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Political and Social Economy of Care: Republic of Korea Research Report 1

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Research Report 1

Republic of Korea: Social, Political, and Economic Contexts

Introduction

Since 1990, many East Asian countries have extended and strengthened their welfare states in response to the increased demand for social welfare and to imperatives arising from changes in their countries' social, economic, and demographic structures. This is particularly the case in the Republic of Korea (hereafter, Korea), which responded to the social and economic fallout of the 1997 Asian economic crisis, and subsequently to the rapid shifts in demographic and fertility patterns, with strong social policy initiatives.

Like many industrialized and newly industrialized East Asian countries, Korean welfare state was premised on two rationales: "welfare developmentalism" which sees social policy as an instrument of economic policy (Gough 2001; Kwon, 2005); and Confucian familism which sees the family as the main site of welfare and care, which in turn constrained the development of public social services (Goodman & Peng 1996; Peng 2004; Sung 2003). The weaknesses of the Korean welfare state based on this narrow economic growth-focused rationale and heavy reliance on the family were painfully exposed during the economic crisis of 1997-98. The massive lay-offs following the crisis left many without adequate social protection, leading to a sharp increase in the poverty rate (Lee 2004; Yu 2000). The subsequent labour market deregulation opened up non-standard (part-time, contract, and temporary) forms of employment. While many women were compelled to take up non-standard employment, others were hampered by the lack of access to child care to be able to take full advantage of work opportunities. Finally, the increase in the rates of divorce and separation after the economic crisis (often called the "crisis-families") also led to a noticeable rise in the number of single-mother households. Not surprisingly, the poverty rate amongst single mother families is significantly higher than among two-parent families. To deal with the changes in labour market conditions and women's employment situation, social policy reforms in the post-economic crisis era have centred on the idea of "active welfare", with much of its focus on expanding the social safety net on the one hand, and enhancing employment and work-family harmonization for single mothers and other working mothers on the other (Ministry of Gender Equality and Family 2004, 2005a, 2005b, 2006a, 2006b; Lee and Park 2003; ROK-Office of President, 2000).¹

In 1997, Korea was amongst the five Asian countries to come under the IMF bailout (the so-called "crisis hit five").² Like other crisis-hit five countries, Korea adopted the IMF's structural adjustment conditionalities of labour market deregulation and financial and corporate governance restructuring; but unlike the other four, it went well beyond the IMF's prescription of minimum poverty reduction strategy by undertaking a substantial social security expansion alongside labour market restructuring. The post-economic crisis welfare reforms in Korea led to the consolidation of social insurance schemes and the extension of several social welfare programmes. Through the establishment of the National Basic Livelihood Security programme (NBLS) it also introduced the concept of social welfare rights for the first time in that country's history. What is interesting here is that post-economic crisis welfare state expansion was carefully circumscribed within the framework of "active welfare", an attempt to reconcile social policy with neo-liberal labour market policy. Indeed, most economic and social policy reform programmes that were put in place after the economic crisis produced a policy mix that combined neo-liberal economic policies (e.g. labour market deregulation, corporate and financial restructuring, and expansion of non-regular employment – in other words, breaking

¹ Single mothers are commonly defined as women with at least one dependent child who are forming families without a male partner. Women may become single mothers due to widowhood, divorce, separation, incarceration of their male partners, or having birth out of wedlock. These women are also often referred to as lone mothers or solo mothers.

² The other four Asian countries were Thailand, Malaysia, Indonesia, and the Philippines.

down of the developmentalist political economic system) with more inclusive social provisions (e.g. extension of social insurance programmes such as health and pensions to workers in small enterprises and the self-employed, expansion of unemployment insurance, and the setting up of minimum income guarantee through the NBLIS). Implicit in this new policy mix is a rethink about the idea of women's work and care responsibilities.

There are three socio-economic causes behind these ideational changes. First, with the decline of employment and wage security for men, women's employment has become an important source of family income. Second, rapid demographic ageing has brought to policy limelight longer term concerns about the dependency ratio and labour shortages. This in turn has raised the economic premium of women's labour. Finally, the changes in Korea's industrial structure from manufacturing to service industries has increased employment opportunities for women and employers' interests in hiring them. This change in policy mix has brought forth increased state presence in the provision of social care, thus contributing to the further rethink of the traditional housewife/carer role attributed to women. To be sure, along with the neo-liberal labour market deregulation, the post-crisis Korean welfare state has also begun to strengthen its social care and employment support legislations to facilitate women's labour market participation.

How did the changes happen? What were the dynamics of welfare state restructuring in Korea, particularly in relation to care? And what are the implications of recent changes in the institutional configuration of care in that country for individuals and families? To understand fully the nature of welfare state trajectory in Korea, its causes and implications, we will need to examine changes in political dynamics, the economic and labour market structure, as well as socio-demographic variables. In this report, we begin with a brief overview of the post-war political economic dynamics in Korea and how they shaped the welfare state policies in that country. We then discuss changes in economic and labour market policies and how they intersect with the welfare state. In the third section, we highlight social and demographic changes and their implications for social policy, gender, and care. In the last concluding section, we reflect on the recent active welfare policy reforms and its implications for political economy of care. Finally, in the appendix, we summarize the main social and economic indices.

An Overview of Political Dynamics and Welfare State Policy Changes

Although social welfare policies in Korea have existed since the turn of the 20th century, much of the existing social policies and social security system emerged out of the post-Korean War (1950-1953) developmental state context. The post-war social welfare development in Korea can be divided roughly into three periods: 1) the authoritarian period (1960 to around 1980); 2) the democratization period (1980 to 1997); and 3) the post-economic crisis period (1997 to now). During the authoritarian period, limited and occupationally divided social insurance programmes and social welfare privileges were offered to full-time male workers in key sectors of economy that were important for the state, such as civil servants, military personnel, workers in large industries, and private school teachers (see table 1). A Bismackian social insurance model was useful in sustaining sector specific social security privileges and employment based status differentiations. For example, the Health Insurance Act was introduced in 1963 to cover workers in industries with more than 300 employees. This then was gradually enlarged over the next fifteen years to include government employees and private school teachers. Similarly, the occupational pension plan for civil servants, first introduced in 1961 (according to Table 1), was also gradually expanded to include military personnel and private school teachers by 1974. Although a universal national pension plan was proposed in 1973, its implementation did not take place until 1988, after political democracy was achieved. In the social welfare sector, a residual, means-tested public assistance act, Livelihood Protection Act, modelled after Japan's pre-war social assistance legislation, was introduced under Park Chung-Hee regime in 1961. As in Japan, the Livelihood Protection support was social assistance of last resort: it provided

minimum and highly stigmatized support to the sick, the elderly, orphans, disabled, and mothers with dependent children without any families and without any means of support. Not surprisingly, until 1997 no more than 3% of the population was in receipt of this social assistance at any one time. The Park Chung-Hee regime (1960-79) ruled the country with a combination of an iron fist (repression of labour and political dissidents) and the promise of economic prosperity through rapid economic growth. The Park era saw significant economic growth as the government successfully implemented its export-led industrial development strategies.

During the Chun Doo-Hwan (1980-1987) era the authoritarian state came under increasing public opposition and political setbacks. Socially, the coming together of rapid urbanization, increased standard of living, increased educational levels, and increased internationalization altered the public's views about the authoritarian state and expectations for democracy. Civil unrest grew as the labour and radical student groups joined forces to demand political democracy. The Kwangju uprising of 1980, for example, illustrates the loss of the authoritarian government's traditional means of social control. The uprising was brutally put down by the military, leaving several hundreds of civilians dead. This event, instead of quashing labour activism, further strengthened the labour-student alliance and fuelled new labour militancy against the authoritarian government (Kim, 2000). The decline in public support for the government was also evident in the Democratic Justice Party's (DPJ) poor results in the 1985 National Assembly election. After stalling and evading labour's demand for wage increases for more than a decade, the government finally conceded to pass the Minimum Wage Law in 1986 (this was progressively revised in 1989 and 1990), and agreed to hold a democratic presidential election the following year.

The political democratization marked by the first democratic Presidential election of 1987 facilitated welfare state expansion. Having only managed to secure his Presidential victory by 36% of the total vote, the military backed Roh Tae-Woo regime (1987-1993) was forced to work with the opposition parties in social policymaking. To worsen the situation, the DJP's failure to achieve the parliamentary majority in the National Assembly election in 1988 made political compromises and coalition making even more crucial for the survival of the Roh administration. The social security and social welfare systems expanded rapidly during this period, as the government came under steady political pressure to address redistributive concerns of the people. As illustrated in Table 1, the health insurance programme was extended to workers in units with 16 or more employees in 1987. In 1988, it was further extended to those in work places with 5 or more employees, and to the rural self-employed. Finally, in 1989 a further push was made to include the urban self-employed, the final remaining group of workers to be left out of the system, thus bringing the national health insurance close to universal coverage. With the universalization of the national health insurance, nearly all citizens were covered under the scheme. While many were covered by the national health insurance as employees, most married women were covered as the dependents of male employees or self-employed men.³

The national pension scheme that was initially proposed in 1973 was also finally implemented in 1988 as the follow up to Roh's election promise, but during its initial phase only workers in workplaces with 10 or more employees were covered. As in the case of health insurance, the national pension programme was also gradually expanded over the next decade until its reach extended to employees in workplace with 5 and more workers and rural residents in 1995. After the economic crisis the Kim Dae-Jung government finally universalized the national pension

³ Although the National Health Insurance in Korea was initially separated into three occupational groups – 1) public servants, private school teachers, and military personnel; 2) urban and rural self-employed; and 3) employees – the first and the third categories were merged in the reform of 1998, and finally all the categories were incorporated under a single system in 1999, under the National Health Insurance Act.

scheme. Unlike the national health insurance, however, the national pension scheme is closely tied to individual labour market attachment and employment earnings. This means that even though pension coverage has extended to rural workers, self-employed, and part-time workers, women outside the workforce (housewives) and those working with their self-employed partners currently do not have individual pensions of their own under the national pension plan, because they are treated as the dependents of their husbands. Moreover, although the national pension scheme is mandated to cover all workers, not all individuals comply. For example, Ministry of Health and Welfare's data on public pension insurants show that even though the proportion of public pension insurants as percentage of all employees over the age of 18 has increased significantly from 31.3% in 1991 to 80.4% in 2005, it still implies that nearly 20% of employees are not covered by the public pension schemes (Ministry of Health and Welfare, 2007).

