

**Evoluția statului
bunăstării sociale
într-o societate
capitalistă de tip
autoritar: experiența
coreeană**

DEVELOPMENT OF THE WELFARE STATE IN AN AUTHORITARIAN CAPITALIST SOCIETY: THE KOREAN EXPERIENCE

HYE KYUNG LEE

The paper presents a radiogram of the emergence and development of the welfare state in Korea.

The process is thoroughly described and analysed through different approaches. The time scope of the study (half a century) is divided into three periods: the 1960s: abolition of poverty and nominal welfare state; the 1970s: heavy chemical industrialization and widening inequality; the 1980s: labor repression and decentralized medical insurance.

The study delineates the development of the Korean welfare state, "with special reference to the transition of the nature of the state from de facto authoritarianism towards a democracy".

1. Introduction

Having emerged as an independent nation after WWII, Korea adopted a Constitution in 1948, which incorporated the ideal of the welfare state with expressed provisions for the right to a decent minimum standard of living (Article 19). Hence, throughout the years since Independence, the concept of the welfare state has been a part of Korea's Constitutional framework. Nevertheless, it is only during the last few decades that the Constitutional spirit of the welfare state has started materializing through actual programs and policies.

Up until the early 1960s, the notion of the right to a decent minimum standard of living belonged solely to advanced Western societies. Three decades later, it has become an increasingly important and integral part of Koreans' everyday lives. All Koreans are now covered by the medical assistance program. In addition, public pension schemes and Workmen's Compensation Insurance are in operation. Public assistance programs including medical assistance are aiding approximately one seventh of the population, and various personal social service programs are being developed. More and more people, and particularly the middle class, are enjoying benefits from these state welfare programs, and especially the social insurance program. Particularly, since the advent of mass-scaled labor disputes in 1987, the issue of welfare has unquestionably become one of



the biggest challenges in this country. Nevertheless, other national aspirations such as democracy, sustained economic growth and unification are important and closely related to each other and to welfare.

The increasing importance of this emerging institution does not necessarily mean that there is increasing consensus about its substance and nature. On the contrary, the Korean welfare state is now at a crossroad. More and more partisan voices are being heard, expressing different interests through different images and connotations, evaluations and expectations.

At this juncture, this paper will be addressing the very basic questions of how and why this newly industrializing third world country, with a strong authoritarian state, has developed the welfare state as we find it today. The main interest is centered around the explication of the changing patterns of interplay among competing explanatory variables affecting the course of development in Korea. In doing so, it is hoped that the nature and structure of the Korean welfare state can be illuminated, its future development be reasoned, and some specific structural parameters be identified that are applicable to both developing and developed countries. In addition, this case study hopes to contribute to the literature of comparative welfare states, the purview of which has until now been limited solely to the advanced Western world.

The time scope of this study is approximately half a century, i.e. since Korea's Liberation in 1945. These years are divided into three periods: the first is from Liberation to the early 1960s; the second, from the early 1960s to the late 1980s; and the third consists of the years following 1987 when the authoritarian regime is said to have ended. The first period is characterized by economic devastation and resulting stagnation, an "authoritarian preservative state" in Charles Johnson's

expression, and the welfare efforts exclusively in the form of emergency relief and foreign aid.

The second is the period of accelerated industrialization planned and induced by the "authoritarian capitalist developmental state", during which labor was effectively repressed and depoliticized, and the major welfare state schemes followed suit. The Third Republic, the Yushin Period, and the Fifth Republic will be treated under separate headings. Three major social security programs – public assistance, medical insurance, and pension insurance – each having been introduced with different political aims, will be highlighted.

The third period since 1987 is yet too short, but forces leading to the transition of the welfare state are traceable. They comprise of the political democratization process, and labor's growing demand for participation in both a political and economic capacity, together with the growing visibility of inequality which began earlier. Also, the changing international environment which includes the prolonged world economic recession, the demand of trade liberalization, the demise of East European Communist systems as well as the major assaults on western welfare states have produced the deconstruction and current reconstruction of their edifice. Each suggests a different direction regarding the development of the welfare state in Korea. But given the revision of the Labor Law in 1987, the preparation of an Employment Insurance Scheme, and the government's hands-off policy in labor disputes and persistent emphasis on the part of business enterprises in the area of welfare, the movement is expected to be more conservative, but more tightly integrated with the economy.

Before going into the examination of these developments, an analytic perspective and some theoretical considerations regarding the development of the welfare state seems to be in order.

II. An Analytic Perspective: Variations of Democratic-Welfare-Capitalism

The basic idea of the welfare state is to humanize – if not to civilize – capitalism by way of the statutory protection of the right to a decent “minimum” standard of living for all. The definition of an adequate minimum is always open to discussion in any society, and the degree of commitment to the national minimum or to the efforts to “humanize” competitive, dehumanizing market principles vary widely in different countries. Indeed, the boundary of the welfare state is at best amorphous and shifting. Its structure, function and administrative style vary widely in different countries. These variations notwithstanding, most modern societies are operating the complex of public social services, insurances and assistance which are the eponymous elements of the welfare state. Al Wilensky claims, the welfare state is at once one of the great structural uniformities of modern society and, paradoxically, one of its great diversities (199:75:1), depending on which level of abstraction one is talking about.

Needless to say, the potential explanatory variables for these uniformities and diversities are numerous, encompassing the timing and pace of industrialization, socio-structural and demographic characteristics, as well as the nature of the state, party system, class coalition, and the legacy of the traditional mode of social protection, to name but a few. All of these represent different theoretical perspectives and ideological orientations.

The basic analytic perspective in exploring the development of the Korean welfare state in this paper has been derived from T. H. Marshall, who defined the welfare state as a hyphenated composite type of social system with three components, i.e., “democratic-welfare-capitalism (1972: 15-32).”

When the prototype welfare state emerged from the hands of the post-war

Labor government in Britain, Richard Crossman wrote that the welfare state is not socialist: it is the climax of a long process, in the course of which capitalism had been civilized and to a large extent reconciled with democracy. Later on, he referred to the product of this long process as “welfare capitalism (1952:6-25).” Twenty years later, T. H. Marshall recalled this term and added “democracy” to it as a third party of independent status, not just to be taken for granted (1972:15-32). And Marshall himself proved through his penetrating analysis of the fundamental incompatibilities between the three components of the British welfare state, that the nature and function of the welfare state could be explored in terms of the relations between those three components, particularly in terms of the relative position of the “welfare” component vis-à-vis the other two components in a given society.

In the British context, Marshall denotes democracy as the pluralist liberal democracy which stands for equality of citizenship and majority voting, while capitalism stands for the laissez-faire market economy which recognizes and rewards inequality. Welfare represents a re-defined socialism, “socialism without nationalization of industry” (Gaitskel, 1956: 3-4), or “socialism as a belief in the pre-eminence of certain values, such as equality or cooperation or collective welfare or internationalism” (Crossland, 1960:7.) The central function of welfare is to supersede the market by taking goods and services out of it, or in some way to control and modify its operations so as to produce a result which it would not have produced by itself. The relations between pluralist democracy and welfare are also very equivocal. Democratic voting, a method typically used to make “political” decisions, is basically egotistic, most voters voice what they believe to be their own interests, while welfare decisions depend on altruism – both concern for others and mutual concern for one another (Marshall, 1972:19).

In a British composite, each component represents artificially divided realms and separate vectors varying in di-

rection and size. After all, the nature and problem of the British welfare state stems from this inherently unstable combination of liberal pluralist democracy, laissez-faire market capitalism, and welfare as a replacement of socialist ideals. Here, welfare is relatively an autonomous realm, with little explicit linkages with the economy, and representing social justice and equality. It is comparable to the "differentiated welfare state (DWS)" of Mishra (1984), the "social security state" and the "positive state" of Furniss and Tilton (1979), and the "liberal" welfare-state of Esping Anderson (1990), though not exactly the same.

Marshall himself does not provide a comparative perspective except observing that in the countries of continental Europe, the position of "welfare" within the hyphenated democratic-welfare-capitalist system was not as much challenged as in Britain; on the contrary it was steadily reinforced and it was being built into the economic structure of the Common Market (1972:17). This is not the place to discuss different models of the welfare state in detail, but the relative position of welfare vis-à-vis the market (capitalism) and the polity (liberal democracy), makes it a powerful criterion in forming a macro-comparative typology of the welfare state. In accounting for the qualitatively different types of welfare states and their development, this triangular conception of "democratic-welfare-capitalism" is very helpful. Many different combinations of different relations among the three components can be drawn, and this versatility provides a good opportunity particularly in explicating new types of welfare states like that of Korea.

The first diagram in appendix 1 shows the case of Britain as Marshall describes, where the pluralist democracy and market economy retain strong allegiance. Welfare remains detached, overwhelmed, and ideologically in contention with the other two components. Here, the welfare state programs tend to remain marginal in the sense that the values it upholds vary with prevailing liberal democratic values, and therefore, highly vulnerable to popular resistance. The second is a

case where welfare (redefined socialism) is lined up with pluralist democracy, and the market is overpowered by, if not merged into welfare. Here, the socialist objectives, that is greater equality, is sought actively and realized through welfare. This is close to the model of "welfare democracy" which social democrats like Tingsten envisaged earlier and which became realized in Sweden. It is comparable to the "social democratic" of Jones (1985:93), and the "social welfare state" of Furniss and Tilton (1979).

