changed with economic development and urbanisation. As the extended family system is being gradually replaced by the nuclear family with economic advances, ties among family members are getting much weaker. In addition, rapid industrialisation and urbanisation are also creating greater accidents and social problems in the nation.

In particular, elderly people are the most prone to poverty. Recently, the number of the aged who need to be admitted to the institutions has increased because of the prevalence of nuclear families and the natural increase in the number of the aged. The majority of the aged in Korea are dependent upon their offspring psychologically and financially. Unlike in Western societies, the elderly who have traditional values, have not prepared themselves to be self-reliant. Now that the extended family system has been breaking up and the young generation prefers leading their own lives, elderly people suddenly find themselves helpless without any skill and funds to be independent, while becoming more isolated and lonelier [Korea Times, April 12, 1994].

This points to the need for the development of social policies for the elderly and other vulnerable populations. Given Korea's current political-economic strategies and its laissez-faire rationale of maintaining the Confucian ethic, however, little impetus can be expected from the government in dealing with the increasingly real problem of generally developing social policies that focus on sustaining the quality of life for the elderly and other vulnerable people.

5.2.4 SUMMARY

As we have seen, the level of social security in Korea is still at a preliminary stage with regard to its coverage and benefits. The Korean system covers mainly middle-class citizens, while most of the low income classes are excluded because of the difficulties of

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[4]As shown in Table 5.12, only 2.1 per cent of the total social security expenditures was spent

organisation and financing. The level and quality of services and benefits are also so low that they do not suffice to sustain a healthy and culturally-acceptable minimum standard of living. Perhaps the main priority for Korea is to extend the coverage of its schemes of social protection and social security to the whole of the population. The chief constraints to this strategy are the size of the formal sector and the size of the tax base: the former limits the extent of contributory social security schemes, while the latter limits the scope of non-contributory programmes financed from general revenues. For the purposes of social protection, both these limits need to be pushed back as far as possible, not only in order to extend the provision of social protection, but also to ensure other social services such as universal education, social infrastructure and general services.

Coverage alone is not enough. Benefits must be at least of sufficient value to provide a significant alleviation of the hardship arising from various risks. Again, the principal constraints concern the size of the formal sector and the tax base. Benefits in adversity need to represent a significant proportion of normal income: at the very minimum they must suffice to guard against deprivation. This requires not only the existence of an appropriate framework for social protection, but also the active promotion of mechanisms of solidarity between the more affluent and the poorer sections of the community [ILO, 1993: 75-76]. This will be discussed in detail in the next chapter.

5.3 THE PERSPECTIVE OF EQUALITY

The welfare state cannot easily be defended solely on the grounds of social equality. Rather, there has been long standing scepticism about the redistribution effects of the welfare state. However, we cannot deny that redistribution is still an important objective. Ringen, for example, maintains that the idea of the welfare state is to distribute again, by way of politics, what has already once been distributed in the market [1987: 5]. In response to the criticism that the welfare state is an imperfect instrument for the egalitarian idea, he defines the extent of the redistributive goal of the welfare state as follows:

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on social services in 1991.

> The redistributive ambition in the welfare state is to create, by way of social policies, a society of less inequality than there would have been had the policies in question not been enacted. Redistribution is thought to be necessary because the market, if unchecked, would generate a more inegalitarian distribution than is acceptable in a democratic society,...The question before us here is whether the strategy of redistribution is effective in reducing inequality [ibid.: 166].

How effective is the Korean welfare state for the strategy of redistribution? This is the question we discuss in this section.

5.3.1 THE TREND OF INCOME DISTRIBUTION

Korea has been praised for 'development with equality,' which means that economic growth improves income distribution between different social groups. The present distribution of income in Korea is rather equitable by international standards (see, Table 5.13). Relatively equal distribution of income in Korea has been traced to several factors including the devastation of Korean society by the Japanese, the post-liberation land reforms, asset destruction during the Korean War, confiscation of illegally-accumulated wealth after the downfall of some previous regimes, labour-intensive strategy during the early development stage, and the abundance of higher education possibilities [Kwon, S.W., 1993: 96-97].

Table 5.13 Income Distribution, Selected Countries

	Year	Lowest 20 %	Second quintile	Third quintile	Fourth quintile	Highest 20 %
Brazil	1989	2.1	4.9	8.9	16.8	67.5
Mexico	1984	4.1	7.8	12.3	19.9	55.9
Korea	1988	7.4	12.3	16.3	21.8	42.2
Australia	1985	4.4	11.1	17.5	24.8	42.2
UK	1988	4.6	10.0	16.8	24.3	44.3
France	1989	5.6	11.8	17.2	23.5	41.9
Sweden	1981	8.0	13.2	17.4	24.5	36.9
USA	1985	4.7	11.0	17.4	25.0	41.9
Japan	1979	8.7	13.2	17.5	23.1	37.5

Note: 1) The concept of income in the Table is gross income before taxes and benefits.
2) The data for Brazil and Mexico refer to income shares by fractiles of persons, while those for other countries refer to income shares by fractiles of households.
Source: The World Bank, *World Development Report 1995*, p. 221.

Table 5.14 shows the trend of income inequality for selected years between 1965-1990. The downshift in the Gini coefficient, which is frequently used as an indicator of inequality, from 0.344 in 1965 to 0.322 in 1970 may reflect the positive contribution to income distribution in the latter half of 1960s of the rapid increase in employment opportunities that commenced after the early 1960s and the significant rise in real wages every year after 1965. The upward shift in the Gini coefficient to 0.391 in 1975 and 0.389 in 1980 may reflect the negative contribution to distribution of income of the amplified concentration of economic power in hands of big business groups and of the increased distortion in wage rates among labour groups as well as of the increasing income disparity between the farm households and the urban households. As evidenced in Table 5.14, income distribution improved markedly during the 1980s. The Gini coefficient declined form 0.389 in 1980 to 0.323 in 1990, while the decile distribution ratio, which is equivalent to income shares of the lowest 40 per cent of all households over income shares of the highest 20 per cent, showed a similar pattern of changes from 2.82 in 1980 to 2.26 in 1985 and to 1.97 in 1990. This improvement may reflect the positive contribution of the active labour union movement in the late 1980s to the labour share of national income [Choo, 1993: 341-348; Kwon, S.W., 1993: 44-45].

Table 5.14 Income Distribution

(Unit: %)

Category	1965	1970	1975	1980	1985	1990
Highest 20%	41.8	41.6	45.3	45.4	42.7	40.4
Lowest 40%	19.3	19.6	19.9	16.1	18.9	20.5
Ratio*	2.16	2.12	2.28	2.82	2.26	1.97
Gini	0.344	0.322	0.391	0.389	0.345	0.323

*Highest 20%/Lowest 40%
Source: EPB and KDI

Although the measured results of income distribution reveal a relatively equitable distribution of income, it does not imply that the public is satisfied with the present distribution of income. The population's serious concern about distribution does not accord with the actual 'facts' of income inequality calculated from various government statistics. The widening perceptional gap between the measured and felt income distribution in Korea in recent years is somewhat similar to what Hirschman had put as the tunnel effect [1973]. Indeed, during the first two decades of compressed rapid economic growth in Korea since

the early 1960s, the tolerance level on inequality had increased with a consolation of finding employment opportunities and expecting the trickling-down effect of growth to occur in due course. However, these effects are seen to have declined rather sharply from the early 1980s; income distribution and distributive equality have emerged as one of the most important policy issues in Korea.

This contradiction between the measured and perceived income distribution prevailing in Korea may be attributable to two inter-related reasons, namely the inappropriateness of the income concept in the estimation of size distribution of income and a strong sentiment of egalitarianism prevailing in Korea [Kwon, T.H., 1989; Hong, 1991; Song, 1991; Choo, 1993; Kwon, S.W., 1993]. The most important reason for the existing credibility gap between the measured and felt income distribution in Korea is the exclusion of capital gains and underground incomes. Korea's income data only contain regular incomes after tax, ignoring unearned income that is a practical source of the luxurious life of the upper class. Capital gains generated from real and financial assets grew rapidly in Korea within a very short period. The over-heated Korean economy during the late-1980s encouraged people to pour money into real estate and stock markets, resulting in a rolling snow-ball of capital gains. Moreover, by the nature of the survey, gains from the underground economy are not well reflected. Economic theories still neglect these incomes on the ground that they occur under abnormal circumstances.

Thus, it is not surprising that, when property such as land ownership and financial assets are brought into the inequality measure, the story is radically different from what we have so far observed. While income inequality is relatively low as is shown in Table 5.14, land ownership and financial assets are so unevenly distributed that the Gini coefficient suddenly grows well above 0.5. When inequality is measured by the distribution of financial assets, for example, the Gini coefficient is 0.77 in 1988, according to a survey conducted by the KDI in 1989.[5] Moreover, with regard to the household distribution of real assets, the

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[5]There are a number of recent estimates of the pattern of distribution of income in Korea. Until recent years, empirical studies on income distribution in Korea used to be based on two household surveys, namely the urban household income and expenditure survey by the National Statistical Office (NSO), and the farm household survey by the Ministry of Agriculture, Forestry and Fisheries (MOAFF). Although these two household surveys are undertaken annually and their results are reasonably reliable, the major difficulty in estimating income distribution in Korea arises from the fact that some groups of

sky-rocketed rise of land prices and housing prices is known to be a prime cause of inequality. As of 1988, for example, the top 10 per cent of all households in the six largest cities owned 76.9 per cent of the total private land [source: Korea Research Institute for Human Settlement, 1989]. This implies that capital gains due to sharp increases in land prices are enjoyed mainly by the rich, thereby further contributing to income inequality in Korea.

In addition to the inappropriateness of the income concept, the discrepancy may be understood in relation to the traditional cultural traits of Korea and extensive social mobility caused by recent rapid development. As important cultural traits in this regard, such values as a this-world orientation with a strong emphasis on success in the world, high valuation on learning and education as the most important means for success, institutional universalism, and egalitarian orientation can be listed [Kwon, T.H., 1989: 14].

Table 5.15 Perception on Social Class and Mobility in Korea

(Unit: %)

Perception on Social Class	Upper Class	Middle Class	Lower Class
1988	2.4	60.6	36.9
1991	1.6	61.3	37.1
Perception on Social Mobility	High	Fair	Low
Intrageneration			
1988	53.6	34.3	12.1
1991	43.9	38.0	18.1
Intergeneration			
1988	64.0	30.2	5.8
1991	60.7	31.07	7.6

Source: NSO, *Social Indicators in Korea*, 1993, p. 271.

Koreans are very equality-oriented people. The majority of Korean people as a whole seems to perceive themselves as middle class as shown in Table 5.15. The table also reveals the exceptionally high valuation of social mobility, both intragenerational and

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households are not covered in these surveys. In response to these problems and limitations of the existing government surveys, the NSO launched a large-scale household income survey in 1980. Even though the new NSO survey provides more reliable data sets on the size distribution of income in Korea, it has a fundamental problem in that it does not include capital gains generated from real and financial assets. In an attempt to improve the data on income distribution, the KDI carried out a large-scale household survey on income and wealth in May 1989. According to the KDI survey, the degree of income inequality is relatively greater, compared with other statistical works based on the government surveys.

intergenerational. However, the perception of high social mobility, especially intragenerational mobility, declined rather significantly between 1988 and 1991.

Although the reference periods differ, the level of expectation of future household incomes seems to be as high as that on social mobility as shown in Table 5.16. More than 80 and 75 per cent of the respondents expected their household income to improve in 1980 and 1986. The decline in this percentage from 1980 to 1986 is attributable to the sharp decline in rural households from 81.1 per cent in 1980 to 72.4 per cent in 1986, while that of the urban households declined more moderately from 81.1 per cent in 1980 to 76.6 per cent in 1986.

Table 5.16 Expectation on Future Household Income in Korea

(Unit: %)

	Significant Improvement	Moderate Improvement	Same Level	Worsen-ing	Signifi-cantly Worsening
1980					
Whole Country	29.2	51.9	13.7	4.1	1.1
Urban Area	26.4	54.7	13.2	4.4	1.3
Rural Area	32.5	48.6	14.2	3.8	0.9
1986					
Whole Country	23.8	51.2	17.2	5.5	2.3
Urban Area	25.4	51.2	15.6	5.4	2.4
Rural Area	21.2	51.2	19.8	5.7	2.1

Source: NSO, Social Indicators in Korea, 1991, p. 89.

In short, high level of aspirations and strong egalitarianism prevailing in Korea, as seen from the limited data available, reinforce the strong social concern about distributive equality and damage the credibility of conventional income distribution estimates. Koreans saw many people who ascended from the bottom of the economic ladder to the top simply by fortune or the unknown factors during the period of rapid economic growth. In their mind, any distinction in wealth between the rich and themselves cannot be readily accepted. To ordinary people, the rich are often portrayed as immoral, selfish, ruthless, irresponsible and aggressive in pursuing their goals. People increasingly tend to think that poverty has been caused by corrupt government, which only acted in favour of the capitalists, and demanded sacrifice too from the poor and ordinary people at all times. Taking this popular image of the rich into account, it seems natural for us to expect a much greater significance of income distribution for the functioning of the society in Korea than in many other developed or developing countries.

5.3.2 SOCIAL FEATURES OF THE KOREAN TAX SYSTEM

Incomes are mainly redistributed by: (1) the tax system which is the major source of the government revenue, (2) social security programmes, and (3) the government expenditure. The former two are direct and the third is an indirect means of redistributing income.

An equitable tax system would adhere to the equal tax treatment doctrine and to the relative tax treatment doctrine. In terms of equity, the Korean tax system has a few characteristics which are largely shared by many developing economies.[6] First, the public sector has depended largely on indirect taxation to generate revenue. Second, the system has been heavily utilised as an industrial policy tool, resulting in complicated tax incentives. Third, the nominal statutory tax rates have been maintained at very high levels. Finally, relatively low compliance on the part of the tax payers and an inefficient tax administration are also features of the Korean tax system [Kwack, 1993: 404]. These characteristics have contributed negatively to both horizontal and vertical equity.[7] The prevailing lack of confidence in public policy seems to have something to do with the tax system's serious violation of the principle of horizontal equity. At the same time, the latter three characteristics have eroded the base of direct taxation and aggravated the problem of heavy dependence on indirect taxation.[8]

Personal income tax is usually seen as the most important redistributive fiscal tool, because the most obvious dimension of equity is equity in personal or household income distribution and personal income tax can be levied directly on such income. Currently, individual income tax in Korea is not entirely universal in the sense that not all incomes are included in the global income calculation. Global income is comprised of interest income,

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[6]For further details, see The World Bank, World Development Report 1988, pp. 85-86.

[7]Horizontal equity asks how those with similar incomes are treated: it is concerned, in other words, with fairness. Vertical equity refers to the scope for reducing income inequality by taxing the rich more heavily than the poor.

[8]Several empirical studies have been conducted on the incidence of Korean indirect taxation. These studies, in general, support the belief that indirect taxes are regressive, or at most proportional. Indirect tax incidence shows a high degree of regressiveness for the lower deciles and a largely proportional incidence pattern for the middle and upper income deciles. See Kwack (1993), pp. 405-410.

dividend income, real estate income, business income, and wages and salaries. It is taxed in a highly progressive way, ranging from 5 per cent to 50 per cent, exclusive of surcharges. However, the role of the Personal Income Tax in raising revenue is relatively insignificant in Korea. In 1993, for example, only about 18.8 per cent of the total tax revenue, or about 58.6 per cent of the indirect tax revenue, was collected from individual income tax. Since the Defence Tax and the Inhabitant Tax are added as surcharges on income and other major taxes, the share to the total revenue should be adjusted slightly upward. As of 1993, however, less than 3 per cent of the GNP was collected as personal income tax [source: EPB, *Fiscal Statistics*, 1994, pp. 64-65].

With such a relatively unimportant income tax, it is almost impossible to influence income distribution significantly, regardless of the progressiveness of the rate structure. In addition, mainly due to the low level of compliance and inefficient administration, the income tax burden seems to have been highly concentrated on the upper middle income deciles and on wage and salary earners.

The inadequate taxation on income from interest and dividend payments has become a serious problem in Korea's personal income tax system. Another problem area for income taxation in Korea is capital gains. The value of real property, such as land and buildings, increased very sharply in the course of rapid urbanisation and income growth. In effect, the single most important element in the public's prevailing social discontent about income distribution does not involve the distribution of ordinary income, but the uneven distribution of windfall income due to property ownership. In general, the Korean tax system has not been successful in absorbing the windfall gains of urban property owners.

