

Continuity and Change in the Korean Welfare Regime

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Abstract

As a result of the consolidation of democracy and the spread of globalisation, the Korean welfare regime has undergone significant changes. This article examines the changes that have occurred since the 1990s. Overall social policy has benefited from a marked increase in expenditure since the 1990s. This has been especially visible in terms of the ratio of social expenditures to GDP, which reached 11 per cent by 1998. These changes in Korean social policy brought about a readjustment of the roles of both government and the private sector. The development of income maintenance programmes has been the core change within the Korean welfare regime. Unlike income maintenance programmes, public social services have developed at a rather sluggish pace. The provision of social services has long been regarded as the responsibility of the family and has changed relatively little in comparison to income maintenance programmes. Although Korean social policy has undergone remarkable changes, it would be erroneous to argue that a complete shift in the welfare regime has taken place.

Introduction

Korean social policy has developed at a rapid pace since the 1990s. What has been especially remarkable in this regard is that these changes have continued unabated through significant transitional periods, such as the Asian financial crisis and the inauguration of a new government. Moreover, while advanced welfare states have, of late, tended to scale back their welfare systems in order to meet the demands of a global economy, Korea has taken a different route, opting instead to expand, even if very slightly, its welfare regime, despite having had to grapple with such difficulties as a major financial crisis.

As a way of analysing the changes that have occurred within the Korean welfare regime, this article singles out two factors for special consideration. First, the extent of change is assessed with respect to the degree of poverty alleviation and inequality reduction. The development of social policy needs to be judged in terms of effective output as well as in terms of input. Previous studies show that

analyses of social policy have tended to yield significant variations depending on which aspect – expenditure or policy effect – is considered (Mitchell, 1991; Castles and Mitchell, 1992). Second, this study also employs social services,¹ which to date have been regarded as less important, as a variable. While the public provision of social services has been regarded as a very useful tool with which to measure the degree of a country's development of social policy or to analyse the nature of welfare politics (Esping-Anderson, 2000; Huber and Stephens, 2001), the general belief among scholars has been that, when it comes to measuring changes in a state's welfare regime, it is a less important indicator than an income maintenance programme and, for this reason, has tended to be treated with a certain amount of indifference. In contrast, this article analyses the changes that have occurred in the provision of social services, which are one of the core elements of the Korean welfare regime.

The consolidation of democracy and the spread of globalisation

Until the mid-1990s the Korean welfare regime was widely perceived as an 'underdeveloped state welfare – comparatively more developed corporate welfare – culturalized relation-based welfare' (Hong, 1999). The concept of relation-based welfare (*yeon bokji*) designates that the welfare provisions are produced within family, lineage, locality and alumni relationships and distributed through those relations. Such phenomena as strong familialism, an emphasis on filial obligations and the large amount of private income transfers in Korea illustrate the importance of relation-based welfare.

The general backwardness of the Korean welfare regime at that time can easily be assessed through the use of various indicators designed to ascertain the degree of development of a nation's social policy, including the size of state welfare expenditures, the period in which each policy was introduced, and the characteristics of the state's main welfare institutions (Kim and Hong, 1999). Meanwhile, this underdeveloped state welfare was accompanied by a rapid increase in corporate welfare. As a result of both the internal and external pressures to business organisations that emerged from the middle of the 1980s onwards, corporate welfare rapidly expanded. Finally, the relation-based welfare that emerged as a result of culturalisation has been used by the government as a means of responding to the growing desire for welfare benefits among its citizens.²

The current Korean welfare regime was introduced during the 1960s by the authoritarian regime of Park Chunghee to complement its export-oriented, low-wage production system. Despite the marked ineffectiveness of the system and passionate calls for reform, Korean social policy remained by and large the same until the mid-1990s. However, with the financial crisis of 1997 and the inauguration of the Kim Daejung administration in 1998 serving as the

turning point, serious changes began to be made to Korean social policy. While the financial crisis caused a rapid increase in the number of unemployed and poverty-stricken individuals, the transfer of political power from the ruling party to the opposition helped further invigorate interest in bringing about welfare policy reform at the societal level, while it also ushered in more welfare-oriented measures. As a result, since the end of the 1990s, the direction of Korean social policy has shifted tremendously. In response to the rapid increase in the number of unemployed, the Korean government improved the eligibility rules for and expanded the benefits level of employment insurance; it has universalised the National Pension Programme, as well as the National Health Insurance administration systems. Of particular importance was the introduction of the National Basic Livelihood Security Act, designed to improve existing poverty reduction measures. A comparison of the size of the budget (2.6 times larger) and of the number of people who received this basic livelihood benefit (3.5 times more) between 1998 and 2001 reveals the tremendous changes that have occurred within Korean social policy (Ministry of Health and Welfare, 2001).

Given the period in which these changes occurred, the outbreak of the financial crisis and the advent of the Kim Daejung administration can be seen as important turning points in the history of the Korean welfare regime. Nevertheless, two streams of thinking should be used to analyse these changes: the consolidation of democracy and the spread of globalisation. These emerged as the dominant forces behind the changes that have occurred in Korean society since the 1990s. The universal principle – that the consolidation of democracy in turn brings about improvements in social policy – has also been applicable to Korea. One of the most important tasks that emerged with the arrival of democracy in 1987 was the reform of the exclusion of labour that arose as a result of the authoritarian regime's industrialisation drive, with the expansion of state welfare becoming a byproduct of such reform efforts. All of the administrative changes since the restoration of democracy have identified the comprehensive reform of labour politics and the expansion of state welfare as important features of their reform agenda. This was even the case with the Roh Taewoo administration, which was inaugurated in 1988 and considered by most to be nothing more than an extension of the previous authoritarian governments. The Kim Youngsam administration, inaugurated in 1992, also undertook a series of changes that were accompanied by political rhetoric about the need for the *globalisation of the quality of life*. However, as the Kim Youngsam administration came to power by allying itself with the existing power structure, it found itself hard-pressed to actually implement any social policy changes involving anything beyond simple political rhetoric.

