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Social Development in Korea: An Overview

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KOREA INSTITUTE FOR
HEALTH AND SOCIAL AFFAIRS

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Abbreviations

| | |
|---------|--|
| BOK: | Bank of Korea |
| EPB: | Economic Planning Board |
| KDI: | Korea Development Institute |
| KEDI: | Korea Education Development Institute |
| KIHASA: | Korea Institute for Health and Social Affairs |
| KWDI: | Korea Women's Development Institute |
| KMIC: | Korea Medical Insurance Corporation |
| MOE: | Ministry of Education |
| MOHSA: | Ministry of Health and Social Affairs (The predecessor of MOHW) |
| MOHW: | Ministry of Health and Welfare |
| NFMI: | National Federation of Medical Insurance |
| NSO: | National Statistical Office |

I. Introduction

The world economy is facing new opportunities for its development and growth owing to unprecedented fast progress in science and technologies, enhanced communication, a reduction in trade barriers and an increase in capital flows. Globalization as a consequence of these changes enables peoples in the world to share their experiences easily, to learn from each other's achievements and difficulties and a cross-fertilization of ideals, values and aspiration. On the other hand, inequality and marginalization, both within and amongst nations have been deepened by the rapid process of changes and adjustments. It is our challenge to enhance the benefits and mitigate negative effects of these trends.

As a member of international society, known for its successful economic development, we would like to share our experience of economic development as well as social development, with other developing countries in the world.

Since the 1960s, the primary objective of Korea's national development has been to eliminate absolute poverty through sustained and rapid economic growth. As a result, the Korean economy has grown to be an advanced developing economy. Along with the rapid economic growth over the last three decades, much progress has been made in the social

development. Furthermore, it is noted that this rapid economic growth over the period did not deteriorate the pattern of income distribution in Korea. The standards of living have generally improved with this economic progress. In particular, the improvement in certain indicators such as life expectancy at birth, infant mortality rate, nutritional intakes, an extent of piped water supply, and middle school enrollment rate, demonstrate the broad benefits of development over the period (see Table 1).

Korea has been shown as one of the top ten performers in human development which was measured by a composite of three basic components of longevity, knowledge and standard of living,¹⁾ during the period 1960~1992 (UNDP, 1994).²⁾

In this context, the purpose of this paper is to assess the overall performance of Korea, to identify major factors of the improvement, to review the role of government and to share some of our experiences with other developing countries.

1) Longevity is measured by life expectancy. Knowledge is measured by a combination of adult literacy (two-thirds weight) and mean years of schooling (one-third weight). Standard of living is measured by purchasing power, based on real GDP per capita adjusted for the local cost of living (purchasing power parity).

2) The five countries showing the largest absolute increases in 'Human Development Index' (HDI) were Malaysia(+.463), Botswana(+.463), Korea(+.462), Tunisia(+.432) and Thailand (+.424).

<Table 1> Some Social Development Indicators of Success

| | Now (1990s) | Then (1960s) |
|---|---------------|---------------|
| Human development index (HDI) | .859 (1992) | .398 (1960) |
| <Population> | | |
| Total population (1,000 persons) | 44,453 (1994) | 24,954 (1960) |
| Crude birth rate (per 1,000 persons) | 15.2 (1994) | 40.4 (1961) |
| Crude death rate (per 1,000 persons) | 5.8 (1994) | 10.7 (1961) |
| Dependency ratio | 41.5 (1994) | 85.8 (1960) |
| Total fertility rate | 1.75 (1993) | 6.0 (1960) |
| <Health & Nutrition> | | |
| Life expectancy at birth (years): Male | 67.7 (1991) | 59.7 (1966) |
| Female | 75.7 (1991) | 64.1 (1966) |
| Infant mortality rate (per 1,000 live births) | 12.8 (1992) | 60.0 (1961) |
| Maternal mortality rate (per 10,000 live births) | 3.0 (1992) | 8.8 (1965) |
| Doctors per 1,000 persons | 1.17 (1993) | .33 (1961) |
| Daily calorie supply per capita (kcal) | 2,875 (1991) | 1,943 (1962) |
| Population with piped water services (%) | 81.1 (1993) | 17.2 (1961) |
| <Education> | | |
| Any schooling (% of pop. 15 & over): Male | 96.8 (1990) | 83.6 (1970) |
| Female | 97.5 (1990) | 68.0 (1970) |
| Primary school enrollment ratio (%): Male | 100.9 (1993) | 98.0 (1966) |
| Female | 101.9 (1993) | 95.0 (1966) |
| <Employment and Social Security> | | |
| Participation rate (% of pop. 15 & over): Male | 75.4 (1993) | 76.6 (1965) |
| Female | 46.3 (1993) | 36.5 (1965) |
| Employment (%) in: Agriculture | 15.0 (1994) | 63.1 (1963) |
| Manufacturing | 23.3 (1994) | 7.9 (1963) |
| Population coverage of national health security programme | 100.0 (1994) | 29.8 (1980) |
| <Wealth> | | |
| GNP per capita (current dollars) | 7,466 (1993) | 87 (1962) |
| Motor vehicles (per 1,000 persons) | 153.4 (1994) | 1.2 (1962) |
| Telephone (per 1,000 persons) | 378 (1993) | 4 (1961) |

II. Two Vehicles for Social Development in Korea

Economic growth is a key to social development. It is a necessary condition, but not a sufficient one for it. Development policies pursued by government, have at the same time, led to imbalanced growth patterns within countries with disadvantaged areas suffering from relatively high incidences of skewed income distribution, unemployment, poverty and social disintegration.