In short, income taxation in Korea, administratively and structurally, has violated the principle of horizontal equity in favour of capital income. Furthermore, because of the severe erosion of the income tax base and the exclusion of major types of income from the global income calculation, vertical equity has not been pursued effectively, in spite of a high statutory marginal tax rate for the top income bracket.

5.3.3 SOCIAL EXPENDITURE

Though social expenditure is not always redistributive, the most important instrument for relieving inequality is public spending. In effect, looking at the experience of developed countries, social welfare expenditure has been much more effective than progressive taxation in achieving more equitable income distribution.

The absolute amount of social expenditure in Korea has increased reflecting both the increased size of total expenditure of the central government and the increased size of the national economy. As shown in Table 5.12, government expenditure on social welfare showed a steadily increasing trend from the 1970s through to 1991. As a percentage of GNP, welfare expenditure almost doubled in the same period, rising from 1.15 per cent in 1970 to 3.24 per cent in 1991.

The present level of social expenditure in Korea, however, is insufficient to meet the increasing needs and demands of people. Although social development policy received increasing attention after the formulation and implementation of the Fourth (1977-81) and Fifth (1982-86) Five Year socio-economic Development Plans, only minor structural changes can be observed in the government's pattern of expenditure. Though various social programmes have been gaining higher priority in recent years, the overall budget structure has changed rather slowly. The focus was clear: government spending on social welfare, whether measured by the share in total spending or in absolute levels, was relatively low by international standards.[9]

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[9]In comparative studies of social policy, the analysis of the composition of government expenditure is often adopted as a methodological strategy for the comparison of welfare systems between countries or between two periods in one nation. This expenditure approach presupposes a hypothesis that higher social expenditure will entail more welfare provisions. In other words, a country having larger expenditure on social spending will provide more social welfare provisions than another country where social spending is smaller. Since all welfare programmes inevitably need financial resources, there must be some co-relation between government spending and the level of welfare provisions. This hypothesis, however, can be valid to a reasonable extent only if welfare provisions are produced predominantly by the same mix of the welfare state in the countries in comparison. For this reason, it is necessary to examine more closely how welfare systems are financed in the comparative analysis.

Table 5.17 shows the composition of central government expenditure in selected countries in 1993. The proportion of social spending in Korea, on areas such as health, housing, and social security, to the total expenditure is the lowest in the upper-middle income groups. The level of public expenditure to social welfare in the developed countries reaches 50 per cent of total expenditure. Table 5.17 confirms that Korea's social security system is less developed and its coverage is not yet comprehensive, considering the development stage. It is thus quite natural that an average Korean at a comparable per capita income level has less amount of social security benefits. At a similar per capita income level the average Korean received 11 US dollars as social security benefits in 1989 while the Japanese and British counterparts were given 200 US dollars and 505 US dollars, respectively (see Table 5.18)

Table 5.17 Central Government Expenditure in Selected Countries (1993)

(unit: %)

	Defence	Education	Social Welfare	Economic Services	Others	Total Expenditures (% of GNP)
Upper-middle Income Countries						
Brazil	2.6	3.6	35.2	7.5	51.1	25.6
Malaysia	11.8	20.3	17.1	18.5	32.4	26.7
Greece	8.9	8.5	22.1	9.4	51.0	43.1
Korea	20.1	16.8	12.2	18.8	32.1	17.1
High-Income Countries						
UK	13.8	3.3	46.5	6.6	33.7	43.4
France	6.0	7.0	61.6	5.0	20.4	45.5
Germany	6.4	0.8	62.7	9.7	20.4	33.6
USA	19.3	2.0	48.8	6.2	23.7	23.8

Note: Data on the Table should be treated with caution; in some cases local government expenditure (i.e., on education in Germany) is the main source.
Source: The World Bank, *World Development Report 1995*, p. 181.

There are many reasons why social expenditures have not increased sharply. These reasons are connected with the structure of government public expenditure as well as political socio-economic circumstances in Korea, which have been discussed in detail in earlier chapters. First of all, the size of the government budget has been extraordinary small relative to the other countries in similar stages of economic development. As shown in Table

5.17, the central government expenditure as a percentage of GNP is one of the lowest of the upper-middle income groups.

Table 5.18 Social Security Benefits in Selected Countries

	Korea (1989)	Japan (1968)	Germany (1960)	France (1960)	UK (1960)	Portugal (1983)
Ratio to GDP	2.6	4.7	14.6	12.5	10.2	9.0
Per capita social security benefits (US $)	11.2	200	681	602	505	468
Per capita GNP	4,994	4,471 ('75)	3,383 ('70)	2,814 ('70)	4,262 ('75)	3,504 ('88)

Source: Kwon, S.W., 1993b, p. 129.

In spite of the small size of government budget, Korea has had to allocate a large chunk of its public resources to national defence from almost the beginning of the nation after the end of the Second World War. Furthermore, the government has allocated a considerable portion of its resources to economic development during last three decades. One of the results is a very distorted structure of public expenditure: a very large defence budget, a relatively large budget for economic development, and an extremely small budget for social development. As of 1993, for example, the proportion of defence expenditure to total public expenditure is over 20 per cent. The expenditure for education and economic development amounts to about 40 per cent of all expenditure (see Table 5.17). This means that the room for budgetary increases for social development is still limited. If the construction of the welfare state depends on the proportion of public expenditure devoted to social development, Korea has limitations in the scale and structure of government budget expenditure.

The low level of public expenditure compared to GNP is related to the rate of tax to GNP directly and to the social and economic circumstances. Two important features of the Korean economy are its relatively low level of taxes and levies for social welfare on the one hand, and its relatively large underground economy on the other hand. Since GNP is measured before taxes, and does not include the underground economy, it is important to

examine both the relative tax burden and the underground economy in a Korean context, because those factors have significant welfare implications.

The ratio of total taxes and social security levies to GNP was quite small until recently. After gradual increases in the past few years, the figure has reached only the level of 23 per cent. The figure remains considerably lower than those of developed countries when they had similar per capita GNP levels (see Table 5.19). Only Japan is a comparable country in this respect. The Korean rate of social security contributions, however, is expected to rise rapidly in the near future mainly to extend coverage of social security and to provide for older members of a rapidly ageing population. The level of social security levies is expected to reach 10 per cent of GNP around the year 2000 [Kwon, S.W., 1993: 63]. The underground economy in the Korean context, on the other hand, has grown largely to evade taxes and to exercise political influences. Though its extent can be estimated only crudely, Korea's underground economy is one of the world's largest-amounting to 20 to 30 per cent of GNP [ibid.: 64].

Table 5.19 Tax and Social Security Contributions, Selected Countries

(unit: %)

	Taxes and social security contributions (ratio to GNP)		Social security contributions (ratio to GNP)	
	1955-57	1974-76	1955-57	1974-76
Korea (1990)		22.3		2.9
Japan	18.0	22.1	2.2	5.0
USA	24.8	27.5	3.1	6.7
Italy	24.9	31.8	7.4	13.7
UK	28.6	36.0	3.1	6.6
France	30.9	37.2	9.7	15.2
W. Germany	31.4	38.3	7.4	13.4
Sweden	26.2	47.0	2.2	9.9
OECD average	24.6	33.9	3.4	7.6

Source: Kwon, S.W., 1993, p. 64.

This observation implies a conclusion: the low level of social expenditure results from the lack of government efforts to increase the share of public expenditure by broadening the base of taxation, rather than the weakness of the Korean economy. The existence of a significant underground economy and non-taxable capital gains, for example, may mean that Korea has a plenty of room to increase government revenue, which could be used for additional expenditure on social welfare provision.

5.3.4 THE IMPACTS OF SOCIAL SECURITY ON INCOME REDISTRIBUTION

Social security is concerned with income redistribution. It redistributes income from the healthy population to the sick, from the employed to the unemployed, underpaid or the retired. In this respect, social security has been considered as an important method of income redistribution both in developed and developing countries. In the United States, for example, Social Security is the most effective poverty programme. The percentage of those 65 and over who were living below the rock-bottom definition of poverty used by the government has declined from 35 per cent in 1959 to 8 per cent in 1990, and most of this improvement can be attributed to Social Security [Munnell, 1993].

However, Korea, which has attempted to achieve more equal income distribution by the expansion of employment opportunity, has given little attention to income redistribution through social security programmes. As a result, income redistribution through social security has been limited in Korea due to its low level of coverage of the total population and due to the small proportion of government expenditure allocated to social security.

A good example can be found in the Livelihood Assistance Programme. As we have seen, the level of support under the Livelihood Assistance Programme is not high, and there are poor people who are not covered. Budgetary restrictions sometimes limit participants from getting benefits. Based on a statistical analysis, for instance, Lee concludes that Korea's social assistance programmes have had little effect on the poverty rate or on the aggregate gap in income below the poverty line. According to him, the Livelihood Assistance Programme decreased the incidence of poverty by only 0.06 and 0.05 per cent in 1984 and 1987, respectively [Lee, M.W., 1993]. This meagre achievement occurs because most of the households below the poverty line are located far below the poverty line while the size of social benefits is quite small.

The current social insurance programmes in Korea have also several drawbacks in terms of equality of outcome and treatment. Here we concentrate on the two social insurance programmes: The Medical Insurance Programme and The National Pension Scheme. The Medical Insurance Programme has a progressive and a regressive income redistributive element [Om, 1989]. It has a progressive income redistributive element because it provides benefits in relation to health needs regardless of the amount of premiums

insured persons contributed. As a result, insured persons of low income groups, who pay lower premiums than high income groups, can receive greater benefits than the high income groups, and vice versa. In particular, the medicaid programme is a public assistance scheme whose designated beneficiary group is the needy in the lowest income bracket. In the absence of medicaid as a public assistance programme, the indigent including the severely handicapped would remain at risk financially and medically even if they were insured under medical insurance. Therefore, the medicaid programme implicitly entails the significant vertical redistribution of income between families at different income levels. By contrast, the Medical Insurance Programme has some regressive elements insofar as it applies flat rates of premiums and coinsurance for insured persons regardless of the level of their income. Therefore, if the poor and the rich receive the same amount of health care, the poor have to pay a larger proportion of their income for coinsurance than the rich. Hence, the internal income redistributive effect of the medical insurance programme is dependent on which income groups actually receive more benefits than premiums they contribute.

Thus it may be said that Korea's medical insurance programmes have some redistribution effects. At least this is the case under the programme for civil servants and private school teachers.[10] The degree of redistribution, however, seems to be very small across income classes. First of all, medical insurance in Korea has a limited internal income redistributive effect due to its multiple programmes and its multiple administration system. As described earlier, the medical insurance programme is divided into three sub-programmes by occupation: (1) industrial workers, (2) government employees, and (3) the self-employed including farmers and the urban self-employed. Since the three different medical insurance programmes are financially independent, the effects of vertical redistribution could be weaker than those likely under the unified financing programme. In particular, there is a high degree of uncertainty about the financial status of the regional medical insurance programme where the insured's income levels are relatively low, the share of aged population is very high, and assessed premiums may not be proportional to earnings in a considerable number of cases. It is expected that the frequency of utilisation by the insured under the regional programme will

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[10]According to Om, the medical insurance programme for civil servants and private school teachers shows the progressive income redistributive effect between low and high income groups, while the programme for industrial workers has a regressive income redistributive effect [Om, 1989].

gradually increase in the coming years, thus resulting in a larger number of claims for benefits. However, this would render the regional programme financially vulnerable. In addition, the fact that administration of the medical insurance programme for industrial workers and the self-employed by medical insurance societies is established within big firms and districts further limits the income redistribution effect to each medical insurance society.

The current health security system has also some drawbacks in terms of equal financial access to medical care and equal treatment for equal needs [Kwon, S.W., 1993]. Under the current medical security scheme the entire population of Korea is covered and the benefits are almost uniform for all. However, the proportion of direct patient payments out of personal health expenditures is still very high due to a high effective coinsurance rate. Even the beneficiary groups under the medicaid programme are required to pay a considerable share of each medical bill. Since large out-of-pocket expenses occur under the present financing system, patients from low-income groups tend to have a disincentive to fully utilise services, while patients from higher income brackets would have an incentive to overutilise services and to demand higher-quality care from specialists and hospitals.

The National Pension Scheme also has a limited redistributive effect. First of all the limited coverage of the programme means that its redistribution effect is inevitably partial. That is, no redistribution between non-covered income groups and covered income groups can be achieved. In addition, the fact that the covered population consists of relatively privileged groups in Korea in terms of economic and social status means that much of the potential redistribution effects between non-covered poor income groups and covered high income groups cannot take place. Therefore it can be said that due to the limited coverage of population, the National Pension Scheme has a very limited role in redistributing the benefits of rapid economic growth to the poorest groups in Korea.

The redistribution effects amongst pension-covered income groups can be examined in two categories, vertical and horizontal redistribution [Lee, S.S., 1987: 67-71]. Vertical redistribution may be explained as that those with low incomes who have paid small contributions may receive benefits that are larger relative to their contribution than do those with high incomes. Table 5.20 shows the estimated wage replacement rates as an indicator of the vertical redistribution effects of the programme. In this table, the vertical redistribution effect can be easily identifiable by its benefit structure which is heavily weighted in favour of those with low incomes. The comparison between lowest income group and highest income

group shows that while the highest income group's contribution is 29 times more than that of the lowest income group, the highest income group's pension is only about 5 times more than that of the lowest income group. This simple estimation shows that the National Pension Scheme has a significant effect on the vertical redistribution effects between covered income groups.

In contrast to vertical redistribution, horizontal redistribution means some redistribution between generations. This, in turn, may take two forms: (1) when a new pension scheme has been introduced, or the pension provided under an existing one substantially increased, some retired people with an incomplete record of contributions under the new arrangements have been given larger benefits than would be sanctioned by the normal rules; or (2) the pensions paid may be raised to some target level, at the cost of higher current contributions, to such an extent that the implicit 'rate of return' even on a full record of contributions is well above what could have been earned on the capital market.

Table 5.20 Level of Pension Benefit by Incomes.

Average monthly income	Contribution (1)	Monthly Pension (2)	Replacement rate (%)
70	2.1	70	100
100	3.0	90	90
230	6.9	110	47.8
290	8.7	119	41
570	17.1	161	28.3
1,020	30.6	228	22.4
1,500	45.0	300	20
2,000	60.0	375	18.8

Note: 1) Average monthly income x 3 % (employee's contribution rate)
2) This monthly pension is calculated for the pensioner who contributed 20 years and has spouse and two children.
Source: Lee, S.S., 1987, p. 68.

At the outset of the programme, the Korean government wished to minimise this type of redistribution effect, given the general low level of financial capacity of present working classes and possible disincentives to economic growth. Therefore, the provision of the old age pension as a main benefit will start in 2008 after 20 years' full contribution. This means that those people who are now older than 40 years are basically excluded from the full old pension, because they cannot satisfy the minimum 20 years' contribution condition in the benefit formula. Obviously this formula does not give any room for the possibility of the

intergenerational redistribution between those people older than 41 years and those younger than 40 years. However, at the beginning of the programme, the fact that the contribution rates are designed to be increased in every five years (see Table 4.10) without any difference to benefit level shows an exceptional measure of intergenerational redistribution.

On the other hand, the second type of horizontal redistribution mechanism seems to be present in the basic structure of the National Pension Scheme. This can be explained in three ways. First, the internal rates of return in the contribution benefit formula are very generous. In the programme the internal rates of return are estimated as more than 10 per cent (see Table 5.21). This means that the present discounted value of the pension benefit is more than the value of the total contributed amount. That is, every pensioner gets more than he or she pays for; the national pension will eventually be in deficit even if it is a fully funded scheme. Therefore this deficit has to be compensated for by the intergenerational redistribution. Second, the National Pension Law guarantees a certain level of benefit against inflation by the indexation of the benefit level to the consumer price level. This guarantee may be possible by increasing the burden of future generations through an increase of the contribution rate, or an increase in the tax rate.

Table 5.21 The Internal Rate of Return in Pension Benefit by Income Groups.

(Unit: %)

Percentile group	Period of contribution		
	20 years	30years	40 years
Average	15.4	12.7	11.2
Lowest 25%	17.5	13.9	11.7
Second 25%	16.3	13.2	11.7
Third 25%	14.7	12.2	10.9
Highest 25%	13.2	11.3	10.3

Source: KDI, 1986, p. 252.