Actual changes to social policy were first carried out under Kim Daejung, who introduced the pursuit of *productive welfare* as an important part of his policy agenda. Although the implications of *productive welfare* will not be dealt

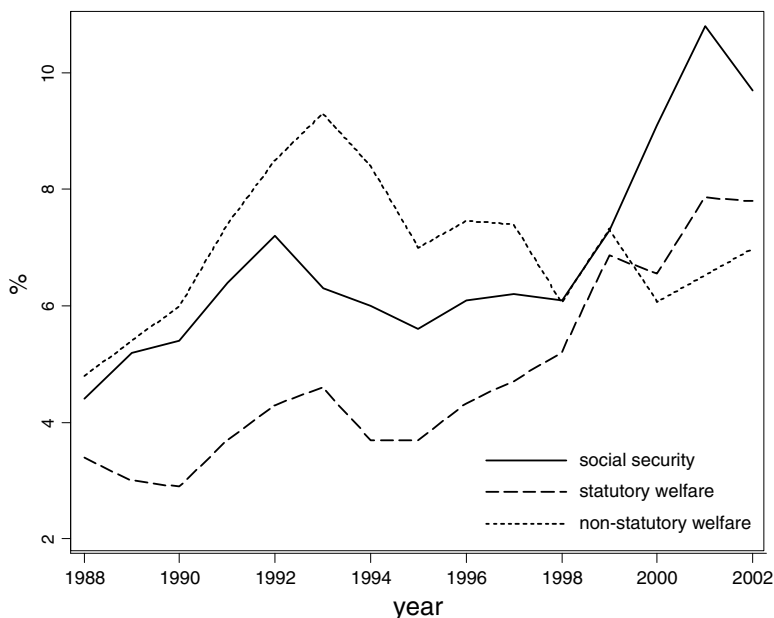


Figure 1. Changes in state and corporate welfare expenditures, 1998–2002.

Notes: Social security is the social security budget as a percentage of the total government budget. Statutory and non-statutory welfare constitute the expenditures as a percentage of total labour cost in companies with more than 30 employees.

Source: Ministry of Health and Welfare (2002); Ministry of Labor (Years 1989–2003).

with here in great detail, its importance can be measured by the fact that this marked the first time the expansion of state welfare came to be seen as a strategic government goal.

Figure 1 shows the ratio of social security expenditures to the overall government budget, and of the changes in statutory and non-statutory welfare expenditures to overall labour costs in corporations with more than 30 employees after 1987. Social security expenditures rapidly increased from 1988 to 1992 during the Roh administration, and from 1998 to 2001 under Kim Daejung. The Roh administration is widely seen as the first period of the democratisation drive and as one in which democracy began rapidly to take root as a result of various social movements, including the labour movement, which exploded on to the scene during this period. In fact, the government's implementation of the National Pension Programme, expansion of the Medical Insurance Programme, and introduction of a minimum wage system came as responses to the increased demands being made by these social movements. However, as a result of the failure of the labour movement to turn itself into a viable political force, as well as of the strengthening of vested interests that held on to power through the merger

of the three main political parties, reform of the exclusion of labour remained an unfinished task. As such, no significant improvements to social policy were carried out under the Kim Youngsam administration, which came to power after Roh. Meanwhile, social security expenditures began to rise as democracy was further consolidated as a result of the transfer of power from the ruling party to the opposition.

Trends in statutory and non-statutory welfare expenditures also show that the end of the 1990s was an important turning point. Previous authoritarian governments had perfected the art of delegating a portion of society's welfare demands to the corporate sector and the family. Consequently, the characteristics of the Korean welfare regime came into being as the result of the government's practice of placing the burden on the shoulders of the corporate sector and families. This is why in the past the corporate sector's non-statutory welfare expenditures always outpaced statutory welfare expenditures. This phenomenon has been unique to Korea (Kim and Hong, 1999). Even in Japan, a country in which corporate welfare is comparatively well developed, the size of statutory welfare expenditures has remained at least two or three times larger than that of non-statutory welfare expenditures.

As can be seen from Figure 1, the relationship between statutory and non-statutory welfare expenditures began to change during the latter part of the 1990s. The ratio of non-statutory welfare expenditures to total labour costs began to decrease from 1993. More to the point, in the aftermath of the financial crisis, non-statutory welfare expenditures decreased to 7 per cent of overall labour costs. Meanwhile, statutory welfare expenditures, which had remained below 5 per cent of overall labour costs before the financial crisis, began to increase rapidly from 1998 onwards, before finally exceeding non-statutory welfare expenditures in 2000. These opposite trends continued through 2001, with the two moving even further apart. These changes within the private sector have been caused by the expansion of state welfare. However, more important in this regard have been the changes in the division of the roles between the government and the private sector *vis-à-vis* social welfare in the aftermath of the financial crisis.

Thus, the question becomes what has been the main reason for this change in the social welfare roles of the government and the private sector? This article is based on the assumption that these changes are closely related to the spread of globalisation. The core of globalisation, which can be summarised as the liberalisation of markets, increased privatisation and deregulation, appears on the surface to be antithetical to the expansion of state welfare. However, upon further inspection, it becomes evident that the effects of the spread of globalisation on social policy have not been completely one-sided (Rodrik, 1996; Garrett, 1998; Huber and Stephens, 2001). As the spread of globalisation influences a nation's social policy through intervening variables, the characteristics of these intervening variables become more important.

