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**Political and Social Economy of Care: Republic of
Korea Research Report 1**

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Research Report 1

Republic of Korea: Social, Political, and Economic Contexts

Introduction

Since 1990, many East Asian countries have extended and strengthened their welfare states in response to the increased demand for social welfare and to imperatives arising from changes in their countries' social, economic, and demographic structures. This is particularly the case in the Republic of Korea (hereafter, Korea), which responded to the social and economic fallout of the 1997 Asian economic crisis, and subsequently to the rapid shifts in demographic and fertility patterns, with strong social policy initiatives.

Like many industrialized and newly industrialized East Asian countries, Korean welfare state was premised on two rationales: "welfare developmentalism" which sees social policy as an instrument of economic policy (Gough 2001; Kwon, 2005); and Confucian familism which sees the family as the main site of welfare and care, which in turn constrained the development of public social services (Goodman & Peng 1996; Peng 2004; Sung 2003). The weaknesses of the Korean welfare state based on this narrow economic growth-focused rationale and heavy reliance on the family were painfully exposed during the economic crisis of 1997-98. The massive lay-offs following the crisis left many without adequate social protection, leading to a sharp increase in the poverty rate (Lee 2004; Yu 2000). The subsequent labour market deregulation opened up non-standard (part-time, contract, and temporary) forms of employment. While many women were compelled to take up non-standard employment, others were hampered by the lack of access to child care to be able to take full advantage of work opportunities. Finally, the increase in the rates of divorce and separation after the economic crisis (often called the "crisis-families") also led to a noticeable rise in the number of single-mother households. Not surprisingly, the poverty rate amongst single mother families is significantly higher than among two-parent families. To deal with the changes in labour market conditions and women's employment situation, social policy reforms in the post-economic crisis era have centred on the idea of "active welfare", with much of its focus on expanding the social safety net on the one hand, and enhancing employment and work-family harmonization for single mothers and other working mothers on the other (Ministry of Gender Equality and Family 2004, 2005a, 2005b, 2006a, 2006b; Lee and Park 2003; ROK-Office of President, 2000).¹

In 1997, Korea was amongst the five Asian countries to come under the IMF bailout (the so-called "crisis hit five").² Like other crisis-hit five countries, Korea adopted the IMF's structural adjustment conditionalities of labour market deregulation and financial and corporate governance restructuring; but unlike the other four, it went well beyond the IMF's prescription of minimum poverty reduction strategy by undertaking a substantial social security expansion alongside labour market restructuring. The post-economic crisis welfare reforms in Korea led to the consolidation of social insurance schemes and the extension of several social welfare programmes. Through the establishment of the National Basic Livelihood Security programme (NBLIS) it also introduced the concept of social welfare rights for the first time in that country's history. What is interesting here is that post-economic crisis welfare state expansion was carefully circumscribed within the framework of "active welfare", an attempt to reconcile social policy with neo-liberal labour market policy. Indeed, most economic and social policy reform programmes that were put in place after the economic crisis produced a policy mix that combined neo-liberal economic policies (e.g. labour market deregulation, corporate and financial restructuring, and expansion of non-regular employment – in other words, breaking

¹ Single mothers are commonly defined as women with at least one dependent child who are forming families without a male partner. Women may become single mothers due to widowhood, divorce, separation, incarceration of their male partners, or having birth out of wedlock. These women are also often referred to as lone mothers or solo mothers.

² The other four Asian countries were Thailand, Malaysia, Indonesia, and the Philippines.

down of the developmentalist political economic system) with more inclusive social provisions (e.g. extension of social insurance programmes such as health and pensions to workers in small enterprises and the self-employed, expansion of unemployment insurance, and the setting up of minimum income guarantee through the NBS). Implicit in this new policy mix is a rethink about the idea of women's work and care responsibilities.

There are three socio-economic causes behind these ideational changes. First, with the decline of employment and wage security for men, women's employment has become an important source of family income. Second, rapid demographic ageing has brought to policy limelight longer term concerns about the dependency ratio and labour shortages. This in turn has raised the economic premium of women's labour. Finally, the changes in Korea's industrial structure from manufacturing to service industries has increased employment opportunities for women and employers' interests in hiring them. This change in policy mix has brought forth increased state presence in the provision of social care, thus contributing to the further rethink of the traditional housewife/carer role attributed to women. To be sure, along with the neo-liberal labour market deregulation, the post-crisis Korean welfare state has also begun to strengthen its social care and employment support legislations to facilitate women's labour market participation.

