World Development Report 2003
Dynamic Development in a Sustainable World
Background Paper

Political Institutions, Democracy and Welfare:
A Comparative Study of Norway and Korea

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Commissioned by: Gunnar Eskeland
I. Introduction:

Different historical contexts, different challenges, common lessons?

In this paper we shall compare developments in Norway and Korea, population-wise one small and one middle-sized country in Northern Europe and North-east Asia respectively, which have both experienced relatively rapid economic growth, Norway during most of the last century, Korea in particular since the 1960s. Democratic institutions developed gradually in Norway since its first Constitution in 1814, developments only seriously interrupted by five years of German occupation during
World War II, while democracy has arrived late in Korea, developing since the late 1980s. The histories of the two national cases are different, their international contexts have been and are different, but both appear to have been able to steer into the track leading towards economically and socially successful ‘welfare societies’ – combining economic growth, political democracy, relatively equal income distributions, limited poverty, strong role of government (central and local) for welfare responsibility, and (promising to result in) high level of social cohesion and stability. Interesting similarities appear to be that both countries historically developed strong state institutions and early and persistent state or government emphasis on mass education. Confronted with economic problems and ‘crises’, both Norway and Korea have tended to adopt active social policy initiatives to overcome problems, and appear to have succeeded with these strategies in terms of social stability, cohesion and prospects for renewed, sustainable economic development. Norwegian and Scandinavian responses to the crisis of the 1930s are particularly good examples, as is the Korean response to the Asian financial crisis of 1997.

In comparing the two countries, we shall address the following questions: What is the relationship between democratic institutions and welfare policies on the one hand, and growth, rising income and its distribution on the other? What role does one have in causing or preceding the other? What, if any, lessons are relevant for other countries? What can be learnt from these Norwegian-Korean experiences about institutional resilience and sustainability? And what are the challenges for the type of welfare states established (Norway) or in the process of being established (Korea)?

Norway and Scandinavia.

Norway belongs to the Nordic ‘family of nations’ (Castles 1998) and is the country which in welfare-institutional and political terms most resembles Sweden, which since the 1930s has been portrayed as the prototype of ‘the Scandinavian model’ (Erikson et al., eds., 1987). The Nordic countries were among the poorer countries in Europe at the end of the 19th century, and Norway poorer than Denmark and Sweden (Alestalo and Kuhnle 1987). Thanks to an apparently successful blend of capitalism, democracy, voluntary organizations and active governments, levels of economic development are today high, welfare is general and poverty limited. During what was once described as the “golden age of capitalism”, i.e. in the 1950s and the 1960s
(Maddison 1977, 103-104; 1980, 287), the Scandinavian countries grew to be among the richest countries in the world. It is ironic that Britain, which definitely was the most important accelerator of economic growth in Scandinavia in the 19\textsuperscript{th} and early 20\textsuperscript{th} centuries, today has a lower GDP per capita than its former northern economic peripheries.

Twenty years after the OECD published \textit{The Welfare State in Crisis} (OECD 1981) and ordained less state welfare and more family and individual self reliance for all member countries, and after the strong neo-liberal winds of the 1980s set in motion by the Thatcher and Reagan governments, Nordic welfare political exceptionalism remains in place and has recently attracted renewed interest internationally. Norway is now the richest of the Nordic countries as measured in terms of GDP per capita, not least thanks to revenues from the oil and gas sector developed since the early 1970s. In contrast to Sweden and Finland, and to a lesser degree Denmark, welfare state retrenchment has – on balance - hardly been a fact in Norway during the last 10 years, even though overall institutional viability has been maintained in all four countries (Eitrheim and Kuhnle 2000). The persistence of the Scandinavian (Norwegian) type of welfare state calls for interpretations and explanations. The political choice has not been, historically or at present, the simple one most often envisioned between a state-dominated or a market-oriented social order. Scandinavian states and societies institutionalized a ‘third way’ of flexible and adaptive political regimes building on democratic, popular mobilization, involvement and ‘empowerment’ long before the third way concept gained stature during the 1990s (cf. e.g. Giddens 1998).

\textit{Korea and East Asia.}

The economic crisis of 1997-98 in East Asia has made profound impacts on East Asian societies. Economic growth and full-employment that many East Asian countries had achieved for many years became elusive policy goals. State bureaucracy is also now reluctant to assume the role of market guidance that was regarded as a driving force of economic growth (Johnson 1987; Haggard 1988). Many new graduates, who used to choose among the best job-offers, are forced to enter into the labour market without jobs, while elder employees are under pressure to leave the
workplaces where they took it for granted that their jobs would be life-long (Kwon 2001).

Social and political responses to the economic crisis, however, have varied to a great extent across East Asia. Some countries like Malaysia and Thailand tried to fix the problems without full-fledged economic and social reform (Lee 1998). Of course, Indonesia, and to a lesser extent the Philippines, experienced political turmoil in the wake of the economic crisis, not to mention long-term structural reform. In contrast, Korea, one of the hardest hit countries by the economic crisis, has undergone a series of economic reforms from labour market to corporate governance reform and implemented vigorously social policy initiatives that aimed to establish the so-called ‘Productive Welfare State’ (Chung 2001; Gilbert 2001; Kuhnle 2001). In Japan and Taiwan, although they were not hit directly by the economic crisis, a new approach to social policy has been experimented with. All these initiatives of social policy in these three countries were put forward by the political forces that had not dominated policymaking in the past (Eto 2001; Wong 2001).

Roads to welfare.

There are many developmental roads to welfare, also within Europe. A characteristic of the Norwegian and Scandinavian/Nordic road to welfare is the strong role of government – the central state as well as local municipalities – in the field of education, health and social policies, the development of a comprehensive public sector, and the prominent role of popular movements and mass-based voluntary organizations for democratic participation and welfare advocacy throughout the long phase of ‘nation-building’. The relationship between voluntary organizations and government in Norway has been described as one of ‘integrated dependence’ signifying nearness and mutual trust between (actors in) the two sectors (Kuhnle and Selle 1992). In other European countries, the state also played and plays an important role, but the welfare-providing roles of private companies, the market, voluntary organizations, and the family have been and are relatively stronger. In some countries (e.g. France, Italy), the relationship between voluntary organizations and government can be characterised as one of ‘separate dependence’. America has shown yet another way to ‘welfare’, with less emphasis on an active government in the field of social
security, and especially in the field of health and welfare services, but even if ambitions have been present from time to time, America has been much less successful than European countries in modifying great social inequalities and eradicating large-scale urban poverty. Japan and Singapore in the post-1945 period, and in the most recent decade, Taiwan and Korea, illustrate other roads to welfare, stressing the relative historical importance of companies, the market and family. But the role of government is increasing in East and South-east Asia (Gough 2000; Hort and Kuhnle 2000; Kwon 2001a).

Among the East and South-east Asian countries, Korea offers an example of rapid and strong reform activity during the miracle decade from the mid-1980s, although problems related to the old mutual aid networks and the poverty issue did in no sense completely disappear as growth took off (Kwon 1998, Ramesh 1995, Son 1999, Park and Kim 1998). In the late 1980s, Korea became a front-runner among the ‘tiger economies’ in terms of social security reform. Important steps were taken in connection with a transition to democracy. The National Pension Programme in 1988 and the extension of the National Health Insurance Programme during the same year came under the banner of ‘social justice’ after the democratic breakthrough in 1987. During the course of rapid economic expansion substantial changes in benefit levels, duration and qualifying conditions also occurred (Son 1998). Wage dumping more or less disappeared as total labour costs rose to European levels in the early 1990s. Before the crisis of 1997, job security existed in the big conglomerates (chaebols) and unemployment was virtually non-existent. Since the outbreak of the crisis, lay-offs have become more common and the unemployment rate trebled. An Employment Insurance Programme was introduced in 1993 (implemented 1995), and the government has gradually extended the scheme to cover workers in smaller and smaller firms. This programme has been important in assisting unemployed people to weather the Asian economic crisis (Tang 2000). Combined with the election of Kim Dae-jung as president, the 1997-crisis induced a number of reforms, “coupled with moves towards a more Western welfare system: not only a stronger safety net and more generous unemployment benefits, but a restructured National Health System, more liberal pension entitlements and an expanded Labour Standard Law” (Gough, 2000). Korea is gradually building the foundations of a modern welfare state, and the (temporal?) collapse of the miracle does not seem to have buried these ambitions.
“Korea differs from the other three Asian tigers in espousing the goal of a welfare state” (Tang 2000: 17).