As the changes to its social policy have been caused by two intervening variables, Korea can also be included in this category. First, globalisation exposes the problems associated with underdeveloped state welfare. More to the point, the financial crisis which suddenly emerged at the end of 1997 dramatically demonstrated the gross inadequacy of the Korean welfare regime. The conditions imposed upon Korea by the IMF to resolve the financial crisis resulted in a qualitative drop in the labour force and in the further deterioration of income distribution. This drop in labour force quality threatened the institutional soundness of the social insurance system and increased the populations not benefiting from the state's social policy. On the other hand, the further deterioration of income distribution led to the dismantling of the middle class that had been created by authoritarian industrialisation, and rapidly swelled the ranks of the poor. However, the absence of an effective social security system meant that the government's response to these problems was for all intents and purposes non-existent. The Temporary Assistance for Needy Families programme, which was implemented for only a short period of time, was nothing more than a paradoxical measure that helped demonstrate the massive shortcomings of the Korean social welfare system.

The expansion of neo-liberal global standards has also limited the private sector's potential market growth. Thus, to maintain global standards and restructure their corporate management in order to maintain international competitiveness, individual companies began to shirk the social welfare responsibilities that had been passed to them by the government. On the other hand, to cope with the changed international economic environment and abide by IMF conditions, the Korean government had no choice but to reclaim responsibility from the private sector for providing a system of social welfare. A tripartite commission of government, business and labour, established in the aftermath of the financial crisis, was an expression of this readjustment of previous social welfare roles.

Changes in Korean social policy

Analytical methods

Income maintenance programmes

The effect of income maintenance programmes on the reduction of poverty can be calculated by comparing the level of pre- and post-transfer poverty. To estimate these two measures of poverty, scholars categorise the diverse sources of household income into two components. First, pre-transfer income (or market income) is defined by the sum of income from market activities (such as wages, salaries, income from self-employing business and farms, and cash property income) and private transfers (such as private pensions, child support and alimony, and other private transfers). From pre-transfer income, the addition of welfare transfers (such as cash benefits from public pensions, unemployment

insurance, workman's compensation, child allowances and public assistance) constitutes post-transfer income.³ Before a comparison of pre- and post-transfer poverty can be undertaken, certain standards need to be decided regarding the measurement of poverty. In this study, we rely on the relative concept of poverty⁴ and use 50 per cent of median income as the relative poverty threshold. We also apply the equivalence scale, which is given as 0.5, to adjust the poverty threshold for differences in household size.⁵ We use the headcount ratio, average poverty gap ratio and FGT index ($a = 2$) developed by Foster *et al.* (1984) as poverty measures. Following this approach, estimates of pre- and post-transfer headcount measures are made by observing the number of families for whom pre- and post-transfer incomes were below their respective poverty levels.

$$\text{Poverty reduction effect} = \frac{\text{pre-transfer poverty} - \text{post-transfer poverty}}{\text{pre-transfer poverty}}$$

The extent to which income maintenance programmes can ease income inequality is one of the important indicators used to analyse their effectiveness. This article uses the Gini coefficient to calculate income inequality.⁶

$$\text{Inequality reduction effect} = \frac{\text{pre-transfer Gini} - \text{post-transfer Gini}}{\text{pre-transfer Gini}}$$

While these methods of evaluating the effectiveness of income maintenance programmes can be regarded as being more accurate than those focusing solely on inputs, there is debate about selectivity, or targeting, which is usually used to refer to whether the eligibility rule for welfare benefits is related to the income of recipients (Mitchell *et al.*, 1994). In this respect, social insurance programmes are regarded as universal because they are usually related to past earnings or contributions, not to the current income of recipients. On the other hand, public assistance programmes are generally based on income-testing, and thus regarded as 'selective'. Therefore, even though two income maintenance programmes may have the same amount of inputs, their poverty reduction effects may have different degrees of selectivity. Analysing changes in the selectivity of income maintenance programmes is clearly important. The degree of selectivity can be determined by looking at the proportion of transfer benefits received by the pre-transfer poor.⁷

Social services

Although public social services do not enjoy as large a portion of the budget as income maintenance programmes, they are nevertheless regarded as important indicators of the development of a state's social policy in two regards. First, the development of public social services is often regarded as the standard against which the overall welfare regime can be judged. In the case of the Korean welfare regime, until the middle of the 1990s provision of social services was regarded as

the responsibility of the family, something that belonged to the pre-commodified sector. While social services can be provided by markets as a form of commodity in liberal welfare regimes, in social democratic welfare regimes social services provided by the state tend to become de-commodified (Esping-Andersen, 1990). In particular, conservative-corporatist welfare regimes and social democratic welfare regimes are usually differentiated from each other not by their income maintenance programmes, but by their social services (Esping-Anderson, 2000; Huber and Stephens, 2001).

The public provision of social services is also important in that it is closely related to the political mobilisation of the welfare coalition, or what is known as social welfare politics. The social foundation needed to expand a state's social policy is no longer limited to the labour unions that have traditionally been seen as pro-welfare. Rather, the issue of whether women voters and welfare providers will join the welfare coalition, which is closely related to the characteristics of the social services offered, has also become a core factor in mapping out the characteristics of a state's social policy (Sainsbury, 1996; O'Connor *et al.*, 1999).