How did the changes happen? What were the dynamics of welfare state restructuring in Korea, particularly in relation to care? And what are the implications of recent changes in the institutional configuration of care in that country for individuals and families? To understand fully the nature of welfare state trajectory in Korea, its causes and implications, we will need to examine changes in political dynamics, the economic and labour market structure, as well as socio-demographic variables. In this report, we begin with a brief overview of the post-war political economic dynamics in Korea and how they shaped the welfare state policies in that country. We then discuss changes in economic and labour market policies and how they intersect with the welfare state. In the third section, we highlight social and demographic changes and their implications for social policy, gender, and care. In the last concluding section, we reflect on the recent active welfare policy reforms and its implications for political economy of care. Finally, in the appendix, we summarize the main social and economic indices.

An Overview of Political Dynamics and Welfare State Policy Changes

Although social welfare policies in Korea have existed since the turn of the 20th century, much of the existing social policies and social security system emerged out of the post-Korean War (1950-1953) developmental state context. The post-war social welfare development in Korea can be divided roughly into three periods: 1) the authoritarian period (1960 to around 1980); 2) the democratization period (1980 to 1997); and 3) the post-economic crisis period (1997 to now). During the authoritarian period, limited and occupationally divided social insurance programmes and social welfare privileges were offered to full-time male workers in key sectors of economy that were important for the state, such as civil servants, military personnel, workers in large industries, and private school teachers (see table 1). A Bismackian social insurance model was useful in sustaining sector specific social security privileges and employment based status differentiations. For example, the Health Insurance Act was introduced in 1963 to cover workers in industries with more than 300 employees. This then was gradually enlarged over the next fifteen years to include government employees and private school teachers. Similarly, the occupational pension plan for civil servants, first introduced in 1961 (according to Table 1), was also gradually expanded to include military personnel and private school teachers by 1974. Although a universal national pension plan was proposed in 1973, its implementation did not take place until 1988, after political democracy was achieved. In the social welfare sector, a residual, means-tested public assistance act, Livelihood Protection Act, modelled after Japan's pre-war social assistance legislation, was introduced under Park Chung-Hee regime in 1961. As in Japan, the Livelihood Protection support was social assistance of last resort: it provided

minimum and highly stigmatized support to the sick, the elderly, orphans, disabled, and mothers with dependent children without any families and without any means of support. Not surprisingly, until 1997 no more than 3% of the population was in receipt of this social assistance at any one time. The Park Chung-Hee regime (1960-79) ruled the country with a combination of an iron fist (repression of labour and political dissidents) and the promise of economic prosperity through rapid economic growth. The Park era saw significant economic growth as the government successfully implemented its export-led industrial development strategies.

During the Chun Doo-Hwan (1980-1987) era the authoritarian state came under increasing public opposition and political setbacks. Socially, the coming together of rapid urbanization, increased standard of living, increased educational levels, and increased internationalization altered the public's views about the authoritarian state and expectations for democracy. Civil unrest grew as the labour and radical student groups joined forces to demand political democracy. The Kwangju uprising of 1980, for example, illustrates the loss of the authoritarian government's traditional means of social control. The uprising was brutally put down by the military, leaving several hundreds of civilians dead. This event, instead of quashing labour activism, further strengthened the labour-student alliance and fuelled new labour militancy against the authoritarian government (Kim, 2000). The decline in public support for the government was also evident in the Democratic Justice Party's (DPJ) poor results in the 1985 National Assembly election. After stalling and evading labour's demand for wage increases for more than a decade, the government finally conceded to pass the Minimum Wage Law in 1986 (this was progressively revised in 1989 and 1990), and agreed to hold a democratic presidential election the following year.

The political democratization marked by the first democratic Presidential election of 1987 facilitated welfare state expansion. Having only managed to secure his Presidential victory by 36% of the total vote, the military backed Roh Tae-Woo regime (1987-1993) was forced to work with the opposition parties in social policymaking. To worsen the situation, the DJP's failure to achieve the parliamentary majority in the National Assembly election in 1988 made political compromises and coalition making even more crucial for the survival of the Roh administration. The social security and social welfare systems expanded rapidly during this period, as the government came under steady political pressure to address redistributive concerns of the people. As illustrated in Table 1, the health insurance programme was extended to workers in units with 16 or more employees in 1987. In 1988, it was further extended to those in work places with 5 or more employees, and to the rural self-employed. Finally, in 1989 a further push was made to include the urban self-employed, the final remaining group of workers to be left out of the system, thus bringing the national health insurance close to universal coverage. With the universalization of the national health insurance, nearly all citizens were covered under the scheme. While many were covered by the national health insurance as employees, most married women were covered as the dependents of male employees or self-employed men.³