The third model shows the submerging of welfare into a market economy, with the state aligned with the market, rather than welfare. Here, the welfare state measures tend to be conservative and market conforming, in the sense that their redistributive impact is negligible. It holds that social needs should be met on the basis of merit, work performance, and productivity. It is comparable to the "industrial achievement-performance model," or "handmaiden model" of Titmuss (1974:31) and the "corporatist" welfare state of Esping Anderson (1990).

Many other triangular diagrams can be drawn with different arrows and different lines, double, single, solid and dotted. Different stages in the course of development of the welfare state in a given society may be represented by different diagrams. Important in these diagrams are the dynamic relations, if not coalitions, among the three components, that is, the market, the state, and the welfare (social policy). I am not alone in this point. Mishra believes that the relation between the market and welfare has been the main point to differentiate his Integrated Welfare State (IWS) from a Differentiated Welfare State (DWS). In addition, an important common feature of the second and third model, for instance, is the close inter-relation between the economy and welfare. Mishra (1985) calls these two together as the "IWS" (1985).

Apparently, integrated welfare states are more stable as a social fixture, and the vulnerability to welfare backlash or tax revolt is lower. One of the keys to the institutionalization of interdependence

between welfare and market is the labor market policy. As Catherine Jones observes, "conventional local definitions suggest fundamental dichotomy between those societies (continental Europe and Scandinavia) long accustomed to regarding labour market policy as constituting an intrinsic facet of any social policy, versus those who – prior to the strains of the 1970s at least – were prone to count such matters as employment and job provision as being mainly economic (1985: 15)". The former corresponds to Mishra's "integrative welfare state" while the latter corresponds to his "differentiated welfare states", Catherine Jones further differentiates the IWS into the one which is welfare-oriented and the other which is not (1985: 93). Her "welfare oriented" IWS represents the second diagram below, where market is merged into welfare (redefined socialism). Jones' other model which can be named as the market-oriented IWS represents the third one where welfare is merged into market (App. 1).

This paper attempts to delineate the course of development of the welfare state chosen by Korea, particularly during the last few decades, with this three pillar framework. The polity is moving from conservative and authoritarian one towards one of "democracy". But what kind of democracy do we want? Free-for-all pluralism as in the liberal pluralist democracies of the US or UK? Centralized pluralism as in societal corporatist democracy? "Soft authoritarianism" or "corporatism without labor" as in Japan? In Korea, labor movement has been constantly repressed and the labor organization rate has been meager and depoliticized. Socialism has been a public anathema. Market and welfare, efficiency and equality has been regarded as if in a trade-off relationship. And still the private-public agreement is widespread on economic goals of growth and efficiency. What is attempted in the following pages is to explore these conditions and put together diagrams with the same three pillars, typifying the nature and function of the Korean welfare state.

III. Authoritarian State in Transition and the Development of the Welfare State

One of the most striking features of contemporary Korea is its phenomenal economic growth since the early 1960s. In the year of 1960 the per capita GNP was only US\$ 80, one of the lowest in the world. In 1989, it reached US\$ 5,000. During the period of 1960-1989, the Korean economy grew at an average rate of 8.9 percent per year, which is remarkable by any standard. If this record of growth can be sustained, it is projected that by the early twenty-first century Korea will be as rich as Britain and Italy are today.

Many scholars attempted to answer the puzzle of why Korea has grown so much faster than most developing countries. Needless to say, many different explanations have been generated. The commonplace observation is that the miracle has been orchestrated by a strong, ubiquitous, interventionist state. By this success case, the orthodox or neo-classical economic theories which stresses the economic benefits of a minimalist regulatory role of the state are severely challenged. Similarly, so-called dependencia and World System theories foundered on Korea's success. As Alice Amsden points out, "Korea's success is an example of a new way of industrializing that challenges long-held assumptions of generations of economic thinkers (1989:3)."

The Korean state during the last few decades may be described as a *de facto* authoritarian organic state, one that could make vital economic decisions, essentially ignore their political and social implications, and then implement them with precision, though it has incessantly aspired to move toward the liberal pluralist model.

In Confucian philosophy, Professor Ahn writes, "there is no distinction between the state and society". The end of the state is given: to cultivate the moral



values of men through its rites (1988:3). The authority relationship between the ruler and the ruled ought to be hierarchical. It was the state that would educate and in doing so, transform the behavior of the ruled. Not the other way around: the people did not determine the role of the state.

This sort of authoritarian premise has been dominant in Korean politics throughout its contemporary history. It has been justified by the so-called organic theorists of the state who contend that the state derives its legitimacy from the very nature of what it sets out to be, a provider or precipitator of a "common good," "moral" and "just" order. It moves by its inner ethical and moral imperatives, not necessarily by what the society wills to it. Under this organic state, relative state autonomy is considerable, though by no means absolute, because an organic state does not negate basic elements of civil society. The state's primary interest is that they all conform to work toward common goals and objectives for the collective good.

In stark contrast to the liberal pluralist assumption that the state is what the civil society makes of it, the liberal pluralist theorists contend that the state's governing structure takes its forms and functions from the diverse groups of various interests and their government. The direction of influence is from society to the state, not vice versa. The state is society determined and should so remain. The central purpose of the state is to guarantee an individual freedom, equality, and happiness as proclaimed in the constitution.

The overarching philosophy of the liberal pluralist state is the belief in the primacy of the individual, while that of the authoritarian organic state is the society as a whole.

Chalmers Johnson christened the Korean authoritarian state since 1961 as an "Authoritarian Developmental State (1988:11)," in differentiation from the "Authoritarian Preservative State" before 1961. Later on, he called the authoritarian developmental state of Korea a "Capitalist Developmental State (CDS)." By CDS he means a state which eschews ownership

but exercises control throughout the manipulation of incentives, rationing of resources and capital, cartels, and so-called administrative guidances. It leads economic development, directly mobilizes and allocates capital, licenses or subcontracts its projects to private entrepreneurs, and plays the predominant role in controlling the organization of workers. It differs from both the one in command economies and the one in the laissez-faire model of neo-classic theory. For Johnson, all CDSs are authoritarian but not all authoritarian regimes are CDSs.

This chapter traces the development of the welfare state as the process in which this authoritarian organic state has interacted with the socio-political imperatives of rapid economic growth. The future of the Korean welfare state is contingent upon the directions in which the Korean democracy and economy will take in the future. This chapter is organized into three periods. In the first section, the years from Liberation to the end of the 1950s are described to give some historical background to contemporary Korean society. In the second, years from 1960 to 1987 are covered as a period of sustained economic growth under the starkly authoritarian developmental state. And in the third, some moves made by the 6th Republic are delineated.

1. Authoritarian Preservative State and Marginalist Approach

As is known, Korea, which was colonized by Japan in 1910, was finally liberated in 1945. Even before the joy of liberation dissipated, the country was divided along the 38th parallel. In 1948 Korea became independent, but this was soon followed by the devastating catastrophe of the Korean War from 1950 to 1953. All these came in succession within a span of a decade, and they clearly and deeply influenced the pattern of political and economic events thereafter.

The forced division of the country meant the split of the two main streams of post-war ideology: liberal democracy and

communism. Korea adopted a Constitution – which incorporated such liberal democratic ideals as the separation of powers, equality before law, and the guarantee of fundamental human rights including the right of workers to solidarity and positive protection as well as the right to a decent standard of living for all. Thus, a modern state with a parliamentary form of democratic government was born in Korea.

However, one has to admit that this Constitution was more of an imported aspiration of the newly independent nation after World War II than of actual realization through living experiences. Not only the separation of powers but also the right to the minimum standard of living or the right to a democratic labor movement were far from the actual, inner order of the Korean society. As professor Yang states, in the Korean scene law has seldom been differentiated from political power itself (1987:363). The normative supremacy of the Constitution was often preempted by the expediency of the political power. Less than two years after the adoption of the Constitution (during the War), President Rhee had the National Assembly amend the constitution into a presidential system, which enabled him to remain in power for 12 years until 1960. With this constitutional amendment as the beginning, there followed eight more constitutional amendments. With only one or two exceptions, most of the revisions locked legitimacy and legality.

With the traditional legal attitudes congenial to the concentration of power to the executive, the President Rhee could curtail the freedom and civil rights of individuals under a disguised democracy. He used anti-communism and security as one and the same thing and the primary national goal, particularly since the Korean War.

The war, with all its tragic consequences in terms of human and physical losses accelerated greatly the process of urbanisation and expanded the self-consciousness of the people which was different from the earlier optimism and utopianism, and also brought about the prevalent

anxiety and uncertainty.

The percentage of the population living in cities and towns of over two thousand persons went up from 28 percent to 41 percent between 1949 and 1960. And the growth of the urban population was accompanied by a virtual explosion in education. From 1953 to 1963, the literacy rate from 30 percent to 80 percent. The number of college students rose about 18 times, while middle and high school students grew 14 times during this same period. By 1960, in terms of its per capita income and production, the country had reached a level of education far advanced in relation to other countries.¹ By 1960, 72 percent of those who had a college education lived in cities of more than 50,000 persons, though these cities contained only 28 percent of the total population.

By the time War was over, Korean Forces had increased from 65 thousand to 700 thousand men. Meeting the needs of such forces transformed the nature of the economy. Apart from the military hardware that would also come from the United States, the domestic costs for maintaining this force were well beyond the capacity of the economy and had to be met by economic aid.