For consistency, the effects of these social services had to be analysed in the same manner as for the income maintenance programmes. However, the analytical tools and materials with which to measure the effects of social services leave a lot to be desired, and the only accurate way of analysing importance is to focus on input. We compared changes in social service expenditures with changes in income maintenance expenditures. In the same way that the industrial structure has advanced and the market economy has developed, the size of the labour force employed in service industries has also increased as a result of the commodification. Social services have been no exception. The expansion of social services and the increase in the labour force employed in the social service industry have been rapid in advanced countries entering the post-industrialised era. This development has in large part been the result of an increased demand for social services occasioned by the growing participation of women in the labour market. This rapid expansion of social services was also in large part due to the government's belief that this industry was able to absorb the surplus workforce that arose as a result of the increase in productivity (Iversen and Wren, 1998; Iversen, 2001). This article uses the changes in the size of the labour force employed in the social service industry as another input indicator.

Changes in income maintenance programmes

In order to analyse how income maintenance programmes' poverty and inequality reduction effects have changed, the necessary micro data, which include information about household income, must be collected. In Korea, two such sources exist: the Urban Family Income and Expenditures Survey (UFIES), and the National Survey of Family Income and Expenditures (NSFIE). By collecting information on family income and other related data by asking

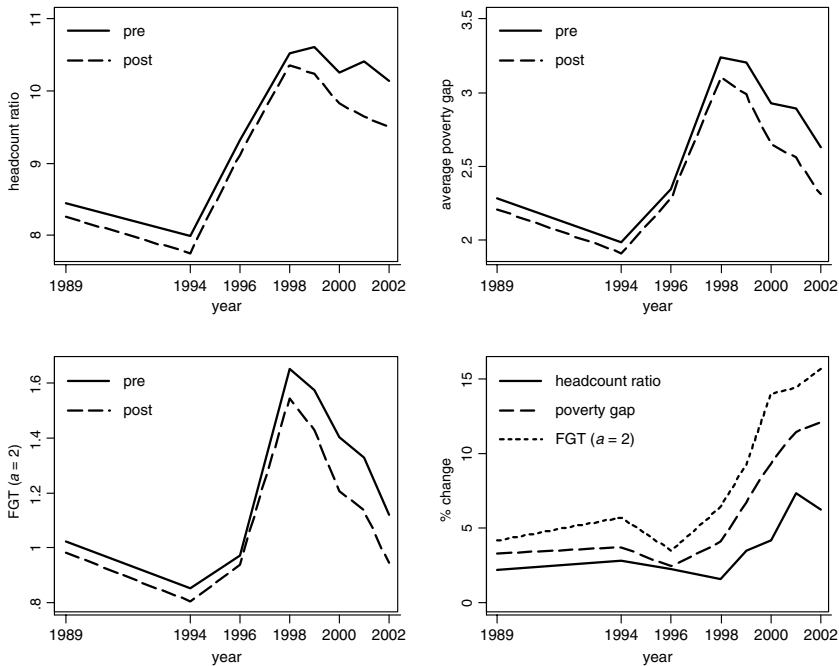


Figure 2. Poverty reduction effects of income maintenance programmes, 1989–2002.
 Source: Authors' calculation from the Urban Family Income and Expenditures Survey.

survey participants to record directly their own household expenditures, the UFIES provides comparatively accurate income data. However, this survey does not include the agricultural and fishing industries, rural areas with a higher poverty rate than urban ones, and does not provide information about the income of single families and self-employed households. On the other hand, the NSFIE includes data on the income of single families, households in agriculture and fishing, as well as on the self-employed. However, since 1991, the NSFIE has been conducted only on a five-year basis.

Based on data collected from the UFIES in each of six years, Figure 2 shows the effect of income maintenance programmes on poverty reduction. Poverty can be defined and measured in a variety of ways; we used the headcount ratio, average poverty gap ratio and FGT index ($a=2$). Although poverty trends and the effects of income maintenance programmes on poverty reduction differ according to which measures are employed, the results show quite similar tendencies.

The rapid economic growth that was the result of the authoritarian industrialisation launched in the 1960s produced various problems, but it also contributed to the reduction of absolute poverty and the easing of income inequality. However, when we look at Figure 2, it is evident that the problem of poverty has become serious since 1994, and especially in the period immediately

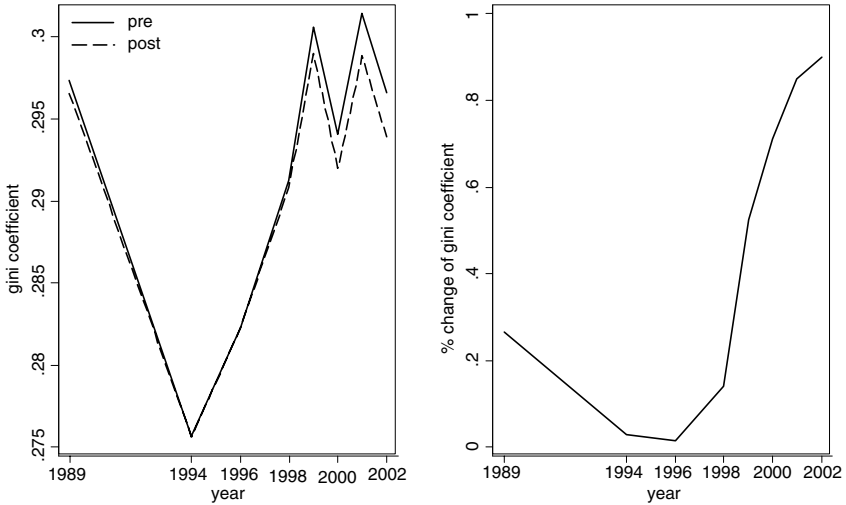


Figure 3. Inequality reduction effects of income maintenance programmes, 1989–2002.
 Source: Authors' calculation from the Urban Family Income and Expenditures Survey.

following the financial crisis: from 1998 to 2000. For instance, while the poverty headcount ratio after public income transfer (post) stood at 7.75 per cent in 1994, it rose to an alarming 10.36 per cent in 1998 before dropping back slightly to 9.83 per cent in 2000. Although the seriousness of the poverty problem decreased somewhat after 2000 when the financial crisis began to abate, the number of people below the poverty line has still not returned to pre-1994 levels.

