Introduction
Until the end of the 1990s, Asian welfare states did not attract attention from social policy scholars, partly due to Eurocentric and ethnocentric bias (Smyth, 2006), but mainly due to their relative underdevelopment and low level of social expenditure. Such was the situation that they may not have qualified to be designated as ‘welfare states’.

Although welfare state modelling seems to be past its prime among Western scholars, the recent developments of Asian welfare states have attracted some interest. This relates particularly to the fact that while most western welfare states have been on the path to welfare reduction, many Asian welfare states are proceeding in an opposing direction. In particular, Korea has experienced a dramatic expansion and consolidation in its social security system through the turn of the new century, which cannot, however, be viewed as a fundamental transformation of its welfare regime. The Korean welfare state can still be characterised by its reluctance toward welfare expansion, and the process of change has been incidental and piecemeal rather than planned and systematic.

The factors that affected institutional development in Korea are various. As many scholars observe, one fact is that the economic crisis in the late 1990s exerted a strong exogenous influence. Neo-liberal reconstruction of the Korean economy, which was imposed upon by the International Monetary Fund (IMF), created the abrupt expansion of welfare needs including mass unemployment and subsequent poverty. This triggered the Government’s recognition of the necessity of a social safety net as a countermeasure for the crisis.

However, it should be noted that the growth of the Korean welfare state can not be fully explained through the consequences of liberalisation and globalisation of the economy. The foundations for contemporary welfare expansion in Korea also arose from several
important endogenous political factors. Political democratisation at the end of last century and the growth of civil society, which have vigorously sought the promotion of welfare rights, exercised a pivotal influence on the process of the welfare reform in Korea. Therefore, it is pertinent that the current transformation of institutional welfare arrangements in Korea have been activated by the combined momentum of the economic crisis, on the one hand, and the political transition to democracy, on the other hand.

The quantitative expansion in social expenditure and institutional rearrangements are key features of welfare state development. However, of more importance is a change in the processes of decision-making. The political dynamics around Korean welfare development and the establishment of a regime of ideological conflict are further areas that this paper will explore. Korea entered an era of ideological battles in the welfare field which have occurred in the last decade. Within this context, the current Korean government’s response to poverty can be viewed as a reflection of welfare politics in Korea. Currently, social policies are not decided in a simple authoritarian way as they were in the past. The welfare policy agenda arise from various sources and the breadth of processes are sites for ideological debates among various political forces.

This paper aims to introduce recent institutional responses to poverty within the Korean government to poverty. It will show that the Korean welfare state has equipped itself with an external shape, which can emulate western advanced welfare states, at least, in terms of the institutional arrangements for poverty. Additionally, it will review the background factors and driving forces of current changes. Finally, it will examine the challenges for the future development in social policy responses to poverty in Korea.

A New Phase of Poverty
After the Korean War (1950–53), Korea was one of the poorest countries in the world. During the 1950s and up until the mid 1960s, Korea suffered extensive ‘absolute poverty’, with 60–70% of its population estimated to be living in poverty (Henderson et al, 2002). During these years, Korea itself was one of the world’s largest recipients of foreign aid (Lee, 1999).

However, Korea has experienced one of the most dramatic declines in absolute poverty that the world has seen (Henderson et al, 2002). Although there were some variations among statistics and intermittent poverty line adjustments made it difficult to reach an agreed numerical figure, it is obvious that the incidence of absolute poverty reduced dramatically. As statistics show, the proportion of people who were below the poverty line was 40.9% in 1965, with the figure falling to 23.4% in 1970, and further to 14.6% in 1976 (Lee, 1999). According to further data, the number of the poor who received a government subsidy for their livelihood had decreased continuously, settling at 5.0% of the total population in 1992 (Kwon et al, 1994). This was mainly due to industrialisation and modernisation instigated by the government and concurrent general improvements in the overall standard of living, with the ‘miraculous’ average economic growth rate of 8.9% per year (Lee, 1999). However, industrial transformation from an agrarian society, which proceeded from the 1960s, gave rise to the formation of extensive ‘urban poverty’, which resulted from a rural exodus and job-seeking population moving into urban areas.