_Crisis and outcomes._

Just as the East Asian countries’ policy responses varied, the outcomes of such responses may be different, and it will be interesting to see which approach will turn out to be more successful than others. To be sure, it is too early to answer that question, considering that most East Asian countries are still struggling to recover from the economic downturn. In this paper, instead, we will focus on the Korean case in which the government pursued economic and social reform that addressed the long-term structural challenges rather than short-term requirements arising from the economic crisis. After such rigorous efforts for the last four years, Korea was able to pay all loans to the IMF by August 2001, three years earlier than scheduled. In particular, this paper will examine the social policy reform carried out in line with economic restructuring and at the same time aimed at establishing social citizenship in Korea. Taking into account that Korea came out better shaped from the crisis in terms of economic fundamentals than in the period prior to the economic crisisii, Korea can be taken as evidence supporting a hypothesis that state commitment to social welfare is instrumental to crisis management and economic recovery, contrary to the prevailing assertion that state commitment to social welfare has detrimental effects on economic competitiveness. In this respect, Korea is a parallel case to its European counterpart, Norway, in this study. Like other Nordic countries, Norway was in economic downturn in the latter half of the 1980s but state welfare commitment was not cut back ruthlessly as in the UK and New Zealand. Norway, as other much more crisis-ridden Scandinavian countries, recovered from the economic difficulties, taking advantage of their achievements as ‘advanced’ welfare states (Kuhnle 2000b).

**Table 1. GDP growth rates in East Asian Countries 1997-2001**

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<tbody>
<tr>
<td>Japan</td>
<td>1.9</td>
<td>-1.1</td>
<td>0.8</td>
<td>1.5</td>
<td>-0.5</td>
</tr>
<tr>
<td>Korea</td>
<td>5.0</td>
<td>-6.7</td>
<td>10.9</td>
<td>8.8</td>
<td>2.5</td>
</tr>
<tr>
<td>Taiwan</td>
<td>6.7</td>
<td>4.6</td>
<td>5.4</td>
<td>6.0</td>
<td>-1.0</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7.3</td>
<td>-7.4</td>
<td>6.1</td>
<td>8.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Thailand</td>
<td>-1.4</td>
<td>-10.8</td>
<td>4.2</td>
<td>4.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Philippines</td>
<td>5.2</td>
<td>-0.6</td>
<td>3.4</td>
<td>4.0</td>
<td>2.5</td>
</tr>
</tbody>
</table>
From this observation, there arise two specific questions: first, what was the political and institutional dynamics that allowed Korea (and Norway) to adopt an active social policy initiative? As in the cases of Indonesia in the recent years and many Latin American countries in the previous decade, the economic crisis often led to political turmoil, which made recovery more difficult. Korea obviously avoided such routes, but recent survey research points out that there has been a strong tendency among ordinary citizens that would support an authoritarian political regime if necessary (Lee et al. 2001). Of course, there is no doubt about the fact that Korea is moving towards a fully democratised country. But is her democracy safely consolidated? As Shin and Rose (1997) and Lee et al. (2001) argue, Korean democracy is yet to be consolidated. How did Korea, then, manage to tackle the economic crisis, when at the same time faced with potential threat to democracy that might have been exacerbated by the economic crisis? We shall argue that the social policy initiative was not only an outcome of democratic politics but contributed to the consolidation of Korea’s fragile democracy.

Secondly, this paper will try to find out what are the challenges in the future for the welfare state institutions to further social integration, cohesion and equity. There has, for example, in Korea been strong criticism about the way in which social policy programmes are financed. After the health care reform in 2000, in particular, Korean wage and salary earners raised a doubt about the equity in the distribution of the financial burden for the welfare state. The main opposition party also strongly argued that the wage and salary earners unfairly pay for National Health Insurance beyond their justifiable share. We will also review the issue of sustainability of financing the social welfare system as well as examine the effects of redistribution. We will pay particular attention to the social policy programmes either introduced or extended during and after the period of economic crisis: income maintenance programmes for the unemployed and the poor and health care reforms including the integration and National Health Insurance and the redefinition of the functional division of health care professionals. Before we proceed to answer those questions, it is necessary to put the
Korean welfare system prior to the economic crisis in comparative perspective, particularly in the East Asian context. This will help us to interpret the Korean case in a broad East Asian context and give us clues to understand what challenges the East Asian countries are faced with.

But let us start with a look at the characteristics of the Nordic welfare states and place Norway and Scandinavia in a European context, and reflect on the reasons for the relatively strong role of state and local government institutions compared to other European countries, and then set Korean welfare political development in a historical and comparative East Asian perspective.

II. The Norwegian and Scandinavian welfare state in Europe

Compared to other European welfare states the Scandinavian or Nordic welfare states share a number of features since the 1960s and early 1970s. We should remark, however, that Iceland is a partial exception, with a significantly smaller scope of public sector employment and proportion of Gross National Product set aside for welfare purposes. But in most institutional terms, Iceland belongs to the Nordic family of welfare states. Nordic welfare states are considered to constitute a distinct type of welfare states:

1. The Nordic welfare systems have a greater element of state involvement than other countries: for example, the state guarantees at least nine year compulsory education, pensions and practically free health services for all residents, although the actual provision of services is normally organised and administered by provincial or local government;

2. About 30 per cent of the labour force is employed in the social, health and educational sectors, a substantially higher proportion than in any other European country (Kuhnle and Alestalo 2000);

3. The Nordic countries have the highest proportion of public sector employment in the social, health and educational sectors; about 90 per cent of all employees in
these sectors are publicly employed. The corresponding figures in other European countries is 40-80 per cent, in America 45 per cent (Esping-Andersen 1992);

4. Nordic welfare states are comprehensive and universalist, i.e. they cover the whole population, or whole groups or categories of citizens; thus all residents are entitled to old age pensions when reaching the qualifying age whether or not they have ever been gainfully employed; every family with children receives cash child allowances to support the upbringing of children; every resident is entitled to the best possible medical services available irrespective of income, status or other social or personal characteristics;

5. Social rights are to a greater extent than elsewhere, e.g. in continental European countries, based on citizenship, or on residence, and are to a lesser extent dependent upon participation in the labour market;

6. Nordic welfare systems are to a little degree based on class or occupational groups, those with high incomes have been integrated into the same system as those with low or no incomes. Nordic welfare states also have a relatively high degree of gender equality, a development which has been strengthened through legislation since the 1970s;

7. Nordic welfare states are largely financed through general taxation, making them relatively redistributive across social groups. Minimum pensions may not appear high in absolute terms, but are still generous compared with pension systems in other countries. As a result of the comprehensive, redistributive welfare systems poverty rates are lower in the Nordic countries than in other European countries;

8. The Nordic welfare systems contain a larger element of the provision of services rather than cash transfers than those of other European countries; typical examples are day-care facilities, nursing homes and homes for the elderly, and locally organized home help services for the old and/or sick;

9. Full employment has been the overriding goal of Nordic welfare states, both as a goal in itself and as a prerequisite for providing welfare services and income
transfers for those in need. The Nordic countries have the highest levels of employment of women of all OECD countries. Although unemployment has persisted as a problem in some of the countries during the last 20 years, the Nordic countries stand out as examples of governments pursuing active labour market policies;

10. The Nordic welfare states enjoy strong popular support. Welfare, health, old age care, pensions, and lately, education, stand out as issues of the greatest concern to voters at election time. Political parties in general place these issues high on their list of priority for political action. For historical reasons, the role of the state is seen as more legitimate than in other European countries; Nordic societies are more ‘state-friendly’ than other European societies, even the concepts of ‘state’ and ‘society’ are sometimes used interchangeably.

