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*Democracy and Productive Welfare*  
*European and Korean welfare policy development in*  
*perspective*

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# ***Democracy and Productive Welfare***

*European and Korean welfare policy development in perspective<sup>1)</sup>*

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## **Abstract**

The paper attempts to put Productive Welfare in a historical and comparative perspective, by starting with a brief resume of the origins of the modern welfare state and its differentiation into institutionally different models or types of welfare state regimes in Western Europe. It serves to illustrate that people in different countries have (been induced to have) different expectations as to the role of government or the state in welfare provisioning. The paper also indicates that this difference is particularly striking between European and American citizens. In the context of globalization this difference is illuminating and thought-provoking for the development of welfare systems in other regions.

The paper goes on to give a presentation of main elements of the vision and programme for Productive Welfare in Korea. The problems and concerns forming the basis for the programme, as well as its goals and ambitions, are briefly introduced. Productive Welfare is discussed with reference to a well-known typology of welfare states regimes, and the direction of change of the Korean welfare state is commented upon in this light.

Productive Welfare is described as a bold attempt to expand and guarantee the fundamental democratic and social rights of all citizens. The government is given a more central, responsible and responsive, role in welfare provision. It is assumed that the

policies already implemented after the economic crisis of 1997, and those spelled out for future decisions, in some sense will move the Korean welfare system closer to the so-called 'social-democratic' or Scandinavian or 'Nordic' type of welfare regime with a focus on the equalisation of life chances through the protection of rights and welfare of all citizens combined with a focus on the socially vulnerable and emphasis on equalisation of income and resource distribution. This type of welfare system can be quite effective in terms of many of the formulated goals of Productive Welfare, such as the alleviation of poverty, social security for all, social integration and more consensus-based social and political development, democratic consolidation, mobilization of labour and increase of the labour force, and sustainable economic growth.

## **I . European origins of welfare states: when, how, and why**

The welfare state is a European invention (Flora 1986) developed, expanded, adjusted, refined and modified over a period of more than 100 years since a comprehensive compulsory social insurance program was initiated by the government of Chancellor Bismarck in Germany in the 1880s. The early German legislation on social insurance spurred European-wide legislative initiatives on 'the social question' or *Arbeiterfrage*. Germany was not the world's or Europe's most democratic country at the time, nor the most industrialized. The beginning of social insurance is widely interpreted as an example of the politics of legitimation, as 'a pre-emptive strike' to subvert the growing socialist threat to the conservative-authoritarian regime (Flora and Heidenheimer 1981; Kuhnle 1983; Kwon 1999). By granting workers social rights, social insurance and benefits, Bismarck hoped to maintain the regime and quell political demands for radical and socialist political organization, participation and mobilization. Later, and in other countries, social insurance legislation and welfare policies, were introduced and developed as a response to democratic political mobilization, articulation of demands for social security and equality and as a result of political conflict, competition and compromises between political parties.



In the 20<sup>th</sup> century, social insurance and welfare state development in Europe is basically a correlate to democracy and economic prosperity. Again, one should warn against any conception of a one-to-one relationship between democratic development, economic modernization and commitment of the state to provide welfare and guarantee social rights for its citizens. Among developed democratic capitalist states we observe great variations as to taxation levels and composition of taxes, and to the share of national budgets and national products spent on welfare purposes of various kinds (social insurance, health, education, housing, personal social services, social assistance, labour market programs, child care institutions, etc). We observe different population coverage and scope and generosity of social and welfare policies, and different ways of organizing and financing cash transfers and service provision. Over time, different types of welfare states in Europe have developed, based on different pre-industrial socio-structural prerequisites, and different social and political philosophies, interests, values and visions. The role of the state varies, as does the concept of the state.