Korea's success in social development which was illustrated by some indicators in Table 1 can be attributed to the success in economic development. In addition, it can be explained by the successful implementation of population policies. We go over the components of success in economic development and population policy succinctly in this section because Korea's success story of economic development is well known in the world.

1. Korea's Well-known Success in Economic Development

▶ Rapid and Sustained Economic Growth :

During the past thirty years, the Korean economy grew at an average annual rate of nearly 9 per cent (see Table 2). Nominal per capita GNP during the past three decades jumped from \$87 (US dollar) in 1962 to \$7,466 in 1993, while real per capita GNP increased nearly twelve-fold.

<Table 2> Economic Structure of Korea: 1962~1991

| | 1962 | 1972 | 1982 | 1993 |
|---|---------------------|---------------------|---------------------|-------------------------|
| GNP | | | | |
| Billions of dollars (current) | 2.3 | 10.7 | 71.3 | 328.7 ¹⁾ |
| Billions of Korean won (1985 constant) | 11,215.8 | 28,504.7 | 59,322.2 | 215,641.4 ¹⁾ |
| Per capita income | | | | |
| Dollars (current) | 87 | 319 | 1,824 | 7,466 |
| Thousands of Korean won (1985 constant) | 423 | 850 | 1,516 | 4,890 |
| Employment structure (%) | | | | |
| Agriculture, forestry and fishery | 63.1 ²⁾ | 20.6 | 32.1 | 14.7 |
| Mining and manufacturing | 8.7 | 14.2 | 21.9 | 24.4 |
| Others | 28.2 | 35.2 | 46.0 | 60.9 |
| Unemployment (%) | | | | |
| Unemployment (%) | 8.2 ²⁾ | 4.5 | 4.4 | 2.8 |
| Non-agricultural unemployment (%) | 16.3 ²⁾ | 7.5 | 6.0 | 3.1 |
| Absolute poverty (%) | 40.9 | n.a. | 9.8 ⁵⁾ | 9.5 ⁶⁾ |
| Gini coefficient | 0.344 ³⁾ | 0.391 ⁴⁾ | 0.389 ⁵⁾ | 0.336 ⁶⁾ |

Notes: 1) 1990 constant 5) 1980 data
 2) 1963 data 6) 1988 data
 3) 1965 data 7) n.a. = not available
 4) 1976 data

Sources: 1) EPB, *Handbook of Korean Economy*, 1980
 2) NSO, *Major Statistics of Korean Economy*, 1994.
 3) BOK, *National Accounts*, 1990.
 4) _____, *Economic Statistics Yearbook*, 1994.

Moreover, according to Kuznets' U-curve hypothesis (1955), during the course of a nation's development, income distribution actually gets worse before it gets better. On the contrary, Korea's household income distribution has been recognized as one of the most equitable among developing nations. Korean income distribution is nearly comparable to or even better than that of some of today's developed nations. In Table 2, the Gini

Coefficient was 0.344 in 1962 and went up to 0.391 in 1972. Since then it had fallen to 0.336 in 1993.

► **Understanding Korea's Economic Success :**

Korea's economic success of the past three decades is owing, to a large extent, to international factors: foreign capital, foreign markets, and imported technology. It is well-known by now that the outward-looking growth strategy adopted in the early 1960s was successful. The implementation of this strategy, in turn, relied heavily on foreign debt capital. External borrowing was necessary to finance investments in export industries and build social overhead capital, and thus foreign borrowing began to play a critical role in the course of economic development.

What caused Korea's economic success? Vigorous private investment, abundant supply of educated labor force, combined with outward-looking development strategy, were the principal engines of economic growth(Sakong, 1993). Among these elements, what distinguished Korea from other developing countries is the high priority given to exports. For example, Korea implemented trade policies to encourage manufacturing exports. At the same time, the government not only introduced various non-pecuniary incentives to exporters but participated actively in the proportion of exports, for example, setting export targets for individual firms by product and regional distribution.

2. Another Success in Population Policy

Success in reducing population growth is a prerequisite for social development in its early stage. It not only accelerates improvement in living conditions on the average but also has a disproportionately beneficial effect on the poor. Obviously this is not simply a matter of providing contraceptive services, but of bringing about attitude changes in society and economic changes in the status of women, including especially advances in female education and the associated increase in participation of women in their labor force. Changes in the status of women will be discussed in a separate subsection of social integration in section III, Social Development in Korea.

► Population Policy :

Korea has attained a comparative success in controlling its population growth by means of the National Family Planning Programme in parallel with the government's Five-year Development Plans initiated in 1962. Under the present situation of a total fertility rate of 1.75 (KIHASA, 1994), the government has established a new 'Committee on Reorientation of National Population Policy' since December 1994 for redirecting more carefully the national population policy. Existing strategies concentrated on quantity control of population. Current objective of population policies needs to be shifted to upgrading the

quality of population with an integrated approach of considering the relationship between population and development.

► **Fertility Decline and Its Associated Factors :**

With successful fulfillment of a series of Economic Development Plans and population policies, there has been a great reduction in population growth and fertility rate since 1962. Examining the factors contributing to the reduction of the fertility rate in Korea, it was largely attributed to the vigorous implementation of the national family planning programmes, rise in age at marriage, widespread use of induced abortion, and changing attitude and norms toward smaller family based on the rapid socio-economic development.