While having enjoyed relatively low unemployment and poverty rates, Korea faced an unprecedented economic crisis late in the 1990s. This crisis forced the Korean government to rely on a bailout from the IMF, which in return required the implementation of strong neo-liberal restructuring of the Korean economy including increased labour market flexibility. As a result, mass unemployment was created and the labour
market was structured toward ‘non-standard workers’, reducing the proportion of full-time workers. Competition in the labour market became intense and those who experienced the loss of competitiveness and the displacement of family members formed a huge pool of unfamiliar type of poverty, ‘the homeless’.

The unemployment rate soared from less than 3.0% before 1997 to 7.0% in 1998, and further to 8.4% in 1999 (OECD, 2000). The percentage of non-standard workers has kept rising since, currently accounting for 35.5% of the total labour force. It led to a widening wage gap between standard and non-standard workers. The relative wage level for non-standard employment is around 62.8% of wages of standard workers (KNSO, 2006). This labour market tendency has embedded the concept of the ‘working poor’ in Korean social policy.

Labour market deterioration and polarisation after the economic crisis brought about the spread in poverty. People whose earnings were below the ‘Minimum Cost of Living (MCL)’ increased from 3.9% in 1997 to 9.9% in 1999 (MOHW, 2005). The alternative calculation, which was based on household disposable income rather than earnings, suggested that absolute poverty reached to 23.5% of the population in 1998 (Henderson et al, 2002). Although the recent percentage of people below the official Minimum Cost of Living decreased to 5.7% in 2004, on the one hand, the likelihood of individuals, on the other hand, to fall into poverty has increased. Poverty has been ‘socialised’ in

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1 There is no uniform definition of non-standard workers. While, generally, standard workers are those who make work contracts with employers that has no provision on the limit of employment period, and work at the typical working hours in the place within supervision of employers, non-standard workers are defined as those whose working conditions are not regular in terms of the employment period, working time and the place. Non-standard employment as a contradictory concept to standard employment embraces temporary, contingent, daily, part-time, stay-at-home employment and so forth.

2 The MCL is employed as a working definition of the poverty line for the purpose of budgeting and administering social assistance benefits. Calculations began in 1973 and were conducted annually until 1989 when the Korean Institute of Health and Social affairs (KIHASA), the government agency which calculates the MCL, conducted surveys only at five year intervals. The annual figures are derived by adjusting for inflation (Henderson et al, 2002). It corresponds to the Henderson’s poverty line in Australia.
contemporary Korea (Kang et al, 2004). Participation in the labour market does not guarantee the escape from poverty.

At the core of this ‘new poverty’, are ‘working poor’ and people involved in precarious employment (Joung et al, 2006). According to Hong (2004), a good many repeat entry and exit into poverty around the poverty line. Therefore, for this group, poverty can be viewed as ‘perpetual’. In a similar vein, Nam (2005) observes that the poor began to experience social peripherisation. In the period of prevalent absolute poverty, because every member shared poverty, ‘social exclusion’ was not an important issue in the poverty discourses, and people could seek upward class movements in the socio-economic hierarchy through their efforts and diligence. However currently, although many people are enjoying the improvement of living standard above absolute poverty, those who once experienced poverty for whatever reasons, suffer continuous exclusions, and internalise the unescapable structural barriers. The following table summarises changes in distinctive features of poverty in Korea.

Table 1. Transitions of Poverty in Korea

<table>
<thead>
<tr>
<th>period</th>
<th>1950s-1960s</th>
<th>1960s-1990s</th>
<th>Late 1990 - current</th>
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<tr>
<td>Socio-economic situation</td>
<td>Korean War</td>
<td>Economic growth</td>
<td>Financial crisis</td>
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<td>Feature of poverty</td>
<td>Absolute poverty</td>
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In summary, the economic crisis contributed to increases in the number of poor people and a transformation in the characteristics of...
poverty in Korea. The majority of the pre-crisis poor strata were from demographically weak households headed by the elderly and women or with the disabled and the sick. However, since the crisis, many ordinary households started to comprise the poverty pool. This created an environment for the Korean government to acknowledge the necessity for a new type of social safety net. Effectively redressing poverty problem has been a central issue for the legitimacy of the regime, as welfare policy has entered the mainstream political agenda. According to Lee (2004), for the first time in Korean history, welfare reform came to be appreciated as an institutional means to keep democracy and the market economy sustainable. In effect, governments’ approaches to welfare so far had been nothing more than a ‘response of no-response’. Welfare policy had always been subordinate to economic modernisation and democratisation and a peripheral affair under the ‘developmental workfare state’ (Shin, 2002).

