

South Korea – Shifting away from the productivist/developmental status of welfare?

A study on welfare in South Korea

Bachelorthesis

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1. Introduction

In this research I want to study if the South Korean welfare regime is still productivist in the aftermath of the Asian financial crisis as it was characterized by Holliday (2000) or if the regime becomes more liberal or conservative. The focus of the analysis is laid on the welfare mix, which entail the different sources of welfare such as the state, the market and the family, on the fields of education and health care.

Welfare states as such emerged first in Europe. As one of the first known welfare states in Europe, Germany's welfare policies were mainly shaped by Otto von Bismarck, who introduced welfare policies such as pension schemes and health insurances in the 1880's. Other European countries followed the "Bismarck model" by introducing similar welfare policies. Since then the state was central in providing social benefits to its citizens. The state commitment of providing welfare was the step towards welfare states guaranteeing a variable degree of social rights and social protection.

In recent times, literature discussed about different forms of welfare and made up models to cluster states. Esping- Andersen (1990) distinguishes between three models of welfare states in Europe. The three models will be described later in the section of European welfare states. In contrast to the European welfare states, Asian states were initially not engaged in providing social benefits to their people. Enterprises and families seem to be the main source of welfare. Due to those characteristics and the link towards economic productivity, Holliday (2000) coined the term "productivist welfare" regime for the special welfare state entity presented in East Asia. In 1997/98, a financial crisis hit East Asia. The response of the Asian states was the introduction of new social policies. Especially, South Korea unleashed huge potentials of new social policies. Scientists like Kwon & Holliday (2007) and Wilding (2008) argue therefore that the new kind of social policies in East Asia could mean a transition away from the productivist regime. This study will analyze to what extent the welfare mix has shifted from the productivist regime after the Asian financial crisis with data from the OECD and other international organizations over the time frame of 1990 until 2012.

2. Theoretical Framework

In this chapter, I will describe what the term "welfare state" means. Furthermore, I will outline shortly the characteristics of the welfare state theory of Esping-Andersen (1990) since he originally created categories for different welfare systems. The productivist welfare regime by Holliday (2000) will get more attention since it is the theoretical basis for the research. At the end of the chapter, I will give an overview of the different welfare regimes.

2.1. What is a welfare state?

The term "welfare state" is largely connected to the Western welfare and consists of two components, "welfare" and "state". According to the Oxford Dictionaries (2012), welfare has two meanings. The first describes welfare very plainly as "the health, happiness and fortune of a person or a group". The second meaning of the word welfare is more elaborated and adds a dimension that welfare is a basic service for "people in need" (Oxford Dictionaries, 2012). According to Marshall (1998), welfare is based on different social policy areas. As noted by Marshall (1998), "social policies involve instruments relating to social security (income

maintenance), housing, health, education, family welfare and (sometimes) law and order” (p.619). The second part of the term includes the “state” that can be conceptualized as the political entity ruling over people sharing the same culture and living in a certain territory. Additionally, the state has to have a government and has to be recognized as an independent actor by other so-called states. The characteristics were agreed upon on the Montevideo Convention in 1933.

With regard to social challenges Mehmet F. Aysan (2009) mentions that modern states take the responsibility to counter social problems for its citizens by introducing certain welfare policies. As he goes on, “the state wants to ensure a higher standard of living for its citizens” (Aysan, 2009, p.2). But the extent of state involvement on welfare is distinct from state to state since a welfare mix described by Esping-Andersen (1990) as the interplay of allocations of welfare, “state, the market and the family”(p. 26), is country-specific.

2.2. European welfare regimes

Within the discipline of studying Western capitalist welfare states, thus Europe and the British (ex)-colonies, Esping-Andersen (1990) is a prominent researcher, who created by clustering three kinds of European welfare states in his book “The three worlds of welfare capitalism” the basis for further studies on the entity of welfare states. As Esping-Andersen (1990) uses the term “regime”, I also want to adopt this concept into this study. Thus, according to Gough et al. (2004) influenced by notions of Krasner (1983) and North (1990), “a regime refers to a set of rules, institutions and structured interests that constrain individuals through compliance procedures” (Gough et al., 2004, p.22).

The three clusters established by Esping-Andersen (1990) are the liberal regime, the corporate-statist regime and the social democratic regime. Since these categories are clusters, all countries in the different clusters deviate in the characteristics of the regime since the regimes pose ideals. The liberal welfare state model is most associated with the welfare state systems in the United States of America (USA), Australia and Canada, which have in common that all of the named countries are historically bound to the British system. As outlined by Esping-Andersen (1990), the liberal model is market-oriented and grants only basic welfare services. The corporatist-statist regime embraces the continental countries such as Italy, Germany, France, Austria, but also Japan. The regime is also named the conservative regime. The conservative regime has an extended scope of welfare in contrast to the liberal regime. The third welfare regime is the social democratic welfare regime. This welfare regime can be found preliminary in the Scandinavian countries such as Sweden and Denmark. As noted by Esping-Andersen (1990), the characteristics of this regime type are the extension of “the principles of universalism and de-commodification of social rights to the new middle classes” (p.27), which stays in clear contrast to the other two types. The aim of the democratic welfare state is to ensure equality of welfare on high standards.

2.3. The Productivist welfare regime

The study of Holliday (2000) can be seen as a response to the original categorizations of Esping-Andersen (1990) and attempts to create a welfare typology for East Asian states. The model of East Asian welfare states is called the productivist welfare regime and shall constitute the fourth regime type in addition to the already established three types by Esping-

Andersen (1990). Asian welfare is assumed to be distinct from the welfare provided in Europe by Holliday. As outlined by Holliday (2000), social policy is subordinate to the goal of economic growth in the productivist regime (p.708). This clear demarcation towards economic growth hinders the effective development of social policies. Therefore, Holliday (2000) characterizes the productivist regime as having “minimal social rights with extensions linked to productive activity, reinforcement of the position of productive elements in society, and state-market-family relationships directed towards growth” (p.708). The productivist regime is thus marked in its welfare mix by low participation of the state and more inclusion of companies (market) and the families, but with the focus of economic growth. So far the general pattern of the productivist regime, but Holliday (2000) created three subsets of the productivist regime. These subsets are the facilitative regime, the developmental-particularist regime and the developmental-universalist regime. South Korea poses together with Taiwan and Japan the developmental-universalist. In this subset of the productivist regime, social rights are granted in accordance to the economic growth and thus the “state has therefore some social policy significance” (Holliday, 2000, p.710).

In contrast to the European welfare states, the productivist welfare regime is regarded by some researchers like Kwon as a “developmental welfare state” (Kwon, 2007). The different use of terms is based on the typology used by the researchers. Nevertheless, this differentiation between a welfare state and a developmental welfare state seems to be rooted in the view that the state in East Asia has only a regulatory task with regard to providing welfare in contrast to the state role in Europe (Gough et al., 2004, p.317), but could also draw on the criteria of Esping-Andersen, which embraces the need for democracy and capitalism to be count as a welfare state. The passive role of the state in Asia in relation to welfare policies will be analyzed in the section of social policies in South Korea. Another issue that keeps researchers busy is if one can put all Asian countries under the umbrella of the productivist regime or if there are many different regimes. Like it is the case for Esping-Andersen (1990), Holliday (2000) created a regime type that does not fit exactly to all countries since the regime type is also idealistic. Some researchers (White and Goodman, 1998) argue on that point against one (East) Asian welfare regime since they see smaller and several clusters with a limited number of states sharing similar characteristics instead of one homogenous cluster in East Asia as depicted later in Table 2.

2.4. Overview of the different welfare regimes

In the last two sections, I have pointed out the characteristics of the different regimes. In this section, I use the table of Holliday (2000) to provide a clear overview about the four welfare regime types. The table is useful since it presents a direct comparison between the four regime types. To know the distinction between the regime types is important for the analysis on the possible transition of the South Korean welfare regime.

Table 1: The different welfare regimes

Table 1: Four Worlds of Welfare Capitalism				
	Social policy	Social rights	Stratification effects	State-market-family relationship
<i>Liberal</i>	Neither privileged nor subordinate	Minimal	Equality of poverty for minority; market-differentiated welfare for majority	Market provision encouraged
<i>Conservative</i>	Neither privileged nor subordinate	Quite extensive	Existing status differentials preserved	Family protected
<i>Social democratic</i>	Privileged	Extensive	Universal benefits graduated according to accustomed earnings	Market crowded out; family socialized
<i>Productivist</i>	Subordinate to economic policy	Minimal; extensions linked to productive activity	Reinforcement of productive elements	Premised on overriding growth objectives

Source: Holliday (2000, p.709)

As mentioned above, the welfare state aims to assist people to reach a certain standard of living, but the extent of the standard is different from state to state. The studies of Esping-Andersen (1990) and Holliday (2000) focused on these differences by establishing regime types sharing certain characteristics. As pointed out, Esping-Andersen’s regime types are gradually different in granting social welfare. The liberal regime only provides basic welfare services, thus the market is favored. The conservative regime extends their welfare services. It creates a kind of balance between the state and the market. The social democratic regime has a universal coverage of social welfare and therefore, has the stress on the state rather than on the market. The productivist regime is most similar with the liberal regime. It subordinate social policies under economic goals, but whereas the liberal regime is intended to only allow a certain range of social policies, the productivist regime type can grant more social policies, which are linked to the economic performance.

Table 2: The subsets of the productivist regime

Table 2: The Productivist World of Welfare Capitalism				
	Social policy	Social rights	Stratification effects	State-market-family relationship
Facilitative	Subordinate to economic policy	Minimal	Limited	Market prioritized
Developmental-universalist	Subordinate to economic policy	Limited; extensions linked to productive activity	Reinforcement of the position of productive elements	State underpins market and families with some universal programmes
Developmental-particularist	Subordinate to economic policy	Minimal; forced individual provision linked to productive activity	Reinforcement of the position of productive elements	State directs social welfare activities of families

Source: Holliday (2000, p.710)

As mentioned above, the productivist welfare, which is regarded as the East Asian welfare regime type, is assumed to grant social welfare only with regard to the economic performance since economic performance is regarded as superior to the issue of social policy. But Holliday (2000) also subdivided the productivist regime into three clusters. The three subsets of Holliday (2000) are the facilitative regime, the developmental-universalist regime and the developmental-particularist regime. Since the productivist regime prioritized economic policies over social policies, all three sub-sets of the productivist regime share the characteristic. The facilitative regime has only minimal social rights and in the State-market-family relationship, the market is favored. In contrast, the developmental-universalist regime grants some social rights by introducing some universal state programs that are provided to the market and the family. The developmental-particularist regime provides as the facilitative regime a minimum of social rights, but social rights are related to the productivity of individuals. Furthermore, “the state plays a directive social policy role alongside the market and families” (Holliday, 2000, p.710).

