

South Korea still at
the crossroads?
Dynamics in
transformation from
productive welfare
regime to a welfare
state regime

Bo-Yung Kim
(Yeungnam University)

Korea at the centre of Productivist Welfare Capitalism debate

Productivist Welfare Capitalism

- East Asia: much debated region regarding welfare regime typology following Esping-Andersen's work (1990)
- Confucian welfare state (Jones, 1993), East Asian welfare model (Goodman et al, 1997)
- Holliday's (2000) Productivist welfare capitalism: subordination of social policy to economic objectives

Following 1997 financial crisis

- Institutional expansion of social welfare witnessed in many East Asian countries
- Contrasting response to the Western countries suffered from retrenchment and austerity
- Many raised a question whether they departing from their productivist origin
- South Korea: the most critical example of this shift as the expansion was mostly apparant



U-turn to the origin?

- The most significant expansion seen under Dae-Jung Kim's government
- The highest peak of progressive politics in Korean modern history following the first change of government after democratization
- Now Korea experience two consecutive conservative rules


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well-known
legendary business
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Some argue this could be a sign
of the fundamental
transformation toward Western
style of welfare state

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Guen-Hye Park

a daughter of the former
strongman, Jung-Hee
Park who led Korean
economic growth during
1960s to 1970s

The Korean case: transformation to welfare state?

Institutional expansion

- Social policy in Korea had been preoccupied by economic objectives - clear prioritization of key industrial workers in large companies
- However, the coverage were extended to much wider public after 1997 financial crisis



- Major social insurance programmes - national pensions, unemployment, industrial accidents and health insurance universalised
- National Basic Livelihood Security Scheme (NBLSS): state responsibility to protect minimum standard of living as a basic rights
- The rise of new solidaristic welfare arrangement: 400 segregated health fund merged into a single fund and pensions reforms in favour of women (Kim, 2008)

The cross-class welfare coalition

- Joint actions between working-class unions and middle-class civil movement had been highly influential in the reforms of health insurance and national pensions as well as the introduction of the NBLSS (Kim, 2008)
- Shift power within the bureaucrats from economy ministry to welfare ministry and social policy issues become subjects of political competition (Choi, 2012)

Little fundamental changes (Kwon & Holliday, 2007)

- Health insurance universalised but just about half of the cost covered and dominated by private sector (90% hospital beds)
- The NBLSS is no more than a very basic safety net and still more than a million people under the poverty line not covered
- Almost a half of working age population are at risk of losing their pension benefit because they are out of work, exempted from compulsory contribution or not enough contribution records
- Maximum unemployment benefit limited to 1,100 US dollar per month so beneficiary can be under the poverty line if he/she has more than two dependents (mostly 6 months max)

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Dynamics after democratic transition

Disillusionment after democratization

- Major social challenges in Korea: poverty, inequality, low fertility and suicide
- Sharp increase after 1997 then some easing before the 2000s then constant deteriorating
- Welfare expansion aftermath 1997 appeared not enough to overturn worsening social risks
- Lost faith in democracy under the mostly anti-authoritarian government



Weakening cross-class coalition

- Nostalgic return to the faith in economic growth: election of legendary business leader pledging 747
- Policy initiative of the cross-class coalition hardly found under the conservative rules
- Press freedom index ranks from 31st in 2006 to 70th in 2016
- UN raised its concern in their recent report (UN Human Rights Council, 2016)

"a series of institutional and divergence from international human right law standards of implementation of the law"

Social policy into central politics

- Universal free school lunch became key issue in 2009 superintendent of regional education office election
- Sudden expansion of universal childcare helped the conservative party keep their majority in 2012 general election
- Competition over more generous social support became one of the key issues in 2012 presidential election across main parties
- 'Welfare state' indicated as mostly desirable future of the country in two or three decades