Third, as the present financial organisation of the national pension as a fully funded scheme is generally expected to be in financial difficulty by the middle of the twenty first century [KDI, 1986], this will require the introduction of a pay-as-you-go scheme, in which the contributions of each member of the working population are used to pay the pensions of the current stock of pensioners by using the intergenerational redistribution mechanism.[11] In

[11]The public pension schemes of most developed countries are based on the pay-as-you-go system: benefits are partly universal flat-rate (as a protection against low incomes in old

this context it can be argued that if the National Pension Scheme had adopted the intergenerational redistribution mechanism positively from its introduction, the programme could have provided more equitable and higher levels of benefits as well as expanded the coverage of population to the present aged poor and elderly working class.

In short, Korean social policy is not effective in reducing inequality. This is mainly due to the small size of social expenditures. Several analytical findings support this observation. Lee, for example, analysed to what extent social benefits contributed to the redistribution of income in Korea [Lee, M.W., 1993]. According to his estimation, social benefits improved income distribution after tax/benefits slightly by decreasing it by 0.0038 and 0.0022 Gini coefficient points in 1984 and in 1987, respectively. This shows that social policy in Korea made modest contributions to the redistribution of income by improving the income level of the poorest. However, the degree of contribution appears to be very small. Kwon also measured the redistributive effects of social policy by using the standard method in which pre and post-tax/transfer income distributions at one point in time are compared and the difference taken as a measure of the redistributive effects of the relevant transfers and taxes [Kwon, H.J., 1995]. Based on his analysis, he reported that private transfers do have a more sizeable impact on income distribution than public transfers. According to his estimation, the level of private transfers is considerably higher than that of public transfers, contributing more than 4 per cent of gross income in 1991 whereas public transfers account for 0.34 per cent of gross income. What is more, a survey conducted by the Ministry of Labour reported that a large gap in social insurance benefits exists between social classes. The report surprisingly states that, while the richest 20 per cent received 7,000 won (about £6) per month, the poorest 20 per cent only received 800 won in 1990. This amounts to 0.4 per cent for the richest 20 per cent and 0.2 per cent for the poorest 20 per cent of average monthly earnings [MOL, 1991]. It means that public welfare reinforces inequality rather than reducing it.

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age), and partly related to earnings near the point of retirement. The advantage of PAYG schemes is that contribution rates, particularly during the years before the schemes have acquired a measure of maturity, are lower than they would be in, say, a fully funded scheme, since it is not necessary to build up a capital reserve. Moreover, they can provide a degree of solidarity to lower paid workers through the universal flat-rate component of the pension structure. See, for further details, ILO, 1993, pp. 55-59.

5.3.5 SUMMARY

Korea is often cited as an example of how growth can be achieved with equality. As far as income distribution is concerned, empirical evidence shows that during the 1980s the size distribution of income improved (see Table 5.14). However, we have seen that there is a widening gap between the felt and measured income distribution due mainly to the existence of a significant underground economy and capital gains, which are, in most cases, not reported or taxed and not included in the household income.

In response to emerging needs and public pressures, the government has maintained that the development of a welfare state has been one of its major goals since the late 1970s. The government sporadically announced its willingness to reduce inequalities in income distribution and expand the scope of social services. As a result, many social welfare programmes have been introduced and expanded. We have found, however, that government intervention in the form of tax and expenditure policy, and the enactment of social welfare programmes has so far had little redistributive impact on income distribution, despite potential redistributive effects which will appear as the system matures.

A characteristic of Korean tax and expenditure policy in the past three decades seems to have been the secondary importance of income distribution objectives. Furthermore, the social welfare system in Korea primarily caters through occupational welfare to the needs of those who already have secure jobs and steady incomes and excludes those who need social security protection most. Thus, Korea's high-growth, high-job creation policies have not equally benefited all people. The economic welfare of some sectors and groups have lagged behind that of the nation as a whole. Realistically speaking, Korea is no longer an example of a country with balanced growth and equality. Growth based on equality is what Korea must pursue.

5.4 KOREA: A WELFARE LAGGARD

We began this chapter with the question 'To what extent has the Korean economic advance been enjoyed as well as experienced by the public?' In order to answer the question, we have examined the outcomes of Korea's social welfare programmes from the two perspectives: the perspective of security and that of redistribution. This has covered a somewhat broad range of social policy outcomes. This broadness of the scope may limit the thoroughness of our analysis. At the same time, however, to draw a balanced picture, we have necessarily covered a broad range of social policy outcomes.

In the process of rapid industrialisation, the Korean people's material standard of living has generally improved with economic advances. As we have stated throughout the chapter, however, Korea's social development has not kept pace with economic growth. Some would argue this to be an inevitable result of the development process, while others would argue that such unfavourable effects might be avoided by discretionary government policies and perhaps by the distributional gains from growth itself.

The evaluation based on the perspective of security presents a somewhat mixed picture. Security in health care has been established as a universal right in a relatively short period of time. All the population have access to health care through medical insurance and medicaid, although the quality of health provision is still low. Pension rights are limited and inequitably distributed. However, bearing in mind that the National Pension Scheme was introduced in 1988, it is fair to say that it has made good progress. With respect to protection against economic contingencies, Korean social welfare programmes do not yet provide adequate income security against poverty and financial loss. In particular, the level of benefits provided by public assistance programmes remains very low, and many needy people are not covered by pension insurance. In addition, social welfare service programmes need to undergo major structural changes in order to cope with the rapidly changing circumstances of Korean society.

With respect to redistribution, we have examined three dimensions of income distribution: the social features of the Korean tax system, social expenditures, and the impacts of social welfare programmes on income redistribution. Through these analyses, we have seen that the Korean government failed to improve income inequality in spite of

people's increasing discontent with inequality. It is mainly due to the unfair tax system, the low level of social expenditures, and the restricted coverage of social welfare programmes.

In the analyses from both perspectives, we find that Korea is nothing but a welfare laggard. Borrowing Marshall's concept of social rights, Esping-Andersen defines welfare systems in terms of the degree of 'de-commodification' [Esping-Andersen, 1990]. He argues that the outstanding measure of social rights must be the degree to which they permit people to meet their living standards independently of pure market forces. The approach refers to the degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation. In terms of this conception, the Korean welfare state is still in a rudimentary stage of welfare.

There are three possible explanations for the slow development of social welfare programmes [Song, 1991: 77; Kang, 1992: 327-328; Kwon, S.W., 1993: 171-173; Lee, M.W., 1993: 112]. The most important reason is a lack of democratisation. Until recently, Korea had been ruled by more or less authoritarian regimes. The military and their ruling coalitions constituted a dominant institution in politics, which resulted in the lack of popular sector power to pressure the state to introduce more generous welfare programmes. Furthermore, the Korean government is averse to welfare spending, but instead puts emphasis on mobilising economic resources and accumulated capital to encourage strategic industries. The state has stuck with 'trickle-down' effects that economic development ultimately contributes to improvement of living standards.

There is the possible misconception among bureaucrats and economists that social welfare programmes may hinder economic growth so that it may still be too early to introduce them beyond the current level. The Korean government and policy-makers confuse the ends with the means in the development strategy. The improvement in the quality of living is an important objective in itself. Following this perspective, economic growth could be regarded as the instrument and better living standards as the objective. Therefore, the ultimate objective of development must be to bring about sustained improvement in the well-being of the individual and bestow benefits on all. These objectives are both determining factors and results of development; they should therefore be viewed as integral parts of the same dynamic process and call for a unified approach. Consequently, in Korea, we can not find any factor of welfare state development examined in Chapter 2, such as the existence of a strong working class in Sweden, a comprehensive and

systematic introduction of welfare systems in the UK, an initiative and paternalistic role of the state in Germany, and even sporadic big pushes in the US.

The poor performance of social welfare policy in Korea is not entirely due to the government's neglect or indifference. Rather it reflects important social values in Korean society. As we have seen, the Confucian ethic in East Asia places unique emphasis on the family. A sharp contrast can be drawn between the East and the West in this regard. People in advanced Western countries with extensive welfare programmes tend to look to the government for assistance in old age or in an economic downturn. In East Asia, especially in Korea, most people still rely on their families for economic security. By custom, and because of the general weakness of governmental social security programmes, security for an individual in these countries is regarded generally as a private or family concern. This way of thinking encourages higher savings ratios and also has worked to delay the introduction of social welfare programmes in Korea.

Furthermore, employment characteristics also tend to make Koreans less likely to rely on social welfare. Employees in Korea are provided with various kinds of fringe benefits in addition to their regular salaries. Since Korean companies tend to stress the importance of human relations, they normally attach many types of welfare expenditures at the firm level in addition to regular salaries. This is particularly the case for workers hired by large enterprises. However, it should be noted that occupational welfare only benefits managerial workers: production-line workers are totally excluded. Compared to Japan, Korea's occupational welfare affects only the part of the population which is positioned on the upper tier of the labour-market pyramid. It is proper to state that occupational welfare functions to reinforce the inequality-increasing effect.

We examined some models of welfare in Chapter 1. Can we identify the Korean welfare system with one of the existing models? As described, Titmuss suggests three models of welfare [Titmuss, 1974: 30-32]. His typology focuses on which institutions are the main actors in welfare provision, the market, the family or the state. His three-model typology has been conflated into two types of welfare states: the institutional welfare state and the marginal welfare state [Esping-Andersen and Korpi, 1987: 40]. The institutional welfare state has a firm commitment to welfare for all citizens and it does not recognise any fixed boundaries for public welfare provision. It also has a strong redistributive goal and tends to use universal programmes, to which all citizens are equally entitled. The marginal

welfare state, by contrast, sees the market as the main mechanism for delivering welfare to citizens. The role of the state in the distribution of welfare is marginal, which means that the state only steps in when the normal channels of distribution fail. In the marginal welfare state, welfare benefits are targeted towards a minority of citizens, and they may suffer stigmatisation. The redistributive goal is not a strong objective in the marginal model.

Esping-Andersen's three regimes of welfare focus on the classes behind the development of the welfare state [Esping-Andersen, 1990: 26-33]. The types of welfare system - liberal, conservative, and comprehensive - represent the different degrees to which working class has established political dominance [Kemeny, 1995: 93-94]. Thus, for Esping-Andersen, Scandinavian comprehensive welfare states are the fruit of a class mobilisation based on a coalition between working class and farm worker plus white-collar interests. Scandinavia therefore represents the successful model of labour movement hegemony. The working class-led coalition succeeds in building a truly comprehensive welfare state in which de-commodification is taken to an advanced level.

Conservative welfare states are the product of a less complete mobilisation in which middle class loyalties are forged by segmenting welfare into a stratified system. Here, it would seem, no genuine hegemony exists. Instead a compromise derived from a stalemate is reached, with interests representing different classes agreeing to structure a welfare state that is segmented. Therefore the distributional impacts of welfare benefits are negligible in the conservative regime type.

Liberal welfare states are the product of weak middle class mobilisation behind the welfare state, in which their interests are largely met by the market but a much-reduced welfare state is tolerated for the working class. The liberal welfare state advocates the principle of self-reliance in which work rather than welfare is emphasised.

Both Titmuss's typology and Esping-Andersen's classification of welfare states are European historical products, which cannot easily be applied to a nation which has a quite different historical and political background. First of all, the class dimension of the politics of social policy was very weak in Korea. In addition, despite the long tradition of state intervention, the state paternalism which brought about Bismarckian social policy is not easily found in Korea. Given this different background, the Korean welfare state is the closest one to the Titmuss handmaiden model or the Esping-Andersen liberal welfare state.

The remaining question is how far the Korean welfare state will be able to move to a more positive policy of protecting the vulnerable and promoting equality. Given the international pressures for the liberalisation of trade and financial markets, the unlimited competition of globalisation, neo-conservative stabilisation policies, and the world-wide trend of restructuring the welfare state under relatively conservative states, there seems to be a high probability of the Korean welfare state resolving into the marginal welfare model. How can such a dark scenario be prevented from happening, or in other words, how can a more institutional welfare model be introduced in Korea? This will be discussed in the next chapter.

CHAPTER SIX

ALTERNATIVE STRATEGIES FOR THE DEVELOPMENT OF SOCIAL WELFARE IN KOREA

As we have seen earlier, Korea's modern history has seen its share of disasters. Korean people suffered terrible devastation arising from three-and-a-half decades of colonial rule by Japan, the division of the nation, and the fratricidal Korean War. However, Korea rose from the ashes of war to achieve industrialisation, and by its determination and hard work, entered a new chapter of history in the late 1980s. The country is now equipped with up-to-date production facilities that allow its people a substantial degree of affluence.

The early decades of the coming century will pose challenges as well as opportunities. It will be an era in which Korea is reunified, and in which Korea joins the ranks of the advanced nations. However, we have to overcome numerous obstacles, and must settle the past before reaching our goals. First of all, we are concerned that Korea's social welfare level does not equal its economic achievement; as has been examined in the previous chapter. In the International Management Development Institute and World Economy Forum's *1995 Country Competitiveness Report*, Korea ranked eighth in economic prospects and thirty second in terms of the quality of life. This strongly suggests that the level of social welfare has not kept pace with the growth of the economy in Korea.

In retrospect, Koreans had always been busy trying to 'survive'. It was considered extravagant to seek a better quality of life. The national capacity was too weak to protect those who could not take care of themselves. As the people's basic needs such as clothing and food have now been largely satisfied, however, a new social need for a better quality of life becomes a major social concern. Due to changes in social and political conditions, the alienated class groups hidden in the shadow of economic development have increased their demands for welfare as a social right. With

the start of full-fledged democracy, welfare demands are expected to increase as people give voice to their needs. In fact, recently experienced violent labour disputes, wild farmers' demonstrations, regional animosities, and the general mood of social discontent are signs of growing intolerance and call for new policy priorities.

Disparities among not only income classes but also industries, different sizes of firms, and regions need to be addressed properly. The widespread perception of relative poverty among Korean people today presents formidable challenges to further development. Therefore, Korea's social mandate for the new era is, in a broad sense, to improve the national welfare. In preparation of the 21st century, we have to construct a viable welfare system during the forthcoming years. We need to prepare the basis of a welfare state in which all people are able to lead comfortable and happy lives without sacrificing sustained economic growth in the process.

With this end in view, we discuss the basic direction of the Korean welfare state in this final chapter. The chapter consists of three sections. The first section considers, as a background for the subsequent discussion, possible social changes and problems that may cause new demands for social welfare. The second section focuses on the question, 'What model of welfare is most desirable for the Korean situation?' In doing this, we discuss the possibility that other advanced nations' welfare models can be adopted in Korea. Based on the foregoing findings and discussions, the third section suggests some basic directions of social policy in Korea.

6.1 Social Changes and Problems

As we have seen throughout this thesis, until now Korean society has put economic growth at the top of its agenda, largely ignoring social welfare. Even though Korea has achieved significant progress in social welfare development, particularly in social insurance since the early part of the 1980s, Korea's welfare system still remains at the initial stage of becoming an 'active welfare state' due to its limited coverage, insufficient benefits, and a lack of welfare funds. As a consequence, a number of social problems have arisen, contributing to the degradation of the quality of life. Among them are the growing gap of between rich and poor, the disparities between social classes and

geographic areas, the problems of the urban poor, industrial accidents, an increase in the number of broken homes, and environmental pollution.

The insufficiency of social welfare benefits effectively requires people to save privately for their old age and other contingencies. They have to support themselves by means of either self-protection or personal savings. In this context, it is important to point out that East Asian culture stresses the importance of the traditional sense of obligation that bind people together while individualistic values are emphasised in the West. The Confucian ethic in East Asia places unique emphasis on the family. Confucianism never distinguished between the delivery or assurance of 'social welfare' and any other attributes of the functioning good society. Taking care of vulnerable members in accordance with need and desert was intrinsic to proper family and community conduct. There was thus no call for - and no concept of - free-standing specialised social welfare services, let alone professionalised social work. Observing these characteristics of East Asian welfare states, Jones labels them 'Confucian welfare states' [Jones, 1993]. According to her, in such welfare states, social security - in the fullest sense of the term - is seen as dependent in the last resort not on the state but on the family and community; on voluntary action, both formal and informal; on traditions revised and reinforced in many respects by Western example. Aside from the appetite for education, the attachment to non-statutory social welfare *constitutes the most* striking common Confucian welfare state characteristic [ibid.: 1993: 213].