3. The economic downturn: The Asian financial crisis

In this chapter, I describe first the Asian financial crisis in terms of all Asian regions and take then a closer look on the crisis in South Korea. After that, I presume on the ground of the current literature, Croissant (2004) and Esping-Andersen (1997) who shed light on a shift in

Japan, that also South Korea could have been shifted away from the productive welfare regime towards other regime types described by Esping-Andersen (2000).

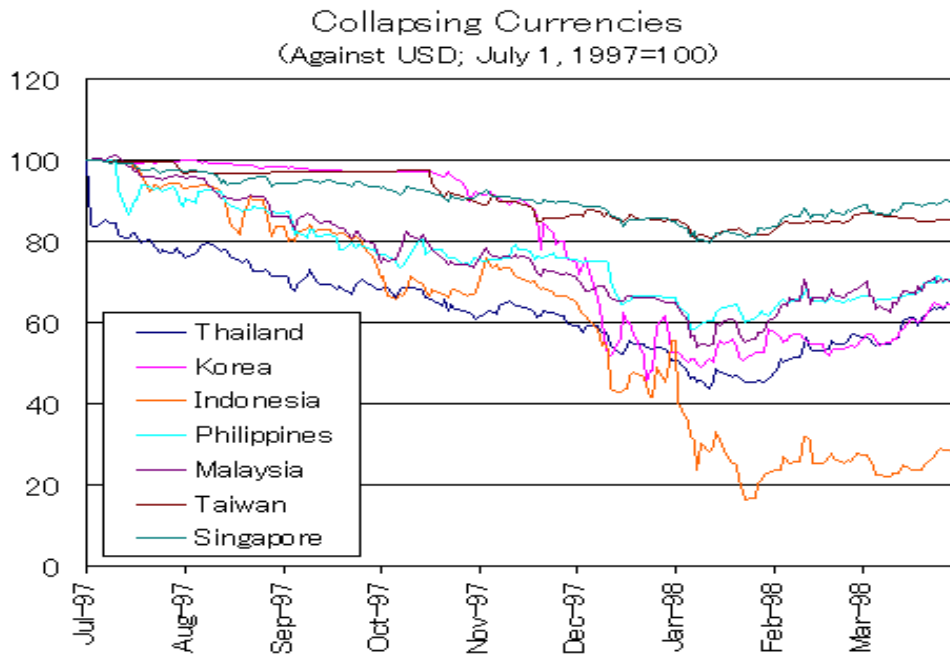
3.1. The East Asian Financial crisis in 1997/98

The beginning of the Asian crisis was marked by the threat of devaluation of the Thai baht in May 1997. Thailand spent plenty of dollars from their foreign currency reserves to keep the Thai baht on its value against speculations of the market. In July 1997, the Thai government devaluated the baht. The reaction of the market was a drop of 20% of its former value. Due to this huge drop in Thailand's national currency and the low status of foreign currency treasury, the Thai government requested aid from the International Monetary Fund (IMF). The devaluation of the Thai baht was followed by the devaluation of the Malaysian ringgit, Indonesian rupiah and the Philippine peso. Indonesia attempted to widen its trading band on the rupiah in July 1997, but agreed to let it float freely in August of the same year, which caused a drastic fall of rupiah's currency value. In July 1997, the IMF announced to help the Philippines with over a billion dollar. Thailand got 17 billion dollar from the IMF to steer up the Thai baht again. As a condition, Thailand raised its taxes to begin its austerity policies. Indonesia applied as well to the IMF and the World Bank since the rupiah fell 30% below its pre-crisis value (PBS, 2012).

But not all countries in East Asia were directly with the same intensity affected by the financial crisis. As mentioned by Chowdhry and Goyal (2000), "Hong Kong is the only country in East Asia that successfully defended its currency against speculative attacks and has maintained its parity with the U.S. dollar" (p. 138). Nevertheless, the stock market in Hong Kong was affected by the currency crisis of several Southeast Asian states, which had a domino effect on the region. In October 1997, the currency crisis reached the developed countries such as South Korea. The crisis has shown the same pattern as in the other affected countries. In the meantime, the Asian financial crisis passed the Pacific and showed impacts on the U.S. stock market. The Dow Jones, entailing the 30 largest U.S.-based industries, broke in and indicated that due to globalization, regional crisis are able to spread to other regions. At the end of October, the IMF ensured an up to 40 billion aid to Indonesia. The reaction of the Indonesian government was to further confirm its ambitions by applying more reforms proposed by the IMF. In November 1997, one of the biggest broker companies in Japan, Sanyo Securities Co. Ltd, went into bankruptcy and a big bank of Japan collapsed due to the huge amount of bad loans (PBS, 2012).

So far the historical review on the East Asian crisis of 1997/98. In concrete financial terms, the East Asian countries suffered from a devaluation of national currencies, a crisis of the banking system and the breakdown of Asian stock markets. As shown in figure 1, most of the currencies in the Asian region, had a continently slow-down from July 1997 and broke in totally in January 1998. Nevertheless, some currencies as the Korean won began to rise again.

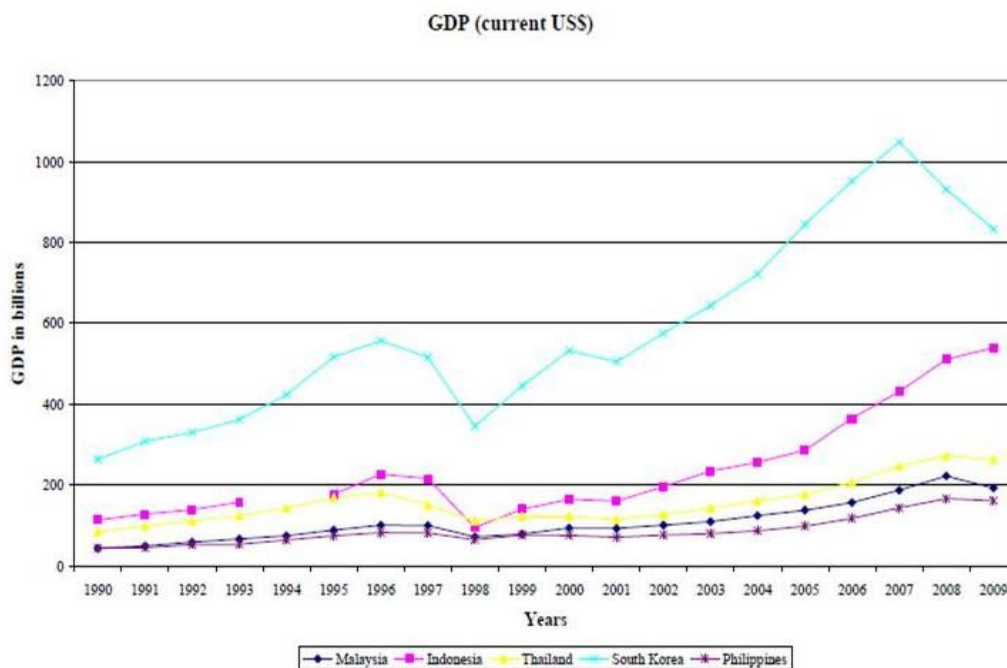
Figure 1: East Asian Currencies during the East Asian Financial Crisis



Source: Giles, C. and Murphy, R.T. (2007)

But the crisis had an impact on other dimensions as well. In economic terms, the lack of financial resources affected business in the East Asian countries. The downturn of the economic markets was visible in the fall of GDP in comparison to the current U.S. dollar, thus the economic performance. Figure 2 show that the GDP of South Korea and Indonesia broke in most in comparison to the Philippines, Malaysia and Thailand.

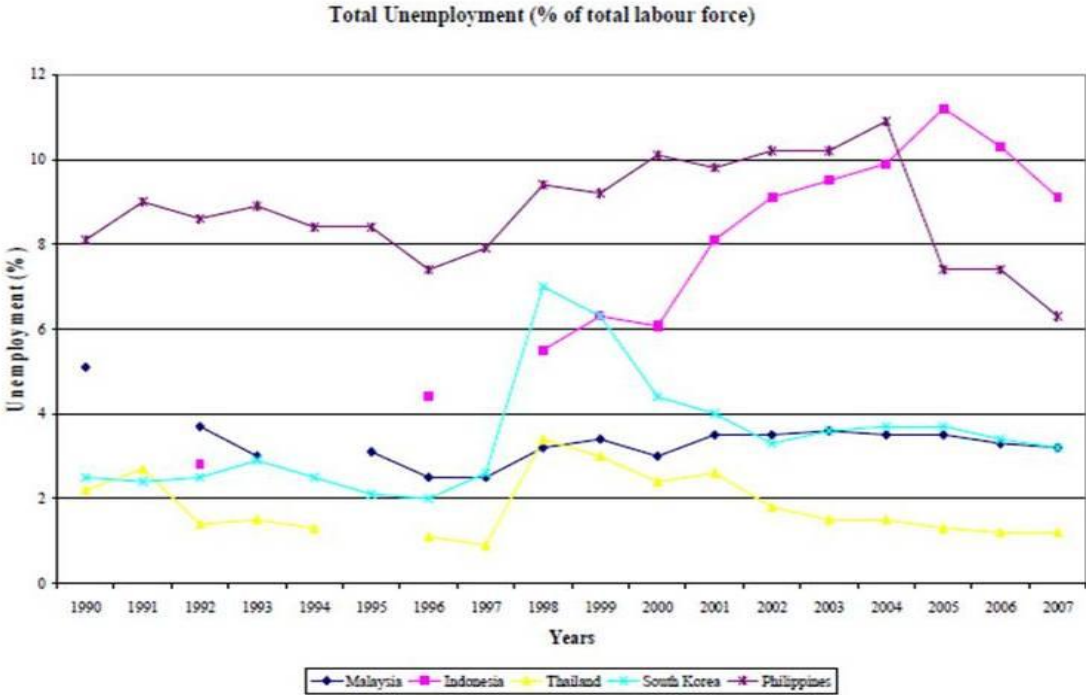
Figure 2: GDP (current-US\$) in East Asian countries



Source: Valvi, A.C., Fragkos, K.C. and Frangos, C.C. (2012)

In political terms, the crisis showed that the state’s role as a provider has not been fulfilled carefully and left people almost alone with their social problems. In consequence, the behavior of the Korean government is best described as regulatory rather than promoting social policy initiatives (Gough et al., p.317). The financial crisis in East Asia identified a lack of control in Asian statehood. The absence of control is obvious in the seeking of help by the IMF as the last resort. The IMF functioned as a regulator of national market policies and as a donor that avoided a total collapse of the East Asian region. On the social dimension, it was observed that the family, who was central in providing welfare in most of the Asian countries could not hold stand against the impacts of the crisis. Poverty and social unrest, which resulted from the strict course of the IMF and the unemployment rates, were the consequences of the East Asian financial crisis. As presented in figure 3, all unemployment rates tended to rise in times of the crisis. But especially, Thailand and South Korea were most affected. Their unemployment rates rose steeply from the beginning of the Asian financial crisis.