In addition, the success of the national family planning programme has been attributed to the following advantages: ① a pluralistic system of programme management with active participation of various government and private organizations, ② utilization of a large corps of family planning workers for inter-personnel communication and education, and private physicians for providing contraceptive services, ③ a systematic programme management system including programme planning of target setting and allocation, programme evaluation, and supervision, ④ numerous social support policy measures including incentives and disincentive schemes, and ⑤ strong political commitment by the government to the programme.

Along with the fertility decline, the population growth rate declined drastically from 3.0 per cent to 0.94 per cent over the 1960-1994 period. Owing to strong government population control measures and improved health-related conditions, Korea was able to achieve its demographic transition within a relatively short period and has reached below-replacement level of fertility and lower mortality.

III. Social Development in Korea

Social development is a crucial area that will bring greater welfare to the people. Thus social development should progress along with economic growth.

The core issues of social development are alleviation of poverty, full employment and social integration. These problems have been tackled both by overall economic growth and by programmes aimed at alleviating poverty. Substantial attention has also been paid to the empowerment of deprived and disadvantaged sections of the society. However we firmly believe that problems of poverty, employment and social integration have to be handled in complete harmony.

In this section, the role of the Korean government for social development will be reviewed briefly in chronological order. Among the core issues of social development our discussion focuses on poverty alleviation and social integration along with government intervention programmes related to them. Finally an advancement in some indicators will be shown as a consequence of social development.

1. The Role of Government for Social Development

The development of Korea's social welfare policies can be

classified into several different stages. Three distinctive periods are the 1960s to mid-1970s, the late 1970s to mid-1980s, and the late 1980s to the present. Each period is classified by the difference in the activeness of government social welfare policies. The emphasis on these social policies have steadily grown over these periods, eventually leading to very active government social welfare policies since the late 1980s (see Table 3).

► **The 1960s to Mid-1970s :**

Korea's national development strategy in the course of the industrialization drive of the 1960s and early 1970s, focused on economic efficiency rather than social equity. The government was very effective in achieving the economic goals, and as a result of the national economic drive based on exports, the real wages increased and the unemployment rate was substantially reduced.

Also the distribution of the wealth did not worsen and remained at a relatively equal level in comparison with the following period (Choo, 1992). In the aspect of policy, welfare functions were basically the responsibility of the people themselves during this stage of rapid economic growth.

<Table 3> Development of Social Security System in Korea

| Five-year Plan Period | Pension Insurance | Medical Insurance | Industrial Accidents Insurance, and Others |
|---|--|--|--|
| From the First Five-year Plan to the Third Plan (1962 ~ 1976) | <ul style="list-style-type: none"> • Introduction of the pension program for civil servants (1961) • Introduction of the pension program for military personnel (1963) • Introduction of the pension program for private school teachers (1975) | | <ul style="list-style-type: none"> • Introduction of the Industrial accidents insurance program for workers at workplaces with 500 or more workers(1964) • Coverage expanded to include workers at workplaces with 16 or more workers (1976) |
| From the Fourth Plan to the Fifth Plan (1977 ~ 1986) | | <ul style="list-style-type: none"> • Implementation of the employee medical insurance program for workers at workplaces with 500 or more workers (1977) • Implementation of the medical insurance program for civil servants and private school teachers (1978) • Coverage of the employee medical insurance program expanded for workers at workplaces with 16 or more workers(1986) | <ul style="list-style-type: none"> • Coverage expanded to include workers at workplaces with 10 or more workers (1986) |
| The Sixth Plan (1987 ~ 1991) | <ul style="list-style-type: none"> • Implementation of the National Pension System for workers at workplaces with 10 or more workers (1988) | <ul style="list-style-type: none"> • Introduction of the regional medical insurance program for the self-employed in rural areas (1988) • Coverage of the employee expanded to include workers at workplaces with five or more workers(1988) • Expansion of coverage of the regional medical insurance program to include the self-employed in urban areas(1989) | <ul style="list-style-type: none"> • Coverage expanded to include workers at workplaces with five or more workers • Introduction of the minimum wage system initially applied to the manufacturing sector(1988), and later to all industries(1990) |
| The Seventh Plan (1992 ~ 1996) | <ul style="list-style-type: none"> • Coverage expanded to include workers at workplaces with five or more workers (1992) • Government plans to introduce a pension program for farmers and fishermen during the latter half of the Plan period | <ul style="list-style-type: none"> • Financial stability of the regional medical insurance • Strengthening the institutional basis of the public health programs | <ul style="list-style-type: none"> • Introduction of the employment insurance program during the latter half of the Plan period |

Source: Government of the ROK, *The Seventh Five-Year Economic and Social Development Plan 1992 ~ 1996*, 1992.

▶ **The Late 1970s to Mid-1980s :**

The Korean government starting in the late 1970s, pursued a comprehensive structural adjustment policy, designed to revitalize the economy and bolster the competitiveness of the Korean industry. In addition, the government heightened its efforts in the area of social development.

In the 1980s, the issue of social welfare received increasing attention as the increased discontent of the underprivileged with accelerated urban-rural, interclass and regional income disparities accompanying the process of rapid industrialization, deepened social conflict and emerged as a major bottleneck to further development (Yeon, 1989).

Accordingly, the government's commitment toward the social policy issue was evidenced in the Fifth Five-year Plan, titled 'Fifth Five-year Economic and Social Development Plan'. The Fifth Plan clearly outlined the concept of social development by stating its objectives as "to mitigate undesired effects accumulated as a result of the past economic growth process" and "to cope efficiently with the rising demands of the Korean citizens for social welfare".

▶ **The Late 1980s to the Present :**

Beginning with the Sixth Republic (1988~1992), the issues of welfare policy came to the forefront of national politics.