The post-democratization period also saw a small expansion in social welfare as people receiving Livelihood Protection assistance and those living in subdivisions and special areas of the countries were given educational support for their children. In addition, the first public child care legislation, *Child Care Act*, was introduced in 1991, mandating the systematic development of child care institutions for low income and single mother families to help them access public child care. It is important to point out here that though an important initiative, public child care programme in the early 1990s was extremely modest, particularly compared to the child care expansion after 1998. For example, the national budget for child care in 1991 was about 42 billion Won, less than 10% of the amount that was allocated in 2002 at 437 billion Won. The number of day care centers in 1991 was also just over 9,000, as compared to over 22,000 in 2002. Finally, the total number of pre-school children enrolled in all categories of care facilities also increased from 294,000 in 1995 to 801,000 in 2001, a near three-fold increase in just six years (Lee and Park, 2003). As Wong (2004) points out, increased electoral competition under democratic polity proved a winning condition for welfare state expansion in Korea. Here, social policy emerged as an important item on the political agenda because it cross-cut traditional political cleavages along regional and demographic lines. Simply put, social policy became a main source of political competition precisely because voters could all agree on and support the benefits of the welfare state expansion. As illustrated in Table 1, social security expenditures as percentage of GDP grew rapidly during the post-democratization period, and particularly after 1997.

Table 1: Trends in Social Security Expenditures, 1990-1999 (%)

Category	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1. Old Age Cash Benefits	14.67	16.35	18.29	20.71	21.11	22.01	19.87	17.51	17.65	26.69
2. Disablement Cash Benefits	1.94	2.45	2.34	2.21	2.12	1.89	1.84	1.57	1.03	1.10
3. Occupational Injury and Disease	4.82	5.85	6.23	5.06	4.82	4.48	4.57	3.96	2.22	1.94
4. Sickness Benefits	1.88	1.91	1.76	1.65	1.45	1.23	1.31	1.17	0.82	0.96
5. Services for Elderly and Disabled People	1.34	1.19	1.13	1.26	2.26	2.53	2.73	2.84	2.01	2.09
6. Survivors Cash Benefits	3.79	4.58	4.07	3.82	3.62	3.16	3.07	2.64	1.72	1.81
7. Family Cash Benefits	0.03	0.06	0.05	0.06	0.05	0.06	0.05	0.34	0.23	0.36
8. Family Service	0.76	0.96	0.98	1.18	1.17	1.32	1.47	1.41	0.72	0.73
9. Active Welfare	1.49	01.27	1.66	1.82	1.29	1.40	01.49	1.94	4.47	7.01
10. Unemployment Benefits	23.68	24.37	24.18	24.01	26.30	25.83	24.67	32.24	45.43	29.61
Unemployment Compensation	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.27	1.66	1.98
Retirement Pay	23.68	24.37	24.18	24.01	26.30	25.83	24.63	31.97	43.78	27.62
11. Public Expenditure on Health	41.19	37.16	36.26	35.35	33.41	33.73	36.33	31.88	21.89	24.64
12. Housing Benefits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13. Other Contingencies	4.42	3.86	3.05	2.88	2.39	2.36	2.60	2.49	1.80	3.08
Total	100	100	100	100	100	100	100	100	100	100
As a Percentage of GDP	3.9	3.8	4.2	4.4	4.7	5.1	5.3	6.8	10.8	9.8

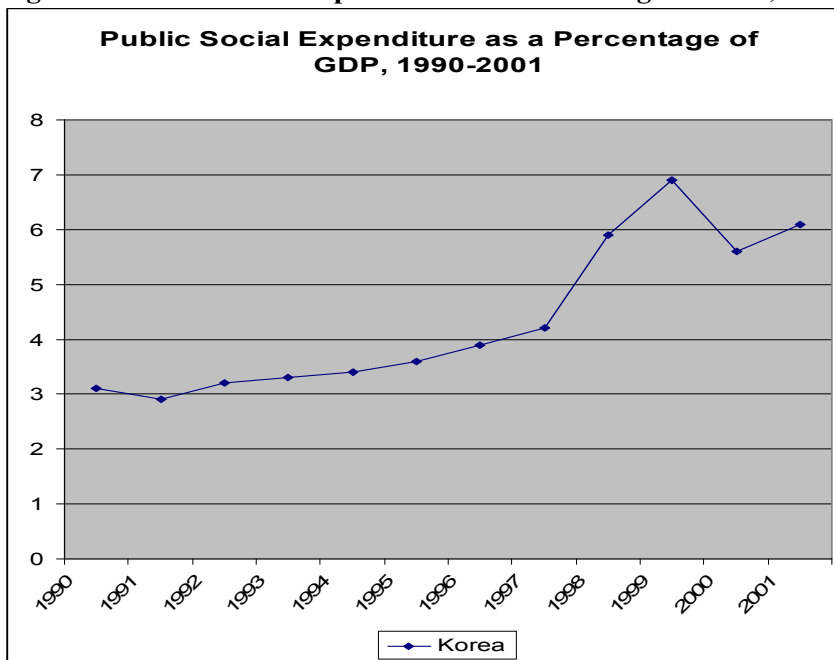
Sources: HoKuen Song, 2005. "The Birth of a Welfare State in South Korea: The Politics of Social Protection in Globalization and Democratization", Paper presented at the Canada-Korea Social Policy Symposium, the University of Toronto, January 27-29, 2005.

Although the democratization period brought about significant expansions in social security and social welfare programmes, an even more impressive expansion of the welfare state was yet to come. In the wake of the Asian economic crisis, Koreans opted for a radical political regime change by voting for the opposition party headed by the once exiled civilian leader, Kim Dae-Jung. It was under the Kim Dae-Jung (1997-2002) administration that a series of social security and social welfare reforms were introduced. Unlike the expansions of social insurances seen during the period immediately after the democratization, the post-economic crisis social policy reforms were both expansionary and highly labour market focused. New social policies extended social security coverage for the sector of population hitherto left uncovered, for example, the extension of national pension and workers compensation plans to urban self-employed, other non-regular workers, and employment insurance to temporary and daily workers. Moreover, new social policies also specifically focused on incentivizing adult women to work, a group that has been traditionally relegated to the role of unpaid family workers and carers in Korea. The result is a dramatic strengthening of state commitment to social policy and a shift to more social investment type social welfare. Public investment is made through provisions of public child care (as discussed above) and elderly care, enhanced support for working mothers such as maternity and parental leave, and income and training support for single mother and low income families through NBLS and other job search, skills training, and job creation programmes.

In terms of social policies, employment insurance was overhauled and significantly expanded in 1998 in direct response to the sharp increase in the unemployment rate following the crisis. As mentioned earlier, national pension contributions were also made compulsory in 1999, and gradually extended to all workers by 2003. The reforms of the national health insurance programme were also carried out in 1999 and 2000, first by unifying all the insurance carriers into a single body, Health Insurance Review Agency, and second, by separating medical and

drug dispensing services – in both cases against fierce protests of doctors and medical associations (Kwon, 2002). Finally, the Livelihood Protection Act was replaced by the National Basic Livelihood Security Act (NBLS) in 2000, marking a significant ideational shift in the principle of social welfare system. The NBLS transformed public assistance from a residual means-tested programme into a guaranteed income support programme based on the idea of citizenship rights. Under the NBLS system all Koreans whose incomes fall below the government-set income threshold have the right to receive income assistance regardless of their labour market attachment—a radical shift from the previous Livelihood Protection assistance principle that limited assistance to people without family and relatives, and those unable to work due to illness, age, pregnancy, or disability. The significance of post-economic crisis welfare state expansion is most evident at the level of total government social expenditure. As illustrated in Figure 1, public social spending as percentage of GDP surged from a little less than 4% in 1996 to nearly 7% in 1999.

Figure 1: Public Social Expenditure as a Percentage of GDP, 1990 – 2001, Korea



Source: OECD, *Social Expenditure Database*, 2004

The post-economic crisis welfare reforms in Korea also differ markedly from the earlier welfare reforms in their focus on gender and social care. Although there has been a steady development in policies concerning gender equality since the 1995 World Conference on Women in Beijing, the period after the economic crisis saw a dramatic change in policy innovation and in state commitment in this area. The Kim Dae-Jung government made it clear from the outset that it would set gender mainstreaming as one of the new government's policy priorities. Major changes under what Kim Dae-Jung refers to as the "active welfare policies" or the "DJ-Welfarism" (ROK – Office of the President 2000), include the expansion of public child care programme in 1999, the replacement of Livelihood Protection Act with the National Basic Livelihood Security in 2000, the extension of paid maternity leave in 2001, expansion of income and employment support policy measures for single-parent households in 2002 (see Table 2). Kim Dae-Jung's active welfare policies have been followed up by his successor, Roh Moo-Hyun (2002–present).

The Roh Moo-Hyun administration has further reinforced the state's social investment strategy focusing on women, children and the elderly. The National Child Care Plan was introduced in 2005, promising to substantially increase child care facilities and government subsidies for child care over the next ten years. The Elderly Care Insurance Act was also introduced in 2006 and will be implemented in 2008. The Kim Dae-Jung administration also re-classified the Presidential Commission on Women's Affairs to the Ministry of Gender Equality (MOGE, later renamed as Ministry of Gender Equality and Family) in 2001, thus upgrading its political and bureaucratic power and the prestige of the femocrats within the government. Since 2007, the Ministry of Gender Equality and Family has steadily increased its policy jurisdiction and has now taken over the National Child Care Plan portfolio, much to Ministry of Health and Welfare's resistance.

The welfare policy framework introduced since 1998 also differs from the previous social welfare model applied by the authoritarian regimes in two ways. First, departing from the earlier principle of "economy first, welfare second", the DJ-Welfarism argues for social welfare expansion from a human rights perspective (ROK – Office of the President 2000). This in turn has shifted the underlying principle of the state's role in social welfare away from economic development to protection of social citizenship and human rights. Second, the active welfare policies introduced under the Kim Dae-Jung and Roh Moo-Hyun governments have resulted in increased state investment in human capital not by selectively privileging the productive sectors of the labour market, but rather by extending social welfare support to a broader range of the population, including families, women, elderly, and youth, and through the provision of social care such as child care and elderly care. The underlying principle of this new welfare policy is the idea that welfare, human rights, and economic development need not be mutually exclusive. Instead, it argues that social investment in welfare and human capital is in fact complementary, if not necessary, for the achievement of both economic growth and human rights. It is important to point out, however, that the D.J. Welfarism or the active welfare by no means represents the Scandinavianization of Korean welfare state. Far from it. Despite calls from pro-welfare critics, Korean government has been careful not to raise general or income tax in fear of negative political backlash. Rather, much of the welfare state expansion has been through recalibrating and adding onto social insurance schemes, a fundamentally different institutional approach to Scandinavian welfare states. Rather, what it suggests is an attempt to move away from the old economic developmental state paradigm, to a more inclusive developmental state policy that sees social and economic pay-offs in investing in broader sectors of society rather than just in the core economic sector as was the case before.