How much have income maintenance programmes contributed to decreasing relative levels of poverty? Before 1998, the poverty reduction effect of income maintenance programmes was minimal. This is easily shown by looking at the narrow gap between the first three graphs in Figure 2, which display the poverty reduction effect of the income maintenance programmes before and after public income transfer (respectively, pre- and post-). The fourth graph in Figure 2 conveys the reality of this phenomenon even more clearly. As the poverty reduction effect of income maintenance programmes was very minor until 1998, the actual trends for this period are hard to discern. However, this situation was completely different after 1998, as the poverty reduction effect became much more pronounced.

Analysing the inequality reduction effect of the income maintenance programmes produces quite similar results. The left-hand graph of Figure 3 displays income inequality before and after public income transfer as a Gini coefficient. As was the case with poverty, income inequality has worsened since 1994. Prior to 1998, the income maintenance programmes had no significant inequality reduction effect, as shown by the absence of any real gap between the Gini coefficients in Figure 3. The Gini coefficients computed for pre- and

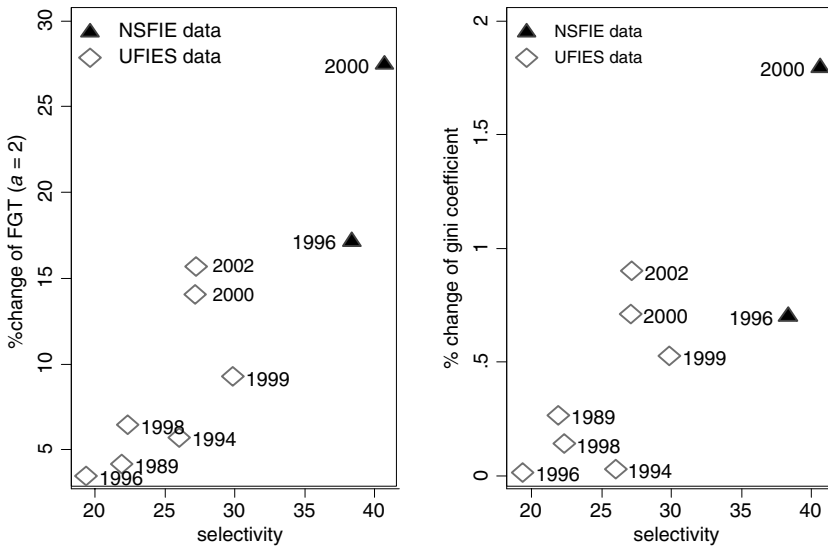


Figure 4. Trends in the development of the income maintenance programmes, 1989–2002.

Source: Authors' calculation from the National Survey of Family Income and Expenditures; Authors' calculation from the Urban Family Income and Expenditures Survey.

post-transfer distributions in 1989 were 0.297 and 0.296 respectively: a negligible difference. In 1994, 1996 and 1998, the inequality reduction effect of these income maintenance programmes was also insignificant. Change began after 1998. In 2000, the Gini coefficients were 0.294 before public transfer and 0.291 afterwards. In 2002, they were 0.297 before and 0.294 after. Looking at the right-hand graphs of Figure 3, we can see that the inequality reduction effect of income maintenance programmes began to increase from 1996 onwards, and that this trend has increased rapidly since 1998.

It is therefore evident that the poverty and inequality reduction effects of income maintenance programmes have continuously increased since 1998. To help understand such findings, Figure 4 compares the poverty and inequality reduction effects of income maintenance programmes with the degree of selectivity. Although the poverty and inequality reduction effects have increased, if this had been the result of the expansion of selectivity, which strengthens the limitations placed on the criteria used to select those who receive benefits from income maintenance programmes, these programmes can hardly be regarded as being developed. We can see that, while the effectiveness of income maintenance programmes increased, the degree of selectivity also increased during the period 1996–1999. Nevertheless, while the increase in the effectiveness of these income maintenance programmes has reached a higher level than ever before, the degree of selectivity has actually eased since 1999. Overall, the effectiveness of the programmes has increased since 1999; however, this has not occurred as a result of the strengthening of selectivity.