This list of distinctive features does not indicate that the Nordic countries have reached a static state as ‘welfare paradises’. Like all dynamic, open capitalist democracies, Nordic societies are facing a number of both old and new social problems. But many social problems linked to crime of various sorts, alcoholism, drugs, unemployment, single parenthood, poverty and inequality of income distribution are less widespread and severe in the Nordic countries than in most other Western countries, largely thanks to the type and scope of social policies and institutions promoted by governments. More egalitarian social and incomes policies have created relatively egalitarian societies, may have been conducive to greater social cohesion and social and political stability, and have helped to limit the spread of crime and violence.

Two tables crudely illustrate variations and similarities among European welfare states on some selected and important indicators. Table 2 offers a comparison of public sector employment as a percentage of total employment, indicating one measure of Nordic exceptionalism, while Table 3 gives a picture of social expenditure as a percentage of gross domestic product in different institutional types of European welfare states. The groups of countries roughly fall within well-known theoretical-political conceptual categories (Titmuss 1974; Esping-Andersen 1990), with Scandinavia representing the institutional or so-called social democratic typeiv;
Continental European countries representing the industrial achievement or conservative-corporatist type, and the United Kingdom representing the residual or liberal type. The Southern European countries supposedly represent a mix of all the other types, but with particular additional traits such as a stronger role for the family and elements of clientilism, especially in Italy and Greece (Ferrera 2000).

Most of government employment is for welfare purposes broadly defined, and Table 2 indicates significant variations of state involvement and commitment across different types of European welfare states or welfare regimes. The variations are to a large extent a reflection of much greater state and local government responsibility for personal social services and care in Scandinavian countries than elsewhere in Europe. Variations in relative total social expenditure, however, have become less conspicuous over the last decade, as seen from Table 3.

Whatever the shape of the welfare state, economic growth has, even if sometimes only modestly, persisted over recent decades. Given the widespread ‘conventional wisdom’ that a big public sector and comprehensive welfare state is bad for economic performance, it is of interest to note that the Scandinavian countries had higher growth rates in labour productivity, defined as GDP per person employed, in the 1990s, than the average of European Union countries and the USA (Elmeskov and Scarpetta 2000). Labour productivity growth was higher in the 1990s than in the previous decade. For some time being ignored as victims of a kind of ‘welfare state sclerosis’ by many economists and commentators, Scandinavian or Nordic countries have made a remarkable comeback at the centre-stage of the theory and practice of social and economic development (Scharpf, 2000; Ferrera and Rhodes, 2000; Kuhnle 2000b).

Table 2. Public sector employment as a percentage of total employment 1974-1995 in different types of European welfare states: unweighted averages.

<table>
<thead>
<tr>
<th>Countries</th>
<th>1974</th>
<th>1985</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continental Europe</td>
<td>14.7</td>
<td>18.7</td>
<td>18.8</td>
</tr>
<tr>
<td>Scandinavia</td>
<td>20.0</td>
<td>26.9</td>
<td>29.4</td>
</tr>
<tr>
<td>Southern Europe</td>
<td>10.5</td>
<td>14.2</td>
<td>15.5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>19.6</td>
<td>21.5</td>
<td>14.4</td>
</tr>
</tbody>
</table>

(Source: Kuhnle and Alestalo 2000).
Note: Continental Europe includes Austria, Belgium, France, Germany, The Netherlands; Scandinavia: Denmark, Finland, Norway, Sweden; Southern Europe: Greece, Portugal, Spain, Italy.

Table 3. Social expenditure as a percentage of gross domestic product in different types of European welfare states, 1980-1995: unweighted averages.

<table>
<thead>
<tr>
<th>Countries</th>
<th>1980</th>
<th>1990</th>
<th>1995</th>
</tr>
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<tbody>
<tr>
<td>Continental Europe</td>
<td>28.1</td>
<td>29.6</td>
<td>30.1</td>
</tr>
<tr>
<td>Scandinavia</td>
<td>25.6</td>
<td>28.1</td>
<td>32.1</td>
</tr>
<tr>
<td>Southern Europe</td>
<td>15.0</td>
<td>18.0</td>
<td>22.2</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>21.5</td>
<td>24.3</td>
<td>27.7</td>
</tr>
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</table>

(Source: Kuhnle and Alestalo, 2000).

In one of several recent surveys of the global business environment, the world-wide ranking of nations according to indicators of competitiveness made by the World Economic Forum, Finland, most severely hit by the recession in the Nordic area in the early 1990s (Kuhnle 2000b), was ranked Number 1, replacing the US which was on top of the ranking the previous two years (Financial Times, 9 August 2000). Moreover, the other three main countries of the far North of Europe belonged to the ‘top 20’: Denmark, no. 6 (up from 7 in 1999 and 8 in 1998), Sweden 7 (nos. 4 and 7 in previous years), and Norway no 20 (previously 18 and 14).

The Luxembourg Income Study (LIS) offers the best data base for comparing economic inequalities across households, and a relatively recent study using this data showed that in the latter part of the 1980s, Finland, Norway and Sweden were the countries with the smallest inequality in equivalent disposable income (Atkinson et al. 1995). Another recent study reveals the same pattern in a comparison of European countries: Finland, Norway and Sweden and Denmark have more equal distributions of income than the other European Union countries (Vogel 1997:79). While income inequality has been found to increase in many industrialized countries during the 1980s (Gottschalk and Smeeding, 1997), Finland is an exception. The income distribution changed very little during the deep recession of the early 1990s. In Norway, data on income distribution for the period 1985-94 shows a slight upward trend in income inequality (Gustafsson et al., 1999), but LIS data shows that by 1995 only Sweden, Finland and Luxembourg had more equal income distributions than
Norway among OECD countries. These data goes to show, in a very general sense, that redistributive policies are conducive to an egalitarian income distribution, and also, referring to data on renewed economic growth in the late 1990s, that egalitarian income distributions are compatible with successful economic growth.

III. Why is the Nordic welfare state so special in the European or Western context?

Religion was nationalized in the Nordic countries in the 16th century when Lutheran state churches were established. Church and state bureaucracies were fused under the mantle of the state, the tasks of the Catholic church were taken over by the Lutheran state churches. This early historical fact made for a stronger state and local public involvement in the building of institutions for health, education, poverty relief, social services and social insurance in the Nordic countries than in religiously mixed and Catholic European countries. One of the first steps toward a democratization of education was the demand for general literacy for all, women as well as men. This need was in principle created in the sixteenth century as the then two Nordic kingdoms of Denmark-Norway-Iceland and Sweden-Finland became Evangelical Lutheran (Sysiharju 1981). This meant that the Bible was to be put in the hands of the common man, and the (State) Church took responsibility for making the population literate. The Nordic Lutheran Churches rather efficiently promoted literacy. The introduction of a general and compulsory system of elementary education came relatively early in Northern Europe. Local self-government has deep roots in the Nordic countries, and local authorities had the duty to offer every citizen education as a matter of citizen right. The earliest legislation on elementary schools dates from 1739 in Norway. The Lutheran and popular chain in political culture merged within civil society and formed a parish community, which later in the 19th century became the nucleus of the secular communes (Aronsen 1997). The central state and the local community confronted each other in pragmatic bargaining. Education has been seen as a key instrument of emancipation and self-realization and was created from below. This development later paved the way for communication between social democracy and liberalism with a social rather than an economic emphasis. In the Nordic countries
more than elsewhere in Europe, ‘peasants were carriers of freedom and equality’ (Sørensen and Stråth 1997). Social democracy, developing from the 1870s and 1880s, has been seen as a continuation or transformation of Lutheranism, parochial political culture, popular movements and social liberalism, and even reform conservatism (ibid.). Very generally it can be argued that the combination of relatively egalitarian pre-industrial social structures and homogenous (and small) populations in terms of language, religion and culture, was conducive to the gradual development of comprehensive, principally tax-financed, redistributive and universal health, social and welfare policies. That the state and local authorities came to be prime providers can probably also be attributed to the observation that no major competing welfare provider existed at the time of beginning industrialisation and modernization of the economy. The secular state did not have to relate to a supra-national church with its separate institutions for education and health services. Likewise, ‘the market’ and voluntary, non-governmental organizations were not much of an alternative for social insurance in the Nordic countries when the German idea of national social insurance quickly spread northwards in the 1880s.