Table 2: Summary of Social Policy Developments in South Korea, 1960 - 2006

Major Social Welfare Programs	Authoritarian Period (1961-1987)	Democratization Period (1987-1997)	Post-Economic Crisis Period (1997-present)
Health Care	Health Insurance Act (1963) – voluntary insurance to workers in workplace with 300+ employees.	1988 – Expansion of health insurance and health assistance program to workers in work place with 5+ employees, and self-employed in rural areas.	1999 – Unification of National health insurance – unification of separate health insurance carriers under a single body, Health Insurance Review Agency.
	Industrial Accident Insurance (1964) – compulsory insurance against industrial accidents to workers in workplace with 500+ employees	1988 – Expansion of Industrial Accident Insurance.	2000 – Separation of medical service and drug dispensing- medical services and drug dispensing separated.
	Second Health Insurance Amendment Act (1976) – compulsory insurance to workers in workplace with 500+	1989 – Extension of health insurance and health assistance program to urban self-employed.	

employees.

1977 Amendment of Health Insurance Act – made health insurance compulsory for government employees and private school teachers.

1977 Third Health Insurance Amendment Act – opening health care institutions to non-members of the health societies.

1981 Fourth Health Insurance Amendment Act – setting up occupational and self-employed health insurance societies.

Pension

1961 Civil Servants' Pension established – for government employees.

1963 - Military personnel added to civil servants pension scheme

1974 – Private school teachers added to civil servants pension scheme.

1973 – National Pension Act introduced but implementation delayed until 1988.

All through company based retirement pay.

1988 National Pension- first legislated in 1973, but not implemented till 1988. Cover workers in workplace of 10+ people.

1989 – Introduction of legal retirement payment system.

1992 – National Pension extended to workers in workplace with 5+ people.

1995 – Inclusion of people in rural areas into the National Pension.

1997 – Retirement insurance introduced.

1998 – Integration of regional and company pensions.

1999 – Compulsory participation to National Pension for all people between the ages of 18 and 60 in workplaces with 10+ employees. (70% of economically active population covered).

1999 – Urban self-employed pensions included in the National Pension.

2003 – National Pension made compulsory to all workers in workplace 1+ people.

2003 – Revision of National Pension – reorganization of national pension and retirement pay.

Social Welfare

1961 Livelihood Protection Act – public assistance to deserving poor established (based on Japan's Daily Livelihood Protection Law of 1929).

1979 – Educational support for children of recipients of livelihood protection assistance who are attending middle school.

1987 – Expansion of educational support for children of people receiving public assistance and those living in subdivisions and designated areas to attend secondary and vocational high schools.

1991 – National Child Care Plan – establishment of child care institutions.

1993 – Employment Support Allowance (one time cash benefit) to people completing job training programs.

1997 – Extension of educational support to children of all public assistance recipients up to secondary and vocational high schools.

1998 – Introduction of active welfare.

2000 – National Basic Livelihood Security Act established, and implemented in 2000.

2005 – National Child Care Act - expansion of child care institutions, public subsidies

				for child care for families with preschool age children, new regulatory mechanisms for child care services and work place child care.
				2006 – Elderly Care Insurance Act introduced; to be implemented in 2008.
Economic/Labour market	1977 – Environment Protection Law	1990 – Encouragement of employing the elderly and the disabled.	1998 – Reform and expansion of Employment Insurance.	
	1986 – Minimum Wage Law	1990 – Environment Pollution Dispute Settlement Law	1999 – Maternity Leave law	
		1995 – Employment Insurance Program.	2001 – Maternity Protection law	

Changes in Economic and Labour Market Policies and Structures

The above section provided a brief overview of the changes in political regimes in Korea and how that in turn shaped the shift from the old economic developmental state to new and more inclusive developmental state policies after the economic crisis. While the political regime shifts were clearly important, changes in economic structure and labour market conditions were also crucial in determining the path of welfare state restructuring in that country. Indeed, the new social investment policy reforms focused on helping women to harmonize family and work responsibilities and on improving social care for children and the elderly are not simply a product of political regime shift, but they are also responses to new economic and labour market realities. As such, the recent social policy reforms also articulate closely with parallel reforms in the economic and labour market sectors. This section discusses how pre- and post-economic crisis social policies intersect with policy reforms on the economic and labour market fronts.

During the early “developmentalist era”, both Park Chung-Hee and Chun Doo-Hwan regimes sought to legitimate their authoritarian state through economic growth. During the 1960s, Park Chung-Hee regime successfully applied import substitution strategy, focusing on light manufacturing and textile industries, to achieve rapid economic growth. In the 1970s, when export expansion through light manufacturing industries had reached near saturation, the Park government shifted its industrial development focus to heavy steel and petrochemical industries. To foster rapid industrial development, the authoritarian state helped develop Chaebol groups (large family-owned and controlled industrial conglomerates) through a variety of supports and incentives, including state subsidies, low-interest loans, and using newly nationalized national commercial banks to channel policy loans to finance strategic industrial groups.⁴ To ensure industrial peace, both Park and Chun regimes used job security and status based social welfare provisions as the carrot, and labour repression as the stick to manage labour. Following Japan’s developmental state industrial model, Park government allowed the creation of enterprise based labour unions, but kept a tight reign on their activities to ensure that no labour politicization or mobilization would occur. To contain labour relations within firms, the 1973 labour law reform mandated the creation of labour-management councils within each firm through which all labour relations issues were to be channelled. At the same time, labour unions were prohibited from engaging in any political activity (Lee and Lee, 2002; Lee, 2004; Sook, 2004). In exchange for repressive labour control, the Korean government implemented highly pro-labour laws that made worker layoffs extremely difficult (Woo-Comings 2007). Although Korea did not have a

⁴ For further discussion on Korea’s Chaebols and the governance reforms after the economic crisis, see Gourevitch and Shinn (2005) and Woo-Cumings (2007).

formal life-time employment system like Japan, the labour inflexibility afforded by the labour law in effect ensured job security for (predominantly male) workers (working in large enterprises), a trade-off for labour peace.

The Korean economy grew at a rate of more than 8% per year throughout the 1960s and the 70s. By the 1980s Korea had also achieved the necessary technological transfer by shifting from labour intensive light textile to heavy steels and petrochemicals. Korea's economic success, however, also brought new internal and external pressures. Internally, the combination of rapid economic growth and the inflexible labour market had created increased tensions between employers and labour. Throughout the 1980s, employers demanded more labour flexibility and wage control, while labour agitated for more wage increase. Throughout the 1970s there were outbreaks of labour unrest, but most of them were put down by the military. The situation exploded after political democratization. The legalization of labour unions quickly translated into the escalation of labour disputes. The combination of inflexible labour laws and positive economic growth in turn led to rapid wage escalation. The number of trade unions rose from 2,742 in 1987 to 7,883 in 1989, and the total number of labour disputes escalated from 276 in 1986 to 3,749 in 1987, and then stabilized at 1,616 in 1989 (Lee and Lee, 2004). The first two years of democratization thus saw a sharp increase in wages, as nominal industrial wages increased by an average of 12% per year (Lee and Lee, 2004), along with the extension of company welfare (Song, 2003). The downside of this was that by 1990, Korean industries, particularly textile manufacturing, had become less competitive in the global market, giving employers additional reason to demand wage control and employment flexibility.

Externally, the US pressure for more open markets in East Asia – Japan and Korea in particular – also intensified after 1980 (Cumings, 1998). Through Washington Consensus, the international financial institutions also moved to assert the elimination of the statist development paradigm in developing countries (Hundt, 2005). In addition, neo-liberal thinking also begun to influence some pro-reform policy makers within the Korean government – particularly those in Economic Planning Board – to advocate for liberal market reform (Hundt, 2005). Finally, the possibility for Korea to enter the OECD group in the 1990s exerted further pressure onto the Korean government to undertake liberal market reforms. While the entry into the OECD group promised a higher international stature for the country, the entry was also conditional on Korea taking on economic and labour market reforms in line with other OECD nations. In sum, from the mid-1980s onwards, the Korean government came under increasing external and internal pressures to restructure its economic and labour market, with labour flexibility being one of the top priorities on the reform agenda.

The conservative Kim Young-Sam (1993-97) government took as its mission to bring Korea to the global economy. In order to meet the OECD accession conditions, Kim Young-Sam government railroaded a labour reform law in December 1996 that would give employers freedom to lay off workers, hire replacements during strikes, and to impose unpaid overtime while maintaining restrictions on workers' rights to organize trade unions (ICFTU, 1997). The law sparked off vociferous criticisms from the opposition and waves of labour strikes and national protests. In the end the government was forced to send the bill back to the parliament for revision. The revised labour law that was adopted in March 1997 was more conciliatory. It gave the employers more freedom to lay off workers and to suspend pay during strike; and in exchange, labour was given the right to have multiple trade unions at the national level.⁵ To prepare for the increased flexibilization of the labour market, the Employment Insurance Program was introduced in 1995, providing coverage to workers in firms with more than 30

⁵ Up until this point, only one national union, Federation of Korean Trade Unions (FKTU), was legally allowed. The right to multiple unions at national level effectively meant the recognition of the outlawed Korean Council of Trade Unions (KCTU).

employees.⁶ The National Pension scheme was also extended to rural residents in 1995, leaving only the urban self-employed outside of the national pension scheme. Social policy reforms during this period were modest as the Kim Young-Sam regime tried to steer the economy and the labour market in a more neoliberal direction. Indeed, the Kim Young-Sam government redirected its social welfare framework under the “Korean welfare model” that stressed the role of the family, and partnership between private and public sectors, in effect, a reinforcement of the welfare developmentalism and Confucian familism under neoliberal context.