In all societies, a number of distinct providers offers welfare: the family, civil society, the market and the state. Typologies of welfare provision (Titmuss 1958) and welfare states Wilensky and Lebeaux (1958) can be traced to the late 1950s, mainly based upon the kind and scope of responsibility for welfare assumed by the state. Wilensky and Lebeaux' major distinction was between a residual and an institutional welfare state, the first being one where the state seeks to limit its commitments to marginal and deserving social groups or individuals, the second being universalistic with state commitments encompassing the entire population. Titmuss (1974) uses these concepts and introduces also an intermediary type which is labelled 'the industrial achievement-performance model', in which welfare needs might be

met on the basis of merit, work performance and productivity. The most quoted elaboration of these concepts must be Esping-Andersen's notion of 'welfare state regimes' in his work on *The Three Worlds of Welfare Capitalism* (1990). Esping-Andersen's conceptualization, or labeling, is slightly more politicized. He distinguishes between 'liberal' welfare states, which are more market based and in which means-tested assistance and only modest universal transfers are supposed to predominate; 'conservative-corporatist' welfare states, in which the state further the preservation of class and status differentials achieved through employment and market participation; and lastly the 'social democratic' welfare state, in which the principles of universalism and 'de-commodification' of social rights are strongly promoted. Countries can more or less clearly be placed in one or the other category, but most welfare states will tend to contain elements of organization and principles of entitlements and obligations from all three types of welfare states distinguished between.

I shall not elaborate much on the concept of welfare state regimes or on the many and contested dimensions of any typology, but would like to, as a background for the later expos of the Korean case, present two tables as illustrations of variations among European welfare states on some selected and important indicators. Table 1 offers a comparison of government employment as a percentage of total employment, while Table 2 gives a picture of social expenditure as a percentage of gross domestic product in different types of European welfare states. The groups of countries roughly fall within the theoretical-political conceptual categories mentioned, with Scandinavia representing the institutional or so-called social democratic type<sup>2)</sup>; Continental

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2) I say *so-called* social democratic type because the concept may lead readers to think that this is a type of welfare state which only social

European countries representing the industrial achievement or conservative-corporatist type, and the United Kingdom representing the residual or liberal type. The Southern European countries supposedly represent a mix of all the other types, but with particular additional traits such as a stronger role for the family and elements of clientilism, especially in Italy and Greece (Ferrera 2000).

Most of government employment is for welfare purposes broadly defined, and Table 1 indicates significant variations of state involvement and commitment across different types of European welfare states or welfare regimes. The variations are to a large extent a reflection of much greater state and local government responsibility for personal social services and care in Scandinavian countries than elsewhere in Europe. Variations in relative total social expenditure, however, have become less conspicuous over the last decade, as seen from Table 2.

Whatever the shape of the welfare state, economic growth has, even if sometimes only modestly, persisted over recent decades. Given the widespread 'conventional wisdom' that a big public sector and comprehensive welfare state is bad for economic performance, it is of interest to note that the Scandinavian countries had higher labour productivity, defined as GDP per person employed, in the 1990s, than the average of European Union countries and the USA (Elmeskov and Scarpetta 2000).<sup>3)</sup>

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democratic parties and governments have promoted, and this is definitely not the case in Scandinavia all major parties have favoured and contributed to a strengthening of this type of welfare state regime historically and in the present time.

- 3) It is interesting to note that the IMF (*Financial Times*, 9-10 September 2000) does not credit the recent years' renewed Swedish economic upswing, creativity and entrepreneurship, to the persistent Swedish government emphasis on core welfare state policies such as a broad tax basis, high tax revenues, security in the labour market, the world's most

Labour productivity growth was higher in the 1990s than in the previous decade. For some time being ignored as victims of a kind of 'welfare state sclerosis' by many economists and commentators, Scandinavian or Nordic countries have made a remarkable comeback at the centre-stage of the theory and practice of social and economic development (Scharpf, 2000; Ferrera and Rhodes, 2000; Kuhnle 2000).

*Table 1. Public sector employment as a percentage of total employment 1974-1995 in different types of European welfare states: unweighted averages.*

Countries	1974	1985	1995
Continental Europe	14.7	18.7	18.8
Scandinavia	20.0	26.9	29.4
Southern Europe	10.5	14.2	15.5
United Kingdom	19.6	21.5	14.4

Note: Continental Europe includes Austria, Belgium, France, Germany, The Netherlands; Scandinavia: Denmark, Finland, Norway, Sweden; Southern Europe: Greece, Portugal, Spain, Italy.

Source: Kuhnle and Alestalo 2000.

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generous paid parental leave schemes, increased child allowances, and extra resources for universal pre-schools and public care. Sweden, as other Scandinavian countries, illustrates that a combination of high tax revenues, labour market security, declining unemployment, generous universal welfare services, and economic growth is possible.