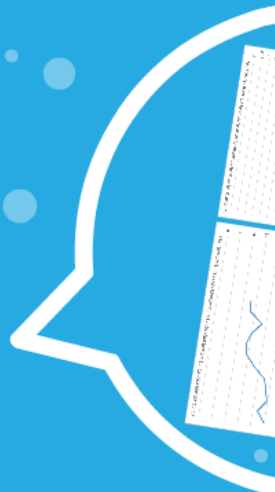


Policy initiative of technocrats under

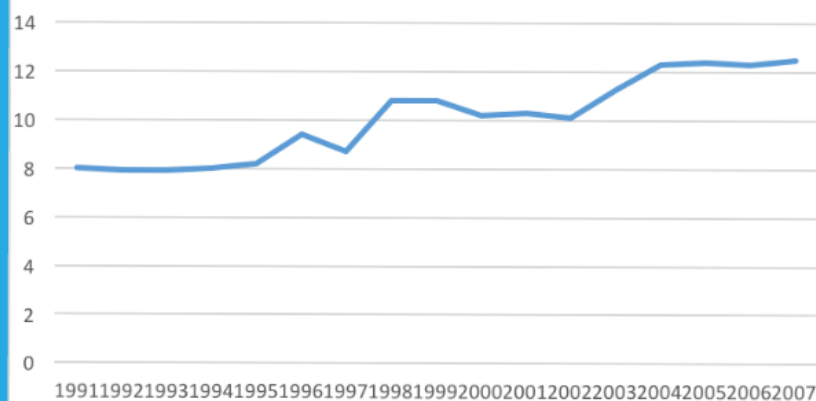
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Disillusionment after democratization

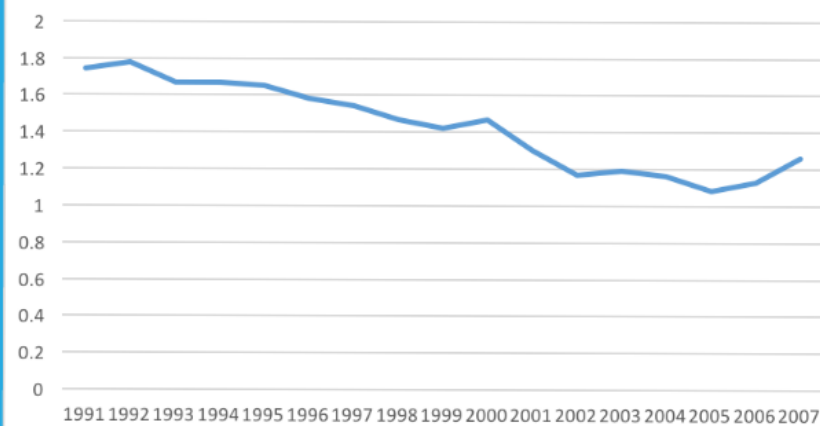
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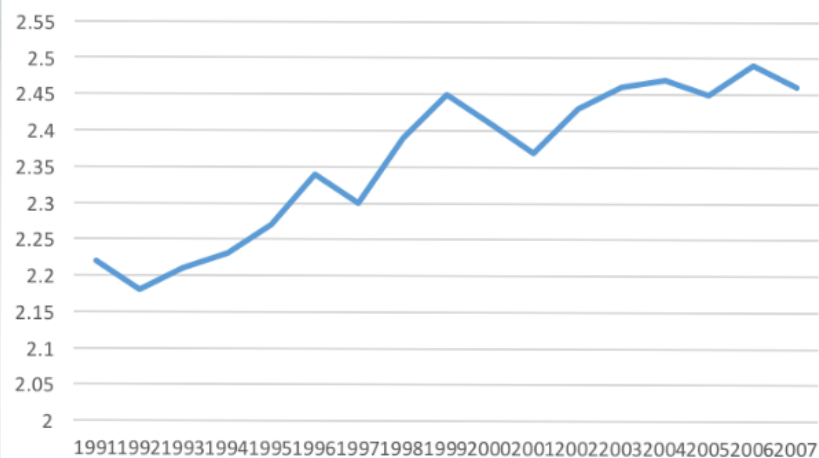
Poverty rate (urban employed under 50% of median income)