Like social policy reforms, economic and labour market reforms before the economic crisis were moderate compared to what followed it. The economic crisis had changed the nature of economic and labour market reforms altogether. Under the IMF bail-out conditionalities, Korea was faced with the task of not only increasing labour market flexibility but, of overhauling the banks and Chaebols and their corporate governance structure, the heart of the “developmentalist era” economic policy regime. Put simply, Korean government was tasked to overhaul the economic and labour market system—not an easy task for any government. Fortunately, the crisis proved to be a fortuitous moment to implement radical systems redesign. With the economy in the state of near collapse, and under the receivership by the IMF, Kim Dae-Jung (1998-2003) formed a new Tripartite Commission early in 1998 to negotiate labour claim for job security and wage increase, employer demands for easier layoffs and more labour market flexibility, and the IMF’s structural adjustment conditions of financial and corporate restructuring and basic social safety net. The social pact that was finally forged consisted of a number of economic and labour market reform measures, including market liberalization, bank and Chaebol reforms, and the expansion of social safety nets. The employers’ demands were addressed by further relaxation of the restrictions on companies to layoff staff, hire temporary and irregular workers, and legalizing temporary work and privatizing temporary work agencies. Labour conceded to wage freezes and reductions in company benefits and bonuses in exchange for broadening of the social safety net through the expansion of unemployment measures, further pension and health care reforms, and improvements in labour rights (e.g. legalization of labour union rights to engage in political activities, legalization of the Teachers’ Union, and establishment of work councils for government officials) (Lee and Lee, 2004b). Through this process, the Kim Dae-Jung government also gained the means needed to satisfy IMF conditions, particularly the implementation of financial and Chaebol reforms and active labour market policies.

The Kim Dae-Jung government first nationalized banks through purchasing their shares. Five banks were liquidated and merged into other national commercial banks. This was followed by corporate reforms whereby Chaebols and other large firms were told to reduce their debt-equity ratio by half, from over 400% to 200% by the end of 1999 (Woo-Cumings, 2007: 41), and financial and corporate institutions were opened up to foreign ownership and participation. The share owned by foreigners in the national commercial bank sector increased from 12.3% in 1998 to 43.4% in 2003 (Jung, 2006). The debt-equity ratio of Chaebols in the manufacturing sector decreased from the average of 396% in 1997 to 136% in 2002, while their total borrowing and bonds to total assets declined from 50.8% in 1998 to 39.8% in 2001 (Mah, 2006: 687). For many firms, the corporate reforms had meant radical restructuring and downsizing through the selling of unprofitable subsidiaries and/or mergers with other firms. The impact of the corporate restructuring was immediate. Many small and medium size industries were forced into bankruptcy and more than fifty Chaebol subsidiaries were closed down by June of 1998 (Song, 2003). Big Chaebols were not immune from the corporate restructuring policies either. Two of the biggest Chaebols, Daewoo and Ssangyong, were forced into bankruptcy in 1999.

⁶ The coverage was however meagre. In 1996 it covered only 35.5% of waged and salaried workers.

The corporate restructuring was not all bad news for the employers, however. For many, it was also an opportune moment to restructure the long-term employment and seniority based wage systems. The dismissal rate soared for companies of all sizes after the crisis, with white collar (i.e. non-unionized) workers more affected than blue collar workers (Jung and Cheon, 2004). In some cases, companies even tried to use the relaxation of restrictions on worker dismissal to introduce mass layoffs. Hyundai, for example, attempted to layoff over 4,800 workers in 1998, after having already laid off about 4,000 through honorary retirement.⁷ While mass layoffs affected both men and women, women were more adversely affected by the process. Kim and Park (2006) claim that many companies specifically targeted women for mass layoff immediately after the economic crisis, arguing that they had to protect the jobs for male breadwinners. In the post-crisis period, women continued to face employment discrimination as companies used the crisis conditions as the reason to ignore the government policies on hiring and promotion quota for women. For example, the percentage of women in administrative or managerial position as a proportion of all women employed increased from 0.19% in 1980 to the peak of 0.33% in 1998, and then dropped to 0.26% in 1999 (Kim and Park, 2006). As will be discussed below, while many companies targeted women for mass layoff after the economic crisis, women were also increasing channelled into non-regular employment, with lower wages, less company welfare, and less employment security compared to regular workers. In many ways then the economic crisis presented an excellent opportunity for employers to realize their demand for more flexible labour markets and to claw back on company welfare benefits.

The economic crisis followed by the change in political regime thus proved to be an important moment for Korea to not only redesign the welfare state, but in fact the economic and labour market systems as well, thus transitioning them out of the old developmentalist mode of thinking to more neoliberal political economic paradigm. The Kim Dae-Jung government came with an agenda to replace the old developmentalist policy thinking that was closely tied to the authoritarian regimes with new social and economic policy agendas. Institutionally, this was reflected in the replacement of the restrictive welfare ideology represented by the so-called "developmental coalition" consisting of members and supporters of authoritarian regimes, economic bureaucrats (particularly from the Economic Planning Council), and big business, by the "pro-welfare coalition" made up of the new government, some bureaucrats, some business interests, and civil society groups that support the idea of productive welfare. For example, many civil society organizations, such as People's Solidarity for Participatory Democracy (PSPD) and Korean Women's Association United (KWAU or *Yah-Yun*), that supported Kim Dae-Jung took on active and prominent roles in negotiating for social policy after 1998. The conspicuous role they played in pushing for National Basic Livelihood Security (NBLS) legislation is a case in point (see Lee and Peng, 2005).

The new cluster of political actors under the Kim Dae-Jung government was by no means cohesive or homogeneous. Indeed, in addition to the "pro-welfare" coalition, there were also some economic bureaucrats within the government who also saw the economic crisis and the subsequent IMF conditions as an opportunity to reform the developmental state and Chaebol system that formed the legacy of the previous authoritarian regimes. These were not necessarily pro-welfare actors; to be sure, they were pro-reform policy makers (many of them coming from the previous Economic Planning Board) who recognized the problems and inefficiencies of Chaebol systems in an increasingly global economic context and saw market liberalization and Chaebol reform as a way to refashion Korea's political economy (Hundt, 2005). Their interests merged with key actors within the Kim Dae-Jung government who were also keen to cut "the chains of power and protection of power" afforded between the previous authoritarian

⁷ In this case, a fierce labour union resistance involving sit-in strikes managed to stop the company from taking full action. In the end only 227 people were laid off (Jung and Cheon, 2004).

governments and the Chaebols (Kim Dae-Jung, quoted in Hundt, 2005: 248). The Financial Supervisory Commission's ability to push forward on the Chaebol reform in the face of fierce Chaebol resistance can be attributed to this confluence of interests amongst pro-reform economic bureaucrats – who should not be assumed as the natural allies of the Kim Dae-Jun government – and Kim Dae-Jung government, backed by Kim Dae-Jung's pro-welfare and anti-authoritarian supporters.

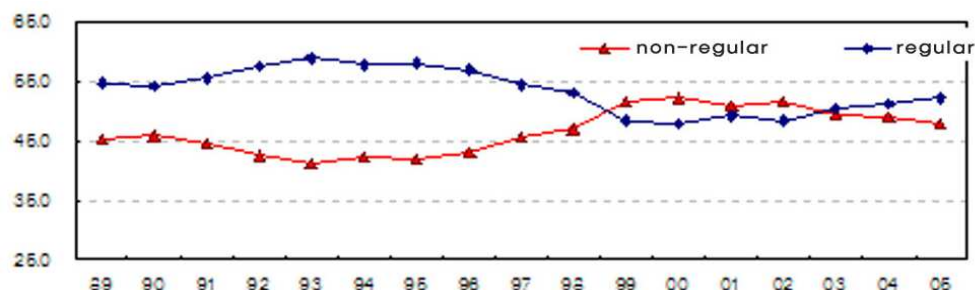
In sum, the economic crisis of 1997 marks an important junction not only for Korea's welfare state, but also for its political economic institutions. Not only did the crisis pave the way to social policy reforms and welfare state expansion, but it also led to much larger restructuring of economic and labour market systems. At the fundamental level, these changes were about replacement of the old developmentalist political economic system that had been created during the authoritarian era with a new inclusive neoliberal political economic paradigm that is more fitting into the global economic reality today.

Economic and Labour Market Outcomes of the Post-Crisis Reforms

To what extent did the economic and labour market restructuring change Korea's political economy? Opinions on the outcomes of the post-economic crisis economic restructuring are still divided. While some argue that despite the evident institutional reorganizations, reforms failed to accomplish their main goal of breaking up the institutional links between banks and Chaebols (Jung, 2006), others point to improved effectiveness in corporate governance (Chang and Shin, 2006). Still others see at the best mixed results. Mah (2006), for example, points to the strengthening of the banking and corporate sectors on the one hand, and the worsening of income inequality and working conditions, on the other. What is evident, however, is that economic restructuring has brought some important changes in terms of working conditions. First, the flexibilization of the labour market has resulted in increased use of non-regular (part-time, temporary, and contract) workers by companies immediately after 1998. While data on non-regular employment in Korea vary widely depending on the survey, and the definition of non-regular employment and measurement used, all data show overall increase in the proportion of non-regular employment. For example, according to Korean National Statistics Office, the total number of people in non-regular employment increased from 3.64 million in 2001 to 5.48 million in 2006. This amounts to an increase from 26.8% to 35.5% of all *waged workers*, from 2001 to 2006 (Korea National Statistics Office, 2007). The Economically Active Population Survey (EAPS) however shows that the percentage of non-regular employees as proportion of wage and salary earners peaked to 52.1% in 2000, from 45.7% in 1997, and then fell back to 47.3% in 2006 (KNSO, 2006).⁸ The OECD calculation shows that the share of temporary workers in Korea rose sharply from 16.6% in 2001 to 28.8% in 2006, making the increase in Korean temporary workforce the most rapid amongst the OECD countries in the recent years (Grubb, Lee and Tergeist, 2007). Government data also show that although the proportion of non-regular workers has been gradually increasing since 1990, the economic crisis clearly accelerated the process of flexibilization. As shown in Figure 2, although the proportion of non-regular workers amongst all wage workers began to rise after 1993, the pace of the increase became much faster after 1996. In more recent years, however, this trend seems to have reversed slightly.

⁸ According to the Economically Active Persons Survey conducted by Korean National Statistics Office, "non-regular employees" consists of temporary and daily workers. Wage and salary workers are differentiated from non-wage earners made up of self-employed and unpaid family members. In 1997, wage and salary workers made up 63.2% of all workers, while in 2006, they made up 67.2%. The survey of waged workers thus under-estimates the number and proportion of all non-regular workers because they do not include self-employed and unpaid-family members.