It is clear even without the observation of a Western scholar that the core welfare system of Korea has been modelled on the family system. Throughout the present post-industrial era, the family welfare system has remained basically the same. Such a family-oriented tradition has influenced policy-makers in their choice of 'family protection first, and social protection next' policy as the basic approach for Korea's welfare policy for the last few decades [Sung, 1995: 122].[1] This approach was applied to welfare policy for the elderly, in particular, calling for filial piety to be shown in each

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[1]In this sense, the type of Korean welfare state is close to the corporatist regimes in Esping-Andersen's typology [1990]. Following him, the corporatist regimes are strongly committed to the preservation of traditional familyhood. The principle of 'subsidiarity' serves to emphasise that the state will only interfere when the family's capacity to serve its members is exhausted.

family. As regards living arrangements, 99.7 per cent of Koreans aged 65 and over are living with their families or alone in the community, leaving only 0.3 per cent living in institutions [Choi, S.J., 1996: 5]. According to the 1990 census [National Statistical Office, 1993], three out of four Koreans aged 60 and over live with their married or unmarried children, while one in four lives with his or her spouse or alone. There are almost no public programmes to assist the working mother, and very few private employers provide support that could facilitate the dual roles of women as mother/wife and worker. Child rearing is primarily the responsibility of family.

As traditional values and relationships among family members in Korea have changed with economic development and urbanisation, however, the major trend in Korea has been the shift from dependence on family for welfare to independent income from earning, saving, and social security programmes. For instance, a national survey conducted on non-elderly persons insured under the National Pension Scheme showed that only 14 per cent of the respondents thought of their children as a source of income, and that only 44 per cent thought of children as the first persons to ask for economic help should they become indigent in old age. In the same survey a relatively large proportion of the respondents preferred to employ paid carers at home (13.8 per cent) or enter nursing homes (32.3 per cent) if they were widowed [Choi, S.J., 1992]. This trend will not only be accelerated with social changes taking place in population shifts, women's work pattern, and family structure, but will become extensive in the near future in Korea.

1. The Problems of Ageing

Much has been written and many fears have recently been expressed about the ageing of populations in all advanced industrial societies. The dominant view which has influenced government policies is that the ageing of the population will mean that in the future governments will find it difficult to finance services and benefits for this age group. Population ageing is the result of two processes: the decline in birth rates and the rise in life expectancy [George and Miller, 1994: 51]. In the case of Korea, the birth rate was 1.69 per cent in 1991, and life expectancy was 71.6 years (see Table 6.1). The birth rate is projected to be 1.00 per cent in 2021, and life expectancy will rise to 77.0

years. The population aged 14 and below will shrink, both in absolute and relative terms. However, the population of older citizens will jump, so that there will be a remarkable acceleration of the ageing of the population.

Table 6.1 Estimates of Future Population, 1990-2021

	Unit	1991	2000	2010	2021
Total Population	Thousands	43,269	46,789	49,683	50,583
Population Aged 15-64	Thousands	29,648	33,705	35,505	35,972
Population Growth Rate	%	0.93	0.80	0.40	0.01
Average Life Expectancy	Years	71.6	74.3	76.1	77.0
Population Distribution	Population Aged 0-14	25.3	21.2	19.1	15.8
	Population Aged 15-64	69.6	72.0	71.5	71.1
	Population Aged 64 & above	5.1	6.8	9.4	13.1
	Dependency Ratio*	53.7	38.9	39.9	40.6

Note: Figures were obtained by adding the number of people in the age 0-14 category to the number of people in the age 65 and above category, and then dividing the result by the number of people between the ages of 15 and 64.
Source: Presidential Commission on 21st Century, 1995, p. 27.

The major problems relating to ageing in Korean society can be said to be: (1) the sharp decline in income, and economic dependence on children, (2) difficulties in health care (including both ill-health and difficulties in access to health care), (3) role loss and difficulties in engaging in leisure activities, and (4) social-psychological conflicts and feelings of alienation. These four aspects of the ageing problem are, in Korea, often called the 'four hardships of old age' [Choi, S.J., 1996: 4].

The prospect of a substantial increase in the numbers of old people is forcing governments to consider welfare issues they have so far been able to avoid and to begin

to step into an area that has traditionally been regarded as the sole prerogative of the family. Four core forces are contributing to this remapping of the relationships between state and family over the issues of old age [Baldock, 1993: 135-136]. First, we live in an era of rapidly ageing populations. In most industrial nations the population over fifty will soon constitute the majority. Second, the nature of the family itself is changing, partly as a consequence of this ageing process. More people are living in single person households or in two person households where there are no children. Separation, divorce and remarriage have for large sections of the population complicated the traditional definitions of expectation and obligation between parents and children, between one generation and the next, between the old and the young. Third, improvements in incomes and housing conditions have allowed many more old people to continue to live on their own rather with others. Finally, the same processes that are producing an ageing demographic structure are also rapidly increasing the numbers of people who are frail and dependent because of their old age. These people need care, that care can be burdensome and often it can only be adequately carried out through complex collaboration between state and family.

2. Changes in Family Structure

We now move on to examine those family trends which are likely to have various implications for social policy in the future. The first clear trend in family patterns is the decrease in family size. The family size revealed in the population census peaked in 1960 at 5.7, and has subsequently decreased to 3.7 in 1990 [source: National Statistical Office, 1993: 262]. Second, the one-person household has increased significantly, from 4.2 per cent of all households in 1975 to 10.3 per cent in 1990. Many of them are young people who have left the family to get a job in other regions. Third, the proportion of nuclear families has increased. In 1970, the ratio of households with three or more generations were 23.2 per cent, but the ratio declined to 17.4 per cent in 1990. Besides a tendency towards smaller size, fewer children, and the increase in one-person households, we can also observe that the proportion of female heads of households is increasing, from 12 per cent in 1966 to 15.5 per cent in 1985. Among the female heads, unmarried young women account for 20.9 per cent, a remarkable increase from 2.6 per

cent in 1966. In short, the traditional extended family structure is being changed into diverse forms of family structure as Korea is transformed into an advanced industrial society.

With the retreat of the extended family system, we can observe the rise in dissolution rates through either divorce or separation. The number of divorces granted per 1,000 married men rose from a mere 0.4 in 1970 to 0.7 in 1990 [source: National Statistical Office, 1993: 257]. The dissolution of marriage for intra-family reasons has been restricted by the Confucian tradition, and the majority of dissolutions has been related to wars and other social factors [Kim and Kim, 1990: 39]. As Korean society grows more stable, and as traditional values have waned, however, individual factors are becoming more important in marital dissolution, and the rate of family dissolution is expected to increase.

This transition from an extended family system to a nuclear family system and the increasing portion of single parent families will inevitably weaken loyalty to elders and senior relatives. Thus the traditional kinship among extended family members will be changed [Kim and Kim, 1990: 36]. The values of familism and communalism are withering away and, instead, individualism and a nuclear-family orientation are developing and expanding. Thus the individual is being thought of as more important than the family, or both the individual and the family are being thought of as equally important [Han, 1986]. These value changes tend to weaken the commitment to support and care for the elderly and the disabled by the family and within the family, and this has obvious cost implications for social security [Choi, S.J., 1996].

3. The Trend of Women's Increasing Participation in Social Activities

In traditional Korean society, women had long been in a disadvantaged position. The Korean social structure consisted of a royal monarch, strong status consciousness, and a partriarchically dominated, extended family system that emphasised the maintenance of family lines. This structure tended to maintain separate and unequal roles for women from those of men. Largely this separation is rooted in Confucianism. One of the tenets of Confucianism requires three obediences of women: to the father

when young; to the husband when married; and to the son in old age [Korean Women's Development Institute, 1985].

Despite centuries of inequality between the sexes and the inferior position of women in traditional Korean society, industrialisation and modernisation have brought out some changes in female lives [Palley, 1990]. As industrialisation and modernisation proceed, increasing numbers of women enter the work force due to improved educational opportunities for women on the one hand, and the labour shortage, on the other. This is not just a product of economic necessity. It is clear that many women today regard employment as a right and do not accept traditional assumptions about a woman's 'natural role' in relation to the home and care. With women taking a more active role in society, there is growing recognition that women too should have the opportunity to lead free and responsible lives. Growing awareness of their human worth will strengthen the resolve of women to create a society based on equality and freedom of choice. Especially with one-child families, this trend may be propelled by women who, after giving birth in their 20's will find themselves with little to do when they reach their 40's and 50's. This means that public policies that assume some particular model of family life are in danger of being socially oppressive or simply of not working [Baldock, 1993].

4. New Welfare Services

In the process of rapid industrialisation, the family and community bonds of Korea, which had for so long tied people into a system of mutual responsibility and care, were somehow broken, and no replacement has arisen for the care and support once provided [Presidential Commission on the 21st Century, 1995: 101]. Despite the economic prosperity of the nation, many still live in poverty, alienated from society. As the traditional role of the community and the family elders in socialising children could not be fully assumed by parents and schools, juvenile delinquency has become a major social problem [Kim and Kim, 1990: 36]. As the society grows complex, alcohol and drug abuse, and mental illness will increase, demanding more welfare services. In addition, the very existence of the huge chasm between North and South will cause social problems once a single nation is formed.

To sum up, the Korean social structure in the 21st century will differ sharply from that of today. As the population ages and family size drops, demand for welfare for the elderly will increase sharply. Changes in women's work patterns and family structures continue to challenge traditional structures for protecting children and the aged and traditional ways of organising essential social services. Changes in life cycles, the family, gender roles, and the urban-rural structure, as well as the momentous changes to be brought about by unification, will profoundly alter expectations of social welfare. These social changes will create new economic risks and place new pressures on social welfare.

6.2 SEARCHING FOR A DESIRABLE TYPE OF KOREAN WELFARE STATE

Social policy in Korea has developed without consistent direction until now. Rather, it has largely been established on an *ad hoc* basis to meet pressing demands. A political slogan, 'Let us build a welfare state' was frequently declared by authoritarian regimes, but a coherent and comprehensive vision of it has not presented yet. The most urgent task that policy makers have to do is to decide what type of welfare state it is that they are going to construct. And the basic principles of the type should be presented. Donnison argues that governments cannot proceed without social ideologies of various kinds [1972: 106]. By ideologies, he means patterns of attitudes and aspirations leading to programmes of action and sustained by reasonably coherent sets of assumptions and prognoses about the workings of society. Governments need them to guide and co-ordinate their work, to secure the support of the governed, and to make the behaviour of citizens orderly and predictable.

Then, what type of welfare state is most desirable for Korean circumstances? In the succeeding sections we shall pursue this question from two directions. We shall compare three types of welfare state which present a striking contrast, and discuss the possibility that those types can be adopted in Korea. We shall then suggest a set of basic principles for forming a Korean welfare state.

6.2.1 A SOCIAL DEMOCRATIC WELFARE MODEL: SWEDEN

Korea, a developing country, can borrow from a wide range of types of social welfare system that have proved successful in countries that industrialised earlier, and can perhaps borrow simultaneously from this range - not just pick one. However, a Korean-type of welfare state should be a type that corresponds to the needs of the country; one that is consistent with its development goals and that is adapted to its social and economic order. The many problems confronting Korean people can be summed up into four essential tasks: (1) to harmonise economic and social objectives; (2) to achieve democracy and political stability; (3) to promote social integration and solidarity; and (4) to prepare for the unification of the two Koreas.

Considering these national goals, there are growing concerns about the social democratic welfare state (SDWS) in the Korean academy [Shin, 1990; Choi, K.K., 1991; Kim, S.K., 1992; Nho, 1994]. In relation to these national goals, the merits of the SDWS can be explained as follows. First, the Korean economy, heavily dependent on exporting manufactured goods, is nowadays in difficulties. Korean industry is facing increased competition from developing countries in the rest of Asia, the economy is slowing down, exports are declining, and the current-account deficit is growing. A report by the Bank of Korea' Institute for Monetary and Economic Research showed that the annual average growth rate of potential GNP was estimated at 6.8 per cent during the period between the fourth quarter of 1995 and the second quarter of 1996. Previous estimated potential GNP growth rates by the Bank of Korea were 7.7 per cent during 1980-1989 and 7.2 per cent each during 1990-1993 and the period from the beginning of 1994 through the second quarter of 1995 [source: The Korea Herald, Sep. 19, 1996]. Pay rises are blamed for the bankruptcies and lack of investment in research and development is also pointed to as the main reason. Both reasons sound equally persuasive. However, the real reason lies deeper, that is, the loss of solidarity and collective purpose in Korean society.

As mentioned earlier, while the Korean economy has been so long guided by the government, the policy orientation has been directed towards government-business collaboration for economic growth. Price levels, capital investment and the distribution of income and wealth have continuously been regulated by conscious political decisions.

Consequently, most of the time, it was capital, not labour which benefited more from these decisions. As people began to be disenchanted with the myth of economic growth, the problem of social justice came to the fore. Koreans following the working class discontent during the late 1980s, have learned that wage bargaining is crucial to the survival of the capitalist economy.

What is the most distinguishing component of the SDWS is above all the prominence it gives to the value of equality. The core of the SDWS is the conviction that all have the same right to live a full and satisfactory life. This concept of equality goes beyond the liberal idea of equal opportunity [Furniss and Tilton, 1977; Esping-Andersen, 1990]. The SDWS considers economic and social policy issues as interrelated and seeks to work through a tripartite form of decision-making and to maintain and consolidate the essentials of the post-war welfare state [Mishra, 1984]. The collective aspirations and power of labour as a class are thus recognised in the SDWS. The potential of the labour movement for articulating an alternative vision and a workable collectivist model society is channelled into moderate and gradualist programmes through concerted action. As a result, both economic and social objectives can be simultaneously pursued and economic growth and proper distribution can be assured at the same time.

Second, faulty democracy has always been the Achilles heel of Korean society. It does not seem too much to say that the history of Korean politics is one of dictatorships and the politics of manoeuvring. The lack of democracy is also apparent in economic life. All workers should have the right to influence their own working conditions, but many people are suffering form industrial accidents or diseases from dangerous employment. Only a small segment of the Korean population can enjoy economic freedoms. Indeed the majority of the working class are vulnerable to exploitation.

The concept of freedom is crucial in the SDWS, so it embraces a multitude of individual and economic freedoms. The SDWS does not define democracy only as an electoral struggle between competing elites. In addition to the traditional political rights, it requires the opportunity to take part in local government, in professional and labour organisations. The concept of grassroots democracy is at the centre of the SDWS democracy [Furniss and Tilton, 1977].

Third, in the social sphere, as we examined in Chapter 5, Korea has so far succeeded in economic development, but failed in social development. There are oft-quoted words describing the negative aspects of the present Korean society: distrust, alienation, group egoism, irregularity, disorder, relative poverty, and exploitation. They symbolise the attributes of the 'acquisitive society' or 'vulgar capitalism', which is characterised by personal striving, competition and neglect of the socially disadvantaged [Furniss and Tilton, 1977: 36]. Rapid economic growth in Korea is partly attributed to individualistic liberalism. None the less, fierce emulation has generated hatred, and jealousy nurtured segmentation. Irregularity has produced sudden riches, and alienation nurtured segmentation. Morality in general has thus degenerated and anomie was created alongside economic euphoria. This is a natural consequence of the society which seldom takes into account one's social circumstances and human objectives in the process of distribution.

The SDWS strives to realise the condition of communitarianism which requires not only measures on the economic plane, but also measures on the socio-psychological plane. For the proponents of the SDWS, social democracy is ultimately not about distribution but about human relationships. The chief virtue of the SDWS, therefore, lies in its propensity to create a sense of mutuality. In so far as non-economic relationships are concerned, it would aim to replace the acquisitive sentiments and exchange relations of capitalism with sympathy and fraternity, the competitive atmosphere with co-operative impulses [Furniss and Tilton, 1977: 35]. This spirit can be expressed in the form of the solidarity of trade union members and social services guaranteeing every citizen a decent standard of civilised life.

Finally, South Korea has to prepare for unification. Until the fall of the communist regimes in Russia and the East Europe in the late 1980s, few people could imagine even slim possibilities of a united Korea. Since then the situation has rapidly changed and many commentators and politicians, both domestic and abroad, anticipate that the reunification of Korea can be realised much earlier than generally supposed. Although no one knows exactly when the separation will end, few would deny that reunification is the most important factor dominating the future of Korea. Nevertheless, this anticipation has received mixed responses. Emotionally it is welcomed, but Koreans also worry about the possibility of a sudden collapse of North Korean society, similar to

that of the former East Germany. Examining the German case, Koreans believe that incorporation is less desirable than unification. The reason is that social unification, unlike territorial and political, requires a longer period of time in which two previously divided peoples can be accustomed to each other and learn homogeneity. In fact, the German unification occurred so abruptly that Germans had no time to prepare themselves. Consequently it is recognised that they are suffering from the aftermath of unification in many ways. It serves as a good lesson to Koreans.