Following a reassessment of national priorities, the government adopted a strategy to pursue social welfare policies in conjunction with stabilization, liberalization and structural adjustment measures, which were deemed to be of greater short-term significance for the nation's growth. Thus the government carried out various projects to improve social welfare and spur regional development. A significant institutional groundwork thus resulted in increased economic capabilities. However, because of this prioritization of growth over welfare and because of the government's desire to avoid negative incentive effects on work caused by over-emphasis on social welfare provisions, the government to date has not been very aggressive in fostering the 'welfare state'. Nevertheless, the government has initiated and expanded several important welfare programmes.

Currently under the Seventh Five-year Plan period (1992~1996), the government has been enacting various policy measures and programmes to improve social welfare, to resolve regional and sectorial imbalances, and to improve the quality of life. This approach emphasizes economic efficiency and qualitative development rather than economic expansion, as pursued in the past. They are expected to enhance national harmony while achieving sustained economic growth.

The Seventh Plan outlines major policy objectives, such as strengthening international competitiveness of industry,

improving social welfare and balanced development, and the liberalization and internationalization of the economy and laying the foundation for national unification.

Among these objectives, issues directly related with social development are: ① development of the social security system and promotion of cultural activities, ② improvement of rural structure and balanced development between regions, ③ reforming the education and training system to meet the needs of industrializing society, and ④ coping with housing and environmental problems. The Seventh Plan also states that these major policy objectives can be attained only when all economic agents fulfill their respective roles. This objective calls for innovative business management, strong work ethic, and sound civic attitude, among other things.

2. Poverty Alleviation

The poverty refers in general to absolute poverty which means that the deprivation of the basic needs: that is, food, shelter, clothing and essential public services such as clean water, sanitary conditions, health care and education. Korea can be appraised to be successful in overcoming the mass-poverty social structure owing to economic development. For last three decades the rapid economic growth in Korea created many job opportunities that in turn led to the significant alleviation of

poverty. Income distributions is also relatively equitable as discussed in the previous section. In recent years, however, the relative poverty defined as the deprivation of the poor in relation to the non-poor in a society, became one of the significant social problems in Korea, so did the wealth distribution. This is partly because the nature of growth limits the percolation of benefits of growth to the poor.

Poverty alleviation is, however, no longer regarded as something that can be left to the process of growth and the operation of automatic 'trickle down' processes alone in Korea. On the contrary, it must be treated as an explicit objective and social development should be structured to achieve this objective.

1) Factors for Absolute Poverty Alleviation

A study of poverty in 1981 found that the rate of absolute poverty dropped from 40.9 per cent in 1965 to 9.8 per cent in 1980 with the poverty line of 121,000 won in 1981 current value for a household of five persons (Suh, 1981). According to Bark's study (1993) with higher poverty line of 85,000 won per capita in 1991 value, the decline of poverty incidence is more remarkable dropping from 74.9 per cent in 1967 to 9.3 per cent in 1991. Poverty reduction is more conspicuous in urban areas. The rate of absolute poverty in urban area was reduced from

54.9 per cent in 1965 to 10.4 per cent in 1980, while that in rural area from 35.8 per cent to 10.4 per cent.

When we apply the World Bank's poverty line³⁾ of 1990, Korea's poverty rates are much lower than those of most Asian nations (see Table 4). Poverty rates were only 2.6 per cent below 24,000 won and 3.0 per cent below 27,500 won in cities in 1993 which is equivalent to the World Bank's poverty line.

<Table 4> Reduction in Absolute Poverty Incidence in Some Asian Countries

(Unit: %)

| Year | China | Indonesia | Malaysia | Philippines | Korea | Thailand |
|------|-------|-----------|----------|-------------|-------|----------|
| 1970 | 33 | 60 | 18 | 35 | 23 | 26 |
| 1980 | 28 | 29 | 9 | 30 | 10 | 17 |
| 1990 | 10 | 15 | 2 | 21 | 5 | 16 |

Source: World Bank, Office of the Vice-Presidents, East Asia and Pacific Region, *East Asia and the Pacific Regional Development Review: Sustaining Rapid Development*, 1993.

The alleviation of absolute poverty in Korea can be accredited to labor-intensive industrialization and an investment in upgrading human resources. In the classical dual economy growth model with rapid growth, there is a progressive shift of the labor force from the low-productivity low-income agriculture sector into high-productivity high-income non-agriculture

3) The poverty lines are US \$275 for extremely poor, US \$370 for the poor.

employment. A success in labor-intensive industrialization accommodated the unemployed and under-employed as well as new participants with job opportunities. For example, the rate of underemployed was reduced to below 1 per cent in 1993 from 7.6 per cent in 1965. The rapid growth in output and employment through labor-intensive industrialization laid the basis for a relatively egalitarian growth process in which rising demand for labor ensured full employment and rising real wages.

However, there are limits to some extent in absorbing unskilled and poorly trained labor in the process of industrialization. Industrialization requires more skilled and well-trained labor as it proceeds. On the other hand, abundance of skilled labor is likely to encourage the establishment and expansion of labor-using activities. Thus human capital investment is regarded as a precondition for supporting and stimulating a labor-using growth process. In the prospect of human resources, Korea was also evaluated with much higher levels of literacy and spread of primary education at the early stage of its development than is the case in most of the low-income countries today.

2) Roots of Poverty

The poor suffer from a problem of 'the lack of access' which

compounds issues arising from insufficient ownership of physical and human assets. One area related to the lack of access is social services such as health and education which affect household welfare. Besides the lack of access to social services, the poor also suffer from problems of access which directly reduce their income earning capacity from their given asset endowment because of the lack of access to information and other supporting services. They also lack access to credit which is a key requirement to upgrade income potential.