Figure 2. Changes in Proportion of Regular and Non-Regular Workers, 1989-2005



Source: Korea Labor Institute (2005); Korea National Statistical Office (<http://www.stat.go.kr>)

The increase in non-regular employment is not only due to changes in employer behaviour and labour market policies. In addition to these, the change in Korea's industrial structure has also contributed to the changes in employment patterns. There has been a significant shift from industries (manufacturing) to services during the 1990s, as evidenced by the decline in the percentage of male workers employed in industries from 41% in 1990-92 to 34% in 2000-04, and the increase in those employed in services from 47% to 58%, respectively. The pattern is even more dramatic for female workers, where the changes have been 28% to 18% for industries, and 55% to 72% in services, respectively (World Development Index). In sum, the changes in employment towards increased flexibility and irregularity can be accounted by a combination of changes in industrial structure and the introduction of more flexible labour market policies. An important aspect of this change from a gender perspective is that while the new economy may create more employment opportunities for women, these new opportunities are also concentrated in non-regular forms of employment. In 2006, 42.7% of all female wage workers were working in non-regular employment as compared to 30.4% of all male wage workers. Furthermore, nearly half of married women wage workers (47%) were working in non-regular employment, and they represented nearly three-quarters of all non-regular female wage workers (see Table 3). This suggests that married women are more likely to occupy non-regular employment than single women or male workers. Finally, if we count all workers (including self-employed and family workers) the large proportion of women in non-regular work becomes even more evident. As illustrated in Table 4, women in irregular work constitute nearly 62% of all women workers.

Table 3. Distribution of Female Non-regular Workers by Marital Status, 2006.

	Wageworkers	Standard unit: thousand (%). %	
		non-regular workers	non-regular workers as % of wageworkers
total	6,442 (100.0)	2,752 (100.0)	42.7
single	2,115 (32.8)	718 (26.1)	33.9
married	4,328 (67.2)	2,034 (73.9)	47.0

Source: Korea National Statistical Office (<http://www.stat.go.kr>)

Table 4: Employment Status by Gender

		1990	1995	1997	1998	2000	2005
Men	Regular	64.5	67.6	64.6	64.7	59.2	62.3
	Irregular	35.5	32.4	35.4	41.9	40.8	37.7
Women	Regular	37.6	42.8	38.4	34.8	31.1	38.2
	Irregular	62.4	57.2	61.6	64.2	66.9	61.8

Source: National Statistical Office

Social and Demographic Changes

The previous sections examined the impacts of political, economic and labour market changes on welfare state and economic and labour market reform policies in Korea. In this section we look at changes in social and demographic contexts of Korea and their implications for gender, care, and welfare state reforms. During Korea's early industrial development decades, unmarried women formed the core of low-wage industrial workers in textile and manufacturing sectors. During this period, unmarried women were preferred by the employers because they worked at lower wages than men (for example, women's average wage in 1975 was 43.3% of the average male wage (KWDI, 2001)), and moreover, they could be easily retired upon marriage. During this period, young women, often with low levels of education and from rural areas, entered the industrial labour force as low wage workers until they married. Once married, women often left the formal labour force to assume the role of wives and family carers. This did not mean that once married, women did not work other than providing care for their families. On the contrary, married women often joined their husbands' households as unpaid family workers – in family farms or in family businesses – contributing to their husbands' household economy in addition to providing care for their families. With economic growth and the improvements in female education in the 1970s and 1980s, however, a clear bifurcation in married women's employment patterns began to emerge. As the expansion of employment opportunities drew more working class married women into the labour market, middle class married women began to withdraw from the labour market to assume their role as stay home housewives and family carers.

The rapid industrialization and economic growth during the 1960s and the 1970s also brought about significant social and structural transformations. Within two decades the class and social compositions of Korean society had become nearly unrecognizable. The proportion of economically active population in the primary sector declined from 79.5% in 1960 to 8.7% in 1980, while those in the secondary and tertiary sectors grew from 5.4% to 22.5%, and 15.1% to 43.5%, respectively. By 1980, the majority of Koreans considered themselves working and middle classes. Data show that those classified as the "old and new middle class" rose from 19.6% to 38.5%, while the "working class" grew from 8.9% to 22.6% between 1960 and 1980, respectively (Hong, 2003). The increase in the middle class population also corresponded to the rise in men's and women's educational levels. For example, the proportion of those with post-secondary education in the population over 15 years in Korea increased from 2.6% in 1960 to 9.2% in 1980 (Lee, 2007). By gender, the proportion of men and women studying in post-secondary education rose from 9.5% for men and 2.4% for women in 1975 to 26.6% for men and 13.1% for women in 1990 (Ministry of Education, 2005). The increase in the middle class population and the rise in educational levels also fostered civil society activism. By the mid-1980s, various civil society groups such as women's groups, consumer advocacy groups, and environmental groups had begun to emerge, including key democracy movement groups such as Lawyers for a Democratic Society, People for Solidarity of Participatory Democracy, Korean Women United, and Citizens' Coalition for Economic Justice (Lee and Peng, 2005). These civil society groups emerged partly in reaction to the increasing economic inequality in the 1980s,

and partly in response to the growing demands for political democratization. Indeed, by 1980 the benefits of Korea's economic growth had begun to accumulate in the hands of a small powerful group made up of Chaebols and members of the authoritarian regime. The GINI index had declined from 0.352 in 1965 to 0.335 in 1970, but rose sharply to 0.386 by 1980 (UNI-Wider, 2005). Many blamed the economic inequality on the Park and Chun regimes' authoritarian government and their close relationships with the Chaebols. Later, these civil society groups would not only come to play a central role in coalition with labour to push for democracy, but would also take on an important role as grassroots advocates for social policy reforms.

In the meantime, women's labour market participation rate continued to rise. By 1990, women's labour market participation rate had reached 47.0%, up from 41.8% in 1980 and 39.3% in 1970 (Kim, 2001). Yet, despite the increase in women's labour market participation, the idea of Confucian familialism continued to remain pervasive. Little or no social care existed in Korea. For example, although public demand for child care facilities had been rising since the 1970s due to the increase in the number of working mothers, little policy attention was paid to this issue until the introduction of the Child Care Act in 1991. In 1990, only 48,000 children were in child care facilities, public or private, as compared to 770,029, or slightly over 20% of children 0 to 5 years of age, in 2002 (Kim and Na, 2003). Yet despite this apparent increase in the number of children in child care facilities, studies show continuing struggles faced by working mothers in negotiating their work and child care obligations with their husbands and mothers-in-laws who continued to prescribe to traditional Confucian ideal of maternal-based child care practice (Wong and Pascall, 2004). Similarly, in terms of elder care the Confucian notion of filial piety continues to remain strong. Little or no public elder care provision is available, with the exception of the proposed Elderly Care Insurance to be implemented in 2008. Studies show that over 90% of Korean elders over the age of 60 depend on their family network for care and support, and that adult children continue to be the primary source of material and financial support for older parents, while daughters and daughters-in-law perform the primary carer giving role (Sung, 2001; Choi, 1996; Youn, 1998).

Despite growing civil society activism, however, there has not been much social mobilization around women's care responsibilities, even amongst women's movements during the pre-economic crisis period. As Kim Kyounghee (2002) points out, until the 1990s women's movement activists did not have a positive view of the government, and therefore they did not look to the state for policy solutions to issues such as child care and elder care. Rather, during the 1980s, the *Minjung* women's movement, like the labour and student movements, was more concerned about the issues of economic justice and political democratization. Although the *Minjung* feminists lobbied for female workers' rights, these issues were often framed within the context of the abuse of women under the military dictatorship and the need to push for democracy. Only after the political democratization and the amalgamation of twenty women's group into the Korean Women's Association United (KWAU) did the women's movement begin to move beyond democratization to specific women's issues, such as equal employment opportunities, sexual violence, and women's welfare, including maternity protection and child care leave (Kim, 2002).

The shift in social policy focus from mainstream male dominated social security, such as health, pension, and unemployment insurance, to social care during the post-economic crisis era can be attributed to a combination of changes in social and political mobilization agenda of women's groups, and the growing understanding of the impacts of social and demographic changes amongst policy makers. To be sure, by the beginning of the new millennium, the decline of the traditional household structure and gender arrangements, and rapid population ageing had

become all too obvious, and called into question the sustainability of the welfare system that was premised on Confucian familialism and the male breadwinner and female housewife/carer model. The ideational base of the new active welfare policies that have been introduced since 2000 is therefore supported by social and structural changes observed since the 1990s.

First, one of most obvious structural changes to have occurred in Korea in recent decades is the change in family structure. Although the majority of Korean households have been nuclear (i.e. two-generation or less) since the 1970s, until very recently most Koreans continued to subscribe to the *ideal traditional image* of the Korean family made up of three or more generation households, where household work including homemaking and care-giving are carried out by 'housewives'. This image of ideal traditional family has become increasingly unrealistic in the recent couple of decades as the reality of nuclear and single person households has become all too evident. As shown in Table 5, although the two-generation households were already the most common household form by 1970, the three or more generation households did represent about a fifth (22%) of all households then. It was therefore not too difficult for people to hold onto the idea that the ideal traditional households could be other than nuclear. Since then, however, the proportion of the three or more generation households has dropped markedly, and by 2005 it accounted for less than 10% of total households. The reality of household structural changes is now beginning to sink into public discussions and policy debates (Byung, Baek and Kim 2000, Cheng 2001, Chung 2001, Korean Herald 2007).

Also, as illustrated in Table 6, the average household size has also declined from 5 persons in 1975 to 2.9 in 2005. Even more striking, the proportion of households with only one member has increased by about five-fold during the same period, from 4.2% to 20.0%. From the data in Tables 5 and 6, we can infer that the overwhelming proportion (91%) of Korean households is now made up of one or two generations. Since single person households are not included in the category of one-generation households in Table 5, the 91% of one or two-generation households are either couple only or couple or parent(s) with dependent children or co-residing adult children. In addition to the changes in household structure and size, national statistical data also show that in 2004, 60.7% of the elderly people were either living alone (22%) or only with their spouses (38.7%). In other words, the physical reality is that the overwhelming majority of families in Korea are nuclear, and that the majority of elderly people are, in fact, living separately from their children, even if they continue to receive care and material support from them.