The Rhee administration, which survived the War intact, slowly moved toward a so-called "Liberal Oligarchy". The results were unusual corruption intertwined with foreign aid and general poverty. The government was more concerned with political than with economic problems, and, as a result, Korea displayed the characteristic symptoms of weak administration and inept economic policies found in many other economically less developed countries (Nutznet, 1980:63). It had no overall economic strategy, nor an active labor policy. The nascent labor movement had been repressed through state corporatist control.

The government enacted the so-called four basic labor related laws including the Labor Standard Law, the Labor Union Law, the Labor Committee Law, and the Labor Dispute Coordination Law in 1953. Being too idealistic and liberal,

these laws remained almost dead document until they were revised in 1963 (FNI, 1985:147). Labor policy was not taken into consideration from the point of view of economic policy. Labor policy as a measure to protect and secure an industrial labor force vis-à-vis industrial policy or capital mobilization was underestimated and overlooked. The Bureau of Labor Affairs was established in the Ministry of Social Affairs which was mainly in charge of emergency relief works and foreign aids.

Public relief in these years were in great demand, not because of the distributory failures of capitalism, but because of insufficient production and national disasters. Needless to say, during these years of national despair and large scale upheavals, absolute poverty was the rule and the country itself was one of the world's largest recipients of foreign aid. People were suffering from bereavement, loss and poverty. But many believed it was because of the poor endowment of resources, colonial exploitation, devastating wars and disasters. The Constitutional provision of the right to a decent life was more of an idle aspiration than that of practical feasibility.

The American Occupation Authorities showed little enthusiasm for the development of systematic welfare schemes. The major concern of the Occupation Authorities was to restore the social order and to prevent starvation. It issued a series of memoranda as the temporary administrative guidelines for the public relief services. The Welfare Memorandum No. 3 dated January 1946, for instance, set the conditions for general public relief.

It stipulated that relief was to be given to those poor who have no family or relatives responsible to support them, incapable of gainful employment, and have no places to stay but public institutions. In order to be provided with the basic daily life necessities one had to satisfy the above stated conditions and belong to one of the following six categories: aged over 65, young under 13, mother with dependent children aged six and under, chronically ill, pregnant, or physically or mentally handicapped. Only and exclusively the

"worthy" "deserving" poor were eligible. Most of the provisions were made in-kind through relief goods and supplies from abroad, mainly the United Nations and the United States.

Its basic frame was quite similar to its immediate precedent, the Chosun Relief Ordinance which had been introduced by the colonial Japanese government in 1944, and also the Living Protection Law of 1961, the major legal base of the public assistance programs in Korea up until today.

Another Memorandum issued in 1947 to the Provincial governments emphasized the importance of community level self-help, which sounded much like the British colonial programs of community development. Though the active government initiative was absent. Given the abject poverty and political turmoil during these years, the principle of self-reliance and democratic participation was not a practical alternative.

And it was the War (1950-1953) that ushered in streams of foreign aid and relief into Korea. The number of residential institutions for children, namely the orphanages, increased from 215 in 1950 to 496 in 1955, and it further grew to 505 in 1961 (Lee, 1991). These child welfare residential institutions comprised more than 80% of all residential care institutions of the day, and most of them were financed by the overseas charitable agencies.

Social welfare during these years was mainly associated with the voluntary based foreign aid, the in-door type, in-kind social services, if not the overseas child adoption. The government did not have its own systematic welfare policy, not to mention statutory provisions.

The corrupted and indulgent authoritarian state could not see the welfare policy or labor policy as a structural necessity of a modernizing capitalist society. The welfare during this period was operated mainly as the charity and emergency relief, funded by foreign aid and outside the market, and without statutory provisions. It was not regarded as related to the workers' productivity and primary

distribution. Neither was it regarded as of great political significance. The turning point from this marginalist view of social welfare came with the Third Republic which declared the twin goals of economic growth and the establishment of the welfare state.

2. Authoritarian Developmental State and Differentiated Approach

The student uprising of 1960 which brought about the demise of the 12 year rule of the First Republic, was followed by the democratic parliamentary government of Chang Myon which lasted only 9 months and was toppled by the coup led by General Park Chung Hee on May 16, 1961. From this day through to 1987, when the parliamentary democracy was inaugurated again, three authoritarian military regimes seized power. From 1962 to 1971, the Third Republic of Park Chung Hee, from 1973 to 1979, the Yushin Regime of Park Chung Hee, and from 1980 to 1987, the Fifth Republic of Chun Doo Hwan. Unlike the military regimes in South America, General Park and his allies civilianized their junta and worked through political parties to control the National Assembly. They operated the authoritarian regime under a facade of democracy and constitutionalism.

For this and subsequent military regimes, economic development was of primary importance, not only because economic development was now a major public issue, but also because economic progress was a means of acquiring political legitimacy. Thus, the Korea CDS came along. As mentioned already, the Korean CDS during the 1960-1987 period achieved remarkable economic success. This success was based upon large state-support conglomerates and exclusionary oppression of labor. As well, social security was viewed antithetical to growth. This section examines the ways in which each CDS regime approaches the welfare component of our modern Korea.

(1) The 1960s: Abolition of Poverty and Nominal Welfare State.

The outlook of the new leadership was revolutionary and strongly nationalistic. They shared with the student of 1960, a disdain of negative overdependence on foreign powers. They believed that economic development, or more specifically the abolition of poverty to be one of the keys to real national independence. Park's ideas about the economy were far more populist and egalitarian than those of previous leaders. Park proclaimed that unless economic equality is guaranteed "by establishing a welfare state" in Korea, the Koreans will have to face another crisis that remains unspecified (Oh, 1990:28).

By the time the Park administration put forth the "abolition of poverty" and the "realization of the welfare state" as the revolutionary catchwords of the new regime, poverty was still widespread and deep rooted. The per capita GNP for 1960 was only \$80, one of the lowest in the world. Park's ambition to establish the welfare state was to be substantiated by future rapid economic growth.

As is known, the Park administration launched its First Five-Year Economic Development Plan in 1962. The Plan adopted an outward-looking development strategy and identified the development of basic infrastructure, the modernization of the nation's industrial structure, and the growth of exports as its major goals. For this, both technology and capital have been borrowed extensively from abroad. Vital to this was the strong leadership of the government, as it directly mobilized and allocated capital, and licensed or subcontracted its projects to private entrepreneurs. It led economic development by exercising control through the manipulation of incentives, rationing of resources and capital, cartels, and so-called administrative guidances.

The first five-year plan, started in 1962, resulted in an average annual real GNP growth rate of 7.8%. It was followed by a second plan which resulted in an average growth rate of 10.5% a year and a third during which the GNP rose by 11.2% annually. Changes in some of the macro-aggregate indicators are presented in the Table 1.

Table 1

Trends in Macro Aggregates

Year	PerCapita GNP (US \$)	Exchange Rate	GNP Growth Rate (%)	Ratio of National Savings	Employee Compensat'n Ratio	Tax Bur- den Ratio to GNP	Consumer Price In- crease Rate	Unem- ploymen Rate (%)
1953	67	-	-	-	-	-	-	-
1960	80	-	1.1	-	-	-	-	-
1961	82	130.00	12.7	-	-	-	-	-
1965	105	272.02	-	-	-	-	-	7.4
1970	252	316.70	-	18.4	39.7	14.3	15.8	4.5
1975	590	484.00	7.1	18.4	39.8	15.3	15.4	4.1
1980	1.592	659.00	-3.7	23.7	51.6	17.9	28.7	5.2
1985	2.194	890.20	7.0	29.5	52.6	17.3	2.5	4.0
1986	2.503	861.40	12.9	33.5	51.3	17.0	2.8	3.8
1987	3.110	792.30	13.0	36.9	52.3	17.5	3.0	3.1
1988	4.127	684.10	12.4	38.1	52.0	18.3	7.1	2.5
1989	4.968	679.60	6.7	-	-	-	-	2.6

Source: KDI, Facts and Figures on the Public Sector in Korea, 1983, 1991 EPB, Social Indicators in Korea, 1979, 1986, 1991.

Needless to say, the prerequisite of the export oriented industrialization in Korea has been disciplined and low-cost labor. In order to maintain the competitive labor costs, the state was to play an active role in suppressing labor movements through the corporatist control of labor unions. The Third Republic revised the basic labor related laws. The Labor Standard Law was revised in 1961 in order to abridge the gap between the law and reality. So did the other three basic laws in 1963. The right of the government employees to strike and their right to collective action were prohibited. And the Labor

Affairs Administration Office was founded in 1963, as an independent organization of the Ministry of Health and Social Affairs signalling a turning point in the labor policy of Korea.

However, labor policy was construed from the vantage point of capital formation and economic growth and it was generally accepted that the primary goal of economic planning was to increase the rate of economic growth as rapidly as possible. And it was assumed that rapid growth would result in significant improvement in general welfare for the mass of the population.

Table

Trends in Income Distribution

Year	Occupation Ratio of Income (%)		GINI
	by Upper 20%	by Lower 40%	
1965	41.82	19.34	0.344
1970	41.62	19.63	0.332
1976	45.34	16.85	0.391
1980	45.39	16.06	0.389
1985	43.71	17.71	0.363
1988	42.24	19.68	0.335

Source: EPB, Social Indicators in Korea, 1979, 1986, 1991.