Perhaps the most important and lasting principle inherited from the early German social insurance program was the principle of state-regulated compulsory insurance. This principle raised fierce political discussions in many countries at the time, but has gradually become the rule for most social insurance schemes, but in the case of unemployment insurance only in Norway (since 1938). In all Nordic countries, the first legislation on social insurance came in the 1890s, and from early on with the potential for developing the various schemes into a ‘people’s insurance’ or schemes with universal population coverage. In the Nordic countries, the later development of a uniform and fairly egalitarian national system of social security can be traced to a class compromise between the industrial workers and small independent farmers. The elements of famous class and political compromises in Denmark, Finland, Norway and Sweden in the 1930s were already visible in the beginning of the century in the fight for political rights and influence for the working classes and the property-less. Class compromises made for universalism, i.e. social schemes covering the entire population, but in most cases, this principle was not put into practise until the 1950s, 60s and early 1970s, in a period of sustained economic growth and general political consensus in social matters, a consensus bolstered by the long war experience of
want, poverty and foreign occupation (in the cases of Denmark and Norway). The period 1945-1985 was one of unprecedented growth of social security and welfare in Europe, and the Nordic countries were very much part of this development (Flora 1986, 1987). Social democratic parties have, generally speaking, but perhaps most pronounced in Norway and Sweden, played a leading role in the post-1945 expansion of the Nordic welfare states. But the Nordic welfare states are not the result of social democracy alone. Welfare states have been built just as actively during periods of coalition governments where the social democrats have been only one of the parties, and during periods of non-socialist coalition governments. The distinctive features of the Nordic welfare states – egalitarianism, universalism and public welfare provisioning - can be said to date from the pre-social democratic era before the 1920s and 30s. By the time the Depression struck with full force after 1932, the Nordic countries by and large had a safety net of basic social insurance, although with some major gaps in coverage and with low benefit levels. The ascendancy of social democratic parties to government power in the 1930s, helped accelerate the extension of social insurance coverage, especially in Norway. But, there is much continuity in the history of Nordic welfare state development. Over time, across political parties, the concept of ‘the Scandinavian (or Nordic) welfare state’ has come to mean an important symbol of identity to Nordic citizens.

*The strong heritage, but declining importance of the social movement tradition*

The development of modern Norwegian society from the mid 19th century is closely linked to the growth of huge *social movements* and the numerous associations and organizations in and around them. In fact, the period from the end of the nineteenth century to the present day may be described as the age of associations. While in many countries voluntary associations could as an ideal type be described as service-producing, not-profit distributing, non-governmental organizations, the Norwegian focus should be on the associational tradition and the interconnection between such associations and social movements. By emphasizing the historical origins and crucial role of democratically based social movements with broad and differentiated organizations supporting them, we draw attention to the fact that “history matters”.

vii
The social movements were characteristic both in ideology and structure. *Ideologically*, they represented explicit values, which were often in radical opposition to the dominant social order. Most of them were change-oriented and directed their activities outwards – to society at large - rather than towards their own members. Nonetheless, the members were strongly committed to the movements and their purposes. The movements’ internal *structure* was for the most part democratic and membership-based. The local level was linked, more or less (but in most cases more) formally, to a national level and often a regional level in between. Democratic channels of potential influence connected the local branch with the national organization (Selle and Øymyr 1995).

In the late 19th century, the vast majority of voluntary organizations were formed around the six most important social movements (the farmers movement, the labour movement, the teetotalist movement, the laymen’s movement, the language movement, the sports movement). But their pre-eminence was almost as clear as late as the mid 1960s, even though the extensive growth of social welfare organizations in the early post-war years had shifted the balance slightly. From the mid 1960s, new organizations increasingly developed outside of the movements as a result of the growing ‘leisure society’. Even so, the new organizations chose the traditional organizational structure almost without exception. Thus, even though the social movements themselves and the ideologies they represented were weakened, pivotal elements of their structure prevailed.

The social movements set a standard for how associations chose to organize in Norway for more than a century, even though the purposes of new organizations were different. Thus, the *tradition* they created had consequences reaching well beyond the confines of the actual movements themselves. The heritage from this tradition is the source of many of the defining traits of the Norwegian voluntary sector; its strong emphasis on democracy, the strength of the membership institution and the absence of an institutional divide between national and local branches.

This classical organizational structure was not really challenged until twenty years later, during the 1980’s, when new types of organizations emerged. New national organizations appeared increasingly less likely to be membership-based, to be
democratically organized in the traditional sense, and to have the local branch at their core. New local associations appeared less interested in being part of national networks. This process is steadily gaining momentum. The majority of associations formed in the past five years are not affiliated with a national organization, while this structure was almost inconceivable only twenty years ago. A cognitive shift has occurred only over the past couple of decades, when people have realised that without a political programme or national purposes, membership in national movements is superfluous.

New groups have organized themselves in one of three forms: the old-fashioned way as associations, non-profit institutions and to a lesser degree as cooperatives; in more network-like “grass-roots” forms; or in semi-autonomous publicly financed and initiated local initiatives. Public and para-governmental organizations, and to a lesser degree private firms, have also started to exploit the idea of voluntarism.

The organizations have generally become more professionalized and oriented towards the state and increasingly towards the market. They have become more dependent upon public grants and cooperate more closely than ever with governmental bodies. Furthermore, they have increasingly started to look for private donors in trying to develop closer relations with private business, while at the same time adapting to a new leadership-oriented ‘management-ideology’.

Furthermore, even though many of the old organizations and social movements still endure, their organizational strength and political and cultural influence is severely weakened (with the exception of the sports movement). To some extent, they have adapted to the current ideological changes. Both ‘old’ and new organizations are becoming less ideological, more pragmatic and narrowly or functionally focused: they do not want to change things as dramatically, and they do not necessarily believe in expanding their ideas to the public at large.

Nowadays organizations rarely use ideology in order to attract members. Instead, they argue for their legitimacy with reference to the functions they serve socially and culturally. Few new organizations seem to have a comprehensive political programme
really challenging the established ‘consensus’. Neither do they have any new, overall visions of ‘the good society’.

A profound transformation of the sector seems to be underway (Selle 1996). The result may be a break with some of the most typical features of Norwegian voluntarism in the past, a period where we see severe pressure on the core on Norwegian voluntarism; the organizational society that has the local branches as its basis, which is member based and democratically structured, binding the individual both to the local community and the national society at one and the same time through a hierarchical organizational model. We therefore ask the question of whether this transformation will make the Norwegian voluntary sector look more similar to the Anglo-American model.

The new model has not yet found its final form. However, it is almost certain that a divided organizational society will evolve, wherein the local level is only local and the national level only national. In this model, the individual participant is connected with her organization with weaker ties than before, because of the lack of an abstract sense of shared purpose with other members elsewhere and the absence of an overarching ideological ‘project’. This entails that participants become less loyal and, consequently, that new associations are more short-lived. This is already evident at the local level. Perhaps more importantly, it means that the participant is connected to society at large in a different sense than before. In a democratic perspective, the possibility of citizens to use the organizations as an alternative democratic channel is weakened when institutional ties are absent.

The upshot of this is not necessarily less volunteering and participation, but a weakening of institutions of great importance for democracy and social integration. Social movements and voluntary organizations have played an important, historically enduring role consolidating relations of trust between citizens and between citizens and governments, relationships being conducive to the growth and persistence of a strong role of government and the public sector in welfare provisioning at large. In recent years, voluntary organizations have become more peripheral in people’s everyday lives, their activities maybe less so. Nevertheless, the decline of the social movement tradition forces a redefinition of the role of voluntary organizations in
Norwegian society, and may also affect the scope and character of social cohesion and social integration, a change which again challenges some of the distinctive characteristics of the Norwegian/Scandinavian welfare state.