On the other hand, individual and household poverty stems from the deficiency of ability to work due to age, physical defects, sex, and so on. Korea's poverty has been revealed in the process of rapid industrialization. The rapid growth of the non-agriculture sector has led to gathering of poor rural migrants into urban areas. They suffer from the lack of dwellings, workplaces and other facilities. Unfortunately, new city poor are still being generated by ongoing urbanization in Korea, even though the increase is at a slower rate.

The present situation of the poor is apparently different from when there was the excess supply of labor. Many foreign workers are employed in small-size and 3-D(difficulty, dirty, dangerous) factories in suburban areas of Seoul. Many of them were smuggled into Korea to earn much higher wages, compared with those in their own country.

However, according to a study, 62.5 per cent of the poor in

Seoul who were surveyed still suffer from non-regular jobs and underpayment; 3.8 per cent from failure of business; 12.2 per cent from diseases and accidents (see Table 5). In addition, poverty caused by diseases cannot be ignored by its weight. A recent study found about 23 per cent reduction of the income of poor households is due to chronic diseases in 1993.

<Table 5> Causes of Difficulties in Living of the Poor in Seoul

| Causes of difficulties in living | Per cent |
|----------------------------------|----------|
| Non-regular earnings | 51.7 |
| Underpayment | 10.8 |
| Failure of business | 3.8 |
| Disease and accidents | 12.2 |
| Educational expenses | 8.2 |
| Many household members | 4.3 |
| Others | 9.0 |

Source: Seoul City Government, *A Study on Realities and Counter-measures of the Poor in Seoul*, 1989.

3) Anti-poverty Programmes

The government policy alleviating poverty focused on how to enhance the poor's self-reliance. Thus it emphasizes nurturing their own ability to adjust themselves to the adverse socio-economic environment. There are two types of strategy for poverty alleviation. One is direct government interventions aimed at providing basic needs and subsidies to the poor. The

other is an indirect approach to enhance their income earning capacity.

► **Direct Anti-poverty Programme :**

A number of direct anti-poverty programmes are included in the Public Assistance Programme, based on the notion that every human being has the fundamental right to have the necessities of life guaranteed by the government. This concept is stated in Article 34 of the Constitution as follows;

- “All citizens shall be entitled to live a life worthy of a human being.”
- “Citizens who are incapable of making a living due to physical disabilities, diseases, old age or other reasons shall be assisted by the government under the conditions prescribed in virtue of laws”.

The Livelihood Protection Act was enacted in 1982 in order to guarantee a minimum standard of living to those lacking the capability to live without any help. It consists of livelihood aid, medical aid, self-support aid, educational aid, maternity aid, and funeral aid. These aids can be classified into three categories such as given-home care, institutional care and self-support care.

- **Cash Benefit Assistance :** This is provided to two types of the extremely poor, one being accommodated in public facilities and the other remaining at private homes. They are

paid in kind by rice and cash to buy side-dishes and fuel.

- **Public Works:** This is provided for the vulnerable low-incomed labors. They can make earnings by participating in environment improving project and village developing project which are closely related to residents' lives. However, payment is very low compared with wages in the private labor market. Therefore beneficiaries are mainly the old who have no chance to participate in labor market.

The standard level of aid should be enough to guarantee a 'life worthy of a human being' as described in the Constitution. Although the notion is somewhat unclear, the government should determine the level of aid each year considering various socio-economic factors. In 1994 the total amount of the aid, in money terms, is worth 65,000 won a month per person both under Institutional Care and Home Care. These amounts include livelihood aid, medical aid, educational aid and so on.

► **Indirect Anti-poverty Programme :**

The Livelihood Protection Act helps the poor directly by providing mostly allowance in kind to meet basic necessities. On the other hand, the poor can also be helped indirectly by programmes enhancing the capability to earn higher income.

- **Vocational Training and Subsidies :** It is well known that those who have an advanced vocational training are less

vulnerable to poverty. The vocational training can, thus, be a good strategy to assist the poor to alleviate their poverty. Government subsidizes tuition and living expenses for the period of training. Training preparation and job-search expenses are also paid by the Government. They can, hence, concentrate on training themselves without being a burden to their family.

- **Capital Loans Aids:** Some of the poor can get loans for small business and housing rents with favorable conditions at low interest rates in a long-term redemption period.

► **Medical Assistance Programme :**

In 1977, 'the Medical Assistance Programme' was established to provide medical services under social security for those unable to pay for medical care (see Table 6). As a result of this programme, all medical services are provided free to those who are below the poverty line and unable to work (Class I). For those low-income persons able to work (Class II), the programme pays 80 per cent of hospital costs and all outpatient expenses. Moreover, the government provides low-interest loans for the remaining 20 per cent of hospital costs exceeding 100 thousand Korean won. For quasi-low-income persons able to work (Class III), the programme pays 56 per cent of outpatient expenses and 80 per cent of hospital costs (MOHSA, 1993).

<Table 6> National medical assistance programme

| Year | Expenditure (million won) | Beneficiaries of Medical assistance programme(1,000 prs.) | | | | | Population coverage(%) |
|------|------------------------------|---|-----------------------|------------------------|-------------------------|-----|---------------------------|
| | | Total | Class I ¹⁾ | Class II ²⁾ | Class III ³⁾ | | |
| 1978 | 5,661 | 2,095 | 440 | 1,655 | - | 5.7 | |
| 1980 | 8,171 | 2,142 | 642 | 1,500 | - | 5.6 | |
| 1985 | 44,617 | 3,259 | 642 | 2,616 | - | 8.0 | |
| 1990 | 151,285 | 3,930 | 695 | 1,959 | 1,276 | 9.2 | |
| 1992 | 193,365 | 2,687 | 692 | 1,755 | 240 | 6.2 | |

Notes: 1) Contains all poverty-level persons who are unable to work.