Indeed, the incidence of absolute poverty was actually greatly reduced. Applying rather conservative poverty line estimated by Suh and others, 40.9 percent of the total population were under this line in 1965, while the figure fell to 23.4 percent in 1970 and further down to 14.6 percent in 1976 (Suh, 1981:33). In fact, during the sixties, rapid growth notwithstanding, income distribution has improved as shown in Table 2, and unemployment was reduced as shown in Table 1.

Thus, during this first decade of rapid industrialization, the Park regime did not have to mobilize social securities as a means to control the workers whereas the similar authoritarian regimes in Brazil and other South American countries did. Indeed, it was by this new military regime that a series of social welfare legislations have been promulgated: The Living Protection Act (1961), the Military Pension Act (1963), the Industrial Accident Compensation Act (1963), Medical Insurance Act (1963), Government Employee's Pension Act (1960), Veterans' Protection Act (1961), Social Security related Law (1963) Child Welfare Act (1961), Disaster Relief Act (1962), and many others followed suit. Nevertheless, it turned out to be more of a propagandized pledge to create legitimacy which was greatly needed by the new military regime. It was by no means an expression of the full-fledged, immediate commitment to the ideology of the welfare state. It found itself more or less confident in reigning without recourse to the comprehensive social security schemes. As Im points out, the power bloc had no trouble in dealing with workers in the process of promoting a labor intensive export platform because the market condition (i.e., unlimited labor-surplus economy) had kept low wages even without state intervention. Workers were content with getting regular paid jobs of extremely low subsistence wages (1989:59).

Though many welfare legislations were enacted in the early 1960s, only very few were put into effect throughout the 1960s. They included the pension schemes for the military personnel and for govern-

ment employees, workmen's compensation, and restrictive public assistance in the name of Living Protection. In its effort to rationalize and restructure the public administration, our CDS had imposed a retirement age on government employees. And the pension was not only a means to protect their retired lives but also a means to upgrade their status vis-à-vis other occupational groups, and thereby to secure their continuous loyalties to the new regime. The government employees and the military were the first two occupational groups that have started receiving pensions (in 1962 and 1963 respectively).

The Living Protection Law of 1961 was mainly a rewriting of the Welfare Memorandum of the American Occupation Authorities mentioned above. It was the first statutory provision of public assistance in Korea, though the budget for the public assistance was first allocated in 1969.

And the Workmen's Compensation insurance scheme came along in 1963. It is often cited as the first social insurance for the workers in this country. But strictly speaking, it is not a social insurance where the workers and capitalists share the responsibility. It is a state administered insurance for the employers who are deemed solely responsible for the compensation. It is more closely related with the paternalistic responsibility of the employers than with the social rights of the workers to the compensation.

In terms of the expenditure for social security, as of 1965 when percapita GNP was US\$ 105, percapita social security expenditure was merely 200 won, equivalent to US\$ 0.74 (table 3). In 1970, percapita GNP grew to US\$ 252 and percapita social security expenditure to 800 won, US\$ 2.2.

During the first decade, our CDS applied itself to economic growth with little interest in securing loyalty of the workers through welfare. The government intervention to meet social needs was kept to a minimum. It was believed that the expenditure on welfare was non-productive and a wasteful drain on national resources.



Instead, economic planning should seek to raise incomes through rapid growth so that individuals and their families will have the means to meet their own social needs as well as satisfying their economic wants. Job creation and the repression were the main approaches.

(2) The 1970s: Heavy Chemical Industrialization and Widening Inequality.

Park's quest for prolonged rule resulted in another constitutional interruption. Faced with serious worries about the prospect of remaining in power for a long time and also with a crisis of national security,² he advanced the concept of the Yushin (renovating Reforms) system in 1972, under which the president was to be elected through an indirect election and thereby Park was able to remain in power for life.

President Park attempted to legitimize this system with plans for enhancing industrial production and national power to the extent that South Korea could prevail over North Korea (Ahn;1981). He argued that superior economic performance was essential to win over communist North Korea in their peace time confrontation. He promised the people to attain the economic goal of \$1,000 per capita income by 1980. In order to achieve this objective, the country energy and resources should be organized with maximum efficiency, the kind of efficiency which can only be achieved through concentrating all power to the state and rationalizing economic policy making without wasting time and energy through an unnecessary and inefficient democratic process. In January 1973, the President issued an urgent call for a new phase of industrialization based on heavy chemical industries (HCI). As Nam observes, it was a strategy to kill two birds with one stone, by developing indigenous defense industries and restructuring the export composition in favor of more sophisticated and high value-added industrial goods (1992:3).

As well, the "luxury" of parliamentary democracy was actually suspended. A small group of presidential assistants, intelligence officials and govern-

ment leaders controlled not only the National Assembly, but also the operation of the ruling Party. And Park was able to control tightly all the forces of the ruling coalition under his command and succeeded in preventing any dissident voice arising within the ruling coalition, until he was assassinated.

The Yushin regime tried to "depoliticize" social issues in terms of technological, rationality. The primary concern of economic policy was overall economic growth, not the improvement of the standard of living of the lower classes. The organization of labor unions was severely restricted, and strikes were virtually prohibited. In fact, the Yushin regime started with the repression of the labor movement and other opposition forces. Workers' collective action and the labor movement were perceived as more threatening politically to authoritarian regimes than any other social movement. It could disrupt the whole national economy directly through work stoppage.

Enactment of the Law concerning Special Measures for Safeguarding National Security on December 1971, restricted and forbade the rights of collective actions in public sectors. And the amendment of labor-related laws in 1973 permitted state intervention in labor disputes and denied national union and industry level unions control over company or shop floor unions. It involved itself in the organization of national level and industry level union federations run by the leadership supporting the Yushin regime. Labor management council at the factory level and the Factory Saemaul Movement were state-initiated and directed counter-union organization to transform industrial relations based on class conflict to the one based on harmonious, hierarchical and patrimonial capital-labor cooperation. To the unions which were independent of official unions, the state tolerated workers' right to organize unions but employed the harshest approaches to incapacitate the activities of the unions such as strike breaking, the restrictions of collective bargaining rights, and designating strategic industries not to

allow strike activities and collective bargaining. In short, the Yushin regime adopted both so called corporatist and market approaches in labor control.

Notwithstanding this unprecedented harsh repression, it was in the 1970s that the democratic union movement came along as the first organized labor movement based on rank-and-file workers at the grass-roots level. According to Choi, approximately 20 percent to 30 percent of all labor unions were autonomous unions in the late 1970s (1984:38). Despite the harsh repression, the labor disputes increased to 1,064 in 1977 and 1206 in 1978 from 112.5 per year during the 1960s.

The unlimited supply of labor condition ended by the late 1960s. And since the 1970s, the labor market conditions changed in such a way that with the exhaustion of the labor surplus, market forces pressured wages to go up. Particularly, overseas construction in the Middle East, creating an unprecedented boom in the region which not only contributed to the improvement of the balance of payments to a great extent, but it also created a shortage of specialized technicians and skilled workers and caused a rapid increase of wages and salaries. The HCI drive raised the rate of inflation and created an acute labor shortage in the skilled labor market, which pushed real wages higher than productivity gains for the first time in Korean history³.

While the wages of skilled workers rose sharply in this period, the wages in the labor intensive light manufacturing sector had been kept at the subsistence level by the government's policy of maintaining international competitiveness. Because of widening wage differentials and the ensuing severe labor segmentation, the workers in the labor intensive export sector felt high relative deprivation.

Moreover, the government's drive for the HCI was the watershed for "the conglomeratization and monopolization of the local capitalist class."

The HCI projects, on the other hand, required an enormous investment. The huge amount of foreign capital inflow

was followed by the import of foreign technology. So the HCI drive deepened the dependency of the economy, and the execution of these projects was assigned to the big domestic bourgeoisie, not to state enterprises or multinational firms. The state encouraged the formation of big business groups and alienated medium and small business firms in bidding on the HCI projects. And it eventually resulted in an over investment, which created serious problems in the national economy. Between 1977-1979, for instance, 80 percent of investment went to the HCI sector. As a result of reduced financing in labor intensive, consumer non-durable good exports, export growth slowed and export competitiveness declined.

The costs of over investment in HCI projects were born by the farmers as well. In order to maintain rural electoral machinery, President Park launched the Saemaul (new village) movement in 1972, through which the state spread patronage money to rural loyalists. In 1978, the government first cut the budget of the new village movement.

As shown in Table 2, income distribution deteriorated badly during the 1970s. Though per capita GNP continued to grow from US\$ 243 in 1970 to US \$ 573 in 1975, US\$ 1,330 in 1978 and US\$ 1,607 in 1981, it showed that the aggregate growth was not a guarantee of improved levels of living for all. Unlike the 1960s, the benefits of growth did not trickle down to the poor during the 1970s.

Preoccupied with its over ambitious economic goals, however, the Yushin regime even attempted to exploit social welfare measures, that is the public pension scheme, as an instrument of domestic capital mobilization for the HCI drive. In January 1973, the President proclaimed to launch the HCI drive as well as the national pension scheme. And in December of the same year, the National Welfare Pension Act passed the National Assembly. As is known, the HCI projects were planned to be financed mainly by domestic savings and only a small portion was to be financed by foreign capital loans and direct



investment, though this initial plan was not maintained later.

As a means to raise the rate of private savings by popular masses, workers were forced to join the National Welfare Pension Fund which required a 20 year contribution.⁴ The Korea Development Institute estimated that the national pension scheme would mobilize about 100 billion won in less than two years.