*Table 2: Social expenditure as a percentage of gross domestic product in different types of European welfare states, 1980-1995: unweighted averages.*

Countries	1980	1990	1995
Continental Europe	28.1	29.6	30.1
Scandinavia	25.6	28.1	32.1
Southern Europe	15.0	18.0	22.2
United Kingdom	21.5	24.3	27.7

Source: Kuhnle and Alestalo, 2000.

In one of several recent surveys of the global business environment, the world-wide ranking of nations according to indicators of competitiveness made by the World Economic Forum<sup>4)</sup>, Finland, most severely hit by the recession in the Nordic area (Kuhnle 2000), was ranked Number 1, replacing the US which was on top of the ranking the previous two years (*Financial Times*, 9 August 2000). Moreover, the other three main countries of the far North of Europe belonged to the 'top 20': Denmark, no. 6 (up from 7 in 1999 and 8 in 1998), Sweden 7 (nos. 4 and 7 in previous years), and Norway no 20 (previously 18 and 14).

Alternative visions of a 'good public economy' or a 'good society' have always been theoretically possible. A comprehensive welfare state is not a necessary prerequisite for a 'good society', but neither is it necessarily incompatible with such a concept. Economic growth is possible with or without an advanced welfare state and a strong role of government for welfare responsibility. Developments during the last 20 years bear out the empirical possibility of alternative visions of a good democratic society, based on different value assumptions and political choices. It is

4) The list was compiled in co-operation with the Center for International Development at Harvard University.

perhaps timely that this fact is generally taken into account not least when considering lessons to be drawn for other regions of the world, with political histories, traditions, and cultures different from both the American and European countries which spearheaded the industrial modernization of society and development of social security institutions.

Table 3 indicates that people in different economically developed countries do not share identical expectations as to what the state should do in terms of welfare provision and commitments to social rights. At the end of the 20th century, European voters expect much more from the state than American voters. The possible historical reasons for these differences shall not be spelled out here, but the impact of different historical legacies for current politics of welfare should not be underestimated. Apparently a significant political cultural difference between the United States of America and Europe (as a whole) exists, which gives the state different roles in social and welfare matters on the two continents, and which also implies that political debates and the politics of welfare is framed differently. This contrast takes on a global political significance in a world where more and more countries especially democratizing countries in East and Southeast Asia - develop a modern and affluent economy. Global political, economic and organizational integration is expanding and ideas and lessons are spread more rapidly across territorial boundaries than ever before. Some countries and regions of the world command substantially more economic, political-ideological and cultural power and leverage than others, and some welfare philosophies are thus more easily spread and transmitted than others.

*Table 3: Support for the welfare state, selected countries, 1992 and 1996. Percentage of population who strongly agree/agree that the State (Government) should have the responsibility for reducing income differences and for providing work/jobs to everybody.*

The state should be responsible for:	Reducing income Differences		Providing work for all	
	1992	1996	1992	1996
USA	38.3	48.0	47.1	39.4
United Kingdom	65.2	67.7	56.1	69.4
Germany (West)	65.5	62.5	66.3	74.6
Germany (East)	89.2	83.7	92.6	91.9
Italy	80.0	75.4	86.2	76.6
Hungary	74.6	78.6	85.0	86.9
Norway	60.0	73.3	78.3	80.8

Source: International Social Survey Programme 1992 (Social Inequality II) and ISSP 1996 (Role of Government II). Data are documented and made available by Zentralarchiv für empirische Sozialforschung and Norwegian Social Science Data Services.

The politics of welfare policy development and welfare state construction is about equalization of life chances, social justice, social security, social cohesion and stability, and about how to create the optimal conditions for sustainable economic growth and productive development, which again provides the foundations for the other goals of the welfare state. But also political preferences, ideologies, interests and values, more or less independently of level of economic development and prosperity, make up foundations of welfare policy development. Thus, what kinds of welfare state policies are possible is at all times a question of what is considered desirable by governments and voters. And what is considered desirable - what the state *ought* to do and *can* do (Rothstein 1994) - is a question of political and cultural context (norms, expectations, value structures) as much as

a question of level of economic development and theories and knowledge of pre-requisites for economic growth and efficiency.