IV. The Korean welfare system in the East Asian context

In recent years, there has been a growing body of literature published on East Asian welfare systems. Compared to the earlier works that generally focused on individual cases, recent contributions seem to attempt to analyse the East Asian welfare systems from a comparative perspective. It also emerges from these studies that East Asia includes at least two distinct clusters of welfare systems: Northeast Asian and Southeast Asian systems. Kwon (1998) compared the welfare systems and the political dynamics behind them in five East Asian countries: Singapore, Hong Kong, Taiwan, Korea and Japan. He concluded that the three Northeast Asian countries, i.e., Japan, Korea and Taiwan, shared many distinctive characteristics in their welfare system. He argued that the state in these three countries largely played the role of regulator, which enforced compulsory social policy programmes but did not take responsibility for financing them through state expenditure (Kwon 1998: 66-67). Most social policy programmes in these countries are based on the social insurance mechanism such as health insurance, pension, industrial accident insurance and unemployment programmes. Kwon (1997) also pointed out that the lion’s share of the redistribution went to the high income earners, reflecting the fact that wage earners in large scale business and state sector employees were the first groups of people covered by the social policy programmes. Holliday (2000) goes on further arguing that Northeast Asia comprises a fourth welfare regime of ‘productivist’ welfare capitalism in relation to the much discussed concepts of three welfare regimes in Esping-Andersen (1990). Although it is a matter of debate to justify a fourth regime type, Holliday is certainly right in emphasizing that the developmental state always placed policy priority on economic development and that social policy was only considered in that context.
Ramesh and Asher (2000) and Gough (2001) examined Southeast Asian welfare systems. Ramesh and Asher pointed out that social welfare systems in Southeast Asia are yet rudimentary except in Singapore and Hong Kong. In Singapore, the Central Provident Fund introduced by the British colonial government in 1953 includes schemes for housing, health care, education and income maintenance for retirement. Malaysia also has a similar provident fund scheme, the Malaysian Employees Provident Fund, and Hong Kong has been considering a similar mandatory provident scheme for some time, on top of its welfare system predominantly consisting of public assistance programmes financed by the state. In short, Southeast Asian countries heavily rely on provident fund schemes, whose effects of redistribution are negligible, in contrast to Northeast Asian welfare systems that are mainly based on the social insurance mechanism.

Despite some differences between Northeast and Southeast Asian clusters, they share two important characteristics in the development of social policy. First, social policy making in the East Asian region were dominated by authoritarian (and conservative) government, often using it as an instrument for legitimation. Ramesh and Asher (2000) explain that social policy initiatives have occurred at times of internal threats, for instance, in the 1950s Malaysia after the communist insurgency. Ku (1998) also argues that the KMT’s introduction of Labour Insurance in 1950 was a part of efforts to justify the alien regime in Taiwan. These political elites in East Asia, however, placed their policy priority on economic development, and social policy in most times was perceived as an instrument for economic policy. Secondly, the East Asian countries by and large achieved good records of economic growth and welfare outcomes for the last two or three decades while they spent very little on social welfare programmes. This was a ‘magic combination’ for many neo-liberal policy makers in Europe, and it was often a subject of policy debate among policy makers (e.g. Patten 1995; Blair 1995). These characteristics can be well captured by the notion of the developmental welfare state, where elite policy makers set economic growth as the fundamental goal, pursue a coherent strategy to achieve it, and use social policy as an instrument for that goal.

Korea, having features of the Northeast Asian characteristics in her welfare system, also shares these commonalities of the developmental welfare state. Most social
policy initiatives in Korea came from the top rather than from below prior to
democratisation in the late 1980s. In particular, the major social policy introductions
in the early 1960s followed the military coup d'etat in 1961, and the president at the
time deliberately set out a social welfare initiative to consolidate the political
situation. Just before the National Pension Programme was first considered in 1973,
President Park violated democratic principles by seeking to remain in power for an
indefinite time. At the same time, social policy was considered within the
developmental context. With respect to the National Pension Programme, President
Park and his advisors saw the National Pension Programme as an effective measure to
mobilise capital without much political resistance. Other social policy programmes
such as National Health Insurance and Industrial Accident Insurance began with
people employed in the large-scale business and the public sector, leaving more
vulnerable people without social protection. This was mainly because people
contributing to economic growth were always given the first priority within the
developmental paradigm. Over the 1980s and 1990s, however, as the country made
democratic progress, there had been strong criticism toward such arrangements of the
welfare system. Although the government extended the coverage of those social
policy programmes in an incremental manner, the basic thrust of the welfare system
remained as before. In particular, social protection for the poor, the disabled, the
elderly and the unemployed remained rudimentary until the recent social policy
reforms after 1997.

Mainly thanks to the land reform after the liberation in 1945 from the Japanese
occupation, income distribution became relatively equal. Also during the
industrialization period the fruits of growth reached the entire population, although
not as evenly as egalitarians had hoped for, and social mobility especially from below
took place to a great extent through government emphasis on education and
educational achievement. Thus, according to World Development Report 2000-2001,
only Japan had a more equal income distribution than Korea (measured by the Gini-
index) among countries in the East and South-East Asian region in the mid-1990s.
V. Economic crisis, new political actors and welfare initiatives in Korea

_New government and social consensus._

At the end of 1997, the Korean economy was on the brink of collapse, and the Finance Minister first went to the US Treasury for help but only found that the Americans would not provide emergency funding. In the end, the IMF promised the much-needed help with a string of conditionalities (Ministry of Economy and Finance, 1998). One should not forget that Korea was on the campaign trail for presidency during this period of economic crisis, and was exposed to political vulnerability as well as to the economic crisis. As in many Latin American countries in the 1970s and 1980s, Korean democracy could have fallen to turmoil and consequently a dictatorial regime could have taken over. Instead, Korean democracy showed its resilience and went through a difficult time. What the economic crisis altered, however, was the outcome of the presidential election. In this election, the long-time opposition leader Kim Dae-jung was elected to the presidency. During the campaign prior to the emergence of the economic crisis, the governing candidate was leading the race, while Kim Dae-jung was struggling to mend his broken promise that he would retire from politics after his defeat in the 1993 presidential election. His support remained confined to his strongholds, leaving him to trail the front-runner. As the economic crisis unfolded, however, he successfully presented himself as a national leader who could deal with this unprecedented crisis, which resulted in his electoral success.³ To be sure, one cannot argue that the economic crisis was the only important fact deciding the electoral outcome. Many other factors should be taken into account, such as building a coalition between the opposition parties and defection from the governing parties. The election of Kim Dae-jung to the presidency meant a significant change in the policy paradigm at the top of the decision-making structure. Kim Dae-jung was the long-time opposition leader who had fought against the authoritarian regimes and criticised the ‘putting economy first’ paradigm of policy making. He had been on the left within the mainstream of Korean politics, an arm’s length away from civil and trade union movements.
In addition to the governmental change, the economic crisis led to a string of criticisms towards the state bureaucracy, which had long been regarded as a driving force of economic development. The Korean bureaucrats were blamed for much of the failure of economic management. Although there are two strands of explanations, they both pointed a finger at the bureaucrats for the mismanagement of the economy (Weiss, 1999). The neo-liberal view, which the IMF and the World Bank shared, argued that too much state intervention and opportunistic behaviour of business had resulted in political favouritism and a lack of competitiveness, which in turn undermined international investors’ confidence in the Korean economy. The second view contended that the crisis had taken place due to the weakening of the regulatory regime of the state (Chang, 1988). Running up to the economic crisis of 1997-1998, the bureaucrats in the economic ministries failed to monitor the rapid increase of short-term loans from foreign lenders, which was an immediate cause of the economic crisis. What also undermined the credibility of the bureaucrats was their initial response to the crisis. According to Kim (2000), who observed the behaviour of senior officials running up to the economic crisis, the senior officials in the economic ministries were complacent about the possibility of economic crisis and too arrogant to listen to different views when there were signs of an imminent crisis. They denied that Korea would need to ask the IMF to bail it out until the US Treasury Secretary publicly refused to provide a bilateral-loan to Korea.

The change in political leadership and the failure of state bureaucracy paved the way to a new approach to structural reform. Given the agreement with the IMF, the Korean government set out the reform programmes in five areas of macroeconomic management: financial markets, corporate governance, international trade, bureaucratic structure and labour markets. It was a daunting task for the new government to carry out those reform programmes. In terms of social politics, labour market reform posed the greatest challenge to the government. In fact, before the economic crisis, the Korean National Assembly passed the revision of the Labour Standard Law in March 1997 which contained lay-off provisions. The opposition party, then led by Kim Dae-jung, boycotted the voting in the National Assembly. The then governing party, at the last minute, halted the provision of lay-off for two years in an effort to gain support from the opposition. Nevertheless, it was not certain that
the provision could be implemented at the firm level in two years’ time since strong trade unions were determined to block its implementation.