Figure 3: Total Unemployment of East Asian countries



Source: Valvi, A.C., Fragkos, K.C. and Frangos, C.C. (2012)

According to Gough et al. (2004), “the ultimate collapse of the Thai baht triggered a currency and banking crisis with major impacts upon incomes, poverty and living standards. As a result, the absence of the social protection measures and lack of social investment in higher education was exposed” (p. 317). The magnitude of the crisis was observable in the closing of the largest Asian Investment Bank outside of Japan in January 1998. But the crisis in East Asia has spread also to other parts of the world. The currency crisis had impacts on Russia and Brazil as well. Since I described the historical process of the crisis and its impacts on the economic, political and social dimension, it is worthwhile to know what the driving forces of

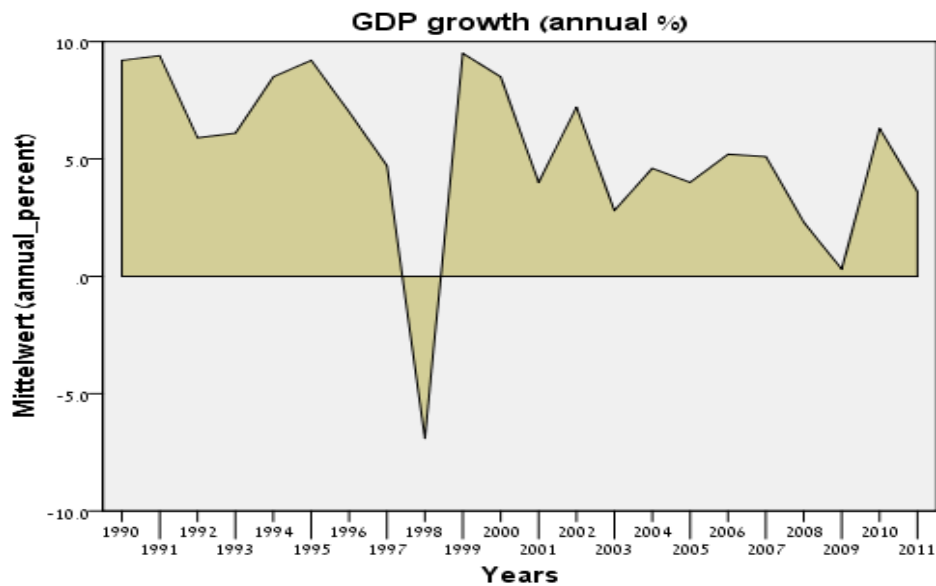
the East Asian financial crisis were. As mentioned by Choi and Chung (2002), “The lack of transparency and weak corporate governance contributed to the fragility of the financial and corporate sector. Cosy relations among banks, government, and corporations weakened market discipline, encouraged connected lending, and created inefficient outcomes. Other signs of weaknesses were loose financial accounting and disclosure and high leveraging, which fostered excessive risk taking” (Choi and Chung, 2002, p.3).

In the aftermath of the Asian crisis in 1997/98, the “welfare triangle” of (North)-East Asian welfare capitalism seems to be in disharmony according to scholars like Aurel Croissant (2004). He argues that the Asian financial crisis has irreversibly and irrecoverably changed the parameters for economic development and public social policy in the region (Croissant, 2004, p. 519). Despite the general patterns of the East Asian crisis, South Korea poses a special case with regard to the impacts and especially to the solutions of the crisis, as explained next.

3.2. The Financial crisis in South Korea

On October, 23th of 1997, the Asian financial crisis hit South Korea. The first sign of the crisis in South Korea was the decline of the national currency. Despite efforts of the Korean government to keep up the won on its value, the won fell drastically against the U.S. dollar to a historical low level (PBS, 2012). Even so it seems that South Korea was only a domino, which was affected by external forces; it was already on the way to a crisis as mentioned by Maull and Maull (2004). South Korea’s economic rise, which started under the military regimes, was highly footed on the financial sector. According to Maull and Maull (2004), the trade benefits of South Korea were increasingly negative in the mid-1990s. They argue that “having a look on trade balance of South Korea should have been enough evidence to foresee an unhealthy trend of the Korean economy” (p.125). Furthermore, they argue that the value of the Korean won was overestimated and deepened the level of debts. A token that the crisis arrived in South Korea was that the usual aim to gain economic growth as pointed out by the Korean government and a conditional key feature of the productivist regime theory was not reached in 1998. In 1997 at the beginning of the financial crisis, the annual growth rate measured in GDP was still 4.7%, but in the middle of the crisis, the South Korean economy sized down with a negative growth of 6.9% (The World Bank, 2012).

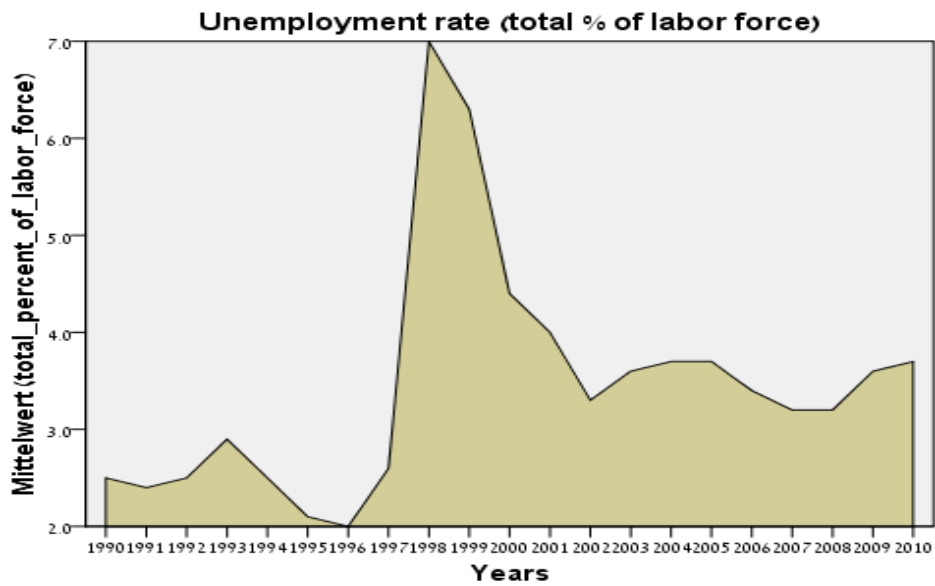
Figure 4: GDP growth rate of South Korea



Source: The World Bank (2012)

Despite the disastrous financial dimension of the East Asian financial crisis, the crisis had impacts on economic and on social dimensions as well. In December 1997, Kim Dae Jung became the new president in a period in which the Korean national currency was declining. But along with the inauguration of Kim Dae Jung and the IMF pressure for austerity, a couple of economic and social welfare reforms took place. Kim Dae Jung aligned his policies to the conditions of the International Monetary Fund (IMF). The conditions of the IMF fostered austerity policies in South Korea since the conditions of the IMF had to be fulfilled by the Korean government to get a loan of the IMF. The IMF announced to spend 57 billion dollar to help South Korea to get out of the crisis. The aid in form of a 10 billion dollar in advance was made possible by the IMF in communication with the G-7 in December 1997 to encounter mistakes in short-term loans. The provision of loans, as mentioned before, was bound to conditions set by the IMF. One condition entails a mass layoff to stimulate economic growth. After discussions in January between labor unions on the one side and business and government leaders on the other side, both sides decides to create legislation to follow the demands of the IMF. The legislation was ratified in the same month by the National Assembly. Along with the introduction of mass layoffs, people demonstrated against the rising unemployment and thus the rise in poverty (PBS, 2012). The pre-crisis situation on unemployment was characterized by a low record of unemployment. According to data from the World Bank (2012), in 1997, the beginning of the Korean crisis, the unemployment rate was still moderate at 2.6% of the total labor force of Korea. In 1998, the unemployment rate skyrocketed to 7% and even a year later, the unemployment rate was at 6.3% (figure 5).

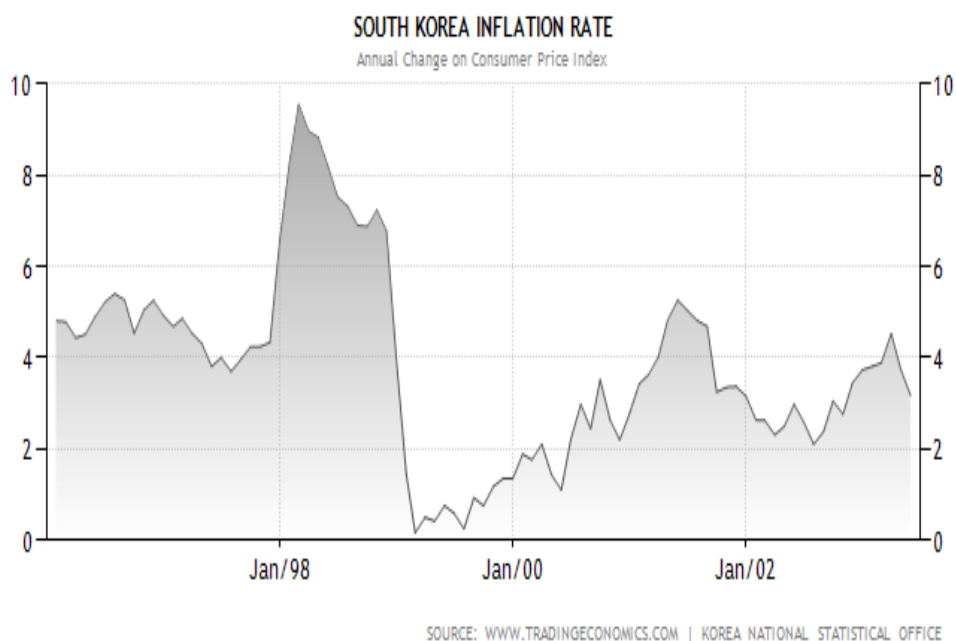
Figure 5: Total Unemployment rate of South Korea



Source: The World Bank (2012)

Additionally to the high unemployment rate and devaluation of the Korean won, which made the Korean currency weak in comparison with other currencies, there was a huge inflation in the years 1997 until 1999 (see figure 6) that exacerbate the social situation.

Figure 6: South Korean Inflation rate



Source: Trading Economics (2012)

According to Gough et al. (2004), the East Asian financial crisis in 1997 disclosed the insufficient financial saving buffers, in the public and private sector, so that the crisis had a huge impact on the countries. Due to the fast recovery and the unusual response to the crisis, he regards South Korea as the "paradigm case" (Gough et al., 2004, p.299).