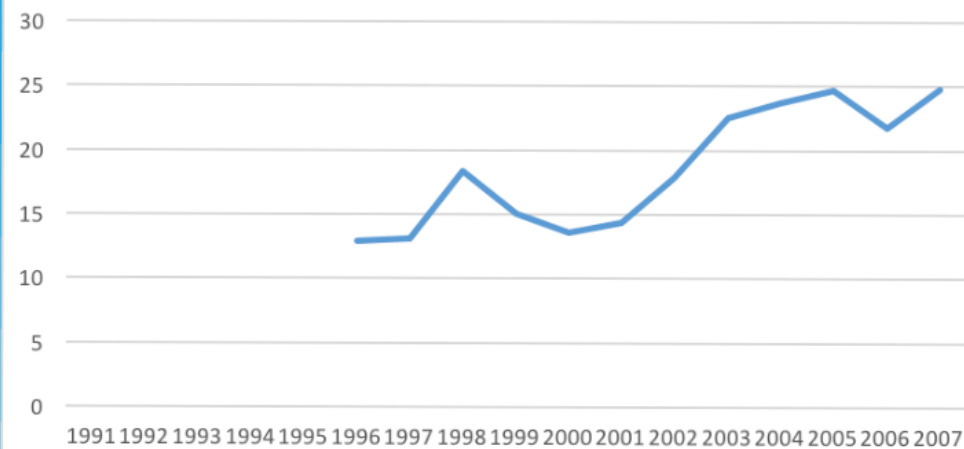
Fertility rate



Income quintile ratio (urban employed)



Suicide rate



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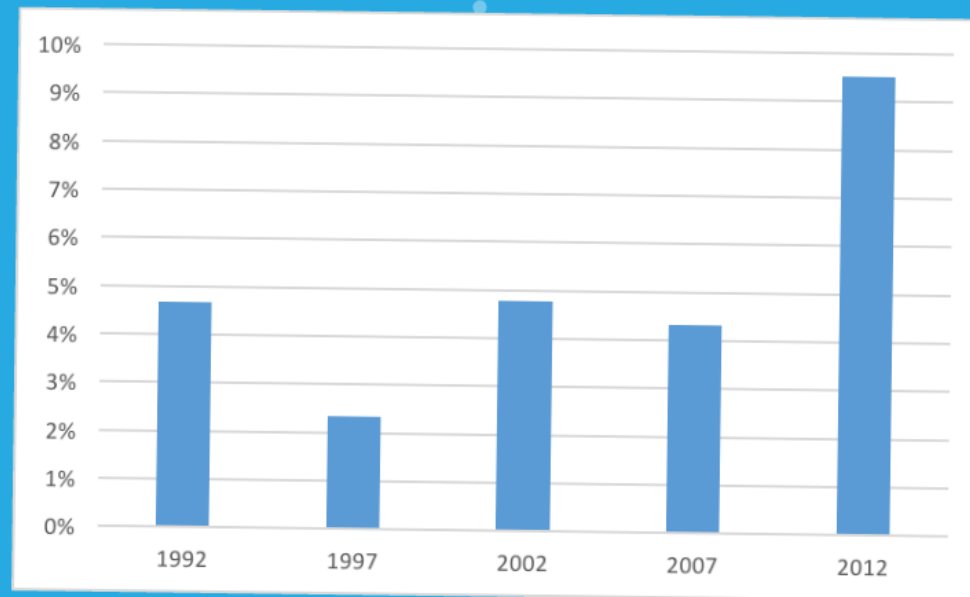
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Social policy into central politics

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Proportion of news articles with "welfare" in election related reports during 3 months before and on the presidential election dates