Democracy, however, allowed Korean society a new approach: structural reform with social consensus. In February 1998, the President-elect Kim Dae-jung established a tripartite committee, the Employees-Employers-Government Committee, to forge a social consensus for the labour market reform. This was a kind of corporatist committee, which included delegates from the government, the Korean Federation of Business, the Korean Federation of Trade Unions, and the Korean Confederation of Trade Unions. What made this committee special was not only that it made employers’ and employees’ organisations talk to each other, but that it brought the two antagonistic national trade unions together to represent diverse views of labour. In the end, the committee was able to sign a social pact on 98 measures including the revision of the Labour Standard Law. It also recommended to government the introduction of social policy programmes to protect the unemployed. The then President-elect Kim should get credit for this, since it was his political ability which brought the two warring trade unions into the tripartite committee. From the point of the Korean Confederation of Trade Unions, which had been a target of harsh treatment from the previous governments, it was also an opportunity to put forward its case for labour market reform, now seen as inevitable. The confederation also expected that President-elect Kim Dae-jung’s policy toward labour would be different from that of the previous government (Park 2000, 165).

After moving into office the Kim Dae-jung government carried through the labour market reform based on a ‘social consensus’. As agreed in the tripartite committee, the Korean government introduced a package of social policy, the ‘Master Plan for Tackling Unemployment’, to deal with the highest level of unemployment for many decades after structural adjustment. The Master Plan included, inter alia, the swift extension of the Employment Insurance Programme, the implementation of the public works projects, and the reinforcement of employment services. However, one should not place too much emphasis on the ‘social consensus’ agreed by the tripartite committee. Once the financial crisis was averted by the emergency loan from the IMF and other international financial institutions, Korea witnessed a social crisis mainly due to the high rise of unemployment, which was an immediate impact of the labour
market reform, and the high interest rate artificially set to stop capital flight. In February 1999 the official unemployment rate rose to 8.6 per cent. By OECD standards such a figure would not be considered very high, but in Korea, where the social safety system was still rudimentary, it posed an enormous social challenge.

Table 4. The Trend of Unemployment in Korea (in percent)

<table>
<thead>
<tr>
<th>Year</th>
<th>Participation</th>
<th>Unemployment</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>60.0</td>
<td>2.4</td>
<td>2.9</td>
<td>1.8</td>
</tr>
<tr>
<td>1991</td>
<td>60.6</td>
<td>2.3</td>
<td>2.5</td>
<td>1.9</td>
</tr>
<tr>
<td>1992</td>
<td>60.9</td>
<td>2.4</td>
<td>2.6</td>
<td>2.1</td>
</tr>
<tr>
<td>1993</td>
<td>61.1</td>
<td>2.8</td>
<td>3.2</td>
<td>2.2</td>
</tr>
<tr>
<td>1994</td>
<td>61.7</td>
<td>2.4</td>
<td>2.7</td>
<td>1.9</td>
</tr>
<tr>
<td>1995</td>
<td>62.0</td>
<td>2.0</td>
<td>2.3</td>
<td>1.7</td>
</tr>
<tr>
<td>1996</td>
<td>62.0</td>
<td>2.0</td>
<td>2.3</td>
<td>1.6</td>
</tr>
<tr>
<td>1997</td>
<td>62.2</td>
<td>2.6</td>
<td>2.8</td>
<td>2.3</td>
</tr>
<tr>
<td>1998</td>
<td>60.7</td>
<td>6.8</td>
<td>7.6</td>
<td>5.6</td>
</tr>
<tr>
<td>1999</td>
<td>60.5</td>
<td>6.3</td>
<td>7.1</td>
<td>5.1</td>
</tr>
</tbody>
</table>


There were, *inter alia*, three important characteristics of this high level of unemployment which we need to look into. First, the unemployment rate among young people was very high and the sheer number of young unemployed people was also large. In 1998, the number of the unemployed aged between 15-34 was about 781,000, which was about 53.9 per cent of all the unemployed. The majority of them were new graduates from high schools and colleges. The Korean government was concerned about a worst-case scenario that militant students and college graduates would organise mass demonstrations, sparking off protests from trade unions, the urban poor and many others.\(^{xi}\) Secondly, the sharp rise of unemployment left no safe-haven. Before 1998, full employment was maintained among the male working population aged over 35. The male unemployment rate went up to six per cent in all age groups between 35 and 59. Considering that a great number of people among them were the main breadwinners of households, social stress was much higher than the figures suggest. For example, the increase in crime and divorce in 1998 was markedly higher than in previous years.\(^{xii}\) Thirdly, there have also been noticeable changes in employment status (see Table 5). The proportion of regular workers was considerably reduced while the proportion of temporary and daily workers was
increased. For temporary and daily workers, employment security is fragile in addition to providing a low level of compensation. Of course, this trend had already emerged some time before the labour market reform, but reform measures such as legalisation of private agencies that provide temporary workers made it irreversible.

**Table 5 Changes in employment status (in per cent)**

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular workers</td>
<td>58.1</td>
<td>56.6</td>
<td>54.1</td>
<td>53.0</td>
<td>48.3</td>
</tr>
<tr>
<td>Temporary workers</td>
<td>27.7</td>
<td>29.5</td>
<td>31.6</td>
<td>32.8</td>
<td>33.4</td>
</tr>
<tr>
<td>Daily workers</td>
<td>14.2</td>
<td>13.8</td>
<td>14.3</td>
<td>14.2</td>
<td>18.3</td>
</tr>
</tbody>
</table>

(Source: Ministry of Labour, *Yearbook of Labour Statistics 2000*).

In this context, it was a political imperative to protect those people affected by the economic crisis but left outside the welfare system. The public works projects within the ‘Master Plan’ were aimed to deal with this issue. They were targeted at those who were outside of the Employment Insurance Programme and the Public Assistance Programme\textsuperscript{xiii}. In other words, this programme was for those unemployed people who were not eligible for unemployment benefits and at the same time not poor enough to get public assistance benefits. It did not, however, mean that this group of people did not need help. They were not eligible for public assistance benefits, simply because the means testing of the Public Assistance Programme was very strict. The target group, however, included a wide range of different people such as young and old, male and female, skilled and unskilled, and the unemployed and those outside the labour market. In co-operation with the World Bank, the Korean government developed a range of public works programmes that included not only the traditional types such as road construction and forestation, but also new types designed for the computer literate people, such as digitalising data-bases.\textsuperscript{xiv} This was intended to make the most out of participants in public works projects.

It is also worth noting here that the public works projects were operated in a transparent manner, particularly in selecting participants among many applicants. The Ministry of Government and Home Affairs set up guidelines for the selection of applicants for public works projects since the number of available jobs in the projects
was small compared to the number of applicants (see Table 6). According to these
guidelines, there were a number of criteria by which each applicant’s situation was to
be evaluated. For instance, the main breadwinners of the household, those aged
between thirty to fifty, and the disabled would get a more favourable review than
others in the process. In contrast, those who had previously participated in the public
works projects would have some disadvantage (people who participated in the
projects in three consecutive periods would be disqualified for the next period.) This
evaluation is quantified, and those who have more points according to those criteria
will be selected for Public Works Projects. There are also people who would not be
allowed to apply for the Public Works Projects: the recipients of unemployment
benefits, pensioners within the National Pension Programme and people whose
spouses are earning incomes. In order to check all these details, the local officials
have access to a ‘Work-net’, which is a collection of data for the labour force
compiled by the Ministry of Labour. Since each phase of the Public Works Projects
lasts for three months, people need to apply for work every three months.

**Table 6** Applications and selection for the Public Works Projects, first and second
half of years 1998-2000.

|-------------|----------|----------|----------|----------|----------|----------|
| No of
Applications | 133,000 | 435,000 | 1,156,000 | 784,000 | 716,000 | 427,000 |
| No of those
selected | 77,000 (57.9%) | 273,000 (62.7%) | 832,000 (71.9%) | 607,000 (77.4%) | 543,000 (75.8%) | 252,000 (59.0%) |


To be sure, it is one thing to set guidelines and another to implement them at the local
level. Since the public works projects were financed by the central (70 per cent) and
the local (30 per cent) government, local governments were keen to bring projects to
their regions and adhered to guidelines set by the central government. Given the long
tradition of highly disciplined administration, it was not a difficult task to administer
public works projects at the local level once there was a political will behind. It is fair
to say that there were not many local irregularities in implementing the public works
projects. In other words, the administrative capacity at the local level was up to the
task. The Ministry of Government and Home Affairs also operated an inter-net site where complaints could be posted directly.