Now, the question is what Koreans must do in order to facilitate social unification before political integration takes place. In terms of international relations, the two Koreas represent the two extremes of capitalism and communism: ideological antagonism had gone far beyond peaceful coexistence until the recent time. If Koreans think of the history of the separation between the two Koreas which have confronted each other for the last five decades, the priority concern should be alleviating ideological rigidity. Nonetheless, as far as ideological differences are concerned, liberal capitalism and Marxist socialism cannot find common ground. Apart from one eliminating the other, it is most logical for the two extremes to meet at the centre and coexist. The SDWS has an advantage over other types of welfare state in the sense that it can provide a half-way house. As described earlier, it is a third option which accepts the mixed economy and the welfare state, and adopts a corporatist approach to the political economy of capitalism [Mishra, 1984: 101-102].

To demonstrate the relevance of the SDWS model to Korea, it is necessary to inquire into the historical background of the country which best exemplifies the patterns and the adaptive successes of the model in the first place, and contrast the outcomes of the inquiry with the present situation of Korean society. Many commentators suggest that Sweden best fits the SDWS. Sweden is seen as a prime example of corporatism [Lehmbruch, 1984: 66; Schmitter, 1982: 26; Lijphart and Crepaz, 1991].[2] Even though

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[2]There is considerable disagreement about which societies can properly be designated as corporatist. While some commentators believe that all Western industrial nations may be characterised as corporatist, many others use the term in a more restricted way to connote only those societies which have successfully implemented corporatist arrangements. Usually, Austria, Japan, the Scandinavian countries and Switzerland are categorised as corporatist. The United States and Britain are seldom regarded as corporatist. However, these categories are not universally accepted. Korpi [1983]

there is considerable variation and confusion over what corporatism is and what it measures, in his classical definition, Schmitter suggests that corporatism is a social system in which interest groups are organised into a limited number of non-competitive and functionally differentiated monopoly rights which represent their members and they agree to participate in the corporate structure and to be bound by agreements [1974: 93]. Corporatism is, therefore, largely based on negotiations and the prospect of securing favourable advantage for constituency groups. However, it is also characterised by an underlying desire to reduce conflict and foster an equilibrium of interests. Corporatism is driven by the idea that negotiated agreements between government, labour and business will promote the interests of all and enhance the common good.

As we examined in Chapter 2, some of the roots of Scandinavian welfare states - and certainly the roots of the 'corporatist' styles of cross-class bargaining that have helped to co-ordinate and sustain national socio-economic strategies - go backwards in time from decades to centuries. In particular, Sweden includes traditions of monarchical and aristocratic bureaucratism that created strong expectations for legitimate public action and the application of expertise to policy problems: ethnic homogeneity and cultural ideals of social solidarity; and last but not least, the emergence of an especially strong and reformist Social Democratic labour movement in the first decades of the twentieth century.

The point is not only Swedish historical developments that have laid the basis for a generous welfare state and corporatist institutional arrangements for co-ordinating social and economic policies. For instance, Mishra indicates other 'historical and geopolitical' factors in his sketch of conditions facilitating the emergence of what he considers the best approximation to an Integrated Welfare State in Austria [1984, 1990]. Other analysts using comparative-historical dimensions in their arguments have pointed to the causal relevance of industrial and union centralisation [Stephens, 1979] or strong Catholic centre parties [Wilensky, 1981].

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has challenged the inclusion of the Scandinavian countries in the corporatist category, and Blaas [1992] claimed that Switzerland and Japan are in fact paternalist-liberal rather than corporatist societies.

In short, when one takes account of the historical fact that the SDWS was created by such internal conditions as (1) organisational power of the working class strong enough to impose major constraints upon capital, and (2) the political dominance of the social democratic party that played the role of facilitating class compromise, it is unlikely that the SDWS could be used as a blueprint for short-term institutional and policy adjustments in Korea.

The reason can be explained in two ways. First, the philosophy of corporatism was not known until recent years and the word 'Corporatism' is still very strange to the average Korean, but also most of the principal interest associations are dependent on the state for their existence [Park, M.K., 1987]. Many of them were created with the encouragement of the state; others got help from the state after their formation. Because of this recognition by the state, each legitimate organisation enjoys a near monopoly of representation in differentiated fields, while its articulation of demands is usually controlled by the state.

As we saw in Chapter 4, the model of corporatism that we can find in Korea better describes the interest associations than any other ideal type of interest representation. In the relationship of associations to the state, however, we found significant differences according to the social positions their members occupy. The business sector is represented much better than other groups. In contrast to the business sector, the working class is very weak and organised labour has been less cohesive and centralised. In 1992, only 18.6 per cent of industrial workers were organised and the rate in big industries was much lower [National Statistical Office, 1993: 115]. Moreover, Korean peasants have been in an even more disadvantageous situation than industrial workers. They still do not have a private representative organisation, even one like the KFTU. In addition to these domestic circumstances, another problem is that corporatist forms are subject to change. Some writers believe that corporatism is no longer as widespread as it once was, and that increased economic integration and de-industrialisation, which have resulted in the growth of the service sector, have lessened the need for corporatist arrangements [Pekkarinen et al., 1992].

Second, as we saw in Chapter 2, South Korea has never developed a social democratic party with the vision of an alternative society. Furthermore, socialism is a political taboo due to the specific political position of South Korea confronting North

Korea. There is thus no reason to believe that Korea, with the lack of a comprehensive ideological or institutional base for corporatism and a strong social democratic party, could suddenly generate the appropriate conditions for the SDWS in the style of Sweden.

6.2.2 A LIBERAL WELFARE MODEL: THE UNITED STATES

In marked contrast to Sweden, the United States has frequently been characterised as 'a reluctant welfare state' or 'a welfare laggard'. As we examined in Chapter 2, the principal reasons for America's reluctance lie in the dominant cultural values of American society: individualism, private property and the free market. These three closely related values lead to a fourth - a distrust of government and a strong preference for minimum government intervention. Individualism plays down the social nature of human being, holding the view that individuals should be free to pursue their own ends by whatever means within the law are available to them. As a result, there is the plain implication that government intervention should be kept to the absolute minimum.

Other features of American society which help to account for its relatively underdeveloped welfare state are racial, ethnic and religious heterogeneity and political decentralisation. The ethnic, regional and racial groupings that make up American society have never much trusted one another and for that reason have been reluctant to put much power in one another's hands [Gronbjerg, 1978: 14]. The consequence has been that, rather than supporting the state as provider of last resort, the American public have poured huge resources into private charities and into self-help groups.

The United States thus was slow off the mark in developing its welfare services. Though there were significant expansions of the welfare state in the 1930s, the 1960s, and the 1970s, the United States remained a welfare state laggard as compared with most Western European nations. An American scholar deplores the situation as follows: 'Overall, the United States now ranks well down the list of advanced countries in a wide range of economic and social indicators, with no signs of reversal of these

trends....Discrimination has closed the doors to minorities, women, and immigrant workers. Unions have been excluded, weakened, coopted. Young people cannot get the education they need or the opportunities they must have.' He continues, 'We need to redefine the role and the claims of a welfare state. We pay lip service to the principle of prevention, but we seldom make the idea operational or strategic in our social welfare system.... Social welfare need not and should not remain the stepchild of our society, dealt a begrudging level of funds in good times and subject to cuts and hostility when things are bad, and when people need help most. Appeals to conscience or social obligation are not the route to the legitimation of the social welfare enterprise and its proper place in modern societies. The central principle is this: No society can survive or function without the state playing a central role in both economic and social policies' [Rosen, 1989: 58-59].

Unlike the United States, on the one hand, Korea has good conditions for producing a consensus on the merits of the welfare state. The first of these conditions are the traditions of ethnic homogeneity and cultural solidarity. The second condition is Koreans' strong aspiration towards an egalitarian society. Finally, Korea has a well-developed bureaucracy and a strong central government.

Furthermore, Korea cannot help depending on international trade for its survival. As competition in the global market is becoming fiercer, Korea needs to pursue policies that simultaneously strengthen national competitiveness and facilitate equity among its people. Korean people will increasingly choose to pursue their own goals and their own happiness, and this calls for a policy responsive to the goals and values of society as a whole. It is increasingly difficult for business or even society to succeed without the co-operation and participation of its members. As Cameron convincingly demonstrates [1978], Korea must remember the fact that high domestic social spending was especially characteristic of small countries with openness to international trade in the post-World War II period. Because these countries have a pressing need continually to readjust their industries, wages, and prices in response to international markets, and a need to insure social peace by cushioning their populations during such adjustments, they apparently use historically available institutional, cultural, and organisational resources to sustain Integrated Welfare States in Mishra's sense.

6.2.3 A COMPANY WELFARE MODEL: JAPAN

Japan has been uniformly branded a welfare laggard like the United States. Indeed, the share of the national product devoted to government expenditure or social spending is smaller in Japan than in all other highly industrialised countries.[3] Nonetheless, Japanese society enjoys a high level of welfare that is provided in a different way than in European countries. In Japan the market continues to play a major role as a producer of welfare. Moreover, families produce more welfare than families in European countries or the United States [Maruo, 1986].

To understand the characteristics of Japan's welfare system, we need to study the history of industrialisation in Japan. In Western usage, the most unique and the most important distinguishing mark of the welfare state is its partial rejection of the concept of laissez-faire which was prevalent in the Western world during the nineteenth century. When Western societies became convinced that the welfare of the individual is too important to be left to the vagaries of market forces, as we saw in Chapter 2, the idea of a welfare state emerged. The idea of a welfare state in this context is a historical alternative to laissez-faire government and incorporates the virtue of state intervention to better equalise income distribution in favour of the lower classes. The most important task for early proponents of the welfare state was to legitimise the state's power, allowing it to intervene in the lives of individuals. Growth of the welfare state in these

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[3]As late as 1967-9, Japan's total public expenditure as a percentage of GDP averaged only 19.2 per cent annually, by far the lowest among the industrialised democracies, with only Switzerland and Australia spending less than 30 per cent. In 1980, the figure was up to 30 per cent, an allotment still dramatically below the Scandinavian high spenders (mostly over 50 per cent) as well as the moderate spenders such as France, Germany, Britain and Italy (42-45 per cent). And it still behind the next lowest spenders, the US and Australia, both of whom were over 33 per cent. Public expenditure for social welfare explicitly is similarly low. In the mid 1970s the government of Japan spent only 8.9 per cent of GDP for all welfare measures. Only Australia was below 15 per cent. Indeed the OECD country closest in level of spending to Japan was Spain (which had a GNP equal to only one-sixth that of Japan) [Pempel, 1989: 151].

societies naturally involved the creation and expansion of redistributive mechanisms to complement the distributive function of the marketplace.

In the states which were late to industrialise, like Japan, on the other hand, it was the state itself that led the industrialisation drive. Japan's successful surge as one of the most powerful nations in the world before and after the Second World War could be in large part attributable to the government's developmental efforts to direct the fearful and wrenching thrust of industrialisation. In this context, the historical implications of the welfare state differ greatly from that of early industrialised societies. First of all, it does not involve a fundamental discontinuity in social and economic ideology. Since the right of the state to intervene in the lives of individuals was already taken for granted, legitimation of state intervention, or the rejection of laissez-faire is not necessary. In fact the paternalistic government is consistent with the idea of social protection.

Therefore, the idea of the welfare state in Japan is not much more than a reordering of existing state priorities among goals, for example, economic production, military expansion, and social protection. Throughout modern times, Japan has always put emphasis on the national goal of 'catching up' with the Western industrialised nations. Given the supremacy of this goal, and the substantial power of the government, any state policy was expected to adapt to the goal. Each welfare policy was to be justified as an integral part of the national development drive. A moral justification of redistribution was not necessary, but verification that the given policy was conducive to the achievement of the higher national goal of economic development was.

In the process of pursuing this overarching national goal, the power elites of pre-war Japan purposefully retained and reinforced old traditional values by the indoctrination of the official ideology of family state. The ideal of family state depicted all of Japanese society as a great family, stretching from the father figure Emperor at the top to the individual family below, weaving around all individuals a strong and unlimited sense of obligation to all above them, whether father, teacher, official or employer. In a very literal way the Emperor was described as the father of his subjects, and they as the Emperor's children. Industrialists regarded themselves as the fathers of their employees. And the employees, their dependents.

While providing the rationale for the absolute power of the authoritarian government and its efforts to industrialise, this ideology of a family state had a significant implication for the development of the welfare state in Japan. It was the logic to counterbalance the increasing need for the state to take responsibility for individual welfare. The Japanese course of development of the welfare state thus has been determined by explicit, nationally supported state goals and a belief in the power of the family-state tradition. This ideological framework allowed only the policies that were deemed useful and instrumental to Japanese national goals [Lee, H.K., 1987: 244-247].

From this historical background, a unique model of welfare, Japan's 'company welfare model' has been formed. In order to counterbalance the increasing requirements for state responsibility for individual welfare, the state has made great efforts to support the ideology of Japan's 'company welfare model' which is seen to negate the need for Western-style state welfare [Goodman and Peng, 1995: 56]. Japan's company welfarism is based on 'Japanese-style employment' [Whittaker, 1990]. Japanese-style employment is said to be shaped by the 'three pillars' of lifetime employment, *nenko* (seniority plus merit) wages, promotion, and enterprise unionism. The three pillars reinforce each other to form a 'system'. School leavers are recruited with the mutual expectation that they will stay with the company long-term. Wage and promotion structures reflect this expectation, with loyalty and hard work rewarded over long period. Labour markets are largely internalised, hence the primary arena for unions to improve the wages and conditions of their members is the enterprise itself. The fate of workers is thus closely connected with the company, and socialisation into the 'corporate community' reinforces this. The overall result is allegedly a high degree of both employee commitment and participation, through quality control circles, suggestion systems, joint consultations, etc., which is promoted by extensive information sharing.

The Japanese model may look attractive in the sense that Japan has been less troubled by the problems typically faced by most Western welfare states. The typical European welfare state has a substantially higher level of taxation, and its spending commitment for welfare services is also much higher than in Japan. Thus, it needs a richer economy to fund high public expenditure, and the growth of public expenditure requires a high growth rate. European economies have had slower growth rates than the Japanese, but they have a greater fiscal need for growth. Furthermore, because of

strong family and communal solidarity, Japanese society has suffered less from social anomie than most industrialised countries [Maruo, 1986: 76-77].

Korea has closely considered the example of Japan in designing its social welfare programmes. In applying Japan's company welfare model to Korea, however, we find some problems. The first question arises from the applicability of the so-called Japanese-style of employment. In effect, company welfarism is deep-rooted in and peculiar to East Asian NICs.[4] As described earlier, company welfarism is also predominant in Korea, providing most workers with limited fringe benefits such as support for housing and allowances. However, Japan's company welfare model seems to be less applicable to Korea in that Korea has developed a different relationship between labour and capital. The culturalist perspective suggests that Japan and Korea should share roughly similar organisational orientations and employment relations, since the two countries share a similar cultural heritage and both are homogeneous societies. Some argue that the similarities include consensus decision-making, lifetime employment, paternalistic leadership, close ties between business and government, and a Confucian work ethic [Chang, C.S., 1989; Park, C.S., 1985]. However, dissimilarities are found in individualism, high labour mobility, and weak loyalty to employers in Korea. In particular, as examined earlier, Korea has not developed sound labour-management relations. As a result, Korean workers, despite their Confucian socialisation to support hierarchy, also exhibit favourable attitudes toward labour unions, hostility toward management, and a class-oriented political ideology [Form and Bae, 1988].