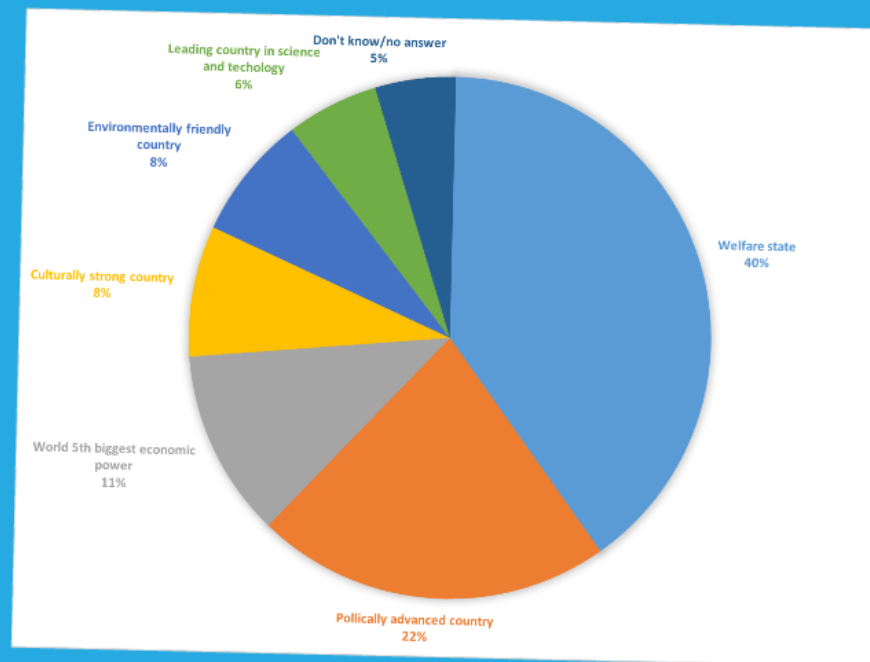


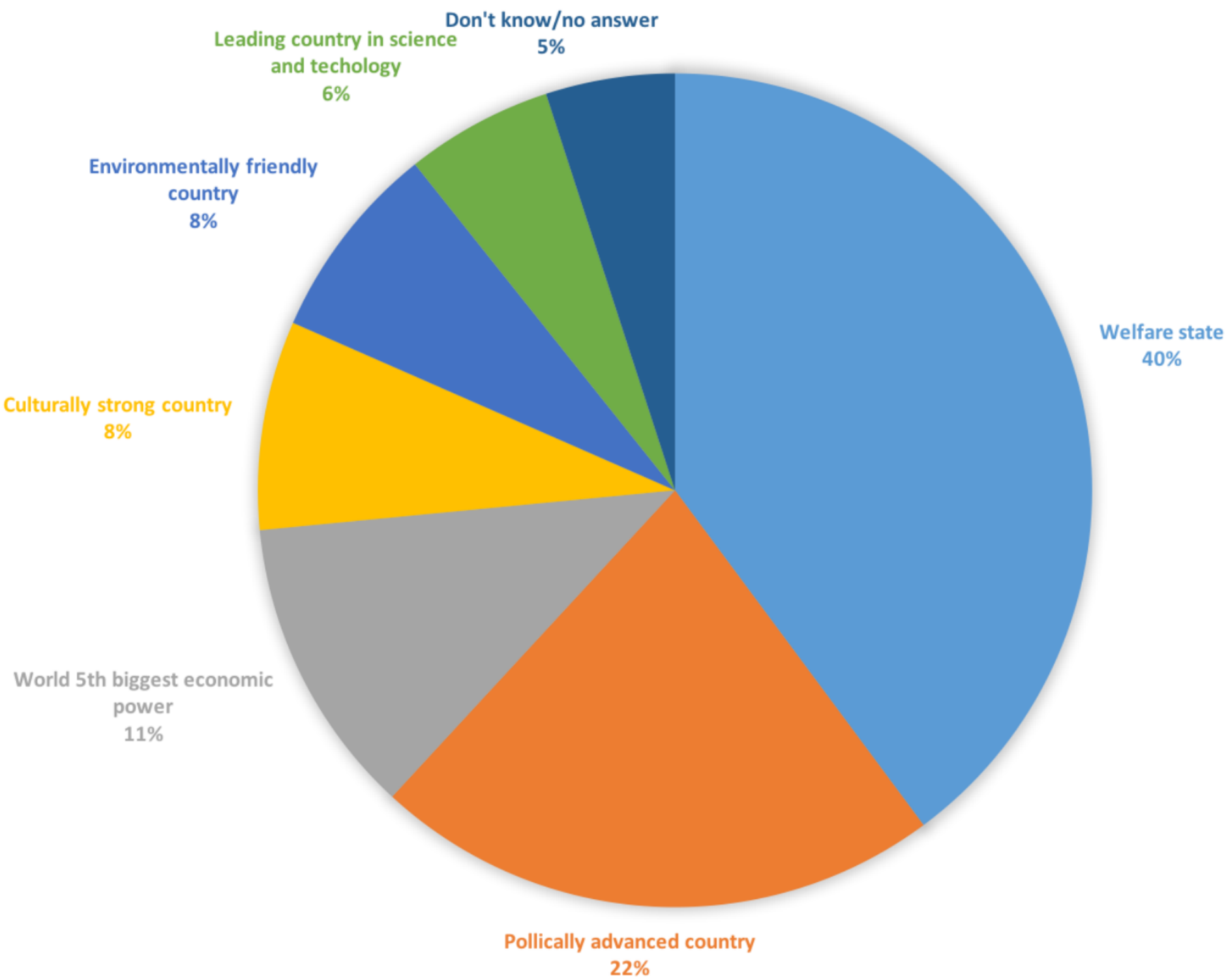
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National survey of the presidential committee for National Cohesion on future vision (2014)