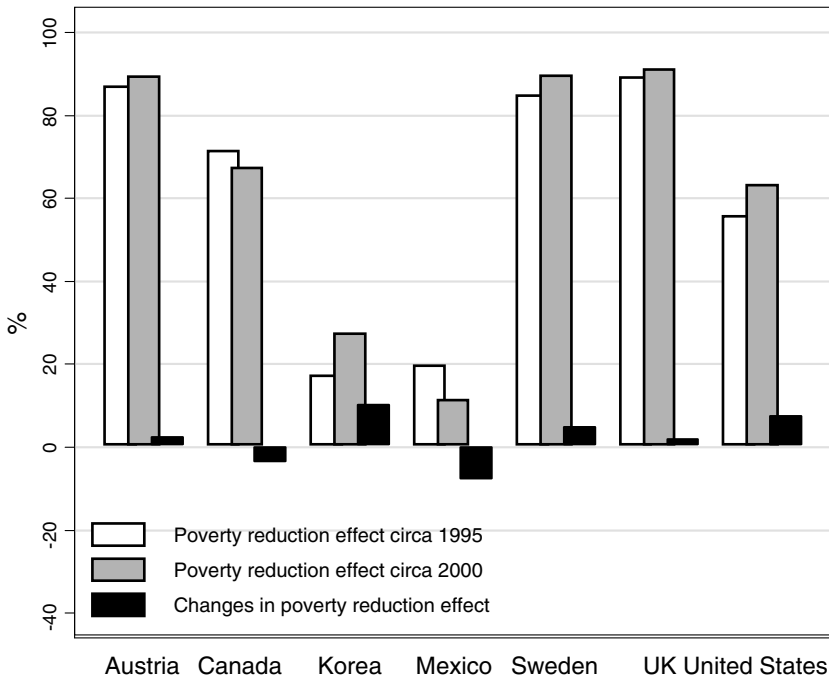


Figure 5. Trends of the income maintenance programmes of OECD members.

Note: The data for the circa 1995 graph were actually collected in 1994 in the case of the United States, UK, Mexico, Canada, and Austria, in 1995 as far as Sweden is concerned, and in 1996 in Korea. The data for the circa 2000 graph were actually collected in 1999 in the case of the United States and UK, in 1998 in Mexico and Canada, in 1997 in Austria, and in 2000 in Sweden and Korea.

Source: Authors' calculation from the LIS Data; Authors' calculation from the National Survey of Family Income and Expenditures.

Analysis shows that income maintenance programmes developed rapidly during the latter part of the 1990s. A comparison of Korea's income maintenance programmes with those of other countries clearly illustrates this point. Using LIS data, Figure 5 shows the poverty reduction effects of some OECD members' income maintenance programmes using the FGT index ($a = 2$). The poverty reduction effect of the Korean programmes has not yet reached the level of other OECD members, with the exception of Mexico. However, unlike the experiences in other OECD countries, the changes experienced in Korea from 1995 to 2000 were tremendous. While poverty reduction effectiveness actually decreased in countries such as Mexico and Canada during this period, in Korea it rapidly increased.

Changes in public social services

Let us now turn our attention to the changes that have occurred in the provision of social services. Figure 6 compares trends in social service expenditure

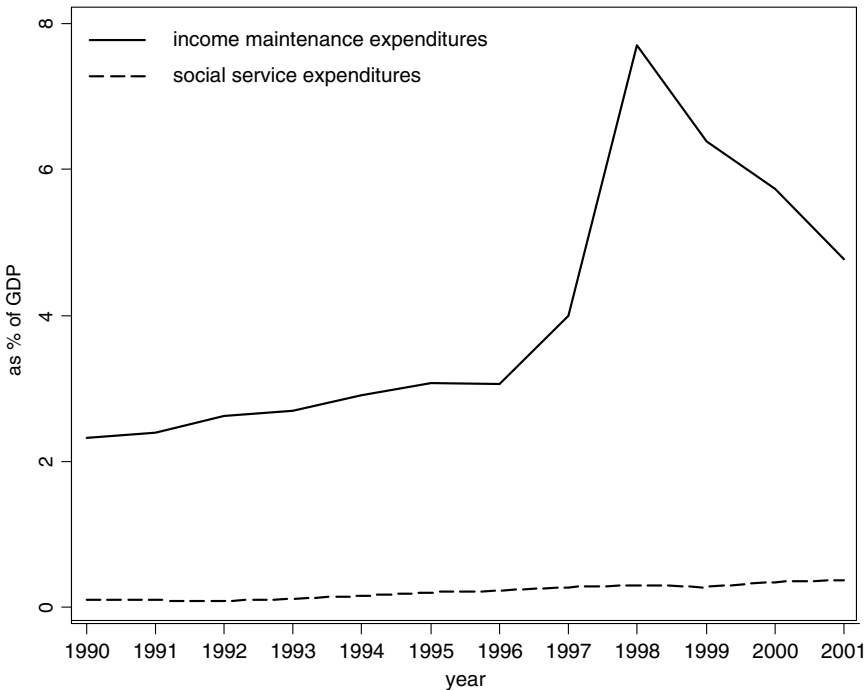


Figure 6. Trends in the ratio of social service expenditures to GDP, 1990–2001.

Note: The expenditures for income maintenance programmes are calculated as the sum of following policy areas: (1) old age cash benefits; (2) disability cash benefits; (3) occupational injury and disease; (4) sickness benefit; (5) survivors; (6) family cash benefits; (7) unemployment benefits; (8) housing benefits; (9) public assistance. Social service expenditures are also calculated as the sum of policy areas (5) service for elderly and disabled people; and (8) family services.

Source: Go, Jang and Lee (2003).

and income maintenance expenditure, each expressed as a percentage of GDP. Income maintenance programme expenditure increased rapidly after 1998, which was the result of a concurrent increase in overall social expenditures. We have already noted that social service expenditures are much smaller than income maintenance expenditures, but we can now see from Figure 6 that changes in social service expenditure have been much less evident.