Table 5. Distribution of households by number of generations in Korea

	One-generation*	Two	Three	Four
1970	6.8	70.0	22.1	1.1
1975	7.0	71.9	20.1	1.0
1980	8.8	73.1	17.6	0.6
1985	10.5	73.3	15.8	0.5
1990	12.0	74.1	13.6	0.3
1995	14.7	73.7	11.4	0.2
2000	17.1	72.9	9.9	0.2
2005	20.6	70.5	8.8	0.1

Source: Korea National Statistical Office

(* one-member households were not included in one-generational households)

Table 6. Distribution of households by numbers of household members in Korea

	One	Two	Three	Four	Five	Six & over	Average
1975	4.2	8.3	12.3	16.1	18.3	40.7	5.0
1985	6.9	12.3	16.5	25.3	19.5	19.5	4.1
1995	12.7	16.9	20.3	31.7	12.9	5.5	3.3
2005	20.0	22.2	20.9	27.0	7.7	2.2	2.9

Source: Korea National Statistical Office (1975/1985/1995); Korea National Statistical Office (2005)

These changes in the family structure, however, do not suggest that care is no longer provided by family care givers such as mothers, wives, daughters, and daughters-in-law. On the contrary, as noted earlier, studies show that care-giving still remains primarily a family responsibility, and that care-giving is often done across as well as within households (Sung 2001; Choi, 1996; Youn, 1998; Levande, Herrick and Sung, 2000). For example, Young (1998) notes that daughters-in-law constitute about 80% of primary care givers to the elderly in Korea. These women not only provide care for their parents-in-law who might be co-residing with them, but they are also the main providers of care to the elderly who are living on their own. In a more recent study by Choi (1999), it was found that 57% of the elderly *who need support* do in fact live with their children. While elderly parents continue to depend on their children and daughters-in-law for care and support, Kim and Kim (2003) also note that the pattern of support in Korea may be changing. Based on the analysis of the 1997 Survey of Living Environment and Quality of Life of the Korean Elderly, these authors conclude that both the elderly and younger people in Korea are putting more value to "two-way intergenerational relations based on mutual care and assistance, rather than simply following the traditional norm of filial piety." (Kim and Kim, 2003: 437). Adult children might care for their elderly parents in return for financial and/or housing support, or adult children might provide financial and/or housing support to their elderly parents in exchange for child care support. A similar note on the changes in the idea of parental care and co-residency from the traditional norm of obligation to a sense of mutual reciprocity is also raised by Levande, Herrick and Sung (2000), implying that while the *practice* of elderly care and co-residency in Korea may seem to remain relatively unchanged today as compared to decades ago, *ideas* about elderly care and co-residency may have changed qualitatively.

Second, there has been also a noticeable shift in the demographic pattern in Korea since 1990, marked by rapid population ageing and sharp fertility decline. As illustrated in Table 7, Korea's 65+ population reached 7% of the total population in 2000. Although this is still a relatively low figure compared to the OECD average of 13% in the same year, Korea's elderly population is projected to double by 2019, an extremely short period of time compared to other countries. Similarly, the total fertility rate in Korea has dropped sharply since 1990. This has, in turn, hastened the speed of demographic ageing further (see Table 8).

Table 7. The Speed of demographic ageing

	Year reaching the proportion of the elderly (65+ years)			Time span	
	7 %	14 %	20 %	7 to 14 %	14 to 20 %
Korea	2000	2019	2026	19	7
Japan	1970	1994	2006	24	12
France	1864	1979	2020	115	41
USA	1942	2013	2028	71	15
OECD Average					

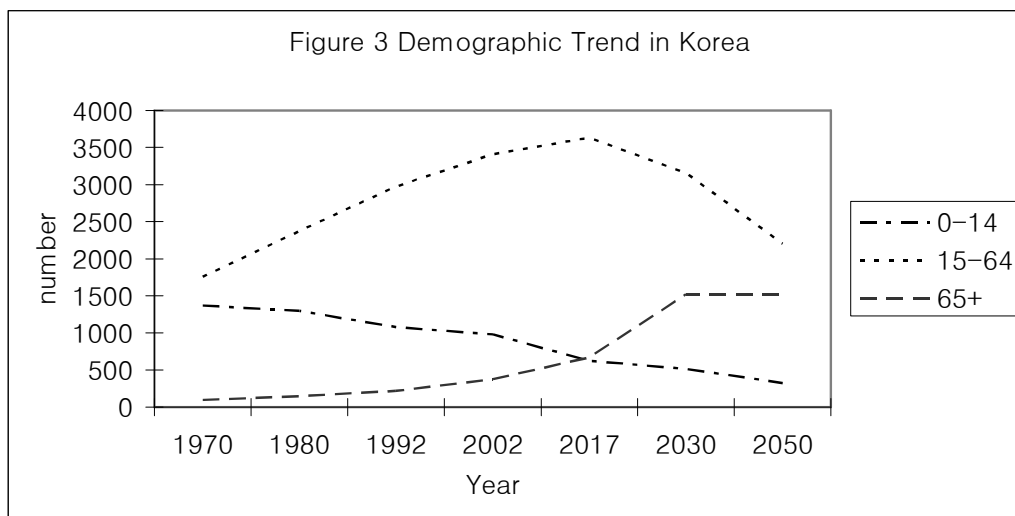
Source: National Statistical Office (2001)

Table 8. The Total Fertility Rate in Korea and other countries, 1970-2002.

country	1970	1980	1990	2000	2002
Korea	2.99	2.34	1.6	1.47	1.17 (1.0 in 2005)
Japan	2.1	1.8	1.5	1.36	1.32
France	2.5	2.0	1.8	1.88	1.89
USA	N/A	1.8	2.1	2.06	2.01
OECD 27	2.7	2.1	1.9	1.6	1.6
Average					

Source: OECD Fertility Trends.

Demographic ageing lurks behind a number of different social policy concerns. First, and most obvious, it leads to an increased demand for care. Given that the majority of elderly people in Korea are no longer living with their children (and this is more so the case with the elderly in the rural areas: Choi's (1996) data show that 49% of the elderly in rural areas are co-residing with their adult children as compared to 61% in urban areas), and that more married women are in paid employment outside the home, it is anticipated that rapid ageing will create an increased conflict between the demand for elderly care and the availability of married women to provide unpaid family care. Second, rapid population ageing will also result in an increase in the dependency ratio, that is, the relative number of elderly people over those who are of working age. In 2007, Korea's old age dependency ratio (number of individuals over 65 years of age divided by the population in the 15-64 year age group) was 0.138 (approximately one elderly person to 7.3 working age people). This ratio was expected to increase to 0.309 (or approximately one elderly person to 3.2 working age people) (KNSO, 2007). One implication of this increased dependency ratio is that to sustain the same level of social security provisions – pension, health care, and social welfare – the working age population will have to pay more in income tax and social insurance contributions—a politically unpopular idea in most OECD countries. Third, according to economists, population ageing will, in the longer term, also lead to labour shortages (in lieu of positive immigration policy), and maybe even an eventual decline in economic productivity and growth, and population decline—a prospective that would be hard for any country to accept.



Source: National Statistical Office: www.nso.go.kr (visited January 2006)

The issue of population ageing in Korea as it is currently framed in public and policy debates is therefore based on demographic projections over the next couple of decades. Indeed, the

working age population in Korea will continue to increase until 2017 (see Figure 3). The real concern, however, is not so much the current level of ageing; but rather, the future level of ageing, which in turn will have a direct effect on reduced labour supply when Korea's baby boomers reach their old age. Putting it simply, the fear of increased care needs resulting from population ageing is compounded by the problems of the longer term effects of demographic changes on the dependency ratio, the labour supply, and the eventual decline in economic growth.

Finally, adding onto family and demographic changes, another important social change in Korea during the 1990s relates to family and gender relations. Studies show that Korean family and gender relations have changed noticeably along with the changes in the family structure. Using the National Census data from 1975 and 2000, and the survey of college students in 2000, Yang concludes that today, "the democratic values of autonomy, freedom, and equality have supplanted the authoritarian values of Confucianism as the family ideology" in Korea (Yang, 2003: 146). A more liberal and egalitarian family ideology is reflected not only in the National Census and student survey data on family decision making locus and quality of life, but also in other data related to marriage, divorce, and women's employment patterns. The marriage rate has declined considerably since the 1970s, while the divorce rate has increased sharply over the same period, particularly during the 1990s. The crude divorce rate⁹ in Korea has increased from 3.9 in 1970 to 36.0 in 2000, while the crude marriage rate declined from 9.2 to 7.0 during the same time period (National Statistical Office, Annual Vital Statistics, www.nso.go.kr/report/data). Similarly, as shown in Table 9, women's labour market participation has also risen from 39.3% in 1970 to 50.3% in 2007(KNSO, 2007b). One reasons for the rise in women's labour force participation may be the mutually reinforcing effects of changes in public attitudes towards women's employment (particularly married women's employment) and the real changes in women's labour market participation. In other words, as more women enter labour market it may be reflected in more positive public attitudes toward women's employment, which in turn, encourage more women to enter labour market. Surveys show that more people now believe that women should continue to work even after marriage (Choe, 1998). Despite the increased support for women's employment, however, women workers continue to face low wages and poor working conditions in the labour market. In 2002, women's average wage was 63.2% of their male counterpart's, a 20% increase from 1978 when women's average wage was 43.4% of its male equivalent, but still considerably low compared to most other OECD countries (Yoon, 2003). As mentioned in the previous section (Tables 2 and 3) the majority of women are working in non-regular employment, a situation that has not changed much since 1990, and given the new flexible labour market regime, unlikely to change in the foreseeable future.

Table 9: Labour Market Participation Rate, people aged 15-64 (%)

Year	1970	1975	1980	1985	1990	1995	2000	2005
Female	39.3	40.4	42.8	41.9	47.0	48.4	48.6	50.0
Male	77.9	77.4	76.4	72.3	74.0	76.4	74.2	74.4

Source: National Statistical Office

In summary, since 1990, in addition to the political and economic and labour market changes, significant changes have taken place in Korea in relation to the family structure, demographic patterns, and family and gender relations. While some of these changes have brought about

⁹ Crude divorce rate is the measure of the rate of divorce out of total marriages. The crude divorce rate of 36.0 implies 36 divorces to every 100 marriages.

positive outcomes, such as more liberal and egalitarian attitudes towards family decision making, and marriages and divorce, and more equal relationships between husbands and wives, these changes have also underscored some important social policy issues. For example, while greater social acceptance of divorce may have led to greater ease for women (and men) to leave unhappy marriages on the one hand, women are, nevertheless disadvantaged in the labour market compared to men as illustrated by their lower wages, non-regular and precarious employments, and limited access to childcare. Demographic ageing is also an important social policy concern for the government because of its implications for welfare needs, dependency ratio, and longer term economic growth. In addition, at 1.17, Korea's current total fertility rate can only hasten the process of population ageing. As studies on OECD countries have illustrated, fertility decline in many of the advanced industrial societies has much to do with the difficulties faced by women and men in harmonizing their family and work responsibilities. Countries that continue to subscribe to the traditional gender division of labour and that are less able to socialize care – such as Japan, Korea, and Italy – are also the ones with extremely low fertility rates. The dilemma facing Korea thus hinges on the tension between the need to maximize all its human capital, including women's, in order to ensure economic growth, on the one hand; and on the other, the need to provide incentives for young people to have more children.¹⁰ The current sense of social and demographic crisis felt by the Korean policymakers is therefore a reflection of a web of issues that are caused by social, economic, and structural changes faced by the country. What it reveals, therefore, is the complex interlocking relationships between politics, economy, demography, gender and family relations, and social policy.