The national pension scheme that was initially proposed in 1973 was also finally implemented in 1988 as the follow up to Roh's election promise, but during its initial phase only workers in workplaces with 10 or more employees were covered. As in the case of health insurance, the national pension programme was also gradually expanded over the next decade until its reach extended to employees in workplace with 5 and more workers and rural residents in 1995. After the economic crisis the Kim Dae-Jung government finally universalized the national pension

³ Although the National Health Insurance in Korea was initially separated into three occupational groups – 1) public servants, private school teachers, and military personnel; 2) urban and rural self-employed; and 3) employees – the first and the third categories were merged in the reform of 1998, and finally all the categories were incorporated under a single system in 1999, under the National Health Insurance Act.

scheme. Unlike the national health insurance, however, the national pension scheme is closely tied to individual labour market attachment and employment earnings. This means that even though pension coverage has extended to rural workers, self-employed, and part-time workers, women outside the workforce (housewives) and those working with their self-employed partners currently do not have individual pensions of their own under the national pension plan, because they are treated as the dependents of their husbands. Moreover, although the national pension scheme is mandated to cover all workers, not all individuals comply. For example, Ministry of Health and Welfare's data on public pension insurants show that even though the proportion of public pension insurants as percentage of all employees over the age of 18 has increased significantly from 31.3% in 1991 to 80.4% in 2005, it still implies that nearly 20% of employees are not covered by the public pension schemes (Ministry of Health and Welfare, 2007).

The post-democratization period also saw a small expansion in social welfare as people receiving Livelihood Protection assistance and those living in subdivisions and special areas of the countries were given educational support for their children. In addition, the first public child care legislation, *Child Care Act*, was introduced in 1991, mandating the systematic development of child care institutions for low income and single mother families to help them access public child care. It is important to point out here that though an important initiative, public child care programme in the early 1990s was extremely modest, particularly compared to the child care expansion after 1998. For example, the national budget for child care in 1991 was about 42 billion Won, less than 10% of the amount that was allocated in 2002 at 437 billion Won. The number of day care centers in 1991 was also just over 9,000, as compared to over to 22,000 in 2002. Finally, the total number of pre-school children enrolled in all categories of care facilities also increased from 294,000 in 1995 to 801,000 in 2001, a near three-fold increase in just six years (Lee and Park, 2003). As Wong (2004) points out, increased electoral competition under democratic polity proved a winning condition for welfare state expansion in Korea. Here, social policy emerged as an important item on the political agenda because it cross-cut traditional political cleavages along regional and demographic lines. Simply put, social policy became a main source of political competition precisely because voters could all agree on and support the benefits of the welfare state expansion. As illustrated in Table 1, social security expenditures as percentage of GDP grew rapidly during the post-democratization period, and particularly after 1997.

Table 1: Trends in Social Security Expenditures, 1990-1999 (%)

Category										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1. Old Age Cash Benefits	14.67	16.35	18.29	20.71	21.11	22.01	19.87	17.51	17.65	26.69
2. Disablement Cash Benefits	1.94	2.45	2.34	2.21	2.12	1.89	1.84	1.57	1.03	1.10
3. Occupational Injury and Disease	4.82	5.85	6.23	5.06	4.82	4.48	4.57	3.96	2.22	1.94
4. Sickness Benefits	1.88	1.91	1.76	1.65	1.45	1.23	1.31	1.17	0.82	0.96
5. Services for Elderly and Disabled People	1.34	1.19	1.13	1.26	2.26	2.53	2.73	2.84	2.01	2.09
6. Survivors Cash Benefits	3.79	4.58	4.07	3.82	3.62	3.16	3.07	2.64	1.72	1.81
7. Family Cash Benefits	0.03	0.06	0.05	0.06	0.05	0.06	0.05	0.34	0.23	0.36
8. Family Service	0.76	0.96	0.98	1.18	1.17	1.32	1.47	1.41	0.72	0.73
9. Active Welfare	1.49	01.27	1.66	1.82	1.29	1.40	01.49	1.94	4.47	7.01
10. Unemployment Benefits	23.68	24.37	24.18	24.01	26.30	25.83	24.67	32.24	45.43	29.61
Unemployment Compensation	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.27	1.66	1.98
Retirement Pay	23.68	24.37	24.18	24.01	26.30	25.83	24.63	31.97	43.78	27.62
11. Public Expenditure on Health	41.19	37.16	36.26	35.35	33.41	33.73	36.33	31.88	21.89	24.64
12. Housing Benefits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13. Other Contingencies	4.42	3.86	3.05	2.88	2.39	2.36	2.60	2.49	1.80	3.08
Total	100	100	100	100	100	100	100	100	100	100
As a Percentage of GDP	3.9	3.8	4.2	4.4	4.7	5.1	5.3	6.8	10.8	9.8