Of course, social service expenditures have gradually increased, from 0.1 per cent of GDP in 1990 to 0.37 per cent in 2001. However, when we consider that the demands for such social services, which have increased as a result of the processes of industrialisation and post-industrialisation as well as of the nuclearisation of the family, have outstripped this increase in expenditures, the argument that the public provision of social services has been strengthened becomes less convincing. In particular, as can be seen in Figure 6, it is difficult to argue that these public

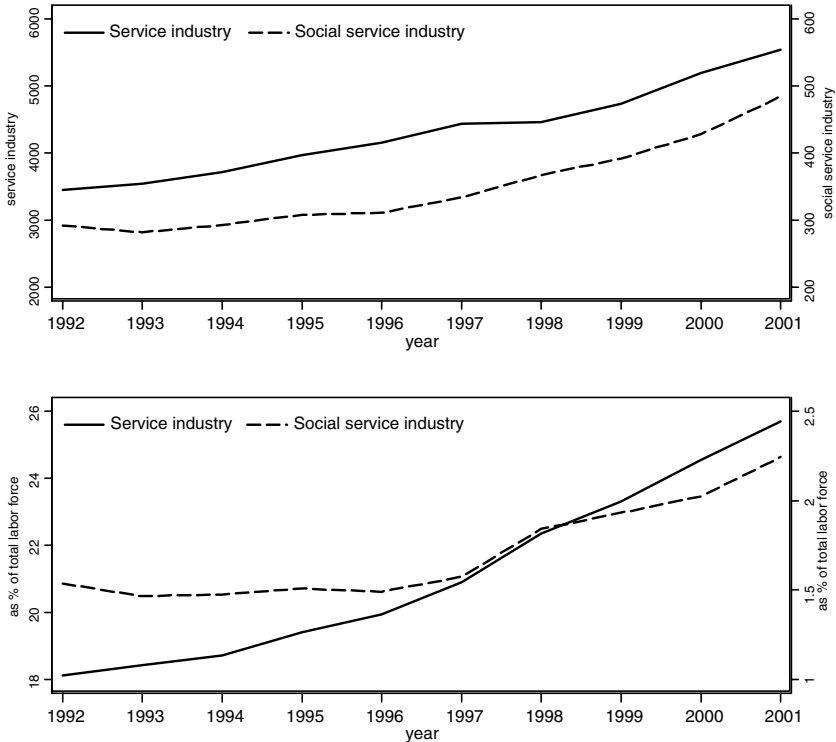


Figure 7. Labour force engaged in the social service industry, 1992–2001.

Note: In accordance with the sixth Korean Standard Industrial Classification, the labour force engaged in the service sector is understood to be those people who are employed in the business, private, and public service sectors, or in other service sectors; the labour force engaged in the social service sector is understood to be those people who are employed in the health and social service sectors.

Source: Korea National Statistical Office (2002).

social services developed at all during the period when the income maintenance programmes developed so rapidly.

The stagnation of public social services is also visible when other data are analysed. Since these social services are usually delivered by service providers, the development of the social service industry is usually accompanied by an increase in the labour force. Figure 7 shows recent labour force trends from 1992 to 2001. (The unavailability of data limits us to this period.) The top graph in Figure 7 shows trends in the labour force engaged in the total service and social service industries. The slope in the graph displays the change in the size of the social service labour force as smaller than the slope for all service industries. Similar results can be found in the graph at the bottom of Figure 7. Even though the ratio of the labour force engaged in the social service industry has gradually increased since 1992, it still accounts for only 2.5 per cent of the total labour force.

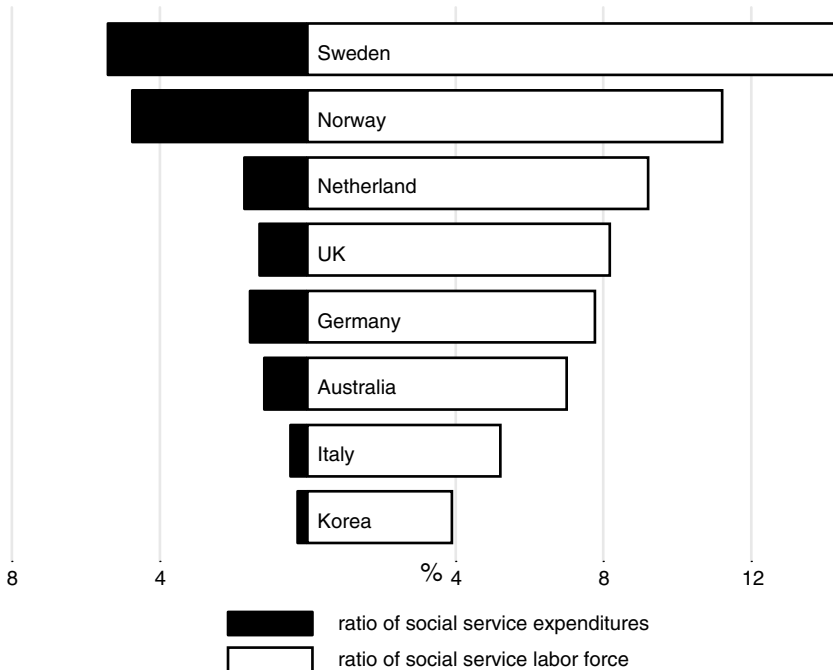


Figure 8. Comparison of the development of social services in a selected number of OECD member states.

Note: Based on ISIC Revision 3, the ratio of the labour force engaged in the social service industry was calculated by dividing the size of the labour force engaged in the social service industries by the size of the total labour force; Social service expenditures were calculated using the same method as the one used in Figure 6. The ratio of social service expenditures to GDP is based on 1998 data.

Source: OECD (2001, 2002).

In order to ascertain whether Korean social services have been comparatively stagnant, a comparison of the social services of ten OECD members is offered in Figure 8, in terms of total expenditures on social services and the percentage of the labour force engaged in the social service industry. The OECD members selected here provide an interesting sample of various types of welfare regimes.