The aid of the IMF and the strict commitment of the Korean government seem to be possible sources of the fast recovery of South Korea. The economic recovery of South Korea and other states like Japan, Hong Kong, Singapore and Taiwan is known as the "East Asian miracle". It is called a miracle since all those states achieved high growth rates whereas the most states in East Asia were still suffering from recession.

To summarize the Asian financial crisis, it is to say that the Asian financial crisis affected many states inside of Asia and also outside of Asia. The impacts of the crisis were present on the economic, financial, political and social dimension. The devaluation of the Thai baht marked the beginning of the crisis, which affected other currencies in the region and led to a domino effect. As a rescue to the financial break-down in Asia, the IMF stepped in with the promise of loans. But these loans were bound to economic reforms elaborated by the IMF. South Korea also asked for assistance by the IMF and had to accept the imposed economic reforms, which caused high unemployment rates and social injustice.

4. Expectations on a possible shift of the South Korea's welfare regime

As mentioned earlier, the research on social policy and welfare distinguishes between different regime types related to the European model of welfare and the East Asian model of welfare. As seen from discussions in literature, the Asian productivist regime is regarded as having a developing state status. But the developmental status and the relationship between the three regimes of Esping-Andersen (1990) and the productivist regime of Holliday (2000) were always in the state of discussion. Thus, the approach of categorizing East Asian states into Esping-Andersen's welfare models is not new. In 1997, Ku argued that Taiwan can be integrated into the conservative welfare regime since it shares significant features of the regime type. Similar results were found in Esping-Andersen's study on the Japanese case, but he points out that Japan seems to be a hybrid between the conservative regime and the liberal regime. In contrast to those studies, Kwon (1999) who did a study on South Korea made up three points why South Korea is distinct to the conservative regime. This was the state until 1999. As can be drawn from the post-crisis management of South Korea, Korea's welfare regime is supposed to shift in two possible directions. First, on the basis of the austerity reforms demanded by the IMF, South Korea could have cut their engagement in developing social welfare. Therefore, the South Korean welfare regime is expected to shift towards a more market-oriented model. The model that grants only minimal social rights called the liberal regime. For the shift towards the liberal regime, I expect that state welfare is not going to rise since social policies are kept to a minimum. The private sector thus would provide social welfare in this regime. Enterprise welfare is assumed to be low since companies are more economy-oriented/profit-oriented due to the favoring of the market within the liberal regime. Therefore, the social burden is expected to be carried mainly by the family.

Hypothesis No.1: The South Korean welfare mix has shifted towards favoring the market and thus point towards the liberal regime.

Secondly, the welfare regime in South Korea could also shift into the direction of the conservative welfare model since the Korean government introduced a package of social policies during and after the financial crisis, although, the social policies that were introduced could have been also a tool to avoid further social unrest due to the economic reforms imposed by the IMF. For a shift towards the conservative regime, I expect that based on the characteristics of the conservative regime, social rights are about to expand and consequently state welfare would increase.

Hypothesis No.2: The South Korean welfare has shifted towards more social welfare and directs therefore towards the conservative regime.

Nevertheless, both shifts would mean a transition away from a developmental welfare state towards a “real” welfare state and away from the productivist towards the liberal or conservative regime regardless of the motivation of the introduction of the social policies. In this context, a real welfare state relates to the European welfare model since the state is actively involved and the central institution of providing welfare.

5. Analytical framework

In this chapter, I lay out the analytical tools for the analysis of the South Korean welfare mix. The analytical framework entails the research question, the conceptions and how those concepts are measured, the method used for analyzing the welfare mix and furthermore, I will touch upon the issue of what kind of data will be used.

5.1. Research Question

The research question of this study is: To what extent did the South Korean welfare mix shift from the productivist regime after the Asian financial crisis in 1997?

5.2. Conceptualization and Operationalisation

The relationship between the state, the market (enterprise) and the family posing the third criterion of the original criteria of Esping-Andersen is referred to in the current literature on welfare states as the welfare mix. Based on the conception of social policy of Marshall (1998), I categorize state welfare, enterprise welfare and family-based welfare into the distinct categories of Education and Health care (p.619). There are other fields of policies, such as housing and Social security that could be theoretically applied in this framework, but these will be left out due to the reason that no suitable data can be found on these issues. This subdivision should have an additional structural effect on the analysis. Table 3 shows an overview of measuring the three types of the Korean welfare mix by areas of social policy.

Table 3: Overview of the variables

	Social policy	Social policy
Kind of welfare	Education	Health care
State welfare	- Public social expenditure in % of GDP	- Public social expenditure in % of GDP
Enterprise welfare	- social contributions of enterprises	- private health expenditure
Family-based welfare	- private household expenditures on education	- out-of-pocket health spending

Source: own work

State welfare is a public source of welfare, whereas on the contrary, enterprise welfare and family-based welfare constitute the private sector in this research. State welfare is provided by governmental institutions. Enterprise welfare is provided by (larger) companies to the recipients. Enterprise welfare is conceptualized by Gough et al. (2004) as “non-statutory welfare provided by firms, especially larger firms, can include severance pay, housing benefits assistance with the costs of weddings, births and funerals, and (a fast growing area) assistance with private education expenses and fees” (p. 176). Additionally, in the book of Gough et al. (2004), it is argued more broadly that “state welfare is constituted by governmental social-economic policies as on income distribution; enterprise welfare is based on the enterprise social benefits, employment protection and seniority wages” (p.184). The third component of the North East Asian welfare mix, the family-based welfare, is referred by many scholars to be rooted in Confucianism. The family-based welfare means that the two or more generations living in one household enjoy equal living standards through a kind of income pooling. As resulting by the study of Rieger and Leibfried (2003), three components of the welfare mix in Northeast Asia are related and dependent on each other (p. 261). As the term “family-based welfare” suggests, this private source of welfare is provided by close and extended family members.

The issue of education with regard to state welfare will be measured by public social expenditure on education in % of GDP. Enterprise welfare on education will be measured by social contributions of enterprises, which “include social security contributions by employees, employers, and self-employed individuals, and other contributions whose source cannot be determined. They also include actual or imputed contributions to social insurance schemes operated by governments” (Trading Economics, 2012). The family-based welfare will be assessed by the private household expenditures on education in thousands of won.

On the issue of health care, state welfare will be measured by the public social expenditures on health care in % of GDP. Enterprise welfare will embrace private health expenditure. As

mentioned by Rieger and Leibfried (2003), the different welfare sources are sometimes intertwined. Since that is the case, I use the OECD measurement (SOCX) of private health expenditures, because it captures company contributions towards health care as well. Nevertheless, I will analyze the private health only in the section of enterprise welfare. With regard to family-based welfare on health care, out-of-pocket health spending will be considered.

As mentioned above, I expect either a shift towards the liberal regime or the conservative regime. To indicate a shift, certain guidelines have to be met. Based on the characteristics described by Esping-Andersen (1990), the liberal regime grants social policies to certain extent. Consequently, steady increase in social rights and social spending, state social spending and overall social spending, points to an expansion of social welfare. But this would be contrary to the characteristics of the liberal regime of Esping-Andersen and points towards the conservative regime. It is not expected to shift towards the social-democratic regime due to the fact that this regime type would require “universal benefits” (Holliday, 2000, p.709). A decrease in the private sector is expected parallel to the increase of public social spending for the conservative regime. To regard a shift away from the productivist regime, I draw a conclusion especially on the Asian crisis period since welfare is assumed to be linked to the economic performance. Thus, if the social spending rose during the economic downturn of the Asian financial crisis, it indicates that social spending in Korea seems to be independent of the economic performance.

5.3. Methods

Since I want to observe the welfare of South Korea from 1990 until the most recent found data on a yearly basis, a longitudinal research design is applicable. Therefore, I will use a trend study to regard a possible shift towards the liberal or the conservative regime.

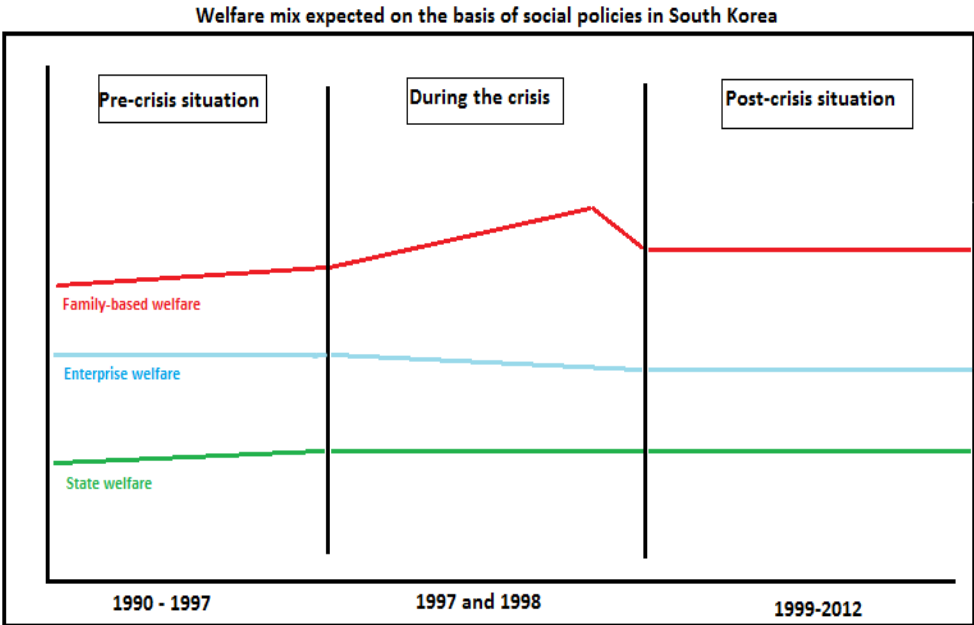
5.4. Data

Data on the welfare mix of South Korea is hard to find. Due to the fact that there is too little data on the branches of Housing and Social security, I will leave this out in my analysis. The data will be collected from for instance, South Korean governmental institutions such as Kostat or the Ministry of Health and Welfare and international organizations like the OECD or the UNESCO. It will include quantitative and qualitative data, whereas quantitative data will be used most frequently. To structure the study, some sections of the analysis are subdivided into a pre-crisis situation, during the crisis and a post-crisis situation. Furthermore, the data will be presented in figures predominantly made with SPSS for a better overview of the data in the analytical process.

6. Social policies in South Korea in relation to the welfare mix

Figure 7 is a graphical visualization of hypothesis 1, in which a shift towards the liberal regime is expected. As the figure suggests, family-based welfare will increase until the end of the crisis years, because it is known from Gough et al. (2004) that the family savings were not sufficient. Therefore, a drop is expected followed by a very slight increase in the post-crisis situation. Enterprise welfare is expected to fall even in the pre-crisis since the economy was already in a slow down and will fall during the crisis more rapidly since the crash of the national economy. In the pre-crisis situation, enterprise welfare is expected to kind of stagnate at a certain level. With regard to state welfare, I expect that in the pre-crisis situation, state welfare increased slightly to provide a minimum of social rights. But during the crisis and in the aftermath of the crisis, state welfare remains at the minimum level of social welfare and focused to recover the national economy.