Whether welfare states with developed programmes for retirement and disability pensions, sickness insurance, occupational injury insurance, maternity insurance and paid parental leave, child and family benefits, unemployment insurance and labour activity programs, health and personal social services, kindergartens, etc. - are a blessing or not for economic growth and efficiency is a topic for much research and dispute (Atkinson 1999; Sandmo 1995; Midgley 2000). At least seen at the macro-level and over longer time-spans, the welfare state and economic growth has gone hand in hand (Kuhnle 2000a). An educated, healthy and satisfied population, with guaranteed social rights and democratic rights of expression, organization and participation, is a likely pre-requisite for productive activity, sustainable economic growth and political stability. Economic growth is possible with a number of welfare state constructions, of different scope, organization and generosity. But economic growth and efficiency have, as indicated above, not been the only goals of national welfare politics in Europe, and are not likely to be the only goals in societies with democratic participation rights and democratic governmental accountability. It has been shown, for example, that governments in countries with great social inequalities spend relatively more on police and domestic security matters than governments in countries with more egalitarian distributions of resources (Alber 2000), and the type of welfare state construction and policies can thus affect the mode of 'production' of social problems and need and scope for other (expensive) kinds of public policy.

One important lesson to be learnt from the European experience is the simple one that the welfare state does and may serve many functions. Debates on what are proper lessons to be learnt and what are proper welfare policy solutions in other,



non-European, contexts can thus be framed in many ways. Social protection and welfare are topics often discussed in terms of poverty relief and meeting minimum needs for income and services. Poverty reduction was historically one aim for many governments putting social legislation on the agenda. But the establishment of European welfare states is about much more, especially in their Nordic and Continental European variants, but also in America (where the concept of 'welfare state' has a largely negative connotation in contrast to what is the case in Europe). Originally, considerations of social harmony and regime support (in non-democratic contexts) were important. Over time, many programmes were developed thanks to democratic mobilization and decision-making to insure against events and risks, which cause income loss, to enable reallocation of income over the life-cycle and redistribution across social groups, and to provide a sense of security for all citizens (Atkinson 1999: 5-6). Although a controlled experiment is impossible, I dare claim that the welfare state in the democratic European context appears to have been a societal 'stabilizer', which has prevented serious social rebellion, strong revolutionary movements (except for right-wing extremism in the pre-WWII period when the welfare state as well as parliamentary democracy were still weak and 'underdeveloped' institutions in many parts of Europe), and extensive poverty. The combination of structures of democratic governance, regulated capitalist market economies, and relatively comprehensive welfare institutions have rather successfully accommodated changing social needs. Social and political challenges have continuously filled government agendas, but dramatic 'crisis-theories' since the mid-1970s have fared rather poorly empirically in the European context (Van Kersbergen, 2000).

One common element or principle of welfare (state) policies across countries and cultures is 'the principle of less eligibility' (Kuhnle, Hatland, Hort 2000). Already the British Poor Law report from 1834 coined a basic principle for economic transfers that is still crucial to social security, although with different names. The 'principle of less eligibility' stated that the income of those people in receipt of benefits should always be lower than the lowest paid members of the labour force. It is still a general principle that it never shall pay for individual citizens or households to prefer social security benefits to work or gainful employment. This principle is defended partly with economic arguments (incentives), partly with arguments of justice or fairness. But there are important exceptions from this principle. The first and most important one is basic pension (and other basic benefits). The main goal for basic benefits is to prevent and relieve poverty. But if income from paid work is on a lower or similar level, these benefits may create a disincentive to work. The second exception from the principle that benefits should be lower than wages is sickness benefits. It happens quite often in Europe, especially in Scandinavia, that employees in collective agreements, and sometimes in legislated schemes, receive full pay, or close to full pay or income compensation, during periods of sickness. How different compensation levels of health related benefits affect labour participation and duration of absence, is a major theme in political debates in many European countries.

European nation-states have developed welfare state institutions and programmes of varying characteristics, but whatever the brand of the welfare state, it must in its post-World War II shapes be seen as a significant institution conducive to the consolidation of democratic development. It may be claimed that present European welfare states face challenges of an entirely new character in history: rapid transition to post-industrialism,

increasing globalization, sweeping changes in demography and social relations, trends towards supranational integration and a new, 'post-cold war politics' (Ferrera and Rhodes 2000: 1). But European welfare states facing problems of greatly varying severity have more or less successfully coped with what seemed crucial new challenges in the 1990s (Kuhnle 2000; Ferrera and Rhodes 2000). Recent European experiences give support for the hypothesis that developed democratic welfare states are quite good at making adjustments of public policies in such a way that the legitimacy of the system can be preserved at the same time as new vitality and transformations in the economy can be brought about. Here may be a lesson for other regions of the world, for rapidly modernizing economies and newly democratizing countries.