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**Policy initiative of
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**Successful economic
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**Strong
connection of the
family as the first
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**Weakening family
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**Low economic
growth with higher
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- high growth economy with near
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(3-4%) since 2003
- Unemployment rate 3-4% but
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- Labour income share in the
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Policy initiative of technocrats under (near) authoritarian rules

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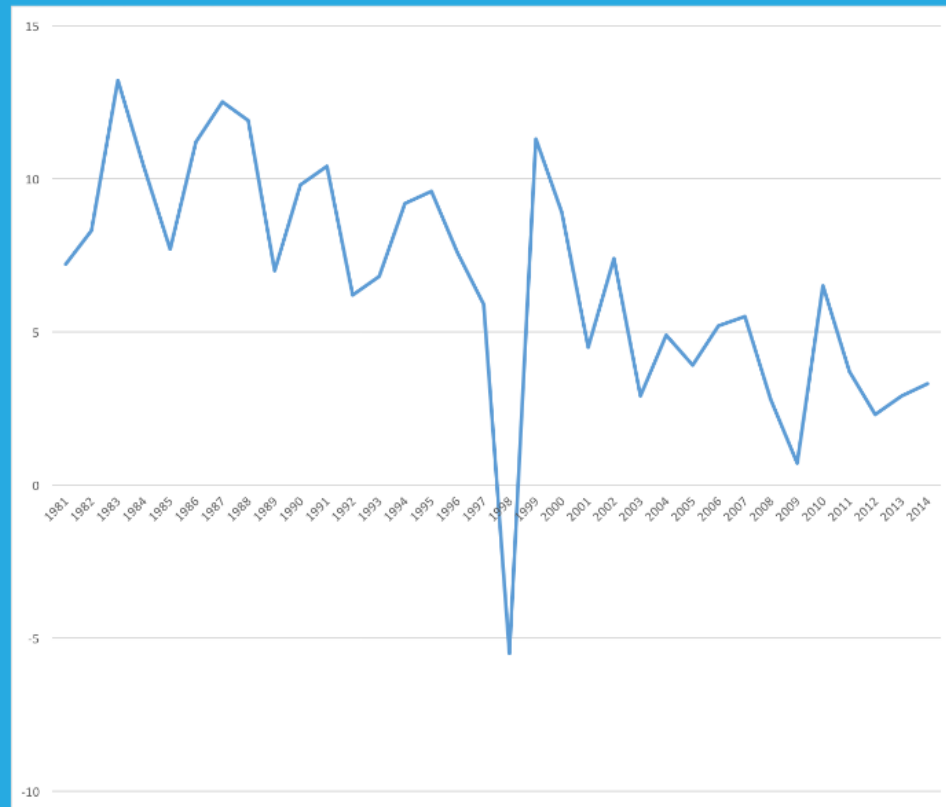