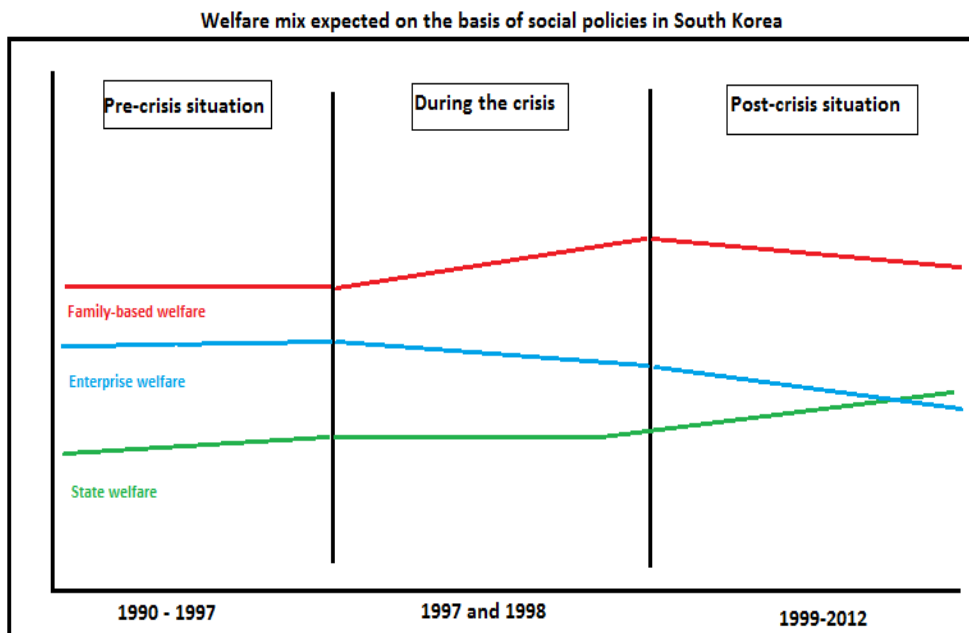
Figure 7: Expected welfare mix on social policy of South Korea for hypothesis 1



Source: own work

In contrast, a shift towards the conservative regime (hypothesis 2) would imply that family-based welfare would be in stagnation in the pre-crisis situation, but increased rapidly during the crisis due to the absence of actions from the state. In the after-crisis situation, family-based welfare is expected to decrease based on new implemented social policies. Enterprise welfare increased slightly in the pre-crisis situation. During the crisis, enterprise welfare decreased sharply as a consequence of the economic downturn and decreased further in the post-crisis situation due to social policy reforms. State welfare increased over time due to the social policy reforms, but during the crisis, except at the end of the crisis, state welfare stagnated on social policies. This could have to with the guidelines of the IMF or with its efforts to help to recover the national economy.

Figure 8: Expected welfare mix on social policy of South Korea for hypothesis 2



Source: own work

The Pre-crisis situation

In 1953, the end of the Korean War, North and South Korea separated each other and two states with contradictory ideologies were established. The Republic of Korea was an autocratic regime from 1960 until 1987 with a strong emphasis on the military. Among the rule of the military dictatorships in South Korea, only a few steps towards a social system were approached. The military regime introduced a social welfare program, the so-called Industrial Accident Insurance in 1963. In 1969, a Public assistance program was launched by the government. Health care was also an issue in the early 1960s. All in all, "Four social insurance programs, one social assistance program, the Minimum Living Standard Guarantee, and three public pensions programs for special categories of people such as civil servants, private school teachers and military personnel" were established (Kwon, 2007).

The motive of introducing social policies by the non-democratic government seems to be a legitimacy of the regime as is mentioned by Marion Eggert and Jörg Plassen (2005). The view of Eggert and Plassen (2005) is based on the fact that between the end of the Korean War and the introduction of a democracy in 1987, South Korea was in turbulent times, because many coup d'états and a weak democratic opposition, which marked that period, created an unstable environment. Using social policies as an instrument to legitimate the regime and to please social unrest among the South Korean population corresponds with the theoretical frame of productivist regimes to set the economic development as the priority of state. After social pressure of students and the cultural elite, the military regime under Chun promised adjustments and since 1987, South Korea called itself a democracy, even so the power was still in the hands the former military Roh Tae Woo, because the democratic opposition represented by Kim Young Sam and Kim Dae-Jung could not agree who runs the election

according to Eggert and Plassen (2005). In 1977, the health care system was expanded by the Medical Assistance and the Medical insurance program. A reform that was introduced in the beginning of the young democracy in 1989 was the universal medical insurance plan, which achieved a great coverage of the Korean citizens (GLIN, 1999).

With regard to the education policies, the Korean Ministry of Education, Science and Technology (MEST) notes that the pre-crisis situation can be divided into two phases, the “Quantitative Expansion” phase and the “Qualitative Development” phase (MEST, n.d.). The “Quantitative Expansion” phase marked the 1960s and the 1970s and show efforts of the government to expand the facilities of educational institutions embracing to increase the number of teachers and to create more study places. The second phase, which took place in the 1980s, was intended to increase the quality of the Korean educational system. According to the MEST (n.d.), this phase entails the establishment of the Social Education Act from 1982 and the Special Education Promotion Act from 1977.

In sum, the welfare mix in the pre-crisis situation was marked by a low commitment of state welfare and a stronger reliance of enterprise and family-based welfare. The role of enterprise welfare in South Korea was highlighted by Holliday (2000, p.197). Nevertheless, the position of state welfare was strengthened over time by social policy reforms in the pre-crisis situation.

During the crisis

As mentioned above, South Korea was running short of finances and the financial vaccination of the IMF was linked to structural reforms of the economic sector. Since the demand of South Korea to get financial support from the IMF, South Korea had to deal with the situation that the IMF had huge influence on the government actions. Therefore, during the East Asian financial crisis and after the crisis, South Korean policies had to be in accordance with the targets set by the IMF. The IMF was responsible to resurrect Korea’s economy under all circumstances. Along with the IMF economic reforms, the new elected government of Kim Dae Jung prepared an education policy package that was launched in 1998 and further social policies on health care and social security that kept down further social unrests. The education package included the Higher Education Act, Basic Education Act, Primary and Secondary Education Act and the Framework Act on Education (see Annex for further details). With regard to health care, regional insurance association existed and in 1998, some of them unified (NHIC, 2010). During the crisis, enterprises were in trouble due to the recession introduced by the currency devaluations, the social spending of enterprises were supposed to go down. Instead due to the reason that social unrests came up, family-based welfare has taken the greatest burden of the crisis. The introduction of the social policies under Kim Dae Jung is assumed to lead to the relief of the Korean families and pointed towards the commitment of the Korean government to increase state welfare.

In sum, state welfare developed towards more social rights and to more social spending, whereas the private sector was hit hard by the financial crisis. Thus, in contrast to the pre-crisis situation the private sector was balanced by more public involvement.

Post-crisis situation

Under the pressure of the East Asian financial crisis in 1997/98, the South Korean government under Kim Dae-Jung introduced a couple of social policy packages already during and within the aftermath of the East Asian financial crisis. Due to such an unusual response for an Asian country, South Korea is identified as an outstanding case with regard to the extension of social policy initiatives even after the crisis, whereas other countries limited their extensions of social policies (Gough, 2004, pp. 21). The status of South Korea as an unusual case is mentioned as well in the research of Kwon and Holliday (2007). The Japanese Ministry of Health and Welfare released information on the social security system in South Korea. The ministry argues that in South Korea there exist three kinds of social welfare. These are “social insurance, public assistance and social welfare programs” (Ministry of Health and Welfare, 2012). Increased social spending by the government is also subject for public discussion on a Korean welfare state. According to The Korea Herald (2012), Korean politics in 2011 were marked by an ideological struggle on social welfare, whether to enlarge social policies or limit social policies (Power, 2012). As mentioned by Gough et al. (2004), these social policies of the Kim Dae Jung government consist of “public social protection systems, which are not unlike those in Western Europe” (p.299). Additionally to these social policies, Lee (2005) notes that Kim Dae Jung incorporated a so-called productive welfare pillar next to democracy and market economy, which are important pillars of the South Korean state. But due to nearly alike terms, it is important not to mix up the productive welfare pillar and the productivist welfare regime. The productive welfare pillar as meant by Dae Jung inherit the aims to “expand welfare reforms and to increase social expenditure” (Lee, 2005, p.1). In the regime type of Holliday (2000), social policy was subordinate to economic growth and thus social reforms were nearly non-existent since the family was central in caring for their well-being. The new approach by the government of Kim Dae Jung is regarded by Lee (2005) as a commitment to develop into a welfare state (p.2).

In 1999, the Korean government introduced the National Basic Livelihood Security System (NBLSS) that guaranteed that every citizen has a right to receive social welfare (Kim, 2009). The reforms of the Kim government pointed in the direction to establish a social safety net. This view is supported by Jung and Shin (2002), who ascribed the National Basic Livelihood Security System a “key role” in the creation of a social safety net (p.280). The BLS is a state-financed program that intends to help the poorest people not to fall beyond the social baseline. Thus, with regard to the welfare mix, the state seems to begin to spend some money on social security. But due to the fact that the eligibility criteria of the program are quite strict, the expenditures are relatively low. Instead, the current system aims to focus on the family as a provider of social security. The proof can be regarded in the amount of special rules for eligibility; in which (close) relatives are in duty to provide assistance for the persons who need to be supported first and only if those are not able to support the person, the BLS is applied (Ministry of health and welfare, 2012). In contrast to the public assistance programs, the health care policies match a universal coverage of the people. This is at least true on the paper, but as Kwon Soon-man, a professor at the School of Public Health at Seoul National University, explained in The Korea Herald (2012), “About 30 or 40 percent of health care expenditure is borne by individuals from out of pocket” (Power, 2012). In 1998, different

regional insurance associations begin to unify and reached full integration in 2000, where the National Health Insurance Company (NHIC) was found. The NHIC acts as a single provider on the national level. In 1999, the National Health Insurance Act was launched, which set up a national insurance scheme. In 2002, the Special Act of Sound Finance of National Health Insurance was introduced to set up a committee and guidelines for government subsidy. A year later in 2003, the financial integration in relation to the formation of the National Health Insurance Company took place. In 2007, the government had to make modifications to the National Health Insurance Act since the Special Act of Sound Finance of National Health Insurance was running out. In 2008, a long-term care policy for the elderly was launched. This policy was intended to decrease costs and to disburden families. The latest social policy on health care was introduced in 2011. The policy embraces a “unified collection of major social insurance fees” (NHIC, 2010). With regard to education policies in the post-crisis situation, the Lifelong Education Act was enacted in 1999, which promoted post-school education.