Sweden and Norway have adopted a social-democratic type of welfare regime in which social services are quite de-commodified and developed alongside income maintenance programmes. Germany and the Netherlands are both classified as conservative-corporatist welfare regimes in which income maintenance programmes are more developed than public social services. The United Kingdom and Australia have adopted liberal welfare regimes in which a relatively high degree of commodification is allowed to creep into the social service industry. In Italy, the social service industry is less developed due to the fact that the informal sector is comparatively bigger than in most other European countries.

Still, all these countries are deemed to be ahead of Korea in terms of social services. The stagnation of Korean social services is well illustrated by a simple comparison with Italy. The ratio of social service expenditures to GDP in Italy was 0.47 per cent in 1998, or 1.8 times higher than in Korea. Meanwhile, the size of the labour force engaged in the Italian social service industry in 2000 was 1.4 times larger than in Korea. Moreover, when compared with the way in which income maintenance programmes have developed, it becomes clear that the changes that have occurred within the Korean welfare policy in terms of income maintenance programmes have not been reflected in social services.

Conclusion

Several interesting findings were uncovered as a result of the analysis of the changes that have occurred within Korean social policy. First, the amount of input into Korea's welfare policy has grown remarkably since 1990. In particular, the ratio of social expenditures to GDP reached as high as 11 per cent in 1998. While this ratio has subsequently remained practically the same or decreased somewhat, the possibility of returning to pre-1998 social expenditure levels is quite low.

These changes have resulted in the readjustment of the social welfare roles of the government and the private sector, caused in large part by the consolidation of democracy and the spread of globalisation. The expansion of neo-liberal global standards has allowed the Korean private sector, in the name of conforming to global standards and of restructuring, to avoid responsibility for social welfare, a responsibility that the government had delegated to it in the past. On the other hand, the government had to take responsibility for social welfare in order to meet the growing demands of civic groups and implement conditions imposed by the IMF. This readjustment of social welfare roles has altered the traditional characteristics of the Korean welfare regime, which had long been described as an 'underdeveloped state welfare – comparatively more developed corporate welfare'.

Third, these changes have been highlighted by the development of income maintenance programmes. Since 1998, income maintenance expenditures have rapidly increased, and the poverty and inequality reduction effects of these programmes have continuously increased since 1998.

Fourth, unlike income maintenance programmes, public social services have remained comparatively stagnant. At the input level, while expenditures for income maintenance programmes have rapidly increased, the same cannot be said of expenditures for social services. Unlike the income maintenance programmes that the government had long ago delegated to the private sector, the provision of social services, which has long been pre-commodified and regarded as the responsibility of the family, has changed relatively little.

Overall, the changes that have occurred in Korean social policy after 1990s can be summarised as the comparative development of income maintenance programmes and the stagnation of public social services. Have these changes translated into actual shifts in the Korean welfare regime? According to Hall (1993), who carried out a study of the changes that have taken place within British macroeconomic policy, policy changes are multidimensional. If the overall policy objectives and measures taken to achieve these objectives remain the same, then these must be regarded as being first-order changes in policy. When new measures are introduced to achieve the policy objectives, but these policy objectives themselves remain unchanged, this is regarded as being a second-order change. Finally, although very rare, if even the policy objectives are changed and accompanied by a wholesale shift in policy paradigms, then third-order changes have occurred.

Korean social policy has without a doubt undergone changes at the programme level. Furthermore, the government's policy measures, which used to delegate society's growing demands for social welfare to the private sector, have also changed. However, no solid evidence has been uncovered to support the assertion that policy objectives have changed. The objective of pursuing economic growth at all costs, which first emerged during the period of authoritarian industrialisation, remains solidly in place. This assertion is supported by the fact that there remain in place measures designed to delegate societal demands for the provision of social services to families.

The changes that have occurred within Korean social policy have been nothing short of remarkable. More to the point, it is clear that the changes that occurred after 1998 have ushered in a period marked by the development of Korean social policy. Nevertheless, these changes were not third-order changes, in that one of the main features of the Korean welfare regime – the relation-based welfare system that has been used by government as a means of responding to the growing desire for welfare benefits among citizens – has remained largely unchanged since the 1960s.

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Notes

- 1 In this article, 'social services' can be defined as collective provisions to ensure basic levels of health and welfare, enhance community living and individual functioning, facilitate access to services and institutions and provide assistance to those in need. In other words, they can be defined as communal provision to promote individual and group well-being. Common examples of these services include childcare, homemaker services and welfare services for older people and other disadvantaged citizens.

- 2 'Culturalisation' is defined as the process through which something becomes naturalised as culture. In other words, culturalisation indicates the process through which an object or behaviour becomes a part of the culture. For a more detailed discussion of culturalisation, see Han (1994).
- 3 While direct taxes are usually considered in such comparisons, we are unable to devote much attention to this subject due to the inherent limitations of the analytical materials available. These limitations can be found in the case of the 1996 National Survey of Family Income and Expenditures data: while the income of households was calculated on an annual basis, taxes were calculated based on monthly expenditures.
- 4 This article used the relative concept of poverty for two reasons: first, the Korean government only began to calculate the official absolute poverty line in 1999 when the National Basic Livelihood Security System was implemented. As this article includes periods in which the absolute poverty line was not calculated, the relative concept of poverty must therefore be employed. Second, the relative concept of poverty is a more useful tool in cross-national studies.
- 5 $\text{Adjusted Income} = \text{Income} / \text{Household Size}^{0.5}$. Adults and children were not separated in this formula.
- 6 Since income units differ in size and composition, they should be adjusted to family equivalent income per person. The equivalence scale found in note 5 can be used to carry out this adjustment.
- 7 This is the same as Weisbrod's (1970) concept of vertical target effectiveness. For a detailed explanation of vertical target effectiveness, see Mitchell (1991).

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