In addition, lifetime employment, which is the most important pillar of Japanese-style employment, is unlikely to continue indefinitely in Korea. On December 26, 1996, the National Assembly passed a series of new labour laws aimed at reforming the labour

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[4]Theories of welfare corporatism argue that Japanese distinctiveness is not so much due to the preservation of cultural traditions in modern Japanese work organisation as to Japan's status as a late-developing economy. In view of the corporatist theorists, the bureaucratisation, internal labour markets, welfare services, participatory decision-making, strong culture, job guarantees, need-base compensation, and other components of Japanese-style employment are the trappings of a modern corporate form which is becoming dominant among Western companies as well [Paik, S.B., 1994: 60].

market. The new laws will allow companies to lay off workers, ending Korea's system of jobs for life. Companies will be free to introduce flexible working hours and to use substitute labour during strikes. These new laws reflected a political and cultural shift in Korea. The country is in the midst of moving from a system founded on paternalism and authoritarianism to one based on more liberal values. The new labour law, which provoked the strikes, was meant to be more liberal in two respects. It would make it easier for employers to sack workers. Yet it would also make it easier for unions to organise. The old labour law was a curious mixture of paternalism and repression. As we saw in Chapter 3, during the heyday of Korean authoritarianism in the 1970s and early 1980s, the government intervened enthusiastically on the side of employers, leaping in to suppress strikes and arrest the leaders of illegal unions. However, there was a more worker-friendly side to the law which became more pronounced as Korea became more democratic in the 1980s. It was hard for employers to shed labour. Over the years, worker, particularly in the big industrial groups, have built on this legal protection to set up an array of benefits, such as extra money for children's schooling. The result was a huge boost to wages. In the face of growing strains of global competition, employers keen to gain new rights to hire and fire - particularly to fire. To introduce the new rights to sack workers implies the likely emergence of unemployment and new welfare problems in Korea.

6.2.4 A DESIRABLE TYPE OF KOREAN WELFARE STATE

So far, we have discussed the three types of welfare state. They are all concerned with who is the main provider of welfare. In dealing with this question, the above comparative analysis shows an interesting variety. In most Western welfare states, especially in Scandinavian welfare states, the state is regarded as having a major responsibility to provide welfare for all its citizens through public education, a national health service, and the generous provision of pensions and income maintenance payments to the unemployed. Consequently, people in those countries are well protected against such contingencies as sickness, unemployment, old age, and poverty. However, the cost is enormous and is borne by those in work. This is particularly the

case when the economy is not growing as desired. Then the welfare state meets the trouble as seen nowadays.

In the United States, the individual, supplemented by the family, community, ethnic, and other communal groups, is still regarded as having the primary responsibility for personal welfare. North America's liberal model rewards the winners and punishes the losers: hence, rising wage and income inequalities, growing poverty rates, and maybe even the re-emergence of an 'underclass'. Critics thus insist that the associated social costs of the American route are too high in terms of polarisation and poverty. They suggest a 'social investment' strategy as an alternative. The idea is to redirect social policy from its current bias in favour of passive income maintenance towards active labour market programmes that put people back to work, help households harmonise work and family obligations, and train the population in the kinds of skills that post-industrial society demands. In fact, the stress on human capital investment has, in the guise of 'productivist social policy,' been official dogma in the Swedish model for decades [Esping-Andersen, 1996: 3-4].

In Japan the family and, for those working in large organisations, the employer, undertakes responsibilities that supplement individual effort, and substitutes for the state provision of welfare. Though the case of Japan appears a cost-effective welfare system, the level of welfare is far from satisfactory, and it is expected to confront big pressure for a change in the welfare mix. Pressure for change comes mainly from three directions: internationalisation, a change in industrial structure, and labour shortages [Pempel, 1989; Goodman and Peng, 1995]. First, internationalisation of the society would demonstrate other possibilities for social development. Most people complain about the costs of rapid economic growth in areas such as environmental pollution, as well as of the low levels of social infrastructure and social welfare provisions compared to other countries of comparable wealth. Internal learning will surely serve to increase public perceptions of social welfare and consumer conditions in other countries, thus putting potential pressure on future governments to expand the resources allocated to such areas. Second, as the industrial structure moves from manufacturing to the service industry, there would be increasing demands for more individualised, and less company-negotiated, benefits. Finally, Japan and Korea are suffering from enormous labour shortages. This means that more workers will have to come from one of two sources:

female or migrant labour. As we discussed earlier, women's participation in work brings about many social problems, leading to demands for more social services. In addition, there would be increasing demands for more social services to deal with the influx of foreign workers from poorer countries.

The point is not that only the state should be responsible for all demands for welfare services. Rather we argue that the state should not shuffle its burden off onto other shoulders. The state has a fundamental responsibility to ensure a basic standard of living for the people. The future welfare policy of Korea should accept the lessons and advantages of Western welfare states as well as develop Korea's traditional values and cultural assets, such as familism, the family's welfare function, the spirit of community mutual help, and familial relationship in enterprises. However, even with such commitments, the demand for social services will rise, necessitating an expansion of the role of the state as a welfare provider. In this sense, a mixed model, which combines the merits of the Swedish and Japanese models of welfare, seems suitable for the realities of Korean society. We may call this a 'balanced welfare state.'

To put it briefly, this is a model in which while the family and the market retain primary responsibilities for welfare, and the state endeavours to attain greater social equity and solidarity through the increasing expansion of social welfare. In other words, the construction of a Korean welfare state is based on harmony between the free-market ideals of efficiency and self-support and the non-market ideals of equality and solidarity. Therefore, a desirable welfare model would control the expansion of welfare so as not to inhibit economic growth, and further achieve social integrity by insuring the basic needs for all citizens of the nation. That is, a balance would be maintained between economic growth and equal distribution. We need to establish a new paradigm in terms of harmony of growth and welfare, as the foundation of long-term balanced development in Korea. Therefore, the promotion of welfare should be designed to increase the quality of life and growth potential. More concrete policy measures will be discussed in detail in the following section.

6.3 ALTERNATIVE PRINCIPLES FOR THE DEVELOPMENT OF SOCIAL WELFARE IN KOREA

Definitions of welfare do not vary greatly across national boundaries. The basic concerns of individuals and families are derived from pervasive human values. Doyal and Gough, in their book *A Theory of Human Need* [1991], contend that the concept of need refers to goals which are univeralisable, that is, which everyone shares in virtue of being human. Such universalisable goals, also referred to as 'our most basic human interest' [1991: 55], must be achieved if people are to flourish or, in other words, avoid harm. As we saw in Chapter 1, at the centre of a post-industrial value system is a belief that all human beings are endowed with a set of innate 'potentials', which it is the purpose of life to express, develop or fulfil. Now Koreans want a kind of welfare which surpasses the dimension of survival and ensures a better quality of life. They have begun to take direct action upon themselves, or in coalition with other interest groups, in seeking to achieve the right to lead a decent, healthy, and cultural life. Indeed, a full century later than in Western societies, Korea is now facing the need for a well-equipped social welfare system. If the evolution of welfare states in the West is any guide, the first step will be providing for the material needs of the less fortunate members of society. However, in many advanced countries, the notion of welfare goes beyond a redistribution of wealth, and includes providing less tangible things, such as fostering a humanistic society and protecting the environment. In the face of these social needs and changes, new social welfare policy options must be seriously considered.

1. The Satisfaction of Basic Needs

The history of the welfare state is the story of the development of citizenship - based on welfare rights [Taylor-Gooby, 1991: 190]. However, many liberals argue that social and economic rights are different in kind from other categories of right. Arguments against the assimilation of welfare to the traditional civil and political rights may be summed up as follows.

The first objection claims that traditional civil rights are negative in the sense that they involve no obligation for action by others. In the critics' view, civil and political rights are essentially duties of forbearance, not of the provision of resources. Since forbearances are costless, civil rights can always be performed, and as such are perfect duties. Welfare rights, however, imply positive duties to provide resources, typically through the payment of taxes and the allocation of the revenue raised to the needy. There has been a standard response from those who support the idea of welfare rights. Even civil and political rights, it is argued, require a substantial commitment of state expenditure to protect them. A right not to be assaulted or coerced requires police, courts, prisons, etc., this involves resources just as much as welfare rights [Taylor-Gooby, 1991: 196-197; Plant, 1993: 34-37].

Second, it is argued by critics of welfare rights that social and economic rights cannot be realised simultaneously by all right holders because of the scarcity of resources. This implies that there will have to be discretion exercised by the authorities in respect of whose rights are to be exercised at which time. If discretion is to be avoided, then positive rights have to be linked to the nature of social justice which will be concerned with the just apportionment of scarce resources. However, critics such as Hayek and Nozick argue that we do not in fact have agreement about any pattern of just apportionment or social justice, because in a normally diverse society there can be no agreement about principles of just apportionment or there are deep philosophical objections to the idea of principles of justice [Plant, 1993: 35-36]. However, if we are able to arrive at a negotiated political consensus about the level of resources which at a particular time seem to be necessary and reasonable to protect civil rights, why is it not possible to arrive at a similar consensus in respect of the funding and scope of welfare services to meet social and welfare rights? To be sure, the nature of the rights does not specify the nature and scope of the provision to meet such rights, but exactly the same is true about civil and political rights too [Plant, 1993: 40]. The theory of welfare rights thus requires constitutional arrangements to enable the democratic discussion of different approaches, without being able to specify in advance the outcome of that discussion [Taylor-Gooby, 1991: 198].

Finally, it is also claimed by critics that the granting of positive rights to welfare creates a culture of dependency. On this view, the security of income detached from

obligations in the labour market cuts people off from the discipline and self-respect that comes from work or training. However, empirical evidence indicates that the problem of moral hazard is less severe than many liberals imply. For example, George and Wilding conclude from an extensive review of the evidence that 'social services are only one of many factors that affect people's willingness to work, and the same volume of social spending can be found in countries with high, medium and low rates of economic growth,...Excessive concern with the possible disincentive effects of social policy distracts attention from its positive aspects and creates a climate of opinion for reductions in social service provision.' [1984: 186]. The low incidence of a counterproductive incentive may be due to the relatively low rate of benefits paid in most systems, in comparison with wages, and the severity with which welfare rights are policed [Taylor-Gooby, 1991: 199].

Discussion of these arguments indicates that there is no compelling reason why welfare rights founded on basic need cannot be included alongside civil and political rights as necessary ingredients in citizenship, which the government is constrained to guarantee provided that measures are taken to resolve the problem of moral hazard.[5] Indeed, social rights are essential to the exercise of civil and political rights by disadvantaged groups. Thus it seems reasonable to suggest that the basic needs can become a responsibility of government, and can be included in the range of activities of the welfare state [Taylor-Gooby, 1991: 199-200]. The state is the only agency capable of securing the universal satisfaction of a need: the alternative mechanisms of the market, family or charity are all too uncertain and potentially uneven in their coverage [Wetherly, 1996: 45-46].

The adoption of the basic needs strategy forces the state to use its existing social planning and human service programmes to address the pressing unmet needs of the poorest groups in a society. These unmet needs consist, first, of basic survival needs such as those for nutrition, safe drinking water and shelter. A second group of needs are not necessary for bare survival but are regarded as social rights which society guarantees

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[5]One of the commonest measures adopted in practice in most welfare systems is to sort claimers into able-bodied and others, and to ensure that rights to welfare for the former are dependent on a test of social contribution, through efforts to find work, family care responsibility or some such behaviour [seeGewirth, 1987].

for all citizens. They include the need for education, health care and social security. Finally, there are non-material needs such as the need to participate in the political process, to be protected against discrimination and to have equal opportunities for advancement [Midgley, 1995: 133].

As far as the satisfaction of basic needs is concerned, the foregoing analyses in Chapters 4 and 5 carry a couple of important implications for policy discussion. First of all, poverty is still an important social and economic issue in Korea. In spite of enormous economic progress, it is all the more staggering - and all the more shameful - that more than four million people in Korea are living in poverty (see Table 6.2). The least that a civilised society owes to those people who face adverse times, for reasons which are usually outside their control, is mutual respect which allows them to maintain their self-esteem and personal dignity; this begins with decent and fair treatment by policy-makers and administrators and is maintained by a reasonable income which allows them full membership of the society in which they live [Walker, 1993: 188]. In this context, the report of the British Commission on Social Justice offers a conceptualisation of social justice involving four elements, the second of which is the idea that 'everyone is entitled, as a right of citizenship, to be able to meet their basic needs for income, shelter and other necessities' [Commission on Social Justice and Institute for Public Policy Research, 1994: 18].

Table 6.2 Incidence of Poverty

Incidence of poverty	Absolute poverty[1]					Relative poverty[2]				
(%)	1965	1970	1976	1980	1988[3]	1965	1970	1976	1980	1988[3]
Urban households	54.9	16.2	18.1	10.4	9.3	17.9	7.0	16.0	15.1	10.3
Rural households	35.8	27.9	11.7	9.0	9.8	10.0	3.4	9.2	11.2	11.4
All households	40.9	23.4	14.8	9.8	9.5	12.1	4.8	12.4	13.3	10.7

Note: 1) Absolute poverty line defined as 121,000 won (1981 prices) a month for a five person household.
2) Relative poverty line defined as one-third of average household income.
3) Absolute poverty line and relative poverty line defined as 290,000 won at current prices a month for a four person household, and one-half of average household income, respectively.

Source: Suh (1985) and Koh (1990).

As examined in Chapter 5, in Korea the number of recipients on the public assistance programme is very small (as of 1995, about 4 per cent of the population), and

the level of benefits is very low. In fact, there has never been an official poverty line upon which to guide the survey and means test of eligible recipients in Korea. Without objective and reliable criteria, it is difficult for officials at service delivery points to decide objectively who is poor and who is an eligible recipient. The absence of an official poverty line leads to further ambiguity in the public assistance policy. This occurs when officials try to determine what level of livelihood 'minimal' entails. According to the Livelihood Protection Act (LPA), the government must provide a level at which the eligible recipient can sustain a 'healthy and culturally accepted minimum livelihood'. However, there are no provisions in the LPA that clearly define the terms 'healthy and culturally accepted'. Without such a definition, it is questionable what level of governmental assistance would be an appropriate one for the healthy and acceptable livelihood of the eligible recipient. One fundamental solution to Korea's anti-poverty policy would be to increase steadily the budget allocated to public assistance programmes, so that the number of recipients and the level of benefits are increased.

Second, the government should improve and expand the existing social security programmes in ways that are most suitable to the nation's changing socio-economic conditions and its stage of economic development. This applies not only to pensions, health care and unemployment compensation schemes, but also to employment injury, invalidity, sickness and survivors benefit, and in some cases maternity, family and death benefits.

Third, the government should extend the coverage of social welfare services from low-income group to the whole population. The Korean government's measures for social welfare in general have been almost exclusively focused on poor or low-income groups and based on the residual conception of a social welfare system. Although this perspective may be unavoidable in the early stage of welfare state development, the persistent holding of this view has meant that the concept and scope of social welfare in Korea has been limited to the provision of government benefits free of charge to the poor. As Korean society becomes more industrialised and complicated, social problems are not limited to the poor. Therefore, it is suggested that policy concerns currently focused on the poor should be directed more towards people in general. This means that the government needs to change the support for the needy from an institutional basis to extensive community care for the whole population

through various community welfare centres. It also means changing the target of services provided from individuals to families, which will help strengthen the function of family.

2. The Enhancement of Equality

A decent society demands more than the meeting of basic needs. For Doyal and Gough, the universal goal is defined in terms of 'minimally disabled social participation' [1991: 170]. Turner, in his book *Equality* defines social citizenship as 'the institutional apparatus of the welfare state as the guarantor of rights of economic and social well-being'. He concludes that the principle of equality is simply another dimension of citizenship where citizenship rights imply that persons should be treated equally, irrespective of their particular attributes [1986: 21]. Thus, to these ideas of the equal worth of citizens and the right to basic needs-satisfaction are added those of ensuring opportunity and tackling unjust inequalities [Commission on Social Justice and Institute for Public Policy Research, 1994: 18].

As we have seen earlier, the Korean government has pursued the strategy of high-growth and high-job creation without paying much attention to distributional aspects of the growth process. In order to take advantage of the scale economies in production activities, the government has deliberately allowed the concentration of economic power in the hands of a small number of conglomerates. Allegedly in order to enhance national saving, it has minimised the taxation on capital gains and on incomes arising from the ownership of property and financial assets. Also, perhaps in order to take advantage of potential scale economies that might arise from the concentration of wealth, it has minimised the effort to collect inheritance and gift taxes. The three decades of rapid economic growth covered by this study seem to have generated politically powerful and influential groups whose vested interests are conducive to the continuation of such an economic regime. Consequently, it is argued that, despite a brilliant economic growth performance, Korea now experiences magnified internal conflicts and social unrest, making the prospect of its continued prosperity anything but certainty [Hong, 1991].