2) Contains poverty-level low-income persons.

3) Contains poverty-level quasi-low-income persons.

Source: MOHSA, *Major Indicators on Health and Social Affairs*, 1993.

4) Problems and Future Prospects

Anti-poverty programmes have decreased poverty problems effectively in Korea. These strategies for poverty alleviation hence have to be continued in the near future. Despite all these efforts for poverty alleviation, more attention and endeavor are required for further progress in poverty alleviation.

An effective public system for labor absorption is required with vocational training and strong implementations of employment stimulation such as nationwide job networks to lessen the poverty problems .

The levels of public aids are too low to provide a living for the households selected by the government. Furthermore a number of the real poor are excluded from social security

protection simply because they cannot meet administrative requirements, for instance, the existence of adolescence children who should have supported them. These potential beneficiaries excluded from the programme should be entitled to public assistance without any administrative constraints.

Housing is one of the hardest problems to solve for the poor in urban areas because of the soaring housing costs. During 1989 to 1993 there were 190,000 permanent-rent apartments constructed for public assistance beneficiaries. In addition to these efforts, a housing and rent control policy needs to be strengthened because still there is severe housing shortage and because financing is heavier burden for the poor.

For a long time, many non-governmental organizations (NGOs) participated in alleviating poverty despite its level of insufficiency. The people do not yet cultivate the welfare mind of helping the poor. Rather, their minds are preoccupied with the bitter life of their younger days. Only a small portion of the necessary welfare fund are donated by private sources. An incentive system should be designed to encourage more people to participate in the relief of neighborhood poverty

Many of the urban poor are engaged in small, self-employed business, and the lack of capital causes most of them to work on sidewalks as street vendors. To reduce the lack of access to credit, capital loan aids have been available for more persons to a larger extent since the late 1980s. This is not yet enough for

the poor to get credit to improve their own income earning capacity. The loan programme should expand its accessibility and amount for the poor.

3. Social Integration

Many countries in the world suffer from social dislocations, particularly conflict between ethnic groups. To avoid this, they have to promote more equal opportunities for all by means of social integration. The goal of social integration is the construction of a harmonious society regardless of ethnic differences such as color, culture, language and religion.

The meaning of social integration can be interpreted in various ways depending on each country's unique socio-economic and cultural conditions. Korea is one of countries in the world which has maintained national homogeneity. Fortunately there is no social conflict arisen from ethnic differences in Korea. However social conflict can arise from different aspects such as region, income distribution and religion. So we consider issues of social integration in a homogeneous society.

The Korean government focused more on economic growth in the early stage of its development. Economic growth has widened differences in the extent of development of some socio-economic aspects in Korea, for example, urban-rural income disparity and the gap of wealth between the poor and

the rich. The gap between regions and income-distribution needs to be narrowed by eliminating discrimination in order to attain social integration, by providing equal opportunities and by protecting vulnerable groups.

For the pursuit of social integration the following strategies are applicable to our unique situation: first, an increase in the level of protection and assistance for vulnerable groups like the elderly, the handicapped, the deprived children and other socially isolated groups; second, the expansion of the opportunity for direct participation in the public decision making process by citizen groups and NGOs and to alleviate regional disparities through devolution and decentralization; third, the elimination of elements for institutional and actual discrimination against women to encourage their participation in the labor market and social works.

The first strategy mentioned above is embedded in social security programmes. Some of the social security programmes related to poverty alleviation have already been mentioned in the previous section. Major social insurance programmes are, reviewed here. In addition, the second and third strategies for social integration are discussed in the subsection on social status of women and alleviating the regional disparities respectively.

1) Major Social Insurance Programmes

▶ Medical Insurance Programme :

In July 1977, Korea embarked on a new medical insurance programme designed to improve national health and to enhance social security by facilitating easier access to medical care. Initially, the new law established a two-tier programme including: ① a plan requiring employers with 500 or more workers to provide specified medical insurance benefits for their employees and their dependents and ② a voluntary community-based plan providing medical insurance for all others. Provision was also applied, on a voluntary basis, to firms employing less than 500 workers. The medical insurance system was expanded substantially in 1988 to include self-employed farmers and fishermen who were not covered previously, and the coverage was extended throughout the nation in 1989.

As a result of modification, health insurance coverage has increased dramatically in recent years. While only 10.5 per cent of the population had health insurance in 1978, a 12 year after the programme began, by 1989, over 94.7 per cent were covered(see Table 7).

<Table 7> Beneficiaries of National Medical Security Programme

(Unit: 1,000 persons, %)

| Year | 1978 | 1980 | 1985 | 1990 | 1992 |
|---|-----------------|------------------|------------------|-------------------|-------------------|
| Total population ¹⁾ : (A) | 36,969 | 38,124 | 40,806 | 42,869 | 43,663 |
| Beneficiaries of medical security: B ²⁾ (B/A×100) ³⁾ | 5,965 (16.1) | 11,368 (29.8) | 21,254 (52.0) | 44,110 (102.9) | 44,017 (100.8) |
| Medical Insurance | | | | | |
| Total: (C) (C/A×100) | 3,870 (10.5) | 9,226 (24.2) | 17,994 (44.1) | 40,180 (93.7) | 41,329 (94.7) |
| - Industrial workers | 3,812 | 5,381 | 12,215 | 16,155 | 16,140 |
| - Government employees & private school teachers | - | 3,780 | 4,210 | 4,603 | 4,622 |
| - Self-employers & others | 58 | 65 | 1,570 | 19,421 | 20,527 |

Notes: 1) Mid-year population

2) Sum of the medical assistance beneficiaries(Table 6) and the medical insurance beneficiaries 'C'

3) Difference exists between the total population and the medical security beneficiaries due to dual qualification.