In short, faced with the economic crisis of 1997, Korea attempted a new approach to economic reform based on social consensus-building. Although the newly elected Kim Dae-jung garnered a social consensus, it was democratic institutions that held Korea together and allowed the country to bounce back quickly. It is also worth noting that the Korean state, both at central and local levels, had the necessary administrative capacity to implement the agreed emergency measures.

*The initiatives of ‘productive welfare’ and the welfare advocacy coalition*

It became clear during the economic crisis that there was a gap in income maintenance policy in Korea. The Public Assistance Programme introduced in 1961 (implemented from 1965) was based on the idea of poor relief, and provided cash or in-kind support to the poor as officially defined. The level of cash benefits was estimated as equivalent to half of the official poverty line, defined in absolute terms (Kwon 2001a), and it had a strict means-test provision. For this reason, the Public Assistance Programme was a mere relief and not sufficient to prevent people from falling below the poverty line. The Public Assistance Programme also had a ‘demographic-test’, in which those aged between 18 and 65 were automatically disqualified from cash benefits. They were regarded as having earning ability and not deserving income support.

The Public Assistance Programme became the main target of reform after President Kim launched a new policy initiative, so-called ‘productive welfare’, in his address on National Liberation Day in August 1999. After dealing with urgent issues during the economic crisis, President Kim had his eye on the general election scheduled in April 2000. His coalition was always fragile against the main opposition party, the Grand National Party, and the initiative of productive welfare was part of a political strategy to gain an overall majority in the National Assembly. President Kim aimed at the low-income class to provide political support for his government; this was the political reasoning behind the initiative of productive welfare. Before he announced this new
policy initiative, he appointed a university professor with a long experience in social pressure groups as his political adviser. He also appointed a protestant minister with experience in social movements to be chairman of the policy committee of the Democratic Party.

This provided the advocacy coalition for reforming the Public Assistance Programme a critical link to policy making. The Citizens’ Coalition for Participatory Democracy, a voluntary organisation, had argued for the reform of the Public Assistance Programme since 1995. They wanted to replace it with a Minimum Living Standard Guarantee (MLSG), which would recognise all citizens’ right to a decent quality of life. When the Citizens’ Coalition for Participatory Democracy convened a conference on poverty in 1995, the MLSG was regarded as a mere idealist proposal. Although there were a small number of National Assemblymen sympathetic to the reform, there was no concerted effort to put the proposal on the legislative agenda. The Kim Young-sam government in office at that time (1993-1998) did not pay attention to this proposal.

During the economic crisis, the Citizens’ Coalition for Participatory Democracy had begun to step up its efforts to introduce the MLSG. It co-ordinated the efforts with other voluntary organisations, and succeeded in establishing an ad hoc committee. This committee was spearheaded by a social policy academic and a veteran civil activist as well as many other activists.\textsuperscript{xv} It lobbied a number of the National Assemblymen (Ahn 2000, 6), and maintained a close relationship with the small number of the National Assemblymen sympathetic to the idea of the MLSG from both the governing Democratic Party and the opposition Party. This cross party support was instrumental in submitting the bill for the MLSG to the National Assembly. This group of Assemblymen proposed a bill to the Health and Welfare Committee of the National Assembly in December 1998. Up to this point in time, however, the bill did not go beyond the committee floor at the National Assembly. Bureaucrats in the Ministry of Health and Welfare were sceptical about the bill, since they thought that the delivery system for a comprehensive income support programme was not in place (Lee, Hong-yun 2000, 146). The economic ministries were also not enthusiastic about the proposal, since it would cost a great deal of money, certainly more than the Public Assistance Programme.
The policy initiative of productive welfare, however, boosted the efforts for the bill and the political appointments at the Presidential office and the governing Democratic Party provided a vital link for the civic movement supporting the bill. In June 1999, President Kim decided to introduce the MLSG and his government submitted a bill to the plenary session of the National Assembly soon after he launched the productive welfare initiative. Once a bill gets support from the President, it is very difficult for bureaucrats to disagree openly even if they are not entirely happy with it. The Ministry of Finance and Economy and the Ministry of Health and Welfare, both of which did not support the MLSG for different reasons, did not voice explicit opposition. The bill was passed in the National Assembly and the MLSG was implemented in October 2000.

The MLSG represented an obvious shift in the policy paradigm on income maintenance in two ways. First, it changed the government’s concept of poverty from an absolute to a relative one. This means that those who were previously not qualified would be entitled to it, since the poverty line rose significantly. It also meant that the level of benefits increased, because the MLSG would guarantee a living standard equal to the relative poverty line. Secondly, the MLSG abolished the ‘demographic-test’ and provided benefits to those aged between 18 and 65 if their income fell below the poverty line. There are, however, conditions that require people in this age group to participate in job training programmes, public works projects or community services. These conditions are similar to those for welfare-to-work programmes.

In the broader context, the initiative of productive welfare represented a change in the social policy paradigm in Korea, recognising for the first time the social rights of citizens beyond mere rhetorical terms. Of course, it also involved economic considerations, but it was for the first time in modern Korean history that social policy was considered as an end in itself rather than primarily as an instrument of economic

<table>
<thead>
<tr>
<th>Table 7 Welfare-to-Work Programmes within the MLSG</th>
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</thead>
<tbody>
<tr>
<td>Programmes</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Job Placement</th>
<th>Regular consultation with job placement agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Training</td>
<td>Participation in training programmes according to need and capability</td>
</tr>
<tr>
<td>Fostering business</td>
<td>• Self-employed programmes</td>
</tr>
<tr>
<td></td>
<td>• Co-operative programmes</td>
</tr>
<tr>
<td>Public Works Projects</td>
<td>Participation in the Public Works Projects</td>
</tr>
<tr>
<td>Community Services</td>
<td>Contributing to the community and maintaining work ethic</td>
</tr>
<tr>
<td>Counselling</td>
<td>Problem solving and maintaining work ethic</td>
</tr>
</tbody>
</table>


VI. Challenges of the Norwegian (and Scandinavian) welfare states.

Most European welfare states experienced some serious challenges of one kind or another in the 1980s or 1990s. It has not gone unnoticed in the academic and media world that the Nordic welfare states were among these. Sweden, in particular, has come under closer international scrutiny, with observations of problems often mixed with a dose of schadenfreude, perhaps to compensate for previous envy at, or disbelief of, the social and economic success of her ‘welfare model’. Finland was the other Nordic welfare state to face severe problems, even more so than Sweden, but attracting less international attention thanks to her existence in the shadow of her bigger Scandinavian sister. Denmark and, especially, Norway were economically less challenged during the last decade, but in these countries also substantial social reform activity has taken place, although not always for the purpose of welfare retrenchment (Eitrheim and Kuhnle 2000).
We prefer the concepts of ‘problems’ and ‘challenges’ to the more dramatic notion of ‘crisis’. From the 1970s, various theorists have claimed a fiscal crisis, a crisis of government overload, a crisis of legitimacy, and a crisis of liberal democracy (cf. van Kersbergen 2000). If by crisis is meant breakdown or radical institutional change, none of the theories can be said to have ‘succeeded’ empirically, so far. The solid recuperation of all the Nordic economies at the start of the new millennium may prove that the moderate reforms have been successful, and even indicate that the kind of comprehensive welfare state existing at the time when the severe economic problems hit Sweden and Finland in the beginning of the 1990s has been conducive to renewed development of growth and welfare.