## **II. Korean welfare system development and Productive Welfare**

In Western social science and politics, welfare state schemes establishing the social rights of citizenship are usually perceived as a fourth stage in the process of state and nation building (Marshall 1950; Rokkan 1970; Titmuss 1974; Flora 1986). In the mid-1990s, during the years before the currency and stock market crisis in 1997, the low-spending 'welfare states' of East and Southeast Asia not only attracted increasing attention among Western scholars and politicians, but were actually pointed out as potential welfare models for the West. Governments of capitalist East and Southeast Asia presented themselves as supportive of a small public sector, the market and family-based social provisions, and, at least in the rhetoric (e.g. Malaysia, Singapore), distanced themselves from the welfare institutions and value orientations of Western countries. In contrast to European countries, which spent an average of 25 percent of the gross domestic product for social purposes in the mid-1990s, Japan's social spending accounted for a little more than 15 percent, while Korea and Taiwan reached 10 percent and other countries in the region recorded even markedly lower figures (Hort and Kuhnle 2000).

Several authors have postulated that East and Southeast Asian countries in many cases are following, or seem likely to follow,

the 'route to modernity' taken by their developed predecessors in Europe (Therborn 1993; Hort and Kuhnle 2000). Or, as it is formulated in a similar assessment: as they grew richer, the more advanced Asian economies began exhibiting a public attention to social welfare that is more in keeping with some European conditions than with liberal market developments (Godement 2000). When the 'miracle' took off in East and Southeast Asia two or three decades ago, all of these countries were low-tax and low-wage entities with an absence of democratic structures and practices and labour rights and entitlements. Now, with the partial exception of Indonesia and the Philippines, different types of social security schemes have been developed, though not always implemented, particularly from the mid-1980s onwards. During the first years after World War II growth policies in some countries in the region deliberately included a social dumping component, as no welfare or social insurance laws other than mere paper laws were enacted. Nevertheless, there was at least some legislative activity in most countries. The picture is rather different for most countries during the miracle period. Existing schemes were extended rather than entrenched, and there has been no competitive 'race to the bottom'.

The introduction of social welfare programmes in Korea from the early 1960s has been interpreted as part of a political strategy aimed at enhancing the legitimacy of the political regime (Kwon 1999), partly, at least, because of a perceived potential threat from the student movement by Park Chung Hee who seized power through a military coup in 1961. A Civil Servants Pension Act had been enacted in January 1960, and was reformed in 1962 (extended coverage, and sickness benefits introduced). The first (limited, but compulsory) Industrial Accident Insurance was introduced in 1963, the same year as a (limited, voluntary) National Health Insurance Act was adopted. A National Welfare

Pension Act was passed in 1973, but implementation postponed, and a general National Pension Programme was not adopted until 1988 (Kwon 1999). The early development of social policy in Korea coincided with economic development, but economic growth was not a sufficient condition for reform activity (Kwon 1999), neither was the increased industrialization (Tang 2000; Park 1990). As in Europe historically and now, political factors played and play an important role in accounting for social policy development.

Korea offers an example of rapid and strong reform activity during the miracle decade from the mid-1980s, although the problems related to the old mutual aid networks and the poverty issue did in no sense completely disappear as growth took off (Kwon 1998, Ramesh 1995, Son 1999, Park and Kim 1998). In the late 1980s, Korea became a front-runner among the 'tiger economies' in terms of social security reform. Big and active steps were taken in connection with a transition to democracy. The National Pension Programme in 1988 and the extension of the National Health Insurance Programme during the same year came under the banner of 'social justice' after the democratic breakthrough in 1987. During the course of rapid economic expansion substantial changes in benefit levels, duration and qualifying conditions also occurred (Son 1998). Wage dumping more or less disappeared as total labour costs rose to European levels in the early 1990s. Before the crisis of 1997, job security existed in the big conglomerates (*chaebols*) and unemployment was virtually non-existent. Since the outbreak of the crisis, lay-offs have become more common and the unemployment rate trebled. An Employment Insurance Scheme was introduced in 1993 (implemented 1995), and the government has gradually extended the scheme to cover workers in smaller and smaller firms. This programme has been important in assisting