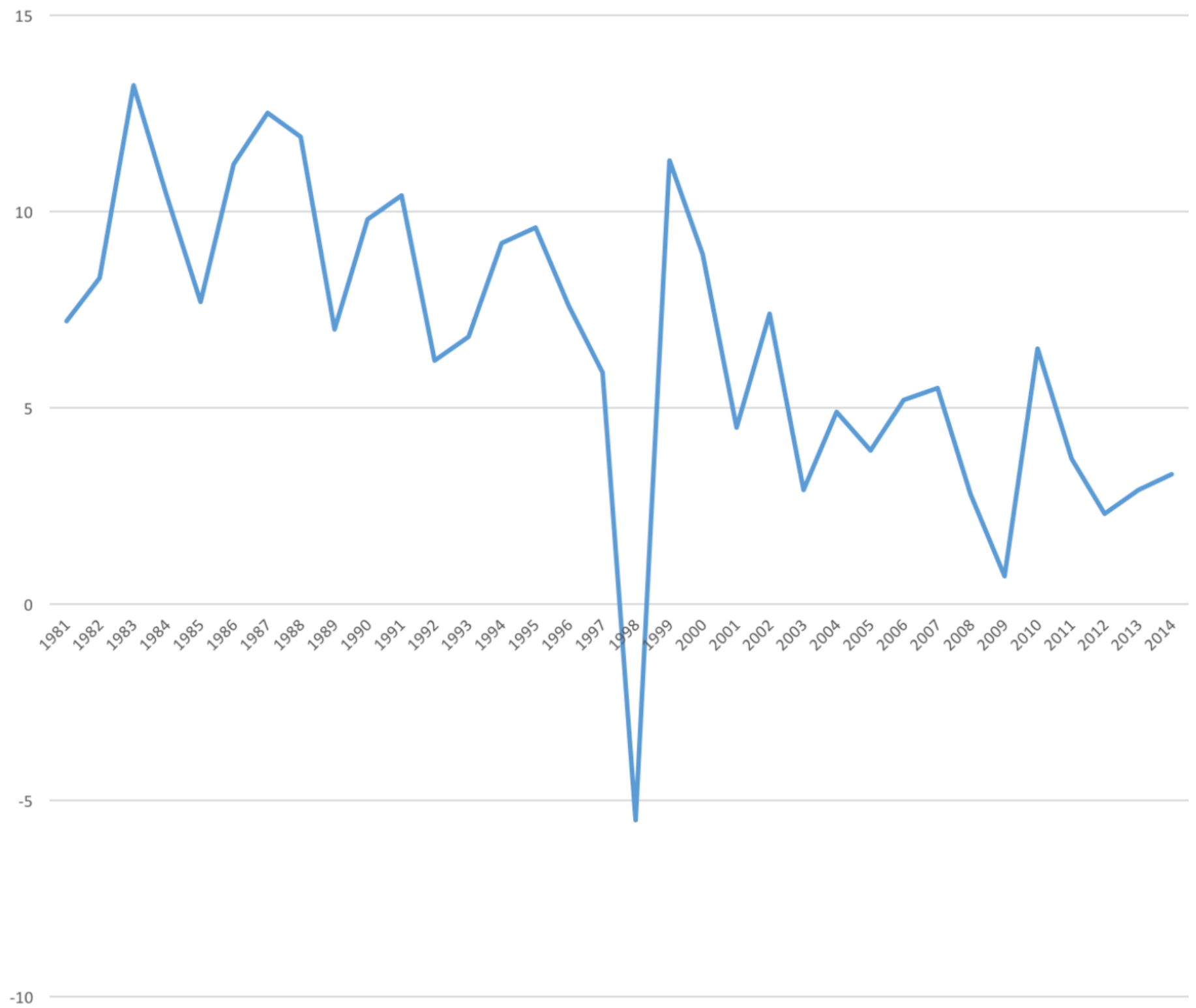
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