As of 1973, the proportion of the aged population (65+) was 3.3% in Korea. This is comparable to 5.2% in 1911 of the U.K. when the first public pension insurance was introduced, 5.4% in 1930 of the United States, and 5.1% in 1890 of Germany. The idea of the care of the elderly as a social responsibility was not widespread yet. Many, both young and old, believed that children were the security of the aged. Moreover, there was the severance allowance system for the retiring workers and those fired, the legal base of which is the Labor Standard Law of 1953. The Law stipulates that employers are to pay at least one month's remuneration per year's service as severance allowances to the parting employees. The new public pension was invariably an additional burden to the employers. In the Third Five Year Economic Development Plan prepared in 1971 there was no mention of the public pension insurance.

The promulgation of the National Welfare Pension Act of 1973 typifies the way the authoritarian developmental state approaches the welfare policy. It bypassed interest politics completely, once it was deemed necessary for the national goal of the HCI drive. But, the first oil shock in 1973 made the new Act dormant for 13 years until it was revised and up-to-dated in 1986 and finally put into effect in 1988.

Three years later, in 1976, the Yushin government rewrote the Medical Insurance Act of 1963 and put it into effect in 1977. Together with this, the Medical Assistance program was initiated for those who could not be covered by Medical Insurance. Ever-widening income gaps and the general revulsion against the political authoritarianism, combined to form a so-

cial pressure for the authoritarian government to adopt the alleviative social measures. The Fourth Economic Development Plan (1977-1982) came to incorporate the objective of social development and promotion of equity, following the United Nations Recommendation of "the balanced economic and social development" (Son, 1986:460). The first choice was the medical insurance. Allocation distortions in medical resources was a big social issue at the time. In 1975 and 1976, 16 doctors and hospital directors were prosecuted for fee charge disputes. It was of particular political importance since the South-North dialogue was initiated.

President Park was not so enthusiastic about medical insurance as about national welfare pension. He agreed to implement it when he was assured that medical insurance in Korea should be different from the British NHS in financing (Son, 1986:460). The Medical Insurance Act of 1976 stipulated the national medical insurance system which consisted of two types of insurance plans. Type I is the compulsory plan covering the employees together with their dependents, working in firms of the industrial establishment with a certain number of regular workers. In 1977 started with those working in establishments with 500 or more regular employees to be compulsorily insured. It broadened to 300 in 1979, and 100 in 1981. Others, both employees in smaller firms and self-employed including farmers, remained to be covered by the Type II insurance plan, the voluntary community based medical insurance scheme.

For the Type I insurance, the employee and the employer share the contribution which may range between 3% to 8% of the monthly remuneration. For the Type II, the insured has to bear the total expense. The Type I insurance programs are managed by the medical insurance societies established for the employees of each enterprise. Government employees and private school teachers belong to a other separate medical insurance system based upon the Law for the Medical Insurance for the Government Employees and

the Private School Teachers of 1977.

In developing this system, the post-war Japanese health insurance plan served as a model. The combination of such principles as the division of the population into the employees and the remaining others (together with a number of privileged occupational groups), the operation of autonomous enterprise-unit or community based medical insurance societies, and the point system for medical fee payment is a Japanese innovation.

But the Japanese have a longer history of health insurance and the tradition of social insurance as a part of labor policy. The Japanese started with the blue collar workers (1927) and expanded to the white collar employees (1939) and the farmers (1938). It was the German corporatist model that the Japanese followed in the prewar years. It was to win the loyalty of labor itself, to the industry and the nation. It started mainly as a blue-collar workers' insurance. The dependents were excluded from the benefit plans. The preferential treatment of the workers vis-à-vis their dependents is still represented in their differential benefit formulas between the insured and their dependents in Japan.

Korea's choice at the beginning was more of an universalist approach, far less explicit in preferential protection of the low strata workers. It started with the workers, both blue-collar and white collar. In larger firms, the dependents were included from the beginning, and their right to benefits were almost the same as those of the insured.

Even though it was supplemented by the Medical Assistance program for the poorest strata of the population, the medical insurance of 1976 addressed to the social needs of those who could pay in the contributions, and the redistribution was more or less limited within the class. The Yushin authoritarian state still believed that the vertical redistribution through welfare is detrimental to economic development. And the enterprise-based insurance society was adopted for the sake of administrative convenience. It was not an explicit commitment to the decentralized

guild style operation of social insurance.

Throughout the Yushin period, the authoritarian elites responded to the pressures from below, neither with a democratic reform nor with paternalistic protection, but with an intensified repression. The state's paternalism toward the workers and the poor was resisted by the state itself. The public assistance and related social welfare services were kept minimum even after foreign aid withdrew completely by the mid 1960s. Even when it adopted the nation-wide medical insurance, it emphasized financial independence of the insurance societies so that social insurance may not increase the financial burden of the state. The Yushin regime was not different from the Park regime of the 1960s in that it did not fully committed itself to welfare as a structural necessity of modern society. Interests of the workers as a class were harshly repressed on behalf of the capitalists. Yet the wages of the skilled workers in HCI sectors were allowed to rise.⁵

(3) The 1980s: Labor Repression and Decentralized Medical Insurance.

Notwithstanding the economic performance, the forced marriage of national security and the HCI drive could not legitimize the prolonged authoritarian regime. President Park's increasingly authoritarian methods of rule gave rise to the growing tide of protests and demonstrations by students and opposition leaders. When the second world oil shock hit the Korean economy hard, the over-invested HCI projects created an economic crisis in 1979-1980. At the end of 1979, the nation's gross national product registered negative growth (Table 1). In 1980, Korea's current account deficit widened to 8.7 percent of GNP, and foreign debt increased substantially. These combined to bring about an acute crisis of legitimacy. Finally, the intelligence chief he had appointed assassinated him in October 26, 1979, ending his 18 years of rule.

Against this background of chaos and uncertainty, General Chun assumed power in 1980 and was elected as the president in 1981 by an electoral College



of about 5,000 representatives. Thus, the Fifth Republic was born. The alleged threat from the North was beginning to wear thin as an excuse for military rule in the South. And clearly the Fifth Republic could not take credit for economic development; Chun's coup of 1980 had in fact threatened it.

The new constitution of the Fifth Republic was a slight modification of the Yushin constitution, which appeared to be less dictatorial than the Yushin constitution, but was designed to produce similar consequences.⁶

When the new military installed an authoritarian regime without a hegemonic base, that is, the consent of subordinate groups to the existing social order, he had no alternative than the systematic use of state terror to achieve the regime objectives (Im, 1989).

The purification campaign was extremely harsh on democratic union leaders.⁷ The harsh repression of unions resulted in the sharp decline of union membership and the number of unions. The purge of union leaders and the disbanding of democratic unions were followed by the enactment of new labor laws, which were more repressive in character than those of Yushin regime.⁸

Repressed were not only the union organizations. Faced with symptoms of an economic crisis such as negative economic growth, high inflation, heavy foreign debt and rising unemployment, the technocrats of the new government tried to get out of the crisis by means of neo/conservative stabilization policies: the repression of wage increase, the rationalization of HCI projects, fiscal austerity⁹, and liberalization of trade¹⁰ and financial market. The adjustment costs of stabilization were imposed on workers. Although markets were increasingly deregulated, labor and wages were under intensified restrictions.¹¹

After a three year repressive period (1980-1983), the regime started to relax their control, and since late 1983, the so-called decompression started. The powerholders got new confidence in the rebounding economy after two years of re-

cession: the national economy returned to the pattern of steady growth (6,6 percent in 1981, 5,4 percent in 1982, and 11,9 percent in 1983) from the negative growth in 1980. Unemployment decreased from 5,2 percent in 1982 to 4,1 percent in 1983. Unlike the pattern under the Park government (i.e. rapid growth with high inflation), the government achieved growth with low inflation. In addition to inflation being controlled (28,7 percent in 1980 to 3,4 percent in 1983), the budget deficit was turned to budget surplus, and both current and trade balances of payments were substantial improved.

Chun also sponsored Korean nationalism, in the form of the Asian Games of 1986 and the Seoul Olympics of 1988. But, as Johnson states, the Olympics proved to be a great challenge, opening a window of opportunity for protest (1988:13). He was driven to make a concession, and the Sixth Republic was ushered in by the presidential election of December 15, 1987, and the parliamentary election in April 26, 1988, inaugurating parliamentary democracy.

The Fifth Republic which was basically not much different in ideology from the previous one, put forth the realization of the welfare state. Later, welfare social became the political pledge, and this time emphasis was placed upon the development of the medical insurance and the revision and enforcement of the social welfare service laws adjusting them to the actual situations which drastically changed over a few decades.

While the National Welfare Pension Act was still dormant, the Welfare Service Act for the Elderly was legislated in 1981 and revised in 1984. Among other things it was intended to promote the traditional filial piety and respect for the elderly in Korea. The Child Welfare Act was revised in 1984, to incorporate the universalist perspective of child welfare services. The Welfare Act for the Physically and Mentally Handicapped came along in 1984 and was revised in 1984. And the Social Welfare Service Act was revised (1983), to attempt to systemize and rationalize

delivery system of the welfare services. The Law for the Education of Preschool Children was enacted in 1982, to establish thousands of Saemaul daycare centers all over the country. However, the actual state budget allocation was made only at a token level.