However now, the government’s approach to poverty must be different from that of the past. It should be able to address the new phase of poverty, which includes the working poor, relative poverty, and social exclusion (Nam, 2005). This requires a comprehensive institutional response rather than the makeshift ad-hoc policy response of the past.

**Institutional responses to poverty**

Historically, in Korea, the underlying principles that prompted institutional rearrangements were, firstly the establishment of the ‘minimum living’ standard as a human right and secondly, ‘social solidarity’ as a countermeasure to social exclusion. Welfare reforms which have been conducted under these social democratic principles can be summarised as follows: the introduction of the National Basic Livelihood Security System (NBLSS), reforms to social insurance
schemes, expansion of social services and welfare expenditure, and the construction of a social dialogue system.

**Response in the public assistance system**

NBLSS is regarded as the most representative welfare reform of the recent developments. NBLSS is the modernised social assistance system, which replaced the previous Livelihood Protection Act of 1963. This new system was enacted to secure a guaranteed minimum welfare provision for low-income earners who were previously in a so called ‘blind spot’, outside the scope of the system. To be eligible for the benefit under the old act, people had to satisfy all of the following conditions (MOHW, 2007). First, income and assets could not exceed stipulated government standards. Second, recipients had to be acknowledged as not having the ability to work. Third, recipients could not have a responsible family member able to support them. As a consequence, actual recipients were confined to those who were disabled and aged under 18 or over 65 without a supporting family. How many of the poor could satisfy all of these requirements? Such being the case, less than 1% of the population had received the livelihood benefit (Lee, 2004). The old act was virtually nominal and did not function as a public assistance to secure the income support for the poor.

The new public assistance program, NBLSS, abolished the second eligibility requirement, which was called ‘demographic criteria’. The purport of this new system is that regardless of ability to work, basic income support is provided even to those who are able to work in the labour market. Therefore, it is regarded as a break-through development in public assistance history in Korea, in that the Government started to take an interest in the poverty problems of those in employment. It is proposed that this new program is the first policy consideration for the working poor in Korea’s welfare state development.
Under the new system, an official poverty line is being employed to decide the eligibility of the benefit and qualified social workers conduct means testing and make decisions about the provision of benefits. Another technical improvement in deciding the eligibility is the introduction of ‘income acknowledgement’, which is a device to convert assets to income to compute a single income standard. Beneficiaries do not have to meet both the means and the asset test at once. As a result, public assistance reforms which were enacted in 2001, increased the number of beneficiaries by approximately five times from 0.37 million in 1997 to 1.54 million in 2006 (KNSO, 2007).

Response in the social insurance schemes

The income security system in Korea is structured around on earnings-related social insurance scheme.\(^4\) Therefore, social insurance reforms were inevitable in addressing poverty problem in Korea. To begin with, to cope with the rising unemployment rate, the Government launched the expansion of Employment Insurance, which was introduced in 1995. It initially applied to large-scale companies with more than 30 employees, which resulted in low coverage. But, in 1998, Employment Insurance coverage was expanded to cover all workplaces, providing unemployment benefit at the replacement rate of 50% of income and job training services. As a consequence of coverage expansion, the number of the insured doubled from 4.2 million in 1997 to 8.5 million in 2006 (KNSO, 2007).

The National Pension Scheme, which is the core program for income security in Korea, has experienced a ‘paradigm shift’ (Kim, 2006). The National Pension Scheme was introduced in 1988, covering firms with more than 50 employees in the beginning with the coverage of 15.9% of the working population in 1993 (Kwon, 1997). In 2003, the coverage expanded to all workplaces, encompassing the urban self-employed

\(^4\) This is quite different to that of Australia, which is based on a universal flat-rate provision, funded by the federal government’s general revenue. However, with the maturation of the mandatory earnings-related superannuation, this characteristic is expected to be diluted.
and non-standard workers, which increased the insured to around 17.6 million\(^5\) in 2006 (NPS, 2007).

The more notable change in the National Pension Scheme is the introduction of the ‘basic pension.’ As is well known, basic pension aims to provide all citizens with flat-rate pension based on the principle of universalism and egalitarianism\(^6\). In Korea, because of limited provision of public assistance and the immaturity of the national pension system, there has long been a necessity for a basic pension as the first pillar of retirement income. According to statistics, 58% of the population aged over 65 were excluded from the public income security system in 2004 such as public assistance and social insurance (Yoon, 2004).