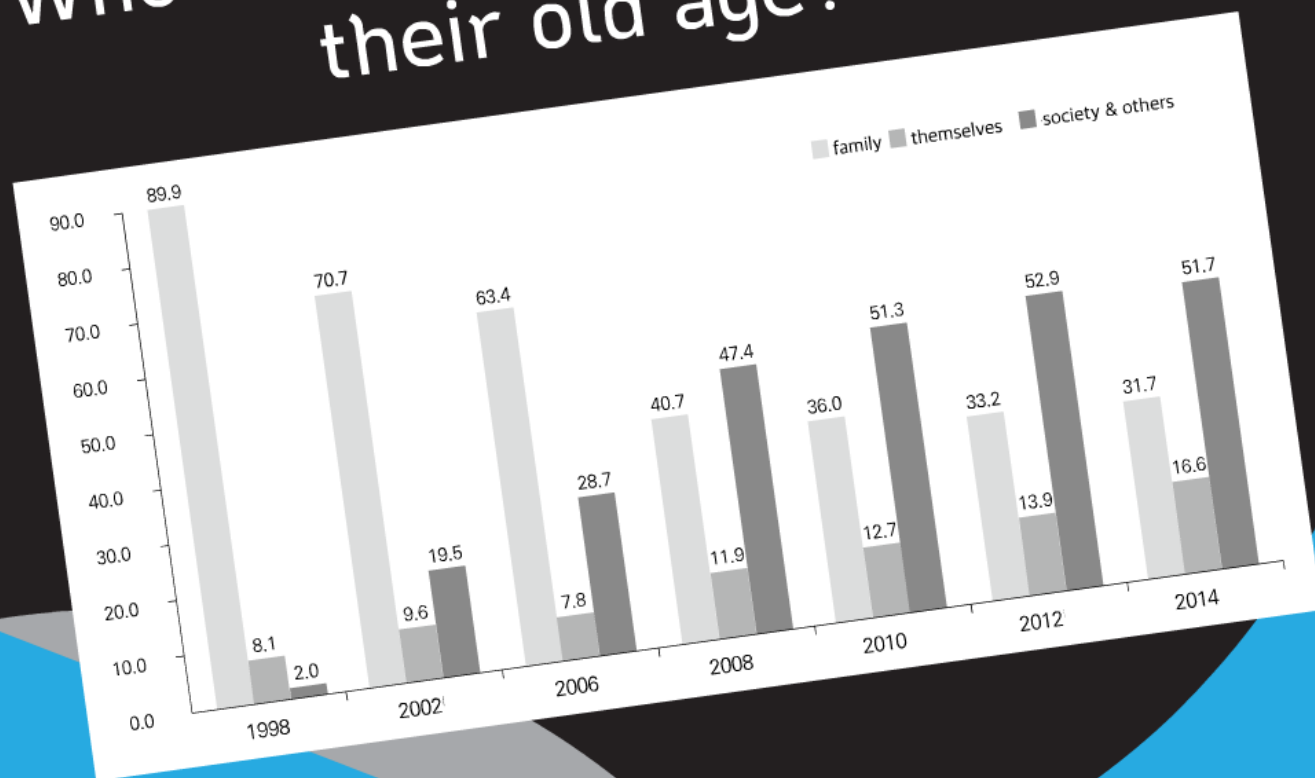
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Weakening family connection