In sum, within the crisis years and after the crisis, the introduction of social policies on education and health care were huge in relation to the pre-crisis situation. Therefore, state welfare seems to increase due to new social policies and to the changed attitude manifested in the productive pillar to invest more into the Korean welfare system.

7. Quantitative analysis of the welfare mix

In relation to the productivist welfare regime type, the literature indicated that a unique characteristic of the Northeast Asian welfare system is a special mix of welfare (Kwon, 1998, Jacobs, 1998 and Esping-Andersen, 1997).

A welfare mix is a country-specific or regional composition of sources providing welfare. The sources of welfare spending are public (state), private (family) or provided by enterprises (market). As outlined by Gough (2004) and as a result of the study of Jacobs (2000), a welfare mix is different from country to country. Jacobs (2000) described in his study, “Low public expenditure on social welfare: Do East Asian countries have a secret?” that Asian countries spend less on public expenditures than their European counterparts. This is also true for South Korea according to Jacobs (2000). Furthermore, he identifies the family as a huge provider of welfare in South Korea (Jacobs, 2000, p.13). But is this picture still valid?

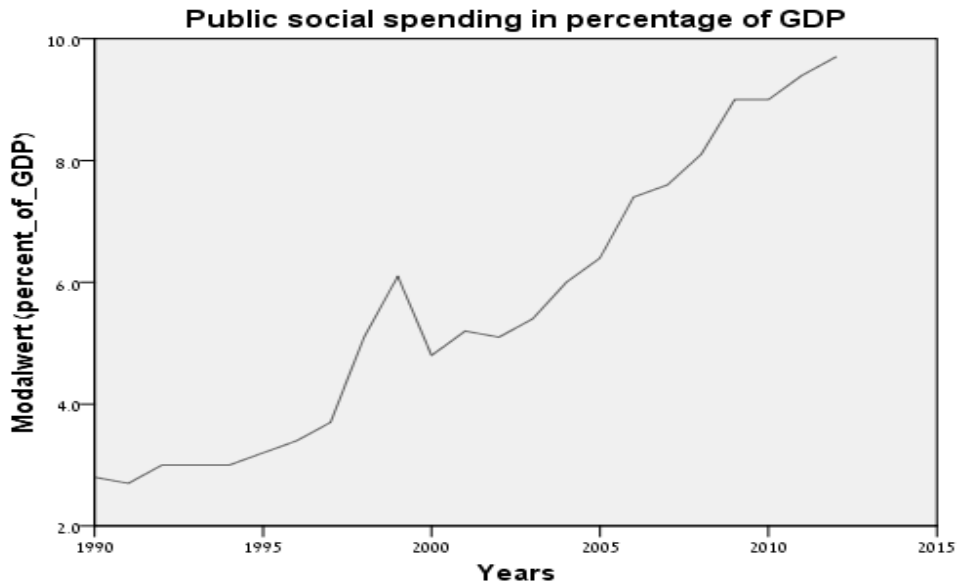
Table 4: Public social spending in percentage of GDP

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
2.8	2.7	3.0	3.0	3.0	3.2	3.4	3.7	5.1	6.1	4.8	5.2	5.1	5.4
2004	2005	2006	2007	2008	2009	2010	2011	2012					
6.0	6.4	7.4	7.6	8.1	9.0	9.0	9.4	9.7					

Source: Data from SOCX database (2011)

Note: 2008-2012 are only projections

Figure 8: Public social spending in percentage of GDP



Source: Data from SOCX database (2011)

Note: 2008-2012 are only projections

According to data of the OECD, the public social spending in South Korea in 1990 were at 2.8% of the GDP, the public social spending rose rapidly, despite a short break of the increase in 2000 until 2002, and reached in 2007, 7.6% of the GDP. Within the time frame of 1990 and 2007, the public social spending has more than doubled and prognoses show a trend of further increase of public social spending. Thus the overall welfare provided by the state is rising in the general pattern. The data from the OECD on public social spending is only estimated for the years 2008 until 2012.

As outlined in the theoretical part, I examine the welfare mix of South Korea by the three characteristics of state welfare, enterprise welfare and family-based welfare on education and health care.

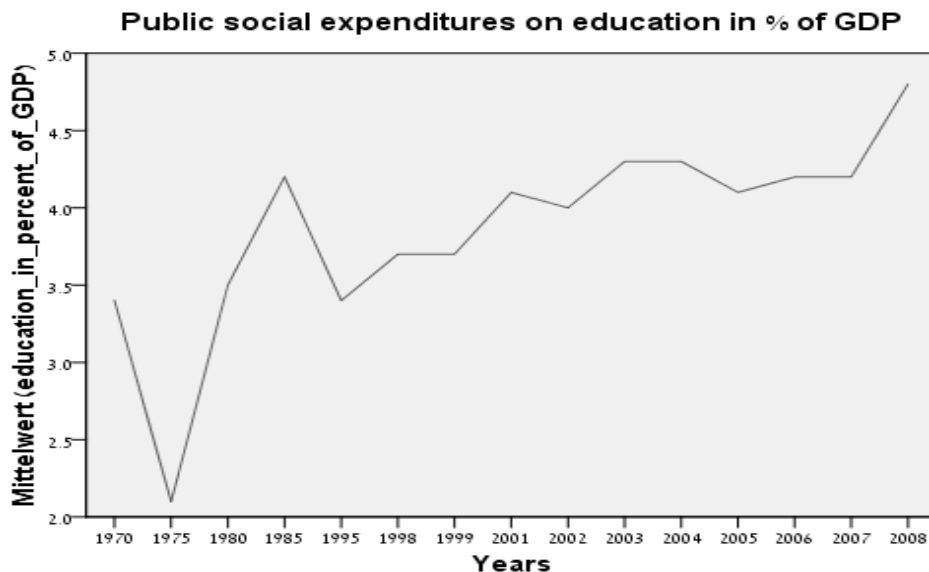
7.1. Education

7.1.1 State welfare

The public spending on education measured in percent of GDP reached 3.4% in 1970. In 1975, the spending dropped by 1.3%. Until 1995, the expenditures on education in % of GDP rose. A peak in the pre-crisis situation was reached in 1985. The Special Education Promotion Act launched in 1977 and the Social Education Act introduced in 1982 could have caused the increase of the public social spending. The expenses fell by 0.8% of GDP from 1985 to 1995. Even so the Kim Dae Jung government launched the Basic Education Act and the Higher Education Act in 1998, the percentage of GDP on education rose until it stagnated in the years 1998 and 1999 by 3.7%. But as mentioned in the section on the financial crisis in South Korea, Korea was still in crisis. In 1999, the Korean government introduced the Lifelong

Education Act and prepared a Framework Act on Education. In the followed years, until 2003, the % of GDP rose slightly and fell slightly again. Then it increased and stagnated on 4.3% in the years 2003 and 2004. In 2005, the % of GDP on education dropped by 0.2%. Since 2005, the percentage of GDP on education rose steadily. As can be seen from the figure, the overall trend is positive with a peak in 1985 in the pre-crisis situation.

Figure 10: Public social expenditure on education (in % of GDP)

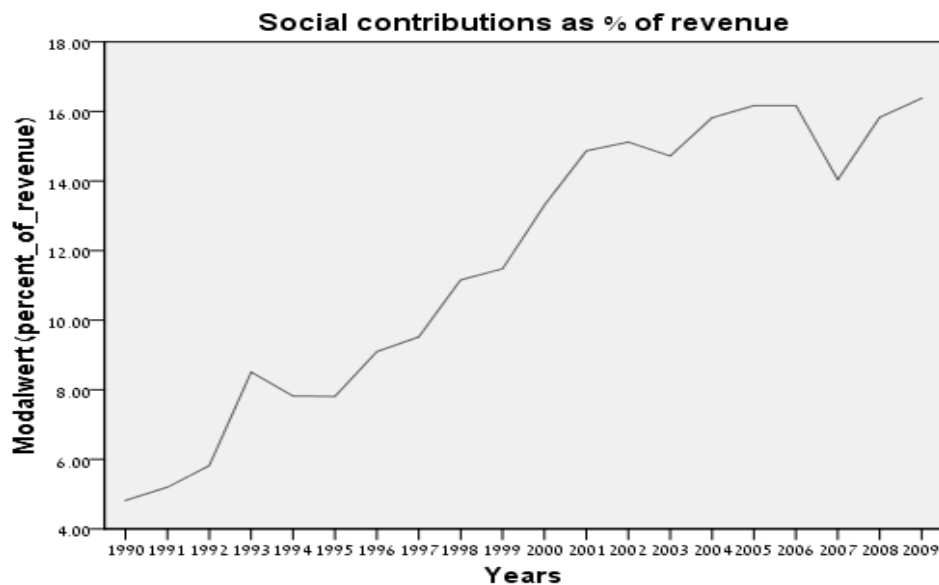


Source: Encyclopedia of the Nations (2011)

7.1.2. Enterprise welfare

The social contribution provided by enterprises was 4.82% of the revenue of enterprises in 1990. Social contributions rose until the year 1993, where it achieved a percentage of 8.51 of the enterprise revenue. From the year 1993, social contributions declined until the year 1996, where the percentage was 9.1% in contrast to the year before, where the social contributions were 7.81%. During the crisis, social contributions of enterprises reached levels of 9.52% in 1997 and 11.16% in 1998. Thus, it seems that the enterprise welfare spending was quite resistant to the Asian financial crisis on the issue of education. Despite a slight drop from the year 2002 to 2003, social contributions show a trend towards more spending by enterprises until 2006. The year 2007 is also marked by decline in social contributions. But this time, the decrease was around 2%. The year after was already marked again by spending more percent of the revenue by enterprises. In 2009, social contributions made up 16.38% of company revenues and therefore exceeded the value of percentage of 1990 by more than three times. As can be seen in the graph below, social contributions rose over time despite some declines in the short-term.