Conclusion: Active Welfare and the Political Economy of Care in Korea

In this report we presented the case of South Korea where a significant welfare state expansion has taken place since the 1990s. We argue that the recent welfare state reforms in Korea were the result of a combination of changes in political dynamics, particularly the democratization in 1987 and the regime shift in 1997, and economic and social-structural changes related to the shift to neoliberal market economy accompanied by labour market deregulation, as well as longer term changes in family structures, gender relations, and demographic patterns.

The post-economic crisis social policy reforms reveal a new emphasis on social investment, and particularly investments in women, children and the elderly. This policy shift is reflected in a spate of new social care and women friendly policies since 2000, including NBLS (2000), Maternity Protection Law (2000), National Child Care Act (2005), and Elderly Care Insurance (2006) (See Table 2). The increased state commitment to social welfare is also reflected in the rise in the proportion of GDP allocated to social welfare (social development) expenditure, up from 1.19% in 1996 to 2.36% in 2002 (Ministry of Health and Welfare, 2007). While this may seem small compared to public expenditure on health and pensions, it nevertheless marks a significant jump in reality. As illustrated in Table 1 above, the share of old age cash benefits (an income support for low income elderly people) and active welfare within social security expenditure increased markedly after 1997. Similarly, the number of households receiving NBLS increased from 687,658 in 2001 to 807,678 in 2005, a significant proportion of the NBLS families being single mother families. Similarly, in addition to increasing employers' obligations to provide workplace child care facilities and introducing stricter standards of care, the 2005 National Child Care initiative promises to increase financial support for child care for 70% of all children (up to the age of 4) by 2008, from the 2004 level of 23%. The reform also looked to raise the total government contribution for child care expenses from 37% to 50% of the total

¹⁰ Unfortunately, opening up immigration is not a very likely policy option for Korea at the moment. Like other countries in East Asia, such as Japan, Korea has always considered itself a racially, ethnically, and culturally homogeneous nation. As well, Korea has also regarded itself as a net emigrant nation, not an immigrant nation. The idea of opening Korea for immigration, at the moment, does not command high public support. Currently, the proportion of foreigners in Korea represents only 0.3% of the total population (Dumont and Lemaitre, forthcoming).

cost between 2004 and 2008, a significant investment in social care for children (Ministry of Gender Equality and Family, 2004, 2005a, b, 2006).

The Korean government's new approach to social care, although still at an early stage, reflects its concerns over the compound effects of population ageing, low fertility, changes in family structure, new labour market conditions, and shifts in men's and women's behaviours about work and family care responsibilities. Demographic ageing and low fertility mean that the government can anticipate an increased demand for elderly care, on the one hand; and on the other, the problem of labour shortage in the future. While married women's increased labour force participation will be important for the country's economic growth, it is also likely to exacerbate the decline in married women's unpaid family care, which would require more public care provision for the elderly. Similarly, if the government hopes to sustain and increase women's labour market participation and at the same time raise the national fertility rate, it will have to provide positive incentives for women and men to have children. This makes social policy reforms, such as increased public childcare provision, assistance for families with small children, and positive employment regulations such as maternity and parental leaves, and equal employment opportunity legislation increasingly imperative. Put together, the new social, demographic, and economic contexts of Korean society are making it necessary for the government to focus on social care and employment support legislations that will facilitate women's labour market participation. The Kim Dae-Jung government's active welfare policies are therefore both politically and socially progressive in the sense that they go beyond the old developmentalist welfare thinking that limited social protection to primarily male workers in the core sectors of the economy to a more universal investment in human capital. At the same time, they are also highly compliant to the neoliberal economic paradigm by accepting increased labour market flexibility and precarity, and the reality of labour market inequality between men and women. The government strategy is clearly one of enhancing economic growth and individual welfare through job creation and work activation. If the Korean government were follow and the current economic and social policy strategy and achieve equality, it would need to enlarge the social support and income security of non-regular workers by including all workers in the existing social insurance schemes, bringing in stronger compliance measures to enforce employers to abide to standard set of social security for all workers, and investing further in social care. At the same time, the existing dual labour market would need to be eliminated by equalizing the social security provisions of regular and non-regular workers, and employment opportunities and status of men and women. In sum, it will require a further reconfiguration of the economic and welfare state institutions towards more inclusivity and gender equality.

Appendix: KOREA - Economic Performance and Labour Force Characteristics

GDP per capita (most recent)

2004: \$14,144 (US)

- (Source: Ministry of Education: HRD-ch5: 5-11, 2007)

2005: \$16,444 (US)

2006: \$18,392 (US) – “subject to revision”

- (Source: Fact Sheets ROK, 2007)

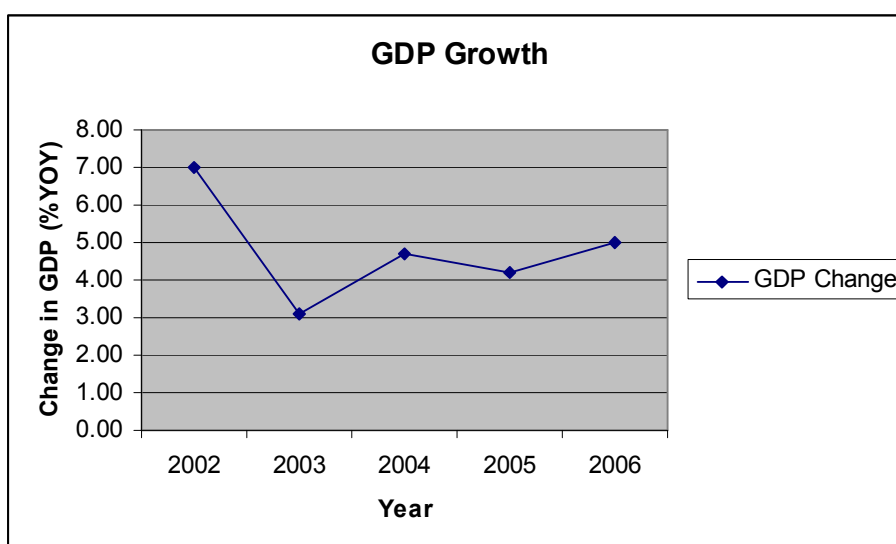
Annual rates of economic growth (trend data)

Real GDP Growth (%YOY):

2002	2003	2004	2005	2006*
7.0	3.1	4.7	4.2	5.0

* = “subject to revision”

- (Source: Fact Sheets ROK, 2007)



% of population below 2\$ poverty line (World Bank, World Development Indicators) (trend data)

< 2% (year surveyed: 1998)

- (Source: 2006 World Development Indicators – Korea)

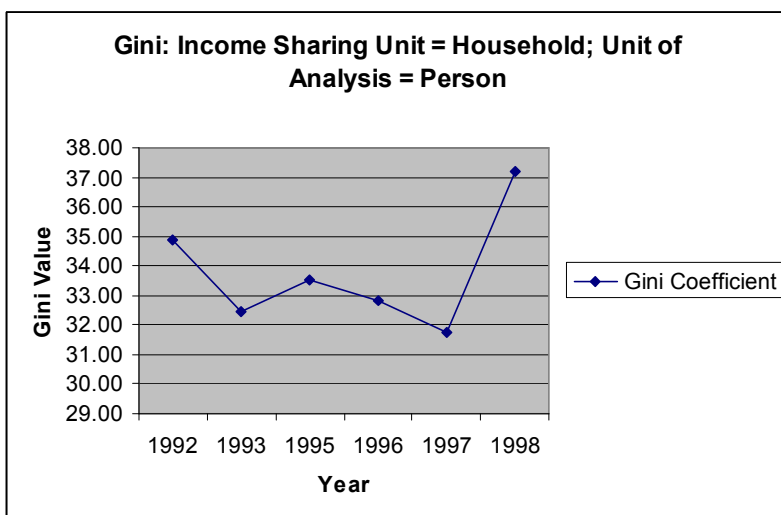
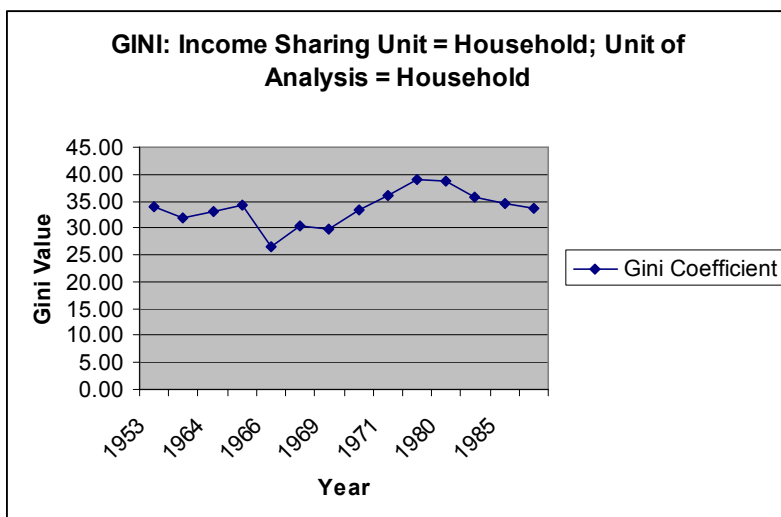
Household inequality: Gini Coefficient (WIDER, World Income Inequality Database) (trend data)

Where Income Sharing Unit = Household; Unit of Analysis = Household

Year	Gini
1953	34.00
1961	32.00
1964	33.00
1965	34.40
1966	26.50
1968	30.45
1969	29.82
1970	33.30
1971	36.01
1976	39.10
1980	38.63
1982	35.70
1985	34.54
1988	33.64