The Korean Government announced that 5% of the average monthly income of pension members will be paid to the low income earners aged over 65 as a basic pension from 2008. It will be funded by general revenue and the payment rate will increase up to 10% by 2028 (MOHW, 2007). The basic pension is expected to solve the poverty problem of the old population who were previously outside the scope of public provisions. In spite of a reduction in the benefit level from 70% to 60% for its long-term financial sustainability, with the introduction of a basic pension, the Korean pension system has been transformed into a two-tier scheme that combines characteristics of both the Bismarckian and the Beveridgean models\(^7\) (Kim, 2006).

There were also significant reforms in National Health Insurance and Industrial Accident Compensation Insurance under the principle of integration and solidarity. In particular, the organisational integration

\(^5\) Workplace members reach about 8.5 million and regional members who include individual and self-employed members, account for 9.1 million.

\(^6\) In Australia, the Old-age Pension is equivalent for basic pension.

\(^7\) Distinction between the Bismarckian and the Beveridean model is very common in social policy. While Bismarckian tradition relates proportionally each wage-earner’s rights to the contribution from employee or employer, the Beveridgean social policy accepts a general insurance for the whole population of a country (Abrahamson, 1999; Bonoli, 1997).
was remarkable. Before health care reform in 1998, the system was composed of about 420 health insurance societies with different contribution rates and independently managed funds for different workplaces and geographical areas (Lee, 2004). These societies were incorporated in a single public agency and a unified contribution standard across the nation was introduced. This health insurance reform is seen as another achievement in terms of the realisation of social solidarity.

**Response in social services**

Korean social policy has focused more on direct income provision rather than social services in dealing with the poverty problem. But, it is well known that social services as a social wage play key role in poverty-relief. The reason for relative underdevelopment of social services in Korea is mainly due to the fact that care for the elderly, children, women and the disabled has traditionally been the responsibility of the family.

However, recently Korea underwent an unprecedented institutional development in social services. One of the most outstanding improvements was the amendment of the Maternity Protection Law in 2001. This law does not exist as a single law, but gives a general term to provisions relevant to maternity protection, based on three acts: the Labour Standard Act (1997), the Equal Employment Act (1987), and the Employment Insurance Act (1995). This amendment mainly stipulates the expansion of maternity leave from 60 days to 90 days and the use of paid child care leave.

Further, according to Kim (2006), public child care services that previously targeted low income families were extended to cover middle class families with double income, increasing the number of public day care centres from 1,029 in 1995 to 1,329 in 2003. Community welfare

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8 This can be comparable with the superannuation in Australia, where there are a great number of superannuation funds in operation.
centres for the elderly, the disabled and women have also increased by over four times from 88 in 1990 to 360 in 2003. The number of workers in social services and public assistance nearly doubled from 3,000 in 1997 to 7,200 in 2002. The expansion of social service is closely related to the advancement of gender equity. This progressive trend is seen to continue due to the change of family structure, the increase of women’s social and market participation and, decisively, the transition in the role as a main care provider from family to Government.

Organisational responses

The last aspect of the Government’s response to poverty was the establishment of the Korea Tripartite Commission in 1998. This organisational reaction does not seem to have a direct relationship with the poverty problem because the main purpose of the commission was overcoming the IMF’s regime through a three party agreement between labour, business and government, focusing more on industrial relations and labour market issues than poverty. However, its establishment has an important meaning in terms of the policy process. It laid the foundation of a social consensus system and class compromise in dealing with the socio-economic problems. It was the historical experiment that showed a fundamental change in adjustment to conflicts of interests from an authoritarian to a democratic path of governance.

The Korea Tripartite Commissions was regarded as the introduction of social corporatism as a new developmental model. It emulated the western social consensuses such as the ‘Saltsjoebad agreement’ between LO and SAF in 1938 in Sweden (Lewin, 1994) and ‘the Accord’ in 1983 in Australia (Jamrozik, 2005; Smyth, 2006). Although currently the status of the commission has become weakened changing its name to Economic and Social Development Commission and emphasising the improvement of national competitiveness after the economic crisis, the
Korea Tripartite Commission has made 136 agreements on industrial relations and welfare.