Figure 15: Social contributions



Source: Trading Economics (2012)

7.1.3. Family-based welfare

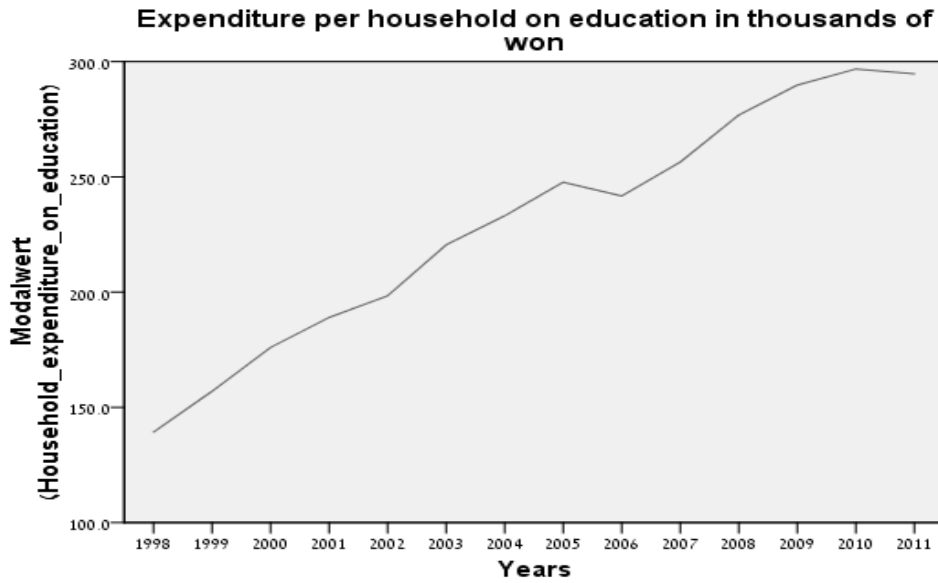
The private expenditure on education was 139.3 thousand won in 1998. The private expenditures per households more than doubled in 2011 in comparison to the expenditures in 1998. Despite the efforts of the government to improve education, the household spending did not show reactions on the new introduced policies and rose drastically. The private expenditures were steadily rising despite slight drops in expenditures in 2006 and 2011. Especially in the post-crisis years from 1999 until 2003, increases in expenditures were immense. The figure show that especially in the period from 1998 until 2005, the rise in household spending on education was almost linear.

As the Chinese newspaper “People’s daily” reported in 2008, the Bank of Korea (BOK) announced that the private spending on education rose remarkably and steady, despite the years of the East Asian crisis in 1997/98 (People’s Daily, 2008).

With regard to the excessive spending on education from households, the Bank of Korea declared in 2009, that there is too much attention paid on the issues of education and medical services. The director of the BOK explained that the focus on those two issues is hampering the Korean economy since those two industries are not related to other industries and thus there would not be a spillover effect (The China Post, 2009).

Therefore, the growth in the “private education industry” poses a problem to South Korean welfare. The criticism of the BOK seems to be the wake-up call for the Korean state to refocus private spending. As mentioned in the Korean Times, “The government seeks to cut tuition from the current levels by 30 percent by 2014” (Na, 2011).

Figure 17: Expenditure per household on education



Source: Korean Statistic Bureau (2012)

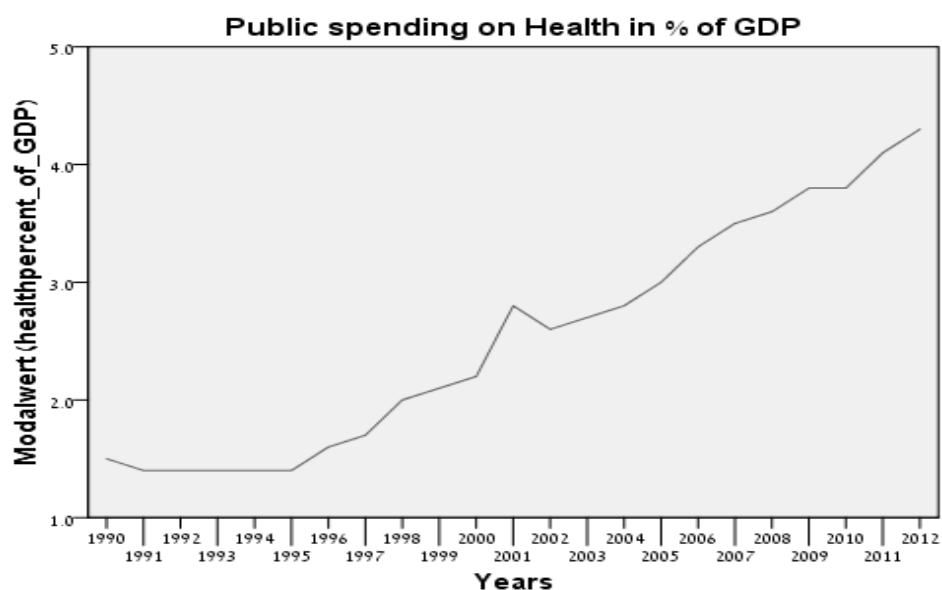
7.2. Health care

7.2.1. State welfare

As mentioned above, the Korean government already focused on health care policies in the 1960s. In 1977, two reforms of the health care system took place, namely the Medical Assistance program and the Medical Insurance program. In line with the developmental-universalist regime, the Korean health care system aimed universal coverage with the introduction of the National health insurance plan. Due to the development of the health system, the state spent more percent of GDP on health.

With regard to public health expenditure, the government spent 1.5% of the GDP on health in 1990. In the followed years, the portion of percentage of GDP spent decreased by 0.1% and stagnated until 1996, in which the expenses rose to 1.6% of the GDP. During the crisis, the public expenses on health increased in 1997 to 1.7% and 1998 to 2.0%. In the first post-crisis years, the public health expenditure rose steadily to 2.8% of the GDP in 2001. Despite the year 2002, in which the spending decreased slightly, the public health expenditure increased. Since 1999, the public health expenditure was supposed to more than double in 2012. Thus, the public health expenditure shows a nearly linear rise over the years from 1990 to 2012.

Figure 11: Public spending on Health



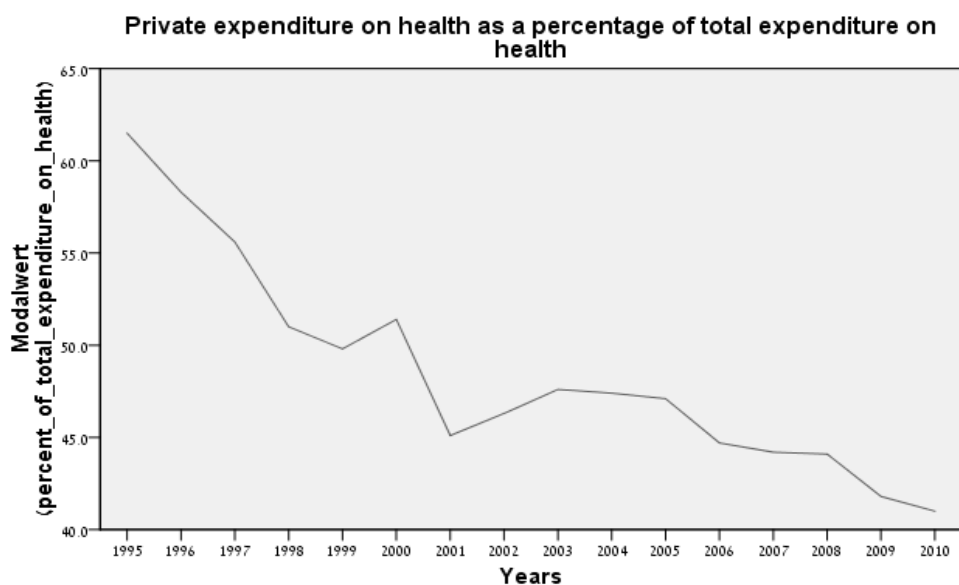
Source: Data from SOCX database (2011)

Note: 2008-2012 are only projections

7.2.2. Enterprise welfare

The private expenditure on health made up 61.5% in 1995. The private expenditure on health decreased annually until 2000, where it reached 51.4% compared to 49.8% in 1999. The statistics thus show a declining figure that already directed to the Asian financial crisis. After a decline in 2001, private expenditure rose again to 46.3% in 2002 and 47.6% in 2003. From 2003 on private expenditure on health declined steadily and reached 41% in 2008. Private health spending broke in a few years after the Asian financial crisis and show tendencies of a further decrease.

Figure 18: Private expenditure on Health

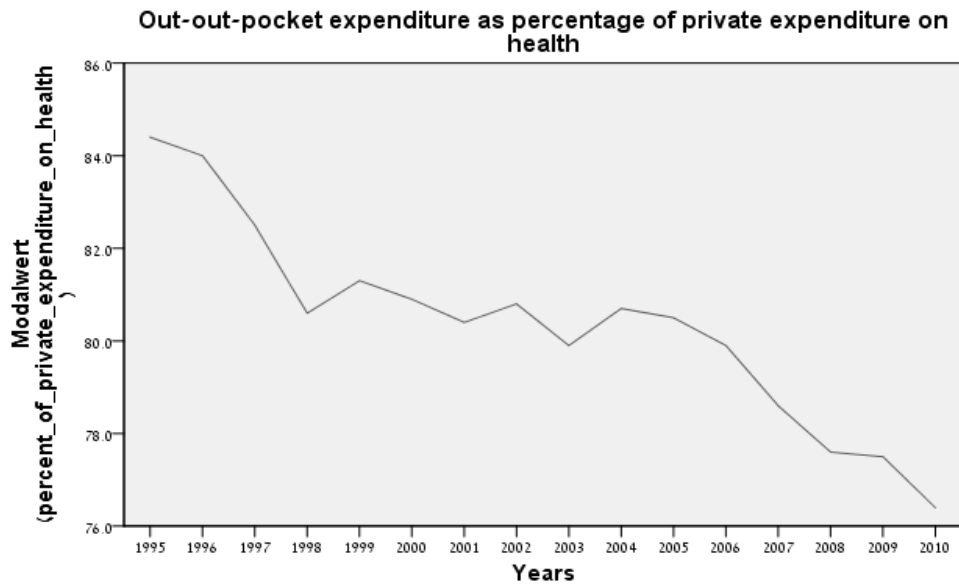


Source: WHO (2011)

7.2.3. Family-based welfare

The out-of-pocket expenditure on health reached 84.4% in 1995. The percentage of spending declined over the crisis years to 80.6% in 1998. Shortly after the crisis in 1999, the out-of-pocket expenditure rose a bit to 81.3% followed by a decline the years 2000 and 2001. Despite a rise in 2002 by 0.4% compared to the year before, the out-of-pocket expenditure declined again in 2003 to 79.9%. Since 2004, in which the out-of-pocket expenditure reached 80.7%, the trend directs to a decline of out-of-pocket expenditure on health. The overall decline in the out-of-pocket expenditure on health could be traced back on the development towards a universal health care system.