unemployed people to weather the Asian economic crisis (Tang 2000). Combined with the election of Kim Dae-Jung as president, the 1997-crisis induced a number of reforms, coupled with moves towards a more Western welfare system: not only a stronger safety net and more generous unemployment benefits, but a restructured National Health System, more liberal pension entitlements and an expanded Labour Standard Law (Gough, 2000). Korea is gradually building the foundations of a modern welfare state, and the (temporal?) collapse of the miracle does not seem to have buried these ambitions. Korea differs from the other three Asian tigers in espousing the goal of a welfare state (Tang 2000: 17). But according to one leading scholar in Korean welfare development, Kwong-leung Tang, Korea is not a welfare state. [Although] It does have a full array of social welfare services. Education, health, and housing have developed extensively along with social security. The idea of social solidarity is fostered; but social entitlement as of right is not deeply rooted (Tang 2000: 109). On the other hand, welfare ambitions on the part of the present government are vivid. In fact, the President's notion of 'Productive Welfare', elaborated in his Liberation Day speech in August 1999, presents a rather unique political document of governmental welfare philosophy and vision.

President Kim Dae-Jung's vision of a system of productive welfare is made against a background of a serious financial crisis which started at the end of 1997 and brought the impressive economic growth record to a sudden and unexpected halt. The crisis forced the government to agree to a rescue package with the IMF. Unemployment grew rapidly and peaked at more than 8 per cent in early 1999, and more than one million Koreans were thrown into poverty (OECD Observer, October 2000). The economic crisis hit vulnerable groups harder, increased the

proportion of temporary workers, and reversed the trend of steady improvement of income distribution, according to one recent analysis of the impact of the crisis (Kwon 2001). As a social policy response, the government has introduced reforms in the areas of labour market policies and social safety nets which helped the economy to renewed growth, and the unemployment rate to fall.

Does the President's welfare vision point towards a development of a welfare state, and how does it relate to philosophies of existing welfare states or regimes? How do the goals of 'Productive Welfare' relate to democratic ideals, and how to judge the effectiveness of specific policies and incentives prescribed? Let me briefly look at these questions.

Following Esping-Andersen (1990) and Gough (2000) the concept of welfare regimes refers to the pattern of state social policies and programmes; to the division of responsibilities between state, the market, civil society and voluntary organizations and the household; to the welfare outcomes of these institutions i.e. to what extent a person's standard of living is dependent upon the labour market and family membership; and to the stratification outcomes of these institutions . i.e. to what extent and in what way the welfare system affects inequalities, interests and power in society. Combining characteristics on these dimensions, the literature distinguishes, as mentioned earlier, four welfare regimes in the Western OECD world: the liberal Anglo-Saxon, the conservative Continental European, the social democratic-Scandinavian, and the more family-based Southern European regime. Ian Gough (2000) questions whether this welfare regime approach can be applied to East Asia, and concludes that it can, if reformulated. By that he argues that the welfare regime approach is basically concerned with the broader 'welfare mix': the interactions of public sector, private sector and



households in producing livelihoods and distributing welfare, and that it is also 'a political economy' approach which embeds welfare institutions in the 'deep structures' of social reproduction (Gough 2000: 3-4). I can not here discuss and spell out all implications of this conceptual mapping of welfare regimes. In a very summary way, one might say that the East Asian type of welfare regime, including Korea, has until now been both more market-based and family-based, than European welfare regimes in general, which are more state-based. Education has been the exception to this pattern in East Asia, with the state being the dominant provider of services and playing a crucial role. Does the notion of 'Productive Welfare' imply any significant change in the Korean welfare regime orientation? Is Korea moving towards a liberal, conservative, social democratic type of regime or towards a new type of 'East Asian regime'? Is the balance between welfare providing institutions set to change? What are the main features of the programme for 'Productive Welfare'?

The vision of Productive Welfare spells out why and how a balanced and harmonious interaction of democratic, market, social and cultural forces can provide a model for a desired future Korean welfare society. It is argued that only the interplay of institutions and forces can overcome the economic crisis and provide a sustainable future welfare society. A number of problems and concerns form the background for the programme, which is presented both as an ideology and a policy.