Transformation of the policy process

Explanations about the background of recent developments in the institutional arrangements in Korea can be largely divided into two categories: industrialisation and democratisation. Industrialisation can be said to have been the underlying environment for a Government response. It is apparent that change of family structure from an extended to a nuclear family, increases in the unemployment rate and labour flexibility and dramatic population aging over the last three decades have forced the Korea government to set up a Western style social safety net. But, industrialisation can not be seen as a ‘sufficient condition’ but rather as a ‘necessary condition.’

It should be noted at this time that the benevolent Korean government did not implemented all these changes voluntarily. The recent developments are the results of the democratisation, and particularly, of the constant efforts of a pro-welfare civil society and labour movement, which grew in spite of governments’ persistent oppression. According to Jamrozik (2005), social policy in the welfare state can be viewed as the application of democratic values and principles of equality and fairness to the decisions of government on the allocation of resources through redistribution of economic surplus generated in the economy. Institutional achievements are the consequences of governments’ strategic choice between the actions of progressive forces and the reactions of conservative forces. This section will focus on the welfare politics and welfare dynamics which underlie the current welfare arrangement in Korea.

Actions from progressive forces
Traditionally, in Korea, the authoritarian government including its bureaucrats and policy experts decided social policies and their priority. The President’s Office (the Blue House) had exercised the emperor’s authority in decision making and the ruling party and administrations had taken complete control over social policy processes, employing policy advisory research institutes such as Korea Development Institute (KDI). They formed vested interests and their thoughts and logics were strongly affected by US-trained neo-liberal economists.

With the emergence of ‘formal democracy’ in 1987\(^9\), the labour movement and civil society began to activate and they started to engage in policy making, challenging the centralised and authoritarian governance. As a result, the asymmetry between state and civil society in policy making was improved to a great extent, which expanded the political space for interest groups. Based on the data from 2000, 74% of the NGOs in Korea were established after 1987 (Henderson et al, 2002). Amongst them, the establishment of the People’s Solidarity for Participatory Democracy (PSPD) in 1994 is seen as the watershed event in Korean welfare development.

PSPD formed an extensive pool of activists made up of progressive academic experts and community advocates and its ‘social welfare committee’ launched the organisational calls for a ‘national minimum’ movement with the aim of a guaranteed living standard above the minimum cost of living for all the people. This was the very inception of the current NBLSS. Without PSPD, the birth of the NBLSS would, in effect, have been impossible.

However, the PSPD did not strive alone for welfare reforms. Diverse civil organisations lined up to help with the enactment of the NBLSS and its political power was maximised by this coalition. They shared the opinion of increased responsibility of the state as a welfare

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\(^9\) For the first time in Korean history, a direct vote was introduced in the presidential election. However, the President-elect was a person of military clique and the civilian governments have come in power from 1992.
provider, which made other welfare reforms possible. Co-operation of NGOs created a synergy effect for the amendment of the acts for maternity protection, which was initiated by Korea Women's Associations United (KWAU) established in 1987, and for the organisational integration of previously segregated health insurance societies.

The role of trade unions in recent welfare reforms can not be neglected. Historically, militant labour movements which sought the subversion of autocratic regimes had developed under the strong influence of socialism until the mid 1990s in Korea. Along with the progress of democracy, they moved to establish a progressive trade union, the Korean Confederation of Trade Unions (KCTU) in 1995, which contrasted by its nature to the government-patronised union, the Federation of Korean Trade Unions (FKTU). While KCTU in its early stage maintained the militant tradition focusing on wage increase, it started to pay attention to the expansion social welfare as a strategy to increase the real wage. Finally, it joined the coalition. With the support from the huge organised workers’ organisation\textsuperscript{10}, the coalition gained momentum for public support for the public assistance reform and particularly the health insurance incorporation.

**Reactions from conservative forces**

However, the advancement of democracy and the growth of civil society in Korea also produced the escalation of conservative forces. At the beginning, the Citizen’s Coalition for Economic Justice (CCEJ), which is recorded as the first successful NGO, passively sympathised with the introduction of the NBLSS, but this academic economists’ organisation openly opposed it in the end, showing concern about the distorting effect of welfare expansion on the normal operation of a

\textsuperscript{10} As of 2007, the KCTU accounts for 50% of the total union members.
capitalist market. The conservative FKTU were outspokenly opposed to integrative policies, demanding for the separation of the wage earners’ NPS fund from that of self-employed and the maintenance of a segregated structure of the health insurance system.