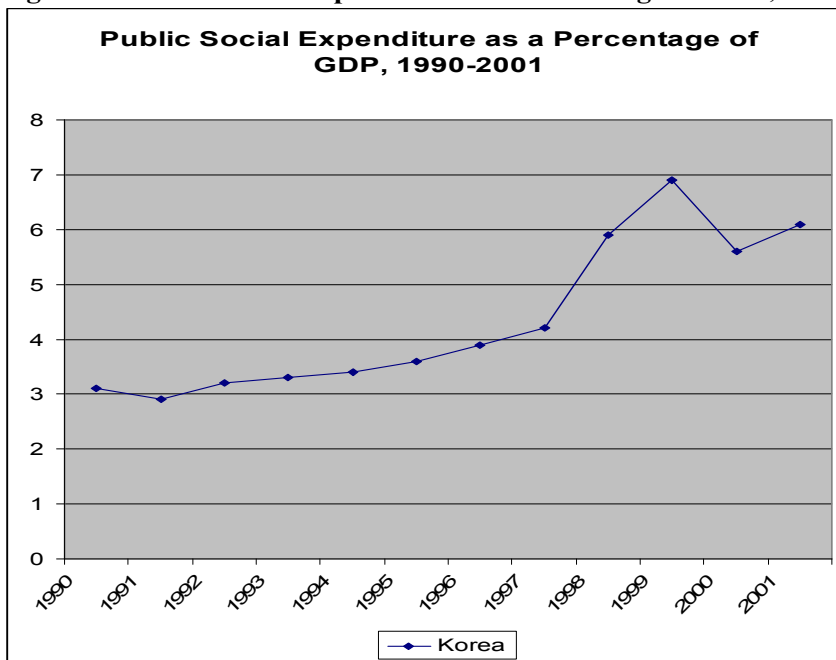
Sources: HoKuen Song, 2005. "The Birth of a Welfare State in South Korea: The Politics of Social Protection in Globalization and Democratization", Paper presented at the Canada-Korea Social Policy Symposium, the University of Toronto, January 27-29, 2005.

Although the democratization period brought about significant expansions in social security and social welfare programmes, an even more impressive expansion of the welfare state was yet to come. In the wake of the Asian economic crisis, Koreans opted for a radical political regime change by voting for the opposition party headed by the once exiled civilian leader, Kim Dae-Jung. It was under the Kim Dae-Jung (1997-2002) administration that a series of social security and social welfare reforms were introduced. Unlike the expansions of social insurances seen during the period immediately after the democratization, the post-economic crisis social policy reforms were both expansionary and highly labour market focused. New social policies extended social security coverage for the sector of population hitherto left uncovered, for example, the extension of national pension and workers compensation plans to urban self-employed, other non-regular workers, and employment insurance to temporary and daily workers. Moreover, new social policies also specifically focused on incentivizing adult women to work, a group that has been traditionally relegated to the role of unpaid family workers and carers in Korea. The result is a dramatic strengthening of state commitment to social policy and a shift to more social investment type social welfare. Public investment is made through provisions of public child care (as discussed above) and elderly care, enhanced support for working mothers such as maternity and parental leave, and income and training support for single mother and low income families through NBLs and other job search, skills training, and job creation programmes.

In terms of social policies, employment insurance was overhauled and significantly expanded in 1998 in direct response to the sharp increase in the unemployment rate following the crisis. As mentioned earlier, national pension contributions were also made compulsory in 1999, and gradually extended to all workers by 2003. The reforms of the national health insurance programme were also carried out in 1999 and 2000, first by unifying all the insurance carriers into a single body, Health Insurance Review Agency, and second, by separating medical and

drug dispensing services – in both cases against fierce protests of doctors and medical associations (Kwon, 2002). Finally, the Livelihood Protection Act was replaced by the National Basic Livelihood Security Act (NBLS) in 2000, marking a significant ideational shift in the principle of social welfare system. The NBLS transformed public assistance from a residual means-tested programme into a guaranteed income support programme based on the idea of citizenship rights. Under the NBLS system all Koreans whose incomes fall below the government-set income threshold have the right to receive income assistance regardless of their labour market attachment—a radical shift from the previous Livelihood Protection assistance principle that limited assistance to people without family and relatives, and those unable to work due to illness, age, pregnancy, or disability. The significance of post-economic crisis welfare state expansion is most evident at the level of total government social expenditure. As illustrated in Figure 1, public social spending as percentage of GDP surged from a little less than 4% in 1996 to nearly 7% in 1999.

Figure 1: Public Social Expenditure as a Percentage of GDP, 1990 – 2001, Korea



Source: OECD, *Social Expenditure Database*, 2004

The post-economic crisis welfare reforms in Korea also differ markedly from the earlier welfare

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