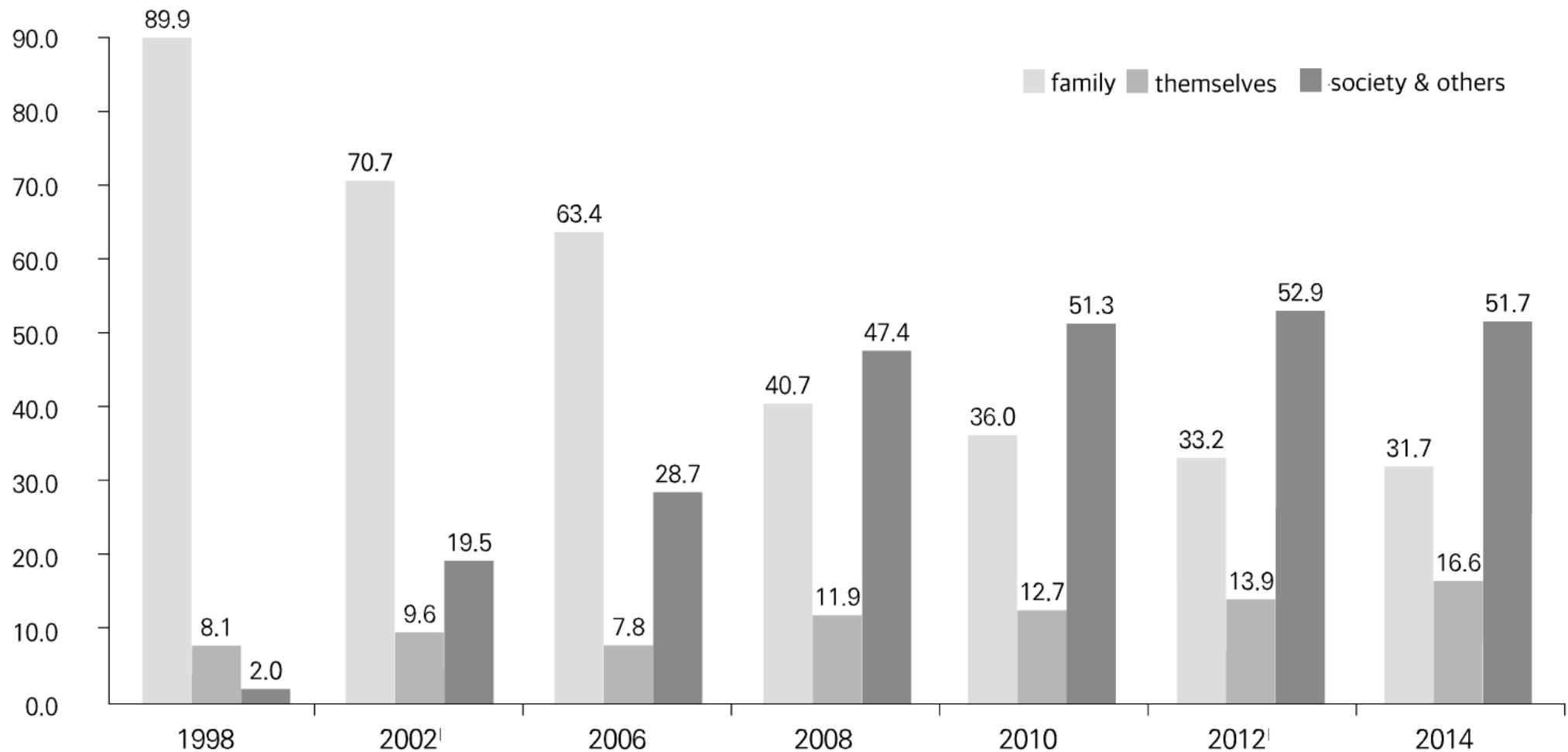
- The average number of family members in a household dropped from 5.2 in 1970 to 2.7 in 2010
- 1 or 2 members household occupies near half of the total household (48.1 % in 2010)
- Significant change of perception about family responsibility



“Who should support parents in their old age?”



“Will the state support parents in their old age?”



Korea still at the crossroad

Unsustainability of Productivist welfare capitalism

- Economy-first orientation under low-growth makes already unstable labour market worse - weakening the current contribution based social security system (Choi, 2012)
- Newly emerged social challenges not unique but the scope and speed are often unprecedented scale (Hwang, 2015)
- Labour supply would be significantly shrunk by ongoing world lowest fertility rate (Lee, 2016)
- Rapid ageing with high elderly poverty would damage the overall level of effective demands in the market

* Rocketing new risks

- Housing in East Asia (over)
- Housing income 2015
- High bott and lower othe

* Rocketing households' debt emerged a new risk to economy and society

- Households debt against GDP highest in East Asian countries for 13 years (over 70%)
- Household debt against disposable income 154% in 2010 to 170% in 2015 (OECD average 130%)
- Higher debt increase seen among bottom 20% for business, housing, and living cost while suffered from lowest income rise (about 1% while others about 4%) from 2010-2014

Korea in the middle of the profound shift

- Crumbling ground of productivist welfare regime
- Social risks are expanding and new risks emerging under the vacuum
- Increasing recognition of public responsibility slowly being absorbed to the politics