As outlined below, the dominant media spearheaded the opposition to the welfare expansion, representing the conservative ideologue\textsuperscript{11}. Most of major daily press including Chosun, Choongang, and Donga, expressed an anti-welfare disposition in leading editorials. The following are some examples of the criticism from the media on the enactment of the NBLSS (Song, 2002). Clearly, the criticism mainly focused on the budget problem, welfare dependency, and the negative effect on the national economy. Hankyore, a daily paper, alone articulated its favour for the introduction of the NBLSS, saying that the biggest problem is that the number of the beneficiaries is too small compared with the objective of the NBLSS and the real conditions of poverty (Hankyore, 20/08/2000).

The important thing now is whether we can supply welfare resources reasonably under our fiscal situation. In a word, the current fiscal situation is the worst. It is time for government to cut down the expenditures and increase the tax revenue (Chosun, 21/08/99).

While the NBLSS will contribute to social integration, unearned benefits, which is over the minimum wage may cause the discouragement of work-incentive (Donga, 21/12/2000).

In fact, the fake poor began to bud, who take minimum cost of living without working. It is rare even in advanced countries that minimum cost of living is guaranteed to the poor. Because the current policy imposes a big burden to finance and gives rise to the moral hazard, reducing the benefit and increasing it incrementally will be more effective (Choongang, 26/09/2000).

\textsuperscript{11} According to classical Marxists such as Althusser and Gramsci, media is regarded as one of ‘ideological state apparatuses’, which disperse dominant ideology.
Disagreements and criticisms on the enactment of the NBLSS were identified among ministries within government. The Ministry of Health and Welfare (MOHW) which is in charge of welfare affairs had no reason for opposition to the enactment of the NBLSS. However, the policy initiative of the MOHW was weak because it was both skeptical of the feasibility of the act and lacked policy capacity, as policy-making had long been the responsibility of economic bureaucrats. Meanwhile, the resistance from economic bureaucrats including the Ministry of Finance and Economy (MOFE) and the Ministry of Planning and Budget (MPB), and the Ministry of Labour (MOLAB) was clear-cut and strong. The MPB took the standpoint that the NBLSS should be enforced within the budget and the differential benefit should be paid depending on working ability. The conservative view emphasising the negative effects of social benefits on the tax burden and economic growth was shared with and supported by the Federation of Korea Industries (FKI), which consists of Korea’s major conglomerates, and the Korea Economic Research Institute (KERI), which disseminates free market principles and advocates deregulation as the FKI’s research institute.

The view of the MOLAB, which emerged as a key ministry for poverty and unemployment affairs after the economic crisis, was based on the ‘workfare’, income production and exit from poverty through work. The main point of its argument was that along with the maintenance of the old Livelihood Protection Act, the Government’s policy should place priority on labour market participation of the unemployed and the low income earners as a remedy for poverty, emphasising employment creation and job training.

In medical reform, the Korean Medical Association (KMA), which represents the interest of medical doctors, has been in constant criticism of the Government’s progressive healthcare reforms such as integration of health insurance societies and the functional separation of prescription and dispensing of medicines. The FKTU, a conservative
labour union, also opposed the organisational consolidation for a single payment system, speaking in the interests of its union members.

In summary, the process of welfare policy in Korea has emerged as a completely different shape over the last decade. The enactment of an act requires a longer period, and the process has become much more complicated and dynamic compared with the past (Ahn, 2000). At last, Korea has established a ‘regime of ideological confrontation’ in social policy making. Welfare has entered political discourse as a central issue. Political parties have to develop differential welfare strategies to win elections. The engagement of various interest groups and the interest conflicts among them have become an integral part of the policy process. Government can not maintain a monopolistic status in social policy processes and substantial ‘welfare politics’ has begun through the war of welfare expansion. The following schematises welfare dynamics in Korea, based on the recent welfare reforms.

Picture 1. Welfare dynamics in Korea

Note: Vertical line divides the agents into political left and right. But, this configuration is not fixed permanently. Alliances and ruptures can be possible depending on their interests and issues.