Sources: 1) KMIC, *1992 Medical Insurance Statistical Yearbook*, 1993.

2) NFMI, *1989 Medical Insurance Statistical Yearbook*. 1990.

3) MOHSA, *Major Indicators on Health and Social Affairs*, 1993.

▶ National Pension System :

There are four different public pension schemes in Korea: Civil Servants Pension(1960), Military Personnel Pension(1963), Private School Teachers Pension(1975), and National Pension System(1988). The National Pension System is the only universal social security system, while others are occupational pensions.

The number of the insured covered by pension programmes

was about 5.8 million as of 31 December 1993. Civil Servants and Military Personnel Pensions, are financed by government and by the insured. The government contributes a half of the premium and the rest is paid by the insured. The premium is 11 per cent of remuneration. To finance the Private School Teachers Pension, government, employer and the insured contribute 2 per cent, 3 per cent, and 5.5 per cent of the insured's remuneration respectively. The National Pension System is financed with premiums from employees and employers. For the initial stage of 1988~1992, the contribution was 3 per cent of standard monthly remuneration equally shared by the two. The contribution rate was raised to 6 per cent in the second stage, 1993~1997; 2 per cent each by the insured, by employers and by a transfer from the retirement reserve fund. The contribution rate from 1998 is scheduled to be 9 per cent of remuneration shared equally by the three components.

The National Pension Programme was enacted in 1988 for workers at workplaces with 10 or more employees, primarily to help them support their post-retirement livelihood. The programme, however, did not cover farmers, fishermen, the self-employed in urban areas, and employees at workplaces with five to nine workers, because in most cases their incomes were low or difficult to be identified. But they could join the programme on a voluntary basis.

The coverage of the programme was enlarged to include

firms with five to nine workers in 1992. The current issue involved in the National Pension System is an expansion of its coverage to farmers and fishermen, which is scheduled to be conducted from mid-1995. Its coverage will be widened further to include the urban self-employed in 1998. Then the National Pension System will achieve a nationwide coverage.

2) Social Status of Women

Until the creation of the Republic of Korea in 1948, sexual discrimination against women dominated all aspects of women's life due to Confucian ideals. The Korean government had taken positive steps to enhance women's status on both government and private levels. Outstanding results are: the revision of the 'Labor Standards Act' in 1982, the ratification of the 'Convention on the Elimination of All Forms of Discrimination Against Women' in 1984, and the foundation of the 'Korea Women's Development Institute' in 1983 dealing exclusively with women's issues on a national level.

Development and changes in the economy and society have resulted in a significant transition in the lifestyles of women in the last 30 years. Some of these are: a longer life expectancy for women, a drop in the birth rate, an improved standard of education, more nuclear families, changes in family life resulting from a raised level of consciousness, less of a burden

from household chores owing to the availability of electrical appliances, etc. All these factors have brought about a steady increase in the number of women engaged in various social activities and the number of those wishing to do so (see Tables 8).

In spite of advances and changes mentioned above, the rate of women's unemployment with higher academic background still remains high. Most female workers are, moreover, still engaged in low-wage jobs where they are subject to employment or wage discrimination. Although the participation of married women in economic activities is continuously increasing, the supply of public childcare facilities for low-income female workers falls short of the sharply growing demand. These problems have been amplified in spite of the government's efforts on Economic and Social Development Plans.

In the near future, various endeavors in Korea should be exerted to implement the plans in the 'Long-term Perspective on National Development toward the Year 2000'. This would be in accordance with guidelines suggested by United Nations in the 'Nairobi Forward Looking Strategies for the Advancement of Women', which promotes the development of women's capacity, the utilization of women as human resources and a more healthy family life.

<Table 8> Labor Force Participation Rate by Sex

| Year | Male | Female | Ratio of female to male (male=100) |
|------|------|--------|---------------------------------------|
| 1965 | 76.6 | 36.5 | 47.7 |
| 1970 | 75.1 | 38.5 | 51.3 |
| 1975 | 74.5 | 39.6 | 53.2 |
| 1980 | 73.6 | 41.6 | 56.5 |
| 1985 | 72.3 | 41.9 | 57.9 |
| 1990 | 73.9 | 47.0 | 63.6 |
| 1993 | 75.4 | 46.3 | 61.4 |

Sources: 1) EPB, *Social Indicators in Korea*, 1981, 1987.

2) NSO, *Major Statistics of Korean Economy*, 1994.

3) Alleviating the Regional Disparities

Balanced regional development is essential both for attaining sustained economic growth and for maintaining social stability. In the early stage of economic development, investments were directed primarily toward the development of certain strategic sectors and targeted regions to attain economies of scale due to the limited availability of resources.

The infrastructure resulted from development has given rise to a certain degree in disparity of growth and development between large cities and provincial towns, between urban and rural areas, and between different regions. Approximately 23 per cent of the total population is now residing in Seoul, a city which covers less than 0.6 per cent of Korea's total land area. The growth potential of small and medium sized cities has

become extremely limited. Rapid urbanization and industrialization have accelerated the development of large cities, most notable Seoul and Pusan. But rural areas have been left largely underdeveloped, thus widening the urban-rural disparity and deepening the regional imbalances.