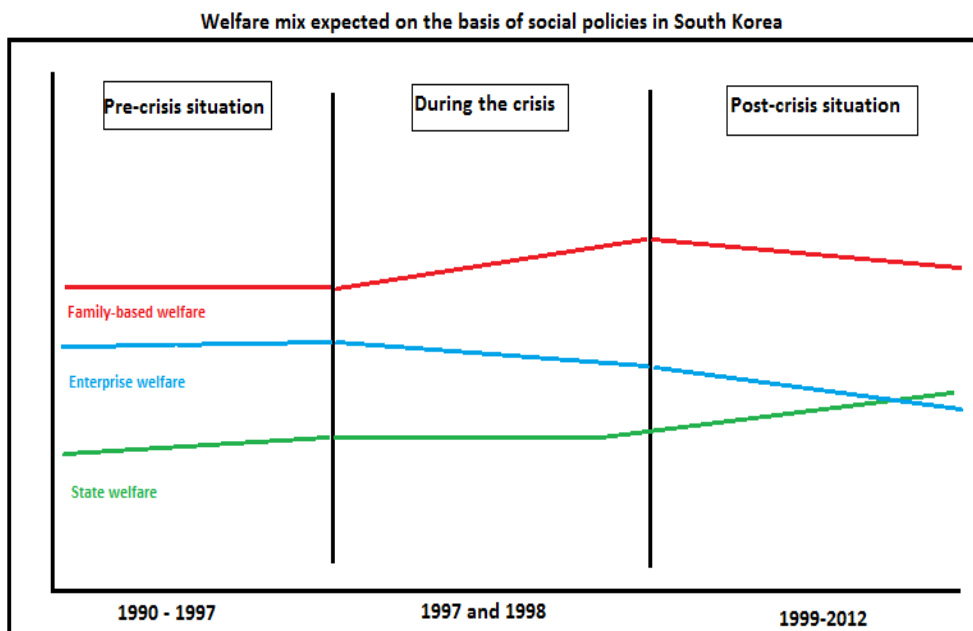
Figure 19: Out-of-pocket expenditure



Source: WHO (2011)

8. Reflection on the hypotheses

Replication of figure 8:



Source: own work

Social policy was granted only a subordinated role until the 1980s and 1990s, where the South Korean government took action on expanding the role of social policy (Korea.net, 2012). The strengthened role of social policy enhanced the structure of social welfare due to modifications on social security. The added value on social policies could have been also a

result by the IMF conditions during the Asian financial crisis. The succeeding governments after Kim Dae Jung followed the path of social welfare. But the increase of social policies led also to a discussion in the Korean Parliament, whether South Korea should go further the road towards a welfare state. Efforts to enlarge social policies are present and therefore, the relationship between social policies and economic policies approaches an equal standing, which would point to the liberal and conservative regime.

As pre-conditions of Esping-Andersen's theory on welfare states (regimes), capitalism and democracy were essential for the welfare regimes. Capitalism in South Korea aroused in South Korea under the military regime and in the late 1980's South Korea became democratic. Based on Esping-Andersen's theory, after these achievements, South Korea is able to become a welfare state and thus can be categorized into one of the three regimes. A shift away from the productivist welfare regime was already taken by "going down the welfare road" and the public discussion whether to expand welfare or not (Power, 2012). Furthermore, the official website of the Republic of Korea points out that social welfare came up in the late 1980s and since then it strengthened its position as a policy objective (Korea.net, 2012). In the beginnings of social policy research on Korea, South Korea was known to spend low ratio on social issues. Even so in comparison with European countries and other OECD countries this is still the case, Korea more than quadrupled their public social expenditures since 1990. Therefore, to test the direction of a possible shift, I first recall the two hypotheses.

Hypothesis No.1: The South Korean welfare mix could have shifted towards favoring the market and thus point towards the liberal regime.

Hypothesis No.2: The South Korean welfare could have shifted towards more social welfare and directs therefore towards the conservative regime.

With regard to education, the government introduced a couple of Acts bounded in the education package of 1998 in the aftermath of the crisis. Nevertheless, the household spending on education continued by each year despite the crisis years and poses the problem that too much is spent on education. Enterprises also increase their expenditures on education since the education costs increased too. Public expenditures on education in % of GDP also rose until 2008.

In health care, the government developed a functioning health system with a universal coverage. The state increased the public expenditures on health, whereas enterprises and the families spent less. Especially, shortly before and during the financial crisis, enterprise welfare and family-based welfare on health care declined steadily.

State welfare in South Korea increased in education and health care due to the increase of social welfare in South Korea and its social policies. Enterprise welfare is increasingly important in education, but lost importance in health care. The same pattern as for enterprise welfare can be drawn for the family-based welfare.

In relation to the hypotheses, the welfare mix in South Korea shows a trend towards more public social spending. The private welfare sources, enterprise welfare and family-based welfare, increased their expenditures on education, but decreased the expenditures for health care. Remarkably is that despite the Asian financial crisis, the Korean public expenditure on

health care increased, whereas enterprise welfare and family-based welfare denoted a drop in the same time. The increase of state expenditure during the crisis is surprisingly since the Korean state found itself in financial troubles and in 1998 it was bound to the guidelines of the IMF, which limited the range of policy actions. But despite the IMF guidelines, the Korean government implemented the state social assistance scheme that could have had an effect on the spending of the private sector. Furthermore, even in the state of crisis and a dropping economic performance, increases in public education and health care expenditures were observed. Additionally, the National Basic Livelihood Security system has been highlighted as the key element for the creation of a social security net by Jung and Shin (2002). The reasons for the shift towards more public expenditure could rely on rising costs for the education and for medical services, a shift in the government attitude towards social policies, due to the implemented reforms that has been noted earlier or for instance derive from demographic reasons. But even so I cannot explain the reasons of the shift since this study is descriptive, I can nevertheless constitute that a shift took place. Thus, the system shifted away from the productivist regime due to the fact that the overall social expenditure and state welfare expenditures increased during the financial crisis and consequently is not linked to the economic performance. Moreover, the liberal regime is characterized as granting only basic social services and a rise in social expenditures seems to be against the liberal characteristics. Since there is an expansion in state welfare on education and health care, the Korean welfare mix seems to shift from the productivist regime towards the conservative regime as pointed out in the 2nd hypothesis. The replication of figure 8 reflects the outcome of the post-welfare mix on health care perfectly in contrast to education on which all welfare sources increased. But figure 8 poses the expectation on the overall welfare mix according to the conservative regime. Furthermore, the figure is an ideal of the conservative welfare mix.

9. Conclusion

In general, the South Korean welfare development started quite late in comparison to the welfare system development in Europe and the United States of America. But recent social policies especially in the branches of health care and social security programs contribute to the development of the Korean social security net. As described in the literature, South Korea's private sector has been the main provider of welfare for decades, but this view is increasingly under pressure since public welfare is going to increase. The data shows that state welfare is rising and the private sector started to decrease their expenditures on the health care sector. But education is still mostly financed by the private sector and especially by the family-based welfare; even so the government spent more on education. Nevertheless, one cannot regard the three sources of welfare as distinct entities, but the Korean welfare mix has to be seen as a vital entity, in which welfare is not connected to be necessarily provided by the state as it is the case in Europe, but as a symbiosis of different sources for the sake of Korean welfare. Since Asian countries develop their social welfare spending steadily, the productivist regime can be regarded more controversial. This leads back to the question if now East Asia can be grouped into the regimes of Esping-Andersen (1990) or if a new regime would describe the East Asian states better. But regime types as such which are founded by Esping-Andersen (1990) and Holliday (2000) are also quite vague in their characteristics.

These fuzzy terms makes it hard to decide whether a shift took place or not and thus, the judgment is also quite normative. Thus, theories with concrete characteristics would help to improve the quality of the judgment. A shift can occur due to external events like the East Asian crisis and globalization and therefore challenge the view that South Korea is productivist. These events require actions that could lead to new policy approaches. The unusual practice to counter the financial crisis could have been the secret of Korea's fast recovery. Europe, which is currently in the state of crisis, could profit from the Korean approach. Increased welfare in times of crisis could help Europe to get out of the crisis. Speaking in terms of Esping-Andersen's typology of liberalism and conservatism in relation to the welfare mix, South Korea shifted away from the productivist regime towards the conservative regime. A limitation of the study with regard to the result is that it heavily relies on the theory of Esping-Andersen (1990) and Holliday (2000). Thus the result of the study is just valid taking the theory of Esping-Andersen (1990) and Holliday (2000) as the fundamental framework of the study. A further limitation is that the focus is laid only on the welfare mix on education and health care, thus including all of Esping-Andersen's criteria and taking the other two social policies into account could lead to a different result. Nevertheless, it is astonishing that in times of questioning the status of the welfare state in Europe, it is worth to observe welfare in other regions of the world. Due to the fact that most scientists evaluated welfare and the (types of) welfare states on a western-centric basis, on which the regime types of Esping –Andersen (1990) and Holliday (2000) were built on, it is remarkably that even so the European welfare state is in question, South Korea builds up its welfare state after the western paradigm and maybe the vital mix of South Korea could have to do something with the fast recovery of the country after the crisis in 1997, which could deliver partly a response to Europe's current crisis. Since there was already a huge discussion on the theory of Esping-Andersen which was originally intended to categorize only European welfare regimes, the current study shed light on whether South Korea can be clustered to one of the three categories. The use of Esping-Andersen's criteria for clustering makes it possible to see whether South Korean welfare can be explained in terms of European welfare regimes. Since South Korea shifted away from the productivist welfare regime, it is questionable whether the productivist welfare regime is still presented in East Asia. Therefore, a further study could examine if the productivist regime is outdated for the whole region of East Asia.

Annex

Table 4: Social policies in the post-crisis on education and health care

Education	
Framework Act on Education (1998)	-sets the conditions for the education system
Higher Education Act (1998)	-expanding educational facilities in the tertiary sector (Lee, 2000, p.66)
	-“improvement of educational quality” (Lee, 2000, p.66)
	-“harmonization between autonomy and accountability” (Lee, 2000, p.66)
Basic Education Act (1998)	-expansion of the school system in

	quantitative and qualitative terms
Primary and Secondary Education Act (1998)	-reform of school types in primary and secondary education
Lifelong Education Act (1999)	- promotion of education facilities beyond school education e.g. vocational training
Health care	
Integration of Medical insurance organization (1998)	-merge of different medical insurances associations
National Health Insurance Act (1999)	-nation-wide public health insurance
Integration of Medical insurance organization (2000)	-unified medical insurance association (National Health Insurance Company)
Special Act of Sound Finance of National Health Insurance (2002)	-foundation of the Health Insurance Policy Deliberation Committee and guidelines for government subsidies
Integration of Medical insurance (2003)	-financial integration of industry and the former regional associations
Improvements on the National Health Insurance Act (2007)	-adjustments to the National Health Insurance Act due to the running out of the Special Act of Sound Finance of National Health Insurance
Elderly long-term care insurance (2008)	- intended to reduce costs for families
	-ensuring caring facilities for elderly apart from the family
Unified frame of different insurances (2011)	-“Unified collection of major social insurance fees National Health Insurance, National Pension, Unemployment Insurance and Workers’ Compensation” (NHIC, 2010)

Source: MEST (n.d.), NHIC (2010), (Lee, 2000) and Ministry of Health and Welfare (2012)

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