Challenges and future
In spite of dramatic welfare expansion, Korea has to go a long way to reach a welfare state in the true sense of the term. The Organisation for Economic Co-operation and Development (OECD) reveals in 2007 that Korea ranks at the bottom along with Mexico in social expenditure including old age, incapacity-related benefits, health, family, active labour market programmes, unemployment, and housing, spending 6.1% of GDP in 2001. This figure is far below the average OECD spending of 21.8%. Although the poverty rate has been stabilised compared with the time of the economic crisis, the distributive situation keeps deteriorating. According to a recent report published by the Korea Institute of Public Finance (KIPF), the relative poverty rate, the percentage of households whose incomes are below 50% of the median income, has risen from 7.76% in 1999 to 11.0% in 2005 (Seong, 2007). This report also reveals that the ‘poverty exit rate’, which is measured by the number of households that exited from the status of relative poverty in the previous year, is decreasing from 49.38% to 36.68% in 2004, which implies the trend of long-term and fixed poverty in Korea. That is to say that it has become more difficult for those who once fall into poverty, to exit. The Korea National Statistical Office (KNSO) statistics reveals that the Gini-Coefficient turned to increase from 0.341 in 2003 to 0.351 in 2006. Based on these indicators, social polarisation and the collapse of the middle class have emerged as new hot potatoes in the Korean social policy agenda.

Some scholars take an optimistic view of the future development, despite unfavourable indicators (Kim, 2006; Choi & Choi, 2007). Their optimism relies basically on two assumptions: the ‘maturation effect’ and ‘political irreversibility’ of social policies. The recent improvements in the coverage in various policy areas will increase the beneficiaries and result in continuous expansion of welfare spending. Particularly, the public pension beneficiaries are expected to increase from 20.5% in 2002 to 51.6% in 2019 and then 60.9% in 2026 (Participatory Welfare Task Force, 2004). Increase in the welfare
spending seems inevitable along with the demographic change with the decline of the fertility rate and dramatic population ageing.

From the perspective of welfare politics, the recent welfare expansion is expected to set an affirmative inertia for future development. This view employs the notions of ‘path dependency’ (Pierson, 2000) and the ‘irreversibility’ of social policies (Talyor-Gooby, 1991). They assume that antecedent conditions define and delimit agency during a critical juncture in which actors make contingent choices that set a specific trajectory of institutional development and consolidation that is difficult to reverse. Applying these assumptions, recent positive changes would reinforce the institutional features established over the last decade in Korea.

However, we can not hastily reach a conclusion that Korea has transformed its social policy from residualism to institutionalism or from selectivism to universalism. Concerns or at least uncertainty seem to be more prevalent in the debate on the developmental outlook. In spite of expenditure increases, it is careless to interpret this quantitative growth as a qualitative make-over. Means-testing is still dominant in welfare provision and the public attitude toward welfare is still negative, with negative discourses such as welfare disease and welfare dependency dominating.

In effect, the new NBLSS, which is regarded as the most successful poverty response, has not overcome the old act completely. Although, its legal characteristics have been changed, stipulating a benefit as a citizen’s right from previous protection from government, its coverage is confined to around only 3% or so of the total population (KNSO, 2007). A dream for guaranteeing the national minimum income has never been realised. Priority of economic policy over social policy is still prevalent and attempts to dilute the real purpose of the NBLSS act from economists and economic bureaucrats continue. The enactment of the NBLSS is seen as a half-success and in a sense, a surrender to growth advocates.
According to Shin (2004), the NBLSS has institutionalised the neo-liberal workfare ideology because the employable poor are required to participate in a self-reliance support program to maintain their eligibility. He goes further to emphasise that the recent Korean social security system was introduced as a ‘crisis management program’ rather than planned reform, implying that current development is vulnerable to attacks from conservative forces. The recent transition is nothing more than what occurred within the same ‘workfare regime’ from the developmental to the Schumpeterian state.

It does not seem to be easy for Korea to free itself from the vestiges of a developmental state. What is more, Korea has once experienced the escape from the absolute poverty through economic growth. Many people still share the idea with vested interests that poverty is a personal responsibility and the ‘trickle down effect’ will prevent poverty. Therefore, the future development depends on how much progressive forces can take this opportunity to effectively divert the traditional stream of consciousness into a greater solidarity and integration at a critical crossroads between retrenchment and further evolution.
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