Korea's experience during the last three decades shows that while economic growth is a necessary condition for improving welfare, it does not automatically result in an appropriate improvement in equality and in fulfilling the basic needs of all segments of the population. There are two contradictory arguments about the relationship between equality and efficiency. The fundamental neo-classical argument against the welfare state is that deliberate alteration of market prices and wages - with a view to redistributing income or achieving some other social goal - weakens or perverts both the signalling and incentive functions which price performance in market economies. This reduces efficiency in the allocation of resources and the supply of savings and labour. According to this theory, therefore, a growing gulf between rich and poor is a price to be paid for a more general prosperity. The opposite view, on the other hand, argues that the welfare state is a necessary element in an efficient and competitive capitalist economy. Myrdal was a major proponent of the emphasis on egalitarian development, arguing that the reduction of inequality is a precondition for development [1970].

There are a number of empirical studies which show that, rather than having to choose between equity and growth, growth tends to be faster where there is more equity. Persson and Tabellini, for example, provide two separate tests of the effect of income inequality on the growth rate of GDP [1994]. The first is a historical analysis going back from 1985 as far as data from a group of nine OECD countries allow. The units of observation are changes during each twenty-year period in each country. The second uses data for sixty-seven countries from 1950 (or 1960 where earlier data was unavailable) to 1985. Both test results show a robust relationship such that wider income differences are associated with slower growth. Yet they were able to show that the direction of causality was from equality to growth. Alesina and Perotti took data from some seventy developed and less developed countries and found that investment tended to be higher in countries with narrower income differences. They suggested that wider income differences reduced investment by contributing to political instability. Finally, Glyn found that among a group of sixteen OECD countries for which the World Bank had income distribution data, there was a clear tendency for more egalitarian countries to have bigger increases in labour productivity in the period 1979-90 [Glyn and Miliband, 1994].

Inequality imposes numerous costs on the economy and society. Most fundamentally, inequality turns a large proportion of the population from net contributors to a society's economic welfare into net burdens on it. By denying people the opportunity to experience themselves as valuable members of society contributing to the economy, they have no choice but to add to the social security bill. Furthermore, inequality may reduce goodwill and co-operation among the public at large. Employees who feel bitterness and antagonism towards their employer will be much less productive than people who are appreciated as members of a co-operative team and feel purposeful about their work. Some of the same processes are likely to operate throughout society, turning the pleasure of mutual co-operation into the destructiveness and inefficiency of antagonism [Wilkinson, 1996: 225-226]. From an institutional economic paradigm, the most general argument concerns the way inequality 'obstructs the evolution of productivity-enhancing structures for the governance of transactions' [Bowles and Gintis, 1994, quoted in Gough, 1996: 104]. More equal societies may be capable of supporting levels of co-operation and trust unavailable in more economically divided societies. They thus assist the development of co-operative or negotiated forms of co-ordination alongside competition and command forms. This in turn can reduce transaction costs and improve incentive structures.

Rogers and Streeck also argue that restoration of competitiveness in Western capitalism is not possible without attention to the productive contribution of citizenship and social justice. They say that in a post-Fordist society, co-ordination and co-operation are at a premium. They write: 'The just-described disorganisation of capitalism in the name of "flexibility" generates need for organising the institutional base on which flexibility can rest. The more decentralisation of decisions and specialisation of functions, the greater the need for co-ordination and co-operation; the less formal the structure, the more need for social integration and social cohesion' [1994: 134]. In short, modern capitalism needs a social infrastructure of collective goods that free markets cannot generate. Katzenstein has contributed to this thesis from within a political science perspective [1985]. He shows how the small open European states have developed democratic corporatist structures as an alternative to protectionism and extensive economic interventions. In the open European States, increasing involvement in a liberal international economy has encouraged far-reaching political collaboration. In

facilitating corporatist democratic structures, economic openness encourages political compensations for change. Instead of seeking to export or preempt the costs of change, the small European states have chosen to live with the costs of change by compensating for them, politically and economically. As a result, an important feature of democratic corporatism is advanced welfare policies, as we saw earlier. In this regard, in order for Korea to survive in an increasingly competitive global economy, and to prepare for unification, it is essential to maintain social stability and cohesion by reducing inequality. Considering the extremely low level of social expenditures, Korea needs to enhance social equality through welfare promotion and not worry about inefficient resource allocation caused by excessive social expenditures.

A variety of proposals have been formulated to address the problem of inequality in development. These include abolition of wealth inheritance and the establishment of both a minimum and a maximum wages [George and Wilding, 1985: 142]. Some have stressed the need for radical measures that deal with structural conditions, such as the urban-rural imbalance [Lipton, 1977] and the concentration of land ownership [Griffin, 1976]. More pragmatic writers have urged governments to increase spending on social services and to address the educational, health and other social needs of the population.

One of the commonest mechanisms used specifically to promote equality is progressive income tax: another is tax on capital gains. Indeed, Korea's tax burden ratio of 19.3 per cent is not high compared with other countries at about the same level of economic development. However, the social security burden is extremely low, showing a wide gap with developed countries (see Table 5.19 and 6.3). For the development of social welfare in Korea, the most critical barrier is a lack of funds allocated for that purpose. Social welfare expenditures of the central and local governments, and the participation of private sector are far below those of the developed countries. Therefore, a political reassessment of current taxation and budget allocations for welfare development are inevitable. Taxation rates in Korea are still lower than those of other countries with a similar per capita income level. The government should increase individual income tax rates, introduce element of a property tax system, and reduce the exemption from value added taxes and special consumption taxes. These steps would help the government in trying to increase welfare expenditure.

Table 6.3 Comparison of Budget Size

	Korea ('93)	Japan ('89)	USA ('89)	UK ('89)	Germany ('89)	France ('89)	Italy ('89)
Consolidated Expenditure[1)]	20.7	15.4	23.2	28.7	12.9	21.9	33.2
Tax Burden ratio[2)]	19.3	27.9	26.1	39.8	30.6	33.9	30.6
Social welfare ratio[3)]	1.4	10.4	9.1	9.2	20.6	25.6	15.6

Notes: 1) Central government expenditures as a percentage of GNP
2) National tax and local tax as a percentage of GNP
3) Social welfare expenditures as a percentage of GNP
Sources: Bureau of Statistics, Bank of Japan, quoted in Presidential Commission on the 21st Century, 1995, p. 178.

What is more important, Korea should adopt a more balanced 'relative' approach of poverty. In fact, poverty when extended to take in contextual attributes merges into the issue of equality and inequality [George, 1980]. During the post-war period in most industrial countries an absolute definition of poverty has been abandoned for a relative one [Korpi, 1983: 185]. Instead of comparing the standard of living with minimum requirements based on allegedly objective criteria, poverty is redefined as a form of inequality of power and status, as well as resources. Consequently, this procedure involves evaluations of the extent of equality or inequality among the citizens. An acceptable relative standard takes into account the standard of living enjoyed by the non-poor and encompasses the right to be a fully participating member of the society. Townsend defines relative deprivation or relative poverty as 'the lack of resources necessary to permit participation in the activities, customs and diets commonly approved by society' [1979: 47]. This approach takes into account that human beings are not only physical, but social and psychological beings.

3. The Integrated Approach to Economic and Social Policy

The important lesson to have emerged from the operations of Western welfare states during the last forty years is that economic and social policy must be looked at together [George and Wilding, 1985: 145]. Economic growth does not, of itself, eliminate social problems; it may even create them. Equally, tackling such problems without growth is very difficult in that social welfare expansion needs economic resources which can most easily be obtained through economic growth. The integrated

approach stresses the need for a wider commitment to economic development and emphasises the importance of social interventions which are compatible with economic development objectives. As economic difficulties persist in many parts of the world, social programmes which are compatible with economic development are likely to attract widespread support.

To bring welfare in tune with the economic requirements of the society, the functional idea of welfare assumes that expenditures for social programmes should be consistent with the needs of the larger society, particularly economic productivity. In this sense, the functional idea represents a divergence from traditional residualists, who pursue a restrictive approach to welfare provision as well as from traditional institutionalists, who prefer open-ended welfare programmes. The functional conception stresses the reciprocity of social relations. That is, it reinforces social institutions and insists that beneficiaries participate in them in an appropriate manner. Viewed from this perspective, policies associated with the residual conception are too inhumane, while those associated with the institutional conception are too wasteful [Karger and Stoesz, 1990: 292-293].

Human capital theory is most closely related to functional theories of social development. We live in the era of an economic war replacing the decades-long cold war. The degree of competition in the international markets is expected to be much stronger in coming years. Korea has few advantages in science and technology, capital, or natural resources. Perhaps Korea's sole advantage in the international arena in the next century will lie in its workforce. Despite a rapid demographic transition to a more elderly population, for some 20 or 30 years the nation will continue to have a large proportion of its citizens in the workforce (see Table 6.1). Korea's future, therefore, depends on the extent to which it utilises its human resources to optimise production.

Consequently, education should have high priority in Korea. Some see the high levels of educational attainment among the Korean population and the almost insatiable demand for further higher learning as the key to the nation's rapid socio-economic development. However, free public education in Korea is limited to six years of primary school. Korea's education system is criticised for excessive emphasis on the race for high examination scores. This competition has led to a proliferation of tutors and private preparatory schools. As a result, financial strains are imposed on lower-income parents.

They are almost forced to spend relatively large amounts of money for private tutoring in addition to the expenses for formal schooling. To deal effectively with the problems of education, the huge sums parents spend on private tutoring for their children must be diverted to the public sector. All in all, free public education should be extended to the twelfth grade and scholarship opportunities in higher education need to be expanded.

For the working age unemployed or those without adequate incomes, an alternative approach, consistent with both a competitive market and social policy objectives, is to reorder policy priorities, from sole reliance on income transfers to greater emphasis on pro-active measures that are likely to move individuals into employment. The ultimate guarantee of self-sufficiency through earnings is through investment in skills: educational achievement, recurrent education, training and retraining throughout active life, and the development of a work ethic and skills sufficient to meet the competitive requirements of a changing labour market. In particular, the poor in Korea have the will for and high expectations of upward mobility. The Korean economy needs a large pool of manual workers, and the poor can fill the gap of excess demand for simple labour through vocational training.. Employers must also provide access to training for older workers, instead of pushing them into unemployment or into retirement. A significant component of this orientation is an emphasis on the encouragement of human potential as a legitimate end in itself, as well as a contribution to market efficiency - through prevention, rehabilitation, and treatment [OECD, 1994: 16].

4. A Future-Oriented Welfare Service

The social environment will change even more rapidly in the 21st century, and with it, national consciousness. Changes in life cycles, the family, gender roles, and the urban-rural structure, as well as the momentous changes to be brought about by reunification, will profoundly alter expectations of the welfare system. The very existence of a huge chasm between North and South will cause problems once a single nation is formed. Accordingly, especially important are plans for dealing with the problems of social welfare that will arise in the post-unification period.

As the population ages and family size drops, demand for welfare for the elderly will increase sharply. Welfare policy for the elderly should support socio-economic motives which keep the family system and make the welfare function of families more active in preparation for the inevitable ageing of Korean society. The health of the family, as the basic unit of society, is directly related to the health of the entire society. The welfare state was introduced to buttress the family as the basic unit of welfare provision, and to strengthen it in its various welfare functions [West, 1984]. However, in most Western welfare states, welfare benefits tend to have been provided to individuals after a breakdown in family functions rather than to support the family before breakdown [Moroney, 1976]. Such policies have resulted in an increase in the institutionalised population and ineffective and inefficient care services. The experiences of Western welfare states suggest that Korean society should develop more domiciliary-care programmes alongside some expansion of institutional-care programmes [Choi, S.J., 1996: 19]. That is, policy making should pay greater attention to developing various social services, including home health care and home help services, in order to strengthen the family's care function. The development of social services that can supplement or support the family's care function is especially desirable to Korean society because these efforts will be consonant with the traditional value of filial piety, which emphasises family care for elderly parents.

In formulating welfare policy, sensitivity to the role of women is essential. Korean society has been dominated by men, with women relegated to an inferior position. In the future, however, the division of gender roles will become blurred, and sweeping change will take place in family patterns and life styles. The national strategy for the future should be to utilise the available skills and competence of citizens with maximum efficiency, and at the same time, to create a society based on greater equality. Although it is desirable to maintain the traditional family structure and functions, a disproportionate share of the burden of providing welfare services should not fall on women. To this end, the government should work to institute an environment in which women can be equal with men in the workplace. In particular, the establishment of day care centres for children and the elderly, and the development of a new system of part time work and home-based work will be helpful policy measures. The active

participation of private companies is desirable for the accomplishment of these measures.

Korea's all-out effort to industrialise the nation has incurred ever-increasing social costs in terms of environmental degradation. Policy-makers as well as the general public, focusing on economic growth, only gradually became aware of the price of environmental deterioration. Recently, the environment has become an important theme in social welfare, as well as development debates; this has fostered the emergence of the concept of sustainable development. Proponents of sustainable development urge that all development activities should seek to meet current human needs without compromising the ability of future generations to meet their own needs. Sustainable development is, therefore, development that lasts and ensures that the interests of the next generation are secured [World Bank, 1992: 34]. Koreans must respond to the call of the environment. The call will be irresistible in the 21st century, as the Green Round reshapes the global order. If Korea ignores the environment, it will be hard pressed to survive in the international arena, and impossible for it to hand over a healthy nation to its next generation.

5. The Establishment of a New Partnership in Welfare

One of the lessons, which can be derived from the foregoing analyses, is that the promotion of social welfare requires that the formal and informal sectors develop together in a concerted way. The 'doctrine of pure state welfare' - the notion that the state could and should do everything - has collapsed in Western welfare states, whilst the belief in East Asian countries that family and community can bear all loads has similarly been undermined by experience. Thus, attention should be paid to the encouragement of individual initiative, the traditional strength of family or community support, as well as the development of institutionalised schemes based on national solidarity. In particular, it will be argued that social development in Korea is best promoted when the state plays a leading role. This notion of a shared responsibility, with its special emphasis on the role of the state in welfare, is crucial to the future development of social welfare in Korea.

One of the guiding principles for the design of alternative forms for social protection is that welfare services must be provided in ways consistent with Korean

culture. The most striking difference between Western countries and Korea is in the role of the family. In all the European countries while the family is still central to the production of welfare, the state does have an important role, although the evolution of that role, and the particular form it takes, varies. As we have seen earlier, however, in Korea families are much more alone as the main and basic institutions of welfare provision.

For the future development of social welfare, it is necessary for Korea to sustain and develop the welfare function of the family by preserving its virtues rather than to destroy it. It is ironical that while the family is the centre of welfare, there is no family-support policy. There are almost no cases in which families receive support or subsidy from the state except where they are eligible for public assistance. Many families today need government help through social welfare institutions to assist them with responsibilities. For those families in a position to function as the primary caregivers, support may mean that the government provides financial assistance or tax incentives to offset the economic stress involved in providing care services. What is proposed here is that by sustaining the family system in a more positive way and by assisting families to take care of old and infant members, the government might be able to construct a more humane society at less cost than initiating more public systems of care for the elderly or establishing more public nursery schools. However, the continuing usefulness of the traditional system of the extended family as the major source of social welfare grows problematic. It should be recognised that, even at their best, traditional forms of protection provide limited degrees of support for the needy. Such informal sources of social protection should operate mainly as co-producers with an umbrella of protection afforded by statutory programmes. A basic universal support system, which aims at providing support for the needy, should be established by the government.

Throughout this thesis, we have stressed the role of government in welfare. Indeed, the state is the only one which can guarantee the satisfaction of basic needs without discrimination. The state can ensure wider and more even coverage than informal sectors. By definition, it is the one institution which covers the whole of the nation. In addition, the search for equality will meet with resistance from those with vested interests in maintaining the status quo. Again, in many instances, the power of such interests can only be resisted by the economic, legislative and judicial power of the

state. In making these points, we by no means ignore the implications of crisis theories of the welfare state examined in Chapter 2. Yet, despite those critiques of welfare statism, the reason why we have consistently stressed the role of government in welfare is due to the extremely low level of state welfare in Korea. It is important to recognise that advanced welfare states are to a large extent a victim of their own success. It is the success of state welfare which has raised people's expectations of them and created the gap between demand and supply [Johnson, N., 1987: 57].

In the case of Korea, as we have seen earlier, the government has selected only the social protection programmes that are deemed useful and instrumental to the Korean national goals, such as the achievements of economic stability, growth, and political legitimacy. Further extension of social rights and entitlements has been avoided or delayed on the ground that they would cause excessive burden on the Korean economy or moral hazards. Instead, the role of the family in social welfare and the spirit of self-reliance have been deliberately re-emphasised through various pieces of state propaganda.