In the meantime, coverage of the Type I Medical Insurance expanded to those employed in establishments employing more than 16 regular employees (1983). And the definition of dependents was broadened to include the members of the extended family such as parents-in-laws and siblings (1984). Thereby, approximately half of the population (42%) came to be covered by either the Type I Insurance or the Government Employees and the Private School Teacher's medical insurance as of 1984 (D. H. Lee, 1992: 310). The main issue with regard to the Medical Insurance during this period was the reform of its administrative and financing structure.

As the smaller firms came to be covered, the principle of enterprise-based insurance society's autonomous operation was no longer plausible. The small scale insurance societies often suffered from financial instability, and the principle limited the redistributive effect to the inside of the enterprise. Thus the planners of the medical insurance scheme within the Ministry of Health and Social Affairs prepared a reform proposal for the integrated, centralized, administrative structure in 1980.

This "integration" proposal was bought by the National Assembly in 1992, but opposed by the existing insurance societies of larger establishments, the Federation of Korean Industries, Korea Federation of Labor Unions, some of the major Daily Newspapers, and the assistants of the President. The autonomous decentralized operation of the insurance societies was supported as being beneficial for the labor-capital relations within the company, and to preventing the overgrowth of the state responsibility and thereby preventing the welfare disease (D.H.Lee, 1992:317-330).

When the Medical Insurance Act

was rewritten in 1976, the enterprise-based insurance society system was taken for the sake of administrative convenience. Now, it became a matter of immovable principle. A decentralized system was preferred as it could be instrumental in improving labor relations and as long as it could prevent the welfare disease. This position was in line with the regime's neo-conservative economic policies. The integration proposal was to wait until the medical insurance was extended to farmers in 1986, against which the President exercised his veto right vis-à-vis the National Assembly's choice of the integration bill.

As the national economy rebounded the National Welfare Pension Act of 1973 was rewritten with the new name of the National Pension Act in 1986 and was put into effect from January 1, 1988.

Throughout the years of rapid economic growth under the authoritarian state, labor policy had been insulated from broader socio-economic policies. As Amsden observes, the Korean CDS has a policy with respect to every conceivable aspect of economic development except labor relations. Responsibility for labor relations within the government bureaucracy has largely been left to the Korean Central Intelligence Agency or to the police (1991:324).

Social welfare measures were introduced and expanded, but not with long term plans, nor with the comprehensive future picture of the welfare state or the welfare society in mind. What Hardiman and Midgeley call "incrementalism" (1982:17) is the approach that the Korean CDS took in welfare policy formulation with little justifications and interest group participation.

Nevertheless, from the late 1980s the rhetorics began to flourish. The "integration" controversy of the Medical Insurance plan was a case in point.

The voices of the consumers were not organized to be heard, but the large insurance carriers' voices as well as the ruling elite's corporatist preference, and the voice of the "welfare" component which represented the interests of the lower strata



of workers, and which therefore emphasized redistribution through welfare were well articulated and all contended each other. The idea of decentralization and the pluralist approach of a public-private administration on over that of a centralized public administration. But, it was also a victory for the larger insurance carriers, that is, the larger, better off firms and corporations over the smaller insurance carriers and the worse off firms and establishments. This is the basic attitude toward the welfare component by the authoritarian developmental state of Korea. The state intervenes for the suffering "subjects" of the market economy. The future of the Korean welfare state depends of the market economy. The future of the Korean welfare state depends on the direction and pace of democratization and the concurrent economic achievement which will be largely contingent upon the changes in the international environment.

3. After the Crisis in Political Authoritarianism: Toward a Market-Oriented Integrative Approach

On June 29, 1987, presidential candidate Roh accepted the opposition's demand for constitutional reform, an end to police surveillance of opposition politicians, and promised investigations of long-standing grievances. The subsequent presidential election of December 16, 1987, and the parliamentary election of April 1988, ended the authoritarian regime in Korea, ushered in the Sixth Republic, and inaugurated parliamentary democracy. Even though the period is yet very short, as stated already, important changes are traceable leading to the transition of the Korean welfare state. Not only the reinstallation of parliamentary democracy, but also labor's growing demand for participation in both a political and economic capacity, the growing relative deprivation felt by the poor in an extravagant consumption society, and the changing international environment, which includes the world economic recession, the demand of trade liberalization, the demaise of East European

Communist countries, and the mounting criticisms on western welfare state, all suggesting different directions for the future of the Korean welfare policies. Important is that the Korean welfare state not at a crossroad.

In a broader socioeconomic sense the years after 1987 has been a period experiment for compensatory political development. One of the first was the democratization of labor relations. When the threat of the state's control of labor on behalf of employers became apparent at the June 29 Concession, workers in virtually all sectors of industry erupted spontaneously demanding wage increases, better working conditions, and the right to organize autonomous democratic unions. The number and intensity of work strikes were unprecedented. When the labor outburst touched the core of the national economy, including the major export sectors such as the automobile, shipbuilding, electronics and the defense-related heavy industries, all the political forces worried about the negative impact of industrial unrest on the process of democratic transition (Im, 1989:299-301).

Faced with industrial unrest, mutual abstention strategy prevailed among reformist elements within the regime and the moderate opposition forces.

The ruling elites abstained from resorting to repression of workers' collective actions and instead, left the resolution of conflicts in the hands of capitalists and workers themselves without resorting to the traditional method of state repression over the striking workers (Im, 1989:301). Employers who got used to relying on police protection against workers' demands were first bewildered by the sudden explosion of workers' collective action. Vicious state help became hopeless, employers entered into face-to-face bargaining with striking workers. Thus, the resolution of the industrial conflicts were left most to workers and capitalists to settle with external mediation or enforcement.

Fortunately, managers and workers found a spontaneous solution due to an unprecedented, robust economy.

wage disputes were settled through bilateral negotiations between employers and unions without state involvement. Despite enormous size and high intensity, most strikes were resolved by mid-September. The fear that workers' strikes, on a massive scale, might cause the collapse of the economy as well as democracy disappeared from the minds of ordinary people.

This hands off policy of the government on labor disputes brought about an important transition in the nature of the relationship between the three pillars of the welfare state. In other words, the state's identification with capitalists' interests became thinner, the relationship between market efficiency and workers' welfare came to be much more closely intertwined. And the assumption that welfare is solely the state's responsibility and detrimental to economic growth, began to be reexamined, and so did the notion of workers as an instrument of national wealth. For the first time in the Korean history, welfare has become an integral part of the economic calculus.

Despite the president's penchant for patience and flexibility, or perhaps because of that, important breakthroughs came along in the social welfare fields. Medical Insurance was extended to the rural population (1988) and the urban self-employed (1989), thereby the total population came to be protected by either medical insurance or medical assistance. And more importantly, the government decided to pay 50% of the total expenditure for the Type II, community-based medical insurance (in 1988, the government actually paid in 44.1% and 36.6% in 1989). The controversy over the integrated administration came to a lull. But the basic issues remain unsettled, such as administrative inefficiency of the decentralized medical insurance system (administrative costs mounts to approximately 10% of the total expense), high copayment which becomes a greater burden to low income groups, soaring health care cost and financial instability of the small-scale medical insurance societies, and inappropriate use of resources (H. J. Kim, 1991:17-21).

In addition, the national pension

program was put into effect in 1988, as was planned. The national pension insurance system covers all Koreans aged between 18 and 60, except those covered by the plan encompassing government employees, military personnel, and the private school teachers. As of 1992, only the employees of firms and industrial establishments with 10 or more regular workers are covered compulsorily. Workers in establishments that employ less than 10 workers may opt to participate voluntarily with the approval of the Minister of Health and Social Affairs. The self-employed, including farmers, are not yet covered.¹²

In implementing the national pension scheme, a few issues came to the fore. One was the treatment of those in the aged and poor category already. Whereas the original 1973 law was promulgated without any significant input from the current aged themselves, this time the non-contributory pension, incorporated within the National Pension system, was demanded by the senior citizens' organizations. But for the planners, the non-contributory pension was to be considered as a part of public assistance, not as a part of the social insurance.

Another issue was the extension of coverage to the self-employed, particularly the farmers. There came about a strong voice from the Ministry of Agriculture and Fishery as well as the agricultural economists of German education, claiming a separate pension program for the agricultural population. They claimed that the pension for farmers should be conceived as a part of the agricultural structural improvement policy. Facing the threat of the Uruguay Round, they also claim the possibility of the farmers' pension to be exploitive as a means to restructure and rationalize the agricultural sector. On the part of the Ministry of Health and Social Affairs, the basic pension proposal is under examination, under which universal coverage is assured, but with only very basic flat rate provision. What is important is that alternative perspectives of the welfare policy is being expressed.



The third issue is related to the method of fund management. The law stipulates that the accumulated pension fund be managed and operated by the Minister of Health and Social Affairs under the recommendation of the Committee for National Pension Fund Operation which is composed of representatives from employees, employers, government, and related experts. The fund can be invested to promote welfare of the insured and to purchase public bonds as well as company stocks to enlarge profits. But opinions vary. Some argue that the fund should merge into the national fund for economic development. Others claim that it should be depoliticized and kept to the civil sector. The issue is not settled yet.

The fourth issue was the relationship between the national pension and the severance allowance system that has been in operation since the Labor Standard Law of 1953. The 1973 National Welfare Pension Law did not specify this relationship. Under the Yushin regime, interest groups did not express any opinions, but rather followed state decisions. This time, the capitalists expressed strong resistance. They insisted an "either/or" choice. In other words, if to introduce the national pension insurance with capitalists contributions together with the workers, the employer's burden of the severance allowance which comes up to 8.9 percent of monthly remuneration should be reduced or eliminated. On the part of the workers, elimination of the severance allowance system, which is the responsibility of the employer and already an established right for workers by law, and its replacement by the National Pension Insurance for which the workers share the contribution with employers, was not acceptable. The compromise was the gradual merging of the severance allowance in to the national pension, as well as the creation of unemployment insurance.