Where Income Sharing Unit = Household; Unit of Analysis = Person

Year	Gini
1992	34.88
1993	32.43
1995	33.55
1996	32.82
1997	31.73
1998	37.18

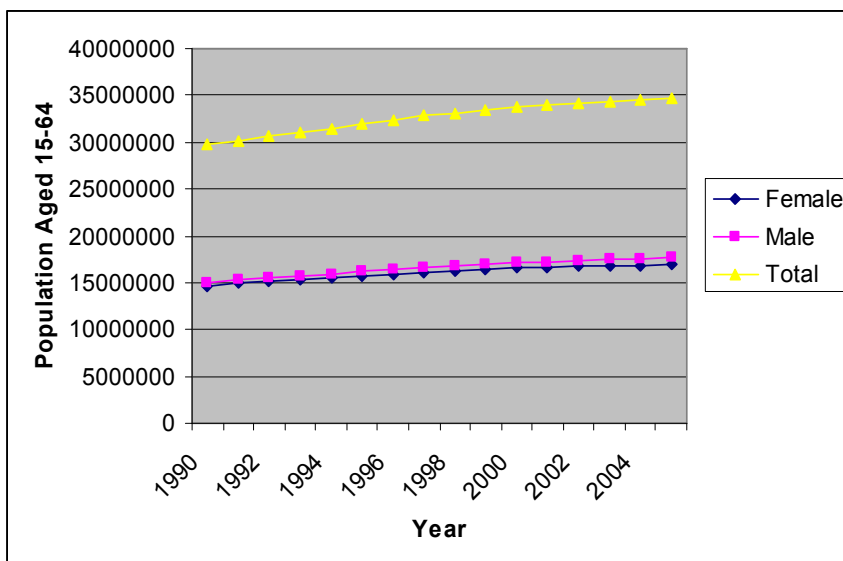


NOTES ON GINI COEFFICIENT DATA: WIID gives (at least) two different GINIs for each year - the one reported by the country, and the one calculated by WIDER. We chose to use the first, as per the guidelines in the set of questions. In the list of GINI coefficients provided by WIDER report, most years had multiple entries. We the one that covered the entire population (as opposed to Rural, Income Recipients, etc). Where there is more than one valid entry, we used the one with a better Quality rating. Where they have equal Quality ratings, we used the one that is closer in value to the mean of the WIDER-calculated Ginis. The years available have significant gaps – we included each available year as a category in the line graphs. There is also a table, which should help make it more comprehensible. From 1992 onwards data switched Units of Analysis to Person, so we made a separate chart and table. (It was previously Household)

Year	Female	Male	Total
1990	14,661,827	15,038,780	29,700,607
1991	14,890,661	15,279,882	30,170,543
1992	15,103,527	15,507,153	30,610,680
1993	15,301,052	15,722,055	31,023,107
1994	15,501,853	15,943,749	31,445,602
1995	15,717,388	16,182,123	31,899,511
1996	15,928,288	16,398,234	32,326,522
1997	16,140,598	16,650,569	32,791,167
1998	16,318,999	16,806,934	33,125,933
1999	16,457,965	16,962,242	33,420,207
2000	16,579,628	17,122,358	33,701,986
2001	16,671,738	17,251,638	33,923,376
2002	16,751,997	17,358,671	34,110,668
2003	16,826,734	17,473,720	34,300,454
2004	16,891,847	17,591,147	34,482,994
2005	16,966,959	17,704,011	34,670,970

Economic activity rate (15-64 years): female & male (trend data)

Population in Working Ages



(Source: Ministry of Education: HRD-ch1: 1-2)

Labour force participation (15-65 Years)

(Unit: %)

	Total					
			Female		Male	
	Labor force participation rate	Unemployment rate	Labor force participation rate	Unemployment rate	Labor force participation rate	Unemployment rate
1995	61.9	2.1	48.4	1.7	76.4	2.3
2000	61.2	4.4	48.8	3.6	74.4	5.0
2001	61.4	4.0	49.3	3.3	74.3	4.5
2002	62.0	3.3	49.8	2.8	75.0	3.7
2003	61.5	3.6	49.0	3.3	74.7	3.8
2004	62.1	3.7	49.9	3.4	75.0	3.9
2005	62.0	3.7	50.1	3.4	74.6	4.0
2006	61.9	3.5	50.3	2.9	74.1	3.8

Source: KNSO, *Women's Lives Through Statistics*, accessed 15 Oct 2007

http://www.nso.go.kr/eng2006/e01_0000/e01b_0000/e01ba_0000/e01ba_0000.html

% of employed population 15-64 years in primary, secondary and tertiary sectors (female & male) (trend data) [primary = agriculture, mining; secondary = manufacturing, utilities, construct, trade; services = transport, finance, community etc services]

(units: in 1,000 persons; (% of total employed persons))

Year	Tot. Employed persons	Primary industry	Secondary industry	Tertiary industry
1995	20,414	2,403 (11.8)	4,844 (23.7)	13,168 (64.5)
1996	20,853	2,323 (11.1)	4,748 (22.8)	13,782 (66.1)
1997	21,214	2,285 (10.8)	4,564 (21.5)	14,365 (67.7)
1998	19,938	2,397 (12.0)	3,937 (19.7)	13,603 (68.2)
1999	20,291	2,302 (11.3)	4,046 (19.9)	13,943 (68.7)
2000	21,156	2,243 (10.6)	4,311 (20.4)	14,603 (69.0)
2001	21,572	2,148 (10.0)	4,285 (19.9)	15,139 (70.2)
2002	22,169	2,069 (9.3)	4,259 (19.2)	15,841 (71.5)
2003	22,139	1,950 (8.8)	4,222 (19.1)	15,967 (72.1)
2004	22,557	1,825 (8.1)	4,306 (19.1)	16,427 (72.8)

Source: Korea Statistics Office, Annual Report of Economically Active Population Survey, 2005.

% of labour force with social protection (female, male)*
(no appropriate data available)

Trends in Social Security Expenditures, 1990-1999 (%)

Category										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
1. Old Age Cash Benefits	14.67	16.35	18.29	20.71	21.11	22.01	19.87	17.51	17.65	26.69
2. Disablement Cash Benefits	1.94	2.45	2.34	2.21	2.12	1.89	1.84	1.57	1.03	1.10
3. Occupational Injury and Disease	4.82	5.85	6.23	5.06	4.82	4.48	4.57	3.96	2.22	1.94
4. Sickness Benefits	1.88	1.91	1.76	1.65	1.45	1.23	1.31	1.17	0.82	0.96
5. Services for Elderly and Disabled People	1.34	1.19	1.13	1.26	2.26	2.53	2.73	2.84	2.01	2.09
6. Survivors Cash Benefits	3.79	4.58	4.07	3.82	3.62	3.16	3.07	2.64	1.72	1.81
7. Family Cash Benefits	0.03	0.06	0.05	0.06	0.05	0.06	0.05	0.34	0.23	0.36
8. Family Service	0.76	0.96	0.98	1.18	1.17	1.32	1.47	1.41	0.72	0.73
9. Active Welfare	1.49	01.27	1.66	1.82	1.29	1.40	01.49	1.94	4.47	7.01
10. Unemployment Benefits	23.68	24.37	24.18	24.01	26.30	25.83	24.67	32.24	45.43	29.61
Unemployment Compensation	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.27	1.66	1.98
Retirement Pay	23.68	24.37	24.18	24.01	26.30	25.83	24.63	31.97	43.78	27.62
11. Public Expenditure on Health	41.19	37.16	36.26	35.35	33.41	33.73	36.33	31.88	21.89	24.64
12. Housing Benefits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13. Other Contingencies	4.42	3.86	3.05	2.88	2.39	2.36	2.60	2.49	1.80	3.08
Total	100	100	100	100	100	100	100	100	100	100
As a Percentage of GDP	3.9	3.8	4.2	4.4	4.7	5.1	5.3	6.8	10.8	9.8

Sources: HoKuen Song, 2005. "The Birth of a Welfare State in South Korea: The Politics of Social Protection in Globalization and Democratization", Paper presented at the Canada-Korea Social Policy Symposium, the University of Toronto, January 27-29, 2005.

Government deficit as % of GDP (trend data)

1995: 2.4

2004: 2.9

(Source: 2006 World Development Indicators – Korea)

Social and Demographic Characteristics

Population (total, % females) (most recent)

Year	Population	Female	% Female	Male	% Male
2005	48,294,143	23,961,013	49.614%	24,333,130	50.385%

- Ministry of Education: HRD-ch1: 1-1

Population (% urban) (most recent)

1960 – 27.7%

1970 – 40.7%

1980 – 56.9%

1990 – 73.8%

2000 – 79.6%

2005 – 80.8%

Source : UN Common Database

Infant Mortality Rate (female & male) (trend data)

1990: 8/1,000 live births

2004: 5/1,000 live births

(Source: 2006 World Development Indicators – Korea)

“The number of newborns totaled 438 thousand in 2005. The female and male newborns amounted to 211 thousand persons and 227 thousand persons, respectively. The number of female newborns was lower by 16 thousand persons than that of male newborns.”

- KNSO: Women's Lives through Statistics - 2007

Total Fertility Rate (trend data)

	1970	1980	1990	2000	2002	2005
Korea	2.99	2.34	1.6	1.47	1.17	1.0
OECD 27	2.7	2.1	1.9	1.6	1.6	-
Average						

- Source: OECD Fertility Trends.

- Korea Report 1

Maternal Mortality Rate (1990-2004): 20/100,000 live births

(Source: 2006 World Development Indicators – Korea)

Average number of persons per household (trend data)**Distribution of households by numbers of household members in Korea**

	One	Two	Three	Four	Five	Six & over	Average
1975	4.2	8.3	12.3	16.1	18.3	40.7	5.0
1985	6.9	12.3	16.5	25.3	19.5	19.5	4.1
1995	12.7	16.9	20.3	31.7	12.9	5.5	3.3
2005	20.0	22.2	20.9	27.0	7.7	2.2	2.9

(Source: Korea National Statistical Office (1975/1985/1995); Korea National Statistical Office (2005))

% of population under 15, 15-64, 65+ (most recent)

2005:

Under 15: 19.13% (9,240,017 / 48,294,143)

15 – 64: 71.8% (34,670,970 / 48,294,143)

65 +: 9.07% (4,383,156 / 48,294,143)

(Source: Ministry of Education: HRD-ch1: 1-3)

Age at which children go to school, number of children (and percentage of population) below school-going age

Children in Korea start elementary schools at age 6, and nearly 100% of children attend elementary schools.

- Ministry of Education: HRD-ch1: 1-5, 1-15.

% of population 15+ with no formal education (female, male)

The table below ("Composition of Population by Educational Attainment (aged 25 and older) - Year: 2000" indicates that the entire population has some form of formal education.

**% of population with completed primary or less, completed secondary or less, and some tertiary education
(female & male)**

Again, see the table below.

Composition of Population by Educational Attainment (aged 25 and older) - Year: 2000

	Primary School Graduates	Middle School Graduates	High School Graduates	College/University
Female	30.4	14.3	37.3	18.0
Male	15.1	12.3	41.6	31.0

(Source: Ministry of Education: HRD-ch1: 1-7)

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