### **Problems and concerns:**

- deteriorating social integration
- poverty in the outskirts of urban areas
- inequality in the distribution of income and wealth

- regional imbalance in the distribution of resources
- weak rights and interests of the socially underprivileged
- old age pension coverage for people who have not paid contributions
- high rate of unemployment
- instability of employment
- protection of needs of people (young, old, disabled) outside the labour market
- present system hinders self-support as a means to escape poverty
- monopolistic tendencies in business-government collusion
- globalisation and high labour costs

**Among the *goals* of Productive Welfare can be listed:**

- develop a welfare system that nurtures both growth and equitable income distribution
- reach consensus between the government, the market and civic society
- revive (lost) community spirit through civic organizations
- develop a local-community based system of welfare
- fair, equitable distribution of wealth
- active policy of welfare through work; generate social capital, i.e.'labour power'
- increased socio-economic participation
- more comprehensive social security system that covers the entire population
- increase the percentage of total government spending on social welfare

- improve organization of the welfare system
- raise taxes for high-income earners
- constitutional recognition of social welfare as a basic human right; of the right to life; the right to minimum living standards; the right to minimum education; the right to healthcare; the right to housing; the right to work
- develop social participation programs
- increase opportunities for (labour force) participation of women
- strengthen the protection of children's living standards
- strengthen active labour market policy
- strengthen the role of the private sector and of civic groups/voluntary associations
- develop and maintain new health care services
- enhance cultural participation of alienated regions and people
- reduce socio-economic disparities among nations in the East Asia region
- advance global harmony

Both the problem definitions and concerns, and the list of goals to be pursued as well as many of the institutional means proposed in the vision of Productive Welfare all imply a more active role for the government or state than earlier in the Korean welfare system. The vision also implies a more active interplay with both business and civic organizations, and greater participation from below in the formulation of problems and provision of welfare. But the programme is not concrete as to how to develop this active interplay. As to state responsibility, reforms introduced already may offer some indication of the direction of change. State responsibility this has been enhanced considerably after the financial crisis of 1997, and plans for

further improvement in coverage and benefits of social insurance schemes are formulated. A Planning Board is established to integrate the four major insurance schemes. The Minimum Living Standards Security Act was furthermore legislated in 1999 guaranteeing all households, whose incomes do not meet the minimum cost of living, welfare benefits from the government to equal the difference, and a Lifelong Education Act introduced in 1999. Employment Security Centres are set up, and active labour market programmes introduced. The government will develop and maintain new healthcare services and long-term care. In general more institutional co-operation between the private and public sector is to be developed, and the welfare system shall include democratic decision-making procedures in order to build public confidence and consensus. Productive Welfare is considered a means to enhance the development of democracy, by actively facilitating socio-economic democratization and meeting people's demand for welfare. Productive Welfare promotes more local self-government, and aims to promote harmonious development through sustained economic growth and broad-based democracy. Welfare policies are considered an investment for improved productivity, rather than as a simple transfer of income through administrative procedures.

In an analysis of Korean welfare state development up until the mid-1990s, it was concluded that the Korean welfare system does not fit any of the types of welfare regimes known from the typology of Western, particularly European, welfare states (Kwon 1999). But the conservative, Continental European type was considered to come closest, partly because emphasis is on maintaining rather than transforming the prevailing order, and because the initiative come from those in power rather than from those who were not.

Since the economic crisis of 1997-98, Korea has witnessed a

rapid expansion of the welfare state following a series of reforms (Kwon 2001). The crisis produced new problems of poverty, unemployment, and insecurity conducive to the rise of more solidaristic attitudes and popular support for a stronger role of the state in welfare matters. Both of these attitudinal changes contributed to the historic victory of the opposition party in the 1997 Presidential election (Kwon 2001). The reforms implemented, and reforms implied in the Productive Welfare vision, are bound to increase relative scope of state expenditure for welfare from the present relatively low level among OECD countries.

The mixture of problem interpretations, policy ideas, initiatives and proposals presented in the Productive Welfare document may everything taken into account well represent a new model or type of welfare regime in its own right, building on historical characteristics of Korean culture and social institutions, and tailored to the current economic, political and social circumstances in Korea. On the other hand, ideas, institutions and programmes developed historically and in recent years in other parts of the world, perhaps in Western Europe in particular, are also reflected in Productive Welfare. If anything, a reading of the vision on Productive Welfare gives rise to the impression that the type of welfare system conceived for Korea is one which holds the potential of pushing Korea more in the direction of a so-called social democratic, Scandinavian type of welfare regime, and in its modern, topical disguise. Productive Welfare emphasises a stronger state commitment to welfare, social inclusion, that all citizens should be covered by government welfare schemes; social rights; equalisation of life chances; a more equal and fair distribution of income and wealth; and social integration, democratic participation, self-government and democratic accountability. Emphasis on public investment in education, health and institutions to promote labour market