The problem of regional disparity in Korea calls for positive long-term policy measures aimed at encouraging and expediting balanced regional development with a view to build an advanced society by the year 2000. Such policy concerned with long-term regional development should emphasize effective land use in all areas by taking full advantage of the social and economic traits of each region.

Achievement of inter-regional balance consists of two objectives: one is the equity objective based on the principle that everyone should benefit equally from economic growth regardless of location, the other is the efficiency on the ground of the desire to utilize special resources in each region in the most efficient manner. The government's main role is to focus on equity-related objectives promoting inter-regional balance. The government should be responsible for equalizing the level of basic overhead capital investment and the supply of public services such as public utilities, roads, education, and public assistance programmes.

4. Performance in Some Social Development Indicators

In this section, the performance in social development is shown by some indicators of education, health and nutrition, which result from the public and private sectors' effort (see Table 1).

► Education :

The average years of educational attainment increased nearly 4.5 years during the recent 25 years from 5.0 years of schooling in 1965 to 9.5 years in 1990. Likewise, nearly a half of the non-student population attained high school and above level of education in 1990, compared with only 15 per cent level in 1970.

In the elementary level of education, whose period generally consists of first nine years at school, nearly full enrollment has been attained. The scope of elementary education increased rapidly and enrollment rates of primary and middle schools reached 101 per cent and 96 per cent in 1993, respectively. High school enrollment ratio also marked 90 per cent in 1993.

► Improvement of Health Status :

The male life expectancy at birth has increased for male from 51.1 in 1960 to 67.7 in 1991, which is a 17 year extension of life during 32 years, and for females, from 53.7 to 75.7, which is a 22 year extension of life, in the same period.

From 1960 to 1992, the infant mortality rate per 1,000 live births decreased from 69.0 to 12.8, a drop of more than 80 per cent. Also the maternal mortality rate per 10,000 live births fell from 8.8 in 1965 to 3.0 in 1992. Undoubtedly, a rapid increase in per capita income and nation's health resources has contributed to the improved health status of Korean over the past three decades.

► **Nutritional Health :**

The people's nutritional status as well as health levels is an important indicator of quality of life. A considerable improvement has been shown in nutritional health, calorie and protein supplies per capita since the 1970s.

Though the daily calorie supply per capita was less than 2,000 kcal in 1962, it has been gradually increased with economic progress. In 1992, the average calorie supply totaled 2,815 kcal, 1.5 times higher than that in the early 1960s. The protein supply rose to 89.7 grams in 1991, which was a 69 per cent increase during the period of the thirty years, compared to 53.2 grams in 1962. As a result, the nutritional status of children has considerably improved in their height and weight.

IV. Lessons from Korea's Experience of Social Development

Imitation is not always a good principle for learning from international experience and what was possible in Korea probably cannot be replicated in the same way in other developing countries today. But there is no doubt that there are some important lessons to be learned.

Rapid and sustained economic growth over a period of the past three decades has transformed Korea into one of the upper-middle income countries from one of the lowest ones since the 1960s. Such rapid economic transformation has resulted in remarkable improvements in various aspects of living standards. It would be worthwhile to draw some factors attributed to the social development in Korean context.

First, Korea's competitiveness at the early stage of development was in its labor during the 1960s and the 1970s. Owing to this advantage, Korea was able to achieve high increase of real wages while maintaining a low unemployment rate. Even without an active welfare policy, Korea has been able to achieve the welfare benefits as well by concentrating upon economic development (Suh, 1992).

Second, many have rightly pointed out that Korea's economic success owed a great deal to its superior general level

of education. Korea's rich historical and cultural heritages based on strong Confucian traditions which place great value on education, social harmony, and cooperation, helped to lay a firm base for educational development in Korea.

Third, emphasis could be given to the expansion of the welfare system. Welfare functions were basically seen as the responsibility of the people themselves in the early stage of economic development though. National welfare programmes such as the expansion of medical insurance, the implementation of national pensions and the establishment of a legal minimum wage, were a direct result of solving the social conflict from economic development process and eliminating bottleneck problem for further development.

On the basis of understanding Korea's success in economic and social development, some valuable lessons for other countries can be drawn as follows.

First, the focus of the social and welfare policy should not be based upon transfer programmes but on an increase of the earning capacity of the poor, centered upon education and re-training of the displaced.

Second, the development of such policies must come in steps, and it would be absurd to assume that social development should be carried out by itself. The social development policies must complement the economic policies,

otherwise, it would be too much a burden on the growth potential of nation's economy, as has been experienced by advanced countries.

Third, as a future prospect, once a welfare programme is instituted, its effect is far reaching and often it is very difficult, politically and socially, to reduce its scope.⁴⁾ It is, therefore, essential that we must ask how we can harmonize the efficiency and equity of the social welfare system, looking into the future. In this respect, the aspects of indigenous culture of a nation or a society should be fully considered in the formulation of strategies for social development, because social development takes place in a culturally bounded society and also requires non-formal and non-governmental involvement in its process.

4) An example of this was 'Japan's Welfare Act for the Elderly' amended in 1972, giving the elderly free medical services. In 1982, co-payment system was introduced by 'the Health Care Act for the Elderly', but the amount involved was very small. As a result, the Japanese government still has a great burden of national loans and is struggling to redress the imbalance in national finances.

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