Contrary to anticipations promulgated by crisis theorists, the welfare states of Western Europe continued to grow during the 1980s and 1990s, in terms of expenditures and beneficiaries, and in many instances also in terms of employees. The overall scope of the welfare state is probably nowhere in Western Europe much less in 2000 than it was 20 years ago. Why is that? A number of reasons can be listed. First of all, the welfare state is ‘popular’: European voters, Nordic voters in particular, want to maintain and develop the welfare state. Secondly, established social rights and entitlements have automatically led to an increase in expenditure as the composition of the population changed in the direction of more old age pensioners, and more people who could claim unemployment benefits. Thirdly, some welfare programs have been expanded, first of all paid maternity (and parental) leave schemes. Fourthly, the welfare state, especially the health system has been able to meet more needs than earlier, which again has led to an increased demand. Fifthly, some known problems became more serious, such as unemployment, and new problems have appeared, such as those resulting from an increase in divorces and single-parent households.

No doubt, the welfare state has met, and will in the future face, great challenges. Empirical research on changes in European, including Nordic, welfare states during the last two decades has shown that, almost everywhere, successful attempts to reduce benefit levels in selected social security or welfare programmes have taken place, but there appears to be no uniform patterns of cutbacks (Kuhnle 2000a). Welfare cutbacks and reforms have been strictly limited in scope. In fact, one of the great challenges for
the future of the European and Nordic welfare states are the high expectations that a majority of voters have for more state welfare.

What are the major challenges to the type of Nordic welfare state as we know it? Most challenges are similar to European countries, but some may have greater impact upon the Nordic type of welfare state than on other types. Most important is perhaps the likelihood that the future Nordic welfare state will be more of a public-private mixed welfare state, less of a ‘monopolistic’ public welfare state. As a substantial majority of voters are relatively rich in terms of wealth, property and incomes, the concept of ‘freedom of choice’ gains more meaning. In a situation where welfare is a generally high priority, greater individual resources make it likely that possible alternative, non-public providers of welfare, health and income security will arise. Subjective perceptions of poor or inadequate quality of public services will create greater demand for private welfare provision. High incomes for a majority of voters enable them to act upon their diversified needs in a way that may stimulate the growth of market substitutes for the public provision of services. European integration helps open more space for non-public providers of health, welfare services and income insurance. Once this space is filled, the relative importance of the state will decline. The longer term scenario may be that experience with more mixed welfare provision will induce new generations to lower their expectations somewhat towards the welfare state, thus indirectly making it possible for somewhat downsized welfare states to survive. In an integrated Europe supply and demand will grow across national boundaries. The likely development of a greater proportion of transnational firms as well as transnational households may also undermine the strong position of national welfare states. A likely more ethnically and culturally heterogenous composition of ‘national populations’ may make it more difficult to preserve or create the political consensus for unified state welfare solutions. One result of the envisaged relative decline of state welfare will be that a dual public-private welfare system most likely will become socially differentiated. The concomitant risk is that high income groups besides tending to go more private will also lose interest in paying taxes for a public system for which they have a decreasing need, thus causing further differentiation of private and public service provision and deterioration of the public system. Paradoxically then, one major challenge to the kind of welfare state we have become
accustomed to during the last generation is precisely the successful growth of welfare, wealth and income of a majority of the population.

But there are other challenges. Present-day European and Nordic welfare states are under pressure to adjust their institutional arrangements to changing political, social and economic circumstances. Demographic change, resulting in an ageing population and a less stable balance between the generations, is one major challenge with consequences for demand for health, care and pensions. Another challenge is the changing family structure of modern societies. The number of divorced, single person and single parent households increases fast, putting social benefit systems under more pressure. Still another challenge is linked to the changing relations between men and women with respect to the division of labour within and outside the family. Given the characteristics of the social policies of the Nordic welfare states, however, it seems fair to say that the Nordic countries are better prepared to deal with new gender assumptions than other European welfare states. Thanks to women’s political mobilization and integration into decision-making bodies, the Nordic countries may have developed a ‘comparative advantage’ if it can be subsequently shown that it is the type and scope of ‘family-friendly’ welfare state policies that secure relatively high fertility rates and near-stable population size. Labour markets are also changing, with the growth of the service economy, new technologies and more flexible and atypical employment, challenging some of the financial logic of social security arrangements of present welfare states (Van Kersbergen 2000). Finally, the Nordic as other modern European welfare states are under pressure thanks to an accelerated economic globalisation of which intensified European economic integration may be one element. Or, alternatively, this may be looked upon as one possible answer with a potential for the EU to come to the political rescue of national European welfare states or come to represent a new kind of an organized ‘Social Europe’.

Despite reforms of varying degrees, Nordic and European welfare states have ‘survived’ the 1990s. In spite of a number of similar challenges associated with demographic change, financial constraints, unemployment levels and common external challenges associated with European and global economic integration, Nordic and European welfare states remain generally institutionally strong with solid basic support from voters and major political parties. West European welfare states have
been built over a 100 years period. Institutions have survived world wars. The welfare state has great importance for Nordic and European citizens today. Large majorities of European voters – in contrast to American voters – are generally far more favourable of governmental or state responsibility for basic income for all, for reducing income differences, and for creating jobs for all, according to mass opinion surveys (Kuhnle 2001). “The US-style approach has not won the day in Europe. The belief in the EU is very much that a dynamic Union should consist of active welfare states. The European Social Model is alive and well and the European Social Agenda adopted at the Nice Meeting is a testament to that” (Moynihan 2001). The welfare state seems to be a significant societal ‘stabilizer’. The welfare state has undoubtedly consolidated democratic development, and democratic institutions have consolidated welfare state growth and adjustments. The welfare state has not fallen apart in times of economic backlashes. Based on analyses of European welfare state development in a long term perspective it seems justified to predict that the survival of the Nordic and European welfare state is possible and likely – and desirable – if one listens to the voice of the majority of voters. Voice counts (Kuhnle 2000a).

VII. Challenges of the Korean welfare system

Since the economic crisis, Korea has witnessed a rapid expansion of the welfare system following a series of economic reforms. Such an active policy, however, led to a number of challenges of the Korean welfare systems, which should be addressed in the near future. First, it is necessary to consolidate the welfare programmes that were expanded or introduced during the economic crisis. In particular, the Employment Insurance Programme was extended to cover almost the entire working population. It is so in theory, but does it really cover them all? The National Health Insurance scheme and the National Pension Programme are faced with similar challenges in enforcing programmes effectively. National Health Insurance became a universal programme in 1989 and the National Pension Programme was extended in 1999 to cover the entire working population except those in other statutory pension programmes such as the Public Employees’ Pension Programme and the Private School Teachers’ Pension Programme. Since these programmes are insurance programmes, people need to pay contributions to be eligible for benefits. There are a
number of citizens who have not been paying contributions for some time, and in consequence they are not actually entitled to benefits. Table 8 shows the proportion of people who are paying for social insurance among the employed. It shows that most regular employees who are by and large employed in large-scale firms are paying contributions for their entitlements, but temporary workers who are mostly employed in medium- and small scale-firms have failed to do so. The quasi-governmental agency in charge of the management of the programme seems to find it difficult to enforce the rules for all. Those who do not pay contribution to National Health Insurance as employees are likely to do so as residents. However, in the cases of the National Pension Programme and the Employment Insurance Programme, such a possibility is very low. This suggests that we are a long way off from the universal coverage of social insurance.

The Employment Insurance Programme also places strong emphasis on training and job placement. There have been some doubts about the effectiveness of these programmes (Cho & Ra 1999). To be sure, programmes for training and job placement cannot be effective overnight, and experiences and know-how will be built on in the future if there are conscious efforts to operate those programmes effectively and efficiently. Nevertheless, it will not be an easy job.

Secondly, there is a growing concern about the sustainability of the programmes, especially for the National Health Insurance and the National Pension Programme. The finance of National Health Insurance fell into deficit due to the increase of the number of benefit days, widening the range of health service available within National Health Insurance. In particular, the government decision to increase fees for physicians and hospitals dealt the finances of National Health Insurance a severe blow.

<table>
<thead>
<tr>
<th></th>
<th>National Pension Programme</th>
<th>National Health Insurance</th>
<th>Employment Insurance Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage and salary earners</td>
<td>51.8</td>
<td>54.3</td>
<td>46.9</td>
</tr>
<tr>
<td>Regular employees</td>
<td>92.7</td>
<td>94.8</td>
<td>80.0</td>
</tr>
<tr>
<td>Temporary</td>
<td>19.