The unemployment insurance is being planned to be implemented during the 7th five year social-economic development plan period (1992-1996). The forthcoming Employment Insurance Bill being

prepared by the Ministry of Labor emphasizes its function of job training, education, and placement over and above the income support function for the unemployed. These were important steps toward the development of the Korean welfare state. But they were not initiated by the 6th Republic. It honored the incrementalist continuity of the government planning.

In addition to these major social insurance plans, the 6th Republic revised and introduced many pieces of social legislations such as the Equal Employment Act (1987), Maternity Health Care Act (1987 revised), Maternity Welfare Act (1989), Workmen's Compensation Act (1989 revised), the Law for the Promotion of the Employment of the Handicapped (1990). Most importantly, the 6th Republic introduced so-called five masterplans for worker's welfare, including the construction of 0.25 million houses for workers by the end of 1992; the construction of 0.1 million houses per year until 1996; workers' self-reliant welfare projects including the establishment of workers' bank by the 2nd half of 1992 fully supported by the government; the enforcement of the in-plant labor welfare fund system as well as in-ducement of workers' accumulation of property; the construction of public facilities to enhance workers' cultural cultivation leisure and sports; and the introduction of other policies such as establishment of in-plant college system and preferential treatment of skilled workers.

Korea today has come to have most of the basic programs of the Western advanced welfare states. Medical Insurance, Industrial Accident Compensation Insurance, and National Pension Insurance are the three major social insurance programs that are in operation currently. Employment Insurance is planned to be instituted during the 7th Five Year Development Plan period. In addition, the Livelihood Protection program and a wide range of social welfare service programs are available at least by law. Given the incrementalist nature of the social welfare programs, each of these will strive to expand but the overall direction of the develop-

ment of the welfare state as a whole will have to be discussed and reexamined.

IV. Conclusion

This study addresses the Korean case of welfare state development. The development of the Korean welfare state has been delineated thus far, with special reference to the transition of the nature of the state from de facto authoritarianism towards a democracy. The last few decades of Korean history is indeed a microcosm of the diverse forces and variables of welfare state development.

The economy has been mixed and growing fast, with both public and private sectors organized and using the same calculus. Laissez-faire has not been pushed far enough. Export-oriented late-late industrialization has been successful, and it was orchestrated by a strong interventionist state. Industrial structure, employment structure, as well as demographic structure have changed drastically. The socialism has been banned by law. Labor movement has been repressed and depoliticized. No leftist party exists, and party politics has yet to be institutionalized. Chances of survival for the Sixth Republic as a democratic regime seem to be high. This picture is quite different from those of advanced countries in their formative years of welfare states.

In the German context, for instance, where the tradition of patriarchal statism survived longer into the industrialization process, the major driving force of industrial development came from government officials, many of whom had liberal leanings, and a profound dislike for economic laissez-faire was widely shared by both conservatives and radicals. Social policy, that was historically the very opposite of socialism it rose not as a means to promote social equality, but as a way to combat socialism by mitigating some of the most conspicuous excesses of capitalism and thus removing the mobilization basis of the socialists. It was a political

weapon to oppress labor and to pressure the traditional relationship of the individual to the state. Here, the division of welfare from polity and welfare from economy is much blurred.

The Japanese developed their public welfare policy in close line with the German model throughout the prewar years. Features of Esping-Anderson's conservative model, Titmuss' Handmaiden model, and Mishra's Integrated model were found in both the prewar Japanese and German models. After WWII, the German welfare state evolved into a social corporatist democracy, though with many conservative aspects, whereas the Japanese one evolved into what Wilensky calls "Corporatism without Labor." The Japanese capitalists developed enterprise-based occupational welfare and thereby promoted worker's loyalty and their high productivity. Japan remains a low expenditure welfare state, whereas Germany is a high expenditure welfare state.

Comparing these cases, the Korean experience is still different. The hands off policy of the government in labor disputes is an important move from the harsh repression on behalf of the capitalists. But the state paternalism which brought about Bismarkian social policy or the business familism and company paternalism of Japanese capitalists in prewar years, are not easily found in Korea. The question remains, how far will the Korean government be able to move to the more positive policy of protecting the democratic rights of workers? And how far the capitalists in Korea will go to treat the workers as partners? Or will they choose to build such an enterprise based on worker's loyalty, as the Japanese businessmen have done? Answers to these questions will decide the future of the Korean welfare state, either as the postwar-German model, the pre-war Japanese model, the post-war Japanese model, or the contemporary Swedish model. One might say the popular commitment to various answers may decide the future of the Korean welfare state. Apparent is that the government's hands-off policy in labor relations places more and more emphasis on

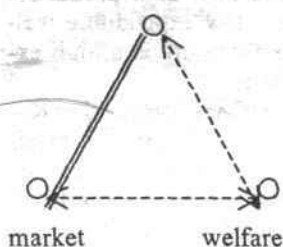
the role of business in containing workers' grievances and in promoting productivity. And it also leads to a more integrated approach for welfare in which welfare and the market becomes more or less complementary. The power balance between the capitalists and the workers will determine the nature of the social benefits enjoyed by the workers.

Given the international pressures for the liberalization of trade and the financial market, neo-conservative stabili-

zation policies starting earlier, and the world-wide trend of restructuring the welfare state under relatively conservative states, there seems to be a high probability of the Korean welfare state to drift toward the integrated but handmaiden model. In order to prevent this from happening, or in other words, in order for a more democratic model to be instituted, a broader concerted reformist movement will be required.

APPENDIX 1

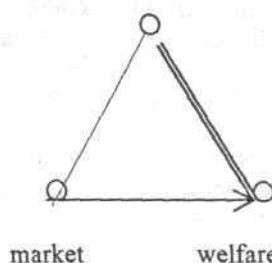
polity (liberal democracy)
polity (democracy)



differentiated
welfare state (UK)
state

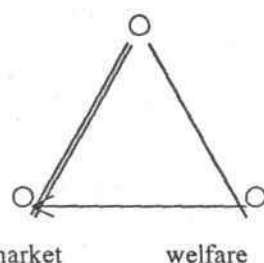
(W. Germany)

polity (social corporatism)

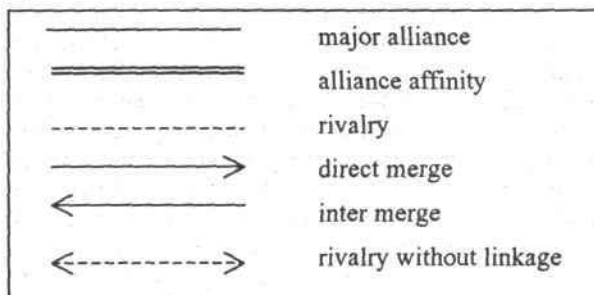


welfare/oriented
integrated welfare state

(Sweden)



market/oriented
integrated welfare



References

1. There came along unintended but inevitable changes to become cornerstones in the ensuing process of leveling the traditional structure and pursuing liberal democracy. They included substantial land reform and a significant leveling of inequalities in the ownership of other forms of physical capital, and the adoption of a compulsory public education system. Land reform proceeded in two stages, and by the second land reform in 1950, tenancy was virtually eliminated, and the socio-political conditions for egalitarian growth of rural incomes are said to have been set. But it is also said that it exacerbated the problem of low income and low productivity on the farm by drastically increasing the number of submarginal farms. The compulsory public education system at the elementary level was initiated by far sighted Korean educators before the Independence, and was formally adopted by the newly established government in 1948. The fundamental bent for education which lay in the traditional culture itself was accelerated by the decline of the landlord class due to the land reform. In order to maintain their former social status, many of the former landlords were obliged to invest their residual resources in the education of their children. The educational drive and the agrarian reform were mutually reinforcing. These two politics, land reform and education, which were carried out by the government with support of the society at large, promoted the ideology of equal opportunity. By the time Student Revolt came in 1960 urbanization, education as well as rapid introduction of foreign ideas had created a new self-consciousness which was tinged with despair and frustration.
2. In the election held in 1971, it was Dae Jun Kim who received 43.6 percent of the popular votes. Internationally, the United States was reaching rapprochement with the People's Republic of China and in 1971 under the Nixon Doctrine, the US pulled out one-third of its troops stationed in Korea, leading Koreans to believe that the US would eventually withdraw altogether.
3. Between 1975 and 1980 labor productivity increased 11.2% annually and real wages rose 13.4% while during the 1972-1975 period, the annual increase was 9.3% and 6.3% respectively.
4. and the farmers received 50 percent of their sales to government in the form of a deposit passbook (Im, 1989:66).
5. During the Yushin period, the state policy toward market became more or less diversified. For the larger establishments in HCI sector, the state's wage control did not applied. For the smaller firms, wages were repressed.
6. Like the Yushin constitution, the president was to be elected indirectly by a electoral college, but the president is limited to only a single seven-year term of office as opposed to an indefinite number of terms under the Yushin constitution. The supplementary provisions of the new constitution called for the dissolution of the national assembly and all existing political parties. The military junta launched a series of surgical operations which were designed to intimidate forces who were otherwise likely to oppose the reinstallation of authoritarianism. The main targets of this purge campaign were dissident workers and students, politicians, journalists, and civilian bureaucrats.
7. More than one hundred democratic unions were forcibly disbanded and more than two hundred union leaders were purged from union activities.
8. First, the new Labor Union Law provided the government legal ground for dissolving unions and purging union leaders. The government reserves the right to remove the leadership of the