participation combined with income and social safety nets for low income families and comprehensive social insurance schemes is conducive to less welfare dependency on family membership. Emphasis on developing active labour market programmes and strong incentives for finding gainful employment could be interpreted as a step towards 're-commodification' rather than 'de-commodification' in the conceptual world of Esping-Andersen (1990), but this is also in accordance with current trends of thinking and practise of Scandinavian social democratic parties and governments (as well as the thinking and practise of other parties which may have influenced the social democratic thinking). The combination of trends towards 'de-familialisation' (Esping-Andersen 1999) and 're-commodification' in welfare policy development can thus be said to be in accordance with the Nordic 'social democratic'<sup>5)</sup> type of welfare regime, and more so with this type than with any of the other types of welfare states. Likewise, the policies and institutions proposed in favour of income equalisation, consensus-building and power-sharing underpin the picture of an emerging active welfare state akin to the type developed in Northern Europe. That this type of welfare state can be effective, both in terms of social security, low levels

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5) As mentioned above, 'social-democratic' is the concept used by Esping-Andersen (1990) and many other authors. It should be remarked that most political parties in the Scandinavian countries have contributed to the development of the present type of welfare state, both in and outside of government positions. A high degree of cross-party consensus exist on the desirability of comprehensive welfare states, although there will always be different opinions and priorities as to how, when and what to reform and adjust in the welfare state. The term 'social-democratic' may be defended on the grounds that the social-democratic movement over time has been the strongest political force in the development of the modern state and welfare state, but preferably a politically and analytically more neutral label should be sought.

of poverty, standards of quality of life, and economic growth and productivity has been proven in the North European context.

Understandably, not all goals are operationalized, but many concrete proposals for expanding the welfare system are put on the agenda, and there is little doubt about the intended overall direction of change. But the programme or vision as it now stands does not address the problems of timing and sequence of introduction of new reforms. The timing and sequence may be important in itself, but any reforms enacted may also affect the character of subsequent reform activity.

The evolving Korean welfare system is not likely to closely fit any of the theoretical-empirical types of welfare regimes in the research literature. Although it is likely to include characteristics rooted in norms and values in Korean and East Asian philosophy and history of social and family institutions, the cursory overview of elements in the Productive Welfare model links it in my view - much closer to the so-called social democratic type of welfare regime than any of the other types. Three formulations succinctly give the direction: Neither simple redistribution nor laissez-faire policies can support sustainable economic development in the 21st century, Social equality cannot be achieved by the competitive market alone, and Equitable redistribution will contribute to strengthening social integration.

It is not clear how the Korean government has spent the last decade in the welfare area. The government has been able to expand the welfare system in a number of ways, but it is not clear whether the expansion has been sufficient to meet the needs of the population. The government has been able to expand the welfare system in a number of ways, but it is not clear whether the expansion has been sufficient to meet the needs of the population. The government has been able to expand the welfare system in a number of ways, but it is not clear whether the expansion has been sufficient to meet the needs of the population. The government has been able to expand the welfare system in a number of ways, but it is not clear whether the expansion has been sufficient to meet the needs of the population.

### **III. Conclusion**

Productive Welfare represents a bold new ideological and policy formulated attempt to consolidate and foster the further development of a democratic welfare state in a recently democratized country and rapidly developing economy. The vision of Productive Welfare shares many characteristics of the various kinds of welfare regimes in the Western OECD area. It is premature to state which type Korea will resemble the most in its future development, but tentatively it looks as if the Korean welfare system may in due time have more in common with the 'Nordic' or Scandinavian, 'social-democratic' welfare regime than any of the other European and Western types. In Scandinavia, the government is given a core role in all matters related to the welfare of citizens, and in such a way that citizens through investment in education, active labour market programmes and health can be productive and through taxes contribute to the generation of incomes and wealth which can be redistributed to equalise the life chances of all citizens in society. The ideology and policy for Productive Welfare represent a significant change in the thinking about welfare state development in Korea, and it may well form the basis of inspiration for government welfare policy development in the wider East and Southeast Asian region and beyond.



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