Although the Korean government is reluctant to build a costly welfare state, we need not be fatalistic. We can find an important source of pressure in recent democratisation. Indeed, democratic institutions and ideology are very important to the development of social policy. Democratic institutions make a territorial area into a political environment in which there is a right to govern. The governing party is made responsive to the electorate's wishes both by its having secured enough support to have the right to govern, and by the prospect of having to face re-election at some definite period in the future, when its conduct in office will be judged by the electorate [Weale, 1983: 179]. In addition, democratic ideology is also important because it can legitimate a major redistribution of political power and national resources in favour of the majority. Increased political equality has led to more social equality because the major electoral demand made on modern political elites has been for a more equalitarian distribution of material goods [Lenski, 1966].

Common arguments about the bad effects of authoritarian regimes in Korea parallel these perspectives. As noted in Chapter 3, the constitutions of the Fourth and Fifth Republics provided for the indirect election of the President and the legislative role of the National Assembly was greatly subordinated to the President. Fearing the

uncertainty of the outcome of democratic competition, political elites abolished the already limited democratic institutions and procedures. In this political environment, the populace was excluded from participation in policy making. The state occupied all social areas and spaces so thoroughly as to erase any possibility for autonomous activities by the citizenry. Democracy could not find a meaningful place in people's lives because the people did not have any opportunity to recognise the political effectiveness of democracy.

However, the collapse of authoritarian rule and its replacement with democracy in the late 1980s was clearly one of the most dramatic political developments in Korea's modern history. As a result of democratisation, contemporary Korean society has undergone tremendous socio-political changes. Popular expectation of distributive justice and equal participation in all major institutions is very high. In this new age of democracy where the civil society has become strengthened and activated, Korean society has witnessed the simultaneous eruption of various labour and social movements, including anti-poverty movements, consumer movements, anti-pollution movements, women's movements, educational movements, and so on [Lee, S.J., 1993]. In addition, greater local political autonomy, realised in 1991, provides a very important opportunity for community activities. With the formation of local assemblies, problems connected with the living environment began to emerge as a social issue in every part of the country.

One reason why these social movements are now active in Korea is the people's growing recognition of the importance of the quality of life. Demands from the masses for an improved life were oppressed under the pretext of promoting economic development and enhancing national prestige despite the fact that many people were threatened by crisis in their daily lives. There is no doubt that social change will make the government respond more sensitively to the demands of the people, contributing to the promotion of social welfare.

Finally, the welfare state does not mean that individual, family, or community responsibility is anachronistic. The realisation of modern, proactive welfare programmes does not mean the inevitable diminution of voluntarism and altruism. In fact, the voluntary sector has played a significant role in the Korean welfare system [Kim, SK., 1987; Sung, 1995]. This voluntary/state partnership does not necessarily imply that the

voluntary sector provides higher quality services than the government. It rather refers to the greater responsibility of the voluntary sector in mobilising welfare resources. In addition to the role of family, other groups in the private sector such as churches, non-profit and profit service organisations, business, and even mass media are notable welfare providers. They have sometimes assisted the socially disadvantaged, the marginalised with charity, relief, and professional services.

There is little doubt that the voluntary sector will be an important source of welfare in the future too, especially with government encouragement. Welfare service requires many helping hands and warm hearts. Since, in general, Koreans are highly educated, warm hearted and possessed of a strong desire for self-actualisation, these characteristics can be cultivated and put into good use in social work. The example of welfare organisations flourishing under private sponsorship demonstrates that the private sector can make important contribution to social welfare.

In order to effectively utilise the voluntary sector, it is very important for the government to play a positive role in facilitating, co-ordinating and directing the efforts of diverse groups of individuals, groups and communities. In particular, the government should provide resources for the fulfilment of public goals. As George and Wilding argue [1985: 145], the core of the partnership must be government commitment to provide the necessary funds and services for otherwise the primary burden will continue to fall on women as unpaid labour.

SUMMARY

This thesis has attempted to answer three basic questions in the context of a comparative study: (1) Why and how has Korea developed the social welfare system we find today? (2) To what extent have Korea's social policies been effective for improving social security and equality? (3) What type of welfare state development ought to happen in Korea in the near future?

It is generally argued that the modern welfare state emerged in Western societies at the end of the nineteenth century in response to social problems arising in the course of industrialisation, and that its construction was driven by the democratic class struggle. Industrialisation caused immense social problems, such as proletarianisation of the lower class, urban poverty, industrial accidents, and the rise of cyclical unemployment. These problems caused intensified class conflict, the mobilisation of the new working class and its organisation in trade unions and labour parties. The mobilisation of anti-system forces was moderated and mediated to some extent by the institutionalisation of industrial conflict, the more general institutionalisation of class conflict through the evolving parliamentary institutions, and finally by increasing state intervention and the creation of new public institutions. Furthermore, sustained economic growth enabled the European states to take a larger share of the national product, which could be used for development of the economic infrastructure and for social welfare. In particular, during the so-called golden age of the welfare state (1960-1975), European welfare states witnessed the unusually rapid growth of national incomes, which became the foundation for the national consensus on the enlargement of social welfare. The welfare state was accepted by capital in that it secured a better workforce and industrial stability, by workers in that it satisfied somewhat their welfare aspirations, and by the state in that it is necessary for maintaining social order, and securing international competitive power. In addition, widespread and shared risks under exceptional circumstances, for example in times of war and economic crises made a decisive contribution to the formation of such a consensus.

From the mid-1970s onward, the global economic slump and the changing environment of social policy - for example, the increasing financial capacities of private households and growing consumerism - have intensified pressures to reduce welfare expenditure. Indeed, the symptom of retrenchment of the welfare state can be detected in many countries, especially in Britain and the United States. However, as discussed in Chapter 2, there is no evidence that the welfare state in the advanced industrial nations is being dismantled; it is more accurate to say that it is being restructured to better adapt to the changing rates of economic growth and new circumstances.

Concerning the new agenda for the future of the welfare state, many commentators argue that a number of restructuring imperatives will tend to force the welfare state ever closer to a 'residual', 'market-oriented' or liberal welfare state. Nevertheless, whatever these restructuring strategies may be, it is certain that the state will still be a main agency guaranteeing the basic human needs of survival and autonomy to every citizen in modern society. A comprehensive social welfare system is necessary because traditional familial, communal, or private market welfare arrangements are wholly inadequate. The conclusion of this analysis is that the welfare state has become a core institution within modern social structures for which there are no effective functional equivalents.

In contrast to the Western European experience of the development of the welfare state, Korea demonstrates quite a different trajectory. First of all, the fact that industrialisation and democratisation developed simultaneously in western Europe is very suggestive in comparing Europe with Korea. As described in Chapter 3, Korea had been under colonial rule until World War II. What it inherited from the past was absolute poverty and illiteracy in a great majority of its people. Korea commenced a nation-wide economic development plan for economic growth, and thus emancipation from poverty, in the early 1960s. It was a deliberate economic revolution led by the state, rather than a natural one from below. That is to say, this late industrialisation led to the emergence of the strong developmental state in Korea. The rise of the developmental state in Korea was born out of the need for national survival, and it grew on the basis of a nationalist project of self-affirmation of cultural and political identity in the world system.

As discussed in Chapters 3 and 4, political democratisation was suppressed until recently in favour of rapid economic growth, and this resulted in the lack of popular sector power to pressure the state to introduce more generous welfare programmes. In addition, Korea's developmental elites chose a strategy of unbalanced development which promoted economic development preferentially at the expense of the social sector. Within this perspective, Korea's social welfare system can be justified by a common principle that social welfare programmes should not hamper the economic development process and require only minimal financial support from the state. Overall, the organising principle of Korean social policy is very similar to a Bismarckian approach to social security policy. The timing of policy adoption is related to the state's pre-emptive strategy for reducing distributional conflicts and facilitating economic growth. The ruling elites in Korea have never thought of social welfare as an institutional concept. They consent to the residual model of social welfare: that social welfare programmes should come into play only when the normal structure of family and market breaks down. They prefer to keep funds flowing into the productive sectors of the economy, to encourage the work place and the family to share welfare burdens, and to supplement private welfare with state funds only when it is essential to do so. Thus, social welfare philosophy in Korea has not involved any radical vertical redistribution of income or diversion of resources from more immediately productive uses. The Korean government has stuck with the 'trickle-down' approach which expects that economic development ultimately contributes to the improvement of living standards.

Furthermore, the poor performance of social welfare policy in Korea is not entirely due to the government's neglect or indifference. It partly reflects important social values in Korean society. As discussed in Chapter 3, the Confucian ethic stresses family relationships and causes Koreans to feel strong ties and loyalties to their relations, and this explains why Koreans have tendency to be less dependent upon the social security programmes.

As a consequence, Korea is both globally unique and a hybrid of existing welfare state characteristics. It shares with the continental European model, especially the German version of the welfare state, an emphasis on familialism and an aversion to public social services. In the process of social welfare development in Korea, as discussed in Chapter 4, the main emphasis has been on social insurance schemes. They can continue to expand under the auspices of 'governmental services' and paternalistic

concern, while the actual costs of the programmes to the government are quite low because it usually subsidises only the administration cost. In addition, this approach provides the regime with a highly visible and concrete symbol of an ongoing progressive commitment to welfare, mainly due to the expanding coverage of social insurance. Korea's embryonic social insurance schemes have tended to follow the European tradition of occupationally segmented plans, favouring particular privileged groups such as the civil service, teachers, workers in the large industrial sector and the middle classes.

In contrast to the relatively well-developed social insurance programmes, other welfare programmes such as public assistance and social welfare services (for the disabled, the elderly, children, women, and the mentally handicapped) remain underdeveloped. In particular, the level of benefits provided by public assistance programmes remains very low, and many needy people are not covered by social insurance schemes due to financial and organisational problems. As a result, in Korea social security is far from comprehensive, nor does it aim to secure a national minimum standard of living. Moreover, this organisational form of social security fails to reduce inequality. Korea's welfare system, on the whole, remains at the initial stage of becoming an active welfare state.

In recent years, Korea has faced a set of challenges which arose essentially from the processes of industrialisation, democratisation and globalisation, and these are leading to the emergence of a host of new welfare problems. First, as discussed in Chapter 3, Confucianism has had a deep influence on many parts of the Korean traditional social culture. In particular, Confucianism emphasises the role of the family in welfare. However, modernisation and industrialisation challenge and modify these traditional values and norms, causing increasing demand for social welfare protection and provision. The rapid industrialisation and urbanisation has led to family dissolution and, in its wake, a diminishing of the significant family role in welfare. Moreover, as the population ages and family size drops, demands for welfare assistance for the elderly will increase sharply. Changes in women's work patterns and family structures continue to challenge the traditional arrangements for protecting children and the aged and traditional ways of organising essential social services. Changes in life cycles, the

family, gender roles, and the urban-rural structure will profoundly alter expectations of social welfare.

Secondly, recent democratisation has triggered a simultaneous explosion of a range of long-suppressed social demands including those for distributional justice and a better quality of life. The alienated class groups hidden in the shadow of economic development have increased their demands for welfare as a social right. Undoubtedly these demands for more comprehensive social reform, which have emerged in the context of greater democratisation, will be the most crucial force to shape the future for Korean society and the quality of life for its people.

Finally, globalisation requires economic openness which, in turn, entails tougher competition and greater vulnerability to international trade, finance and capital movements. In the face of globalisation, the Korean economy is being squeezed on two fronts: while Korea loses its competitive advantages in labour and middle-level, technology-intensive, lower-cost products, it now faces difficulties in establishing competitive edges in differentiated products that are capital- and technology-intensive.

In response to the growing pressure of globalisation, some critics of the welfare state argue that the time is not ripe for introducing more comprehensive social protection programmes in Korea. However, we have argued that, even in the face of the stark realities of globalisation, it is very important for Korea to improve the national welfare. Korea's modern economic development success has been built upon a strong co-operative relationship between workers and employers, and more broadly between all income classes of the nation. The greatest difficulty - in fact, the crisis - that faces the Korean economy today is that such co-operative discipline no longer exists in the society. Most scholars agree that in Korea, by-and-large, rapid economic growth was a substitute for social welfare programmes during the last three decades. We do not reject the importance of economic growth. Rather, we keep an eye on the fact that the realisation of rapid growth in output does not automatically result in an appropriate fulfilling of the basic needs of all segments of the population. Furthermore, many Korean people now believe that the benefits of economic growth have been unevenly distributed and have failed to reach the poor. This has led to explicit social conflicts, which, in turn, may threaten the social order and also hinder sustained economic growth.

We thus hold that what Korea requires to overcome the present economic difficulties is to re-create national co-operation and social integration by improving social welfare.

In addition, it should be noted that globalisation implies the need for sweeping industrial restructuring and, in its wake, the likely emergence of unemployment and a host of new welfare problems. So far, the Korean economy has suffered labour shortages rather than unemployment, and this has helped minimise the income risks of the male breadwinner and has sustained families' caring capacities. But this is not likely to continue indefinitely.

Thus, this analysis implies that Korea can no longer avoid the reality that the welfare state is an intrinsic part of modern society. Korea has to construct a viable welfare state in which all people are able to lead comfortable lives without sacrificing sustained economic growth in the process. The future welfare policy of Korea should learn the lessons and win the advantages of western welfare states as well as develop Korea's traditional values and cultural assets, such as familialism, the family's welfare function, the spirit of community mutual help, and familial relationship in enterprises. In other words, the construction of a Korean welfare state should be based on harmony between the free-market ideals of efficiency and self-support and the non-market ideals of equality and solidarity. Therefore, a desirable welfare model will limit the expansion of welfare so as not to inhibit economic growth, but sustain social integration by insuring the basic needs for all citizens of the nation. In this sense, a mixed model, which combines the merits of the Swedish and Japanese models of welfare, seems suitable for the realities of Korean society.

For this model to be implemented effectively in Korea, five basic directions for social welfare development can be suggested. First, Korea should improve and expand the existing social welfare programmes to meet the basic needs of all citizens. Special emphasis should be placed on protecting socially vulnerable groups. Secondly, Korea should address all those factors which seemingly promote, rather than reduce, unjust inequalities. These efforts require various and major reforms, on which the contradictory interests of many, and especially those of the richer and the poorer, depend. We believe that a more cohesive society can be achieved by reducing inequalities. Thirdly, an important objective in the process of welfare improvement should be the balancing of possible negative trade-offs between social equity and

economic efficiency. Social policy should contribute to human capital development. The national strategy for the future is to utilise the available skills and competencies of the citizen with maximum efficiency. Fourthly, social policy must be sensitive to new demands for social welfare arising from social changes. In particular, greater attention should be paid to developing social services for the elderly and for women. Finally, Korea has to build a cost-effective welfare state. It needs systems of shared responsibility which require concerted efforts from the family, the state, and informal sectors. As a foundation for the effective implementation of these principles, however, it goes without saying that the government has a fundamental responsibility to secure a basic standard of living for the entire people. Welfare without the state is an illusion.

To conclude, it is an extremely difficult task to build a more generous and comprehensive welfare state in a Korea where anti-collectivism is well-rooted. Critics of the welfare state argue that fostering the rapid growth of the economy, at the expense of social welfare development, must remain the state's first priority. They fear that the establishment of a comprehensive welfare system will jeopardise Korea's comparative economic advantages (for example, cheaper labour and the low level of the social security burden). However, there are more fundamental questions. What is the final object of economic growth? Is sustained growth possible in a society where there is rising inequality and poverty? Is there necessarily a trade-off between efficiency and equality? Can we expect national co-operation in divided and atomised communities where cohesion is weak? By way of example, Israel, after only forty years of statehood, has succeeded in building a comprehensive system of social protection, including national insurance, public assistance, and occupational and other statutory benefits [Doron and Kramer, 1991]. Welfare policy in Israel is driven by the aims of national integration and mobilisation in a state surrounded by a hostile international environment. In this sense, welfare itself is a strategy for the very survival of the Israeli state. Korea must recognise that the initial impetus behind the post-war welfare state went beyond narrow social policy concerns. As mechanisms for providing a social safety-net, social integration, the reduction of class differences, and nation-building, the advanced welfare states have been hugely successful. The market may indeed be an efficient mechanism of allocation, but not for building social solidarities which ultimately sustain a society. There is little doubt that

these more intangible achievements constitute the ultimate and necessary objective of welfare state evolution in Korea.

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