union and decertify any union when a labor union violates the law or is considered likely to harm public benefits. Second, the labor laws prohibited union from forming, cooperating with or contributing money to any political party. The effect of this law was to prevent linkage between opposition political parties and labor unions and to block unions' efforts from being an autonomous interest associatio. Third, "one enterprise-one union" provision provided monopoly status to existing management-controlled unions and thus denied the right to organize autonomous unions. The new Labor Union Law prohibited alternative organizations to existing union federations and confederation (FKTU), and thus preempted the rank and file workers from challenging and deserting the coopted leadership in peak associations. Moreover, the labor law allowed only the organization of unions based on individual enterprise or plant level unions and thus blocked solidarity among isolated shop-floor unions at national or industry level union federation. Fourth, the new law formally eliminated national and industry-wide collective bargaining. The new law introduced a provision to prohibit "third Party" engagement, including that of the FKTU, in the collective bargaining process and other capital-labor disputes at the shop floor level. The provision on "third party intervention" (article 13 of Labor Disputement Law) was designed to block the linkage between unions and social movements of students,

religious activists, intellectuals and dissident politicians. The provision of full-time requirements ("no person who lacks the requisite status of permanent, full-time employees may run for a union effice") effectively hindered the emergence of career union leaders willing to conduct organizational campaigns and coordinate union demands across enterprise and industrial lines (Im, 1989: 185-187).

9. The rate of increase in government budget dropped from 21.9% in 1981 to zero in 1984, while the rate of increase during 1962-1969 and during 1970-1979 were 28.9 and 28.1 percent respectively (Im, 1989:191).
10. As a measure of inflation fighting, Chun government reduced import barriers and allowed direct foreign investment.
11. In 1980, real wages in manufacturing sector dropped by 4,7 percent and in 1981 they dropped by 2,6 percent despite sharp gains in labor productivity (10,7 percent and 15,8 percent respectively (Im, 1989:191).
12. Those covered are provided with four types of pensions: old age retirement pension, disability pension, survivor's pension. In addition, there are lumpsum payments for those who could not satisfy the minimum contribution period requirements. Old age retirement pensions are payable to retired workers at the age of 60 who have contributed for 20 years.

Ahn, Byung Joon; 1987, "Progress of Democracy in Korea: A Comparative Perspective" in *Progress in Democracy: The Pacific Basin Experience*, Seminar Series 87-08, The Ilhae Institute, Seoul

Amsden, Alice, 1989, *Asia's Next Giant: South Korea and Late Industrialization*, New York, Oxford University Press

Choi, Jang-Jip, 1986, "Political Cleavages and Transition in a Military Authoritarian Regime: Institutionalization, Opposition,

and Process in South Korea, Unpublished Paper

Choi, Jang-Jip, 1984, "A Corporatist Control of the Labor Unions in South Korea," *Korean Social Science Journal*, no.11

Crosland, C.A.R., 1960, *Future of the Left*, Encounter Pamphlets no. 4 March 1960

Crossman, R.H. (1952) *New Fabian Essays*, London, The Turnstile Press

Esping-Andersen, Gosta, 1990, *The Three*

- Worlds of Welfare Capitalism,
Cambridge, Polity Press
- The Federation of Korean Industries, 1987,
Korea's Economic Policies (1945-1985),
FKI, Seoul
- Furniss, N. and T. Tilton; 1979, "The Case for
the Welfare State: From Social Security
to Social Equality, Indiana, Indiana
University Press
- Gaitzkel, Hugh, 1956, Socialism and
Nationalization, Fabian Tract 300,
London, the Fabian Society
- Han, Sungjoo, 1974, The Failure of
Democracy in South Korea, Berkeley,
University of California Press
- Hardiman, Margaret and James Midgely,
1982, The Social Dimensions of
Development, New York, John and Wiley
- Im, Hyug Baeg, 1989, Politics of Transition:
Democratic Transdition from
Authoritarian Rule in South Korea,
Unpublished Ph.D. Dissertation, the
University of Chicago
- Johnson, Chalmers, 1988, "The Democra-
tization of South Korea: What Role Does
Economic Development Play?" Un-
published Paper presented at the Second
Ilhae-Carnegie Conference, July 8-9 1988,
Seoul
- Johnson, Charlmers, 1991, "What is the Best
System of National Economic Mana-
gement for Korea?" Unpublished Paper
presented at the Institute for Public Policy
Studies, Oct 11, 1911
- Kim, Han Joong, 1991, "Current Issues in
Korean National Health Insurance.
Program" unpublished paper presented at
the Fourth Britain-Korean Conference on
Social Welfare and Higher Education in
the United Kingdom and Korea, Institute
of East and West Studies, Yonsei
University, Nov.25-26, 1991
- Kim, Yoon Hyung, 1990, An Introductio to
the Korean Model of Political Economy,"
Unpublished Paper presented at the
Population Institute, East West Center,
Honolulu
- Koo, Hagen, 1987, "The Interplay of State,
Social Class, and World System in East
Asian Development: the Cases of South
Korea and Taiwan", in Deyo ed., The
Political Economy of the New Asian
Industrialism, Itaca, Cornell University
Press
- Kwon, Soonwon, 1992, "Social Security in
Korea--Overview", Unpublished Paper,
Korea Development Institute, Seoul
- Lee, Doo Ho, 1991, Bignonron (Theories of
Poverty), Nanam Publishing Co., Seoul
- Lee, Doo Ho, 1992, Gookmin UiryoBojang
Ron (National Medical Security), Nanam
Publishing Co., Seoul
- Lee, Hahn Been, 1968, Korea: Time, Change
and Administration, Honolulu, East West
Center Press
- Marshall, T. H., (1972) "Value Problems of
Welfare-Capitalism," Journal of Social
Policy, I.I, 15-32
- The Ministry of Health and Social Affairs,
1990, BogunSahoe Baekso (White Papers
of the Ministry for Health and Social
Affairs), Government Printings Office,
Seoul
- Mishra, Ramesh, 1981, Society and Social
Policy: Theories and Practice of Welfare,
London, Macmillan Press Ltd. (1st edition
1977)
- Mishra, Ramesh, 1984, The Welfare State in
Crisis: Social Thought and Social Change,
Brighton, Wheatsheaf Books
- Min, Jae Sung, 1987, Sahoe Bojangui
Jungchaek Kwajewa Jaejungui Yukwhal
(Social Security Policy Issues and the
Role of Public Finance), Yeon, Ha Chung
ed., Gukka Yesangwa Jungchaek Kwaje
(National Budget and Policy Tasks),
Korea Development Institute, Seoul
- Nam, Sang Woo, 1982, "Korea's Financial
Reform since the Early 1980's," KDI
Working Paper No. 9207
- Oh, Kieh Chang; 1990; The Dilemma of



- Democratic Politics and Economic Development in Korea, KDI Working Paper No.9021.
- Shin, Kwang Yeong, 1990, "Asia ui Sinheung Kongupgook ui Sanupwha wa Nojo Undong (Industrialization and Labor Movement in the Asian NICs), Asia Moonwha (Asian Culture), No.6 pp.1-35
- Son, Joon-Kyu, 1986, "Hankookui Sahoe Bojang (Social Security in Korea)" in Shin, Sub Joong et al eds.. Kakgookui Sahoe Bojang: Yoksa, Hyunwhang, Chonmang (Social Security in Different Countries: Histoy, Current Status and Prospects), Yoopoong Publisher, Seoul
- Song, Ho-Keun, 1990, "Kwonwijoouijok Nodong Jungchiwa Nodongundongui Seongjang (Labor Politics and the Development of Opposition Movement in Authoritarian Calipalism: A Comparison)," Asia Moonwha (Asian Culture), No. 6, pp.37-67
- Suh, Sang Mok, Choi, Il Sub et.al., 1981, Bingonui Siltaewa Youngsemin
- Daechaek (Status of Poverty and Policy for the Poor). Korea Development Institute, Seoul
- Sung, Kyung Ryoong, 1992, "Ugap urobuteo Bokjiro: Hanguokui Nodong Kyekeup-kwa Kookka-jabonui Jibaejonryak Byunwha (From Repression to Welfare: Korean Labor Class and the Changes in State-Capital Ruling Strategy)," Unpublished paper presented at the Fall Conference of the Korea Association of Sociology, August, 1992
- Titmuss, Richard, 1974, Social Policy: An Introduction, London, George Allen and Unwin Ltd.
- United State Department of Health and Human Services 1987, Social Security Programs Throughout the World 1987, Washington D.C.
- Valenzuela, Samuel, 1988, "Labor Movements in Transition to Democracy: A Framework for Analysis," Kellogg Institute Working Paper, University of Notre Dame, no. 104
- Wilensky, Harold, 1975, The Welfare State and Equality: Structural and Ideological Roots of Public Expenditure, Berkeley, University of California Press
- Woo. Jung-eun, 1991, Race to the Swift: State and Finance in Korean Industrialization, New York, Columbia University Press
- Yang, Seung-Doo, 1987, "Korean Perception of Law and Modernization", in Consequences of Modernization and Social Development in Asiatic Research Center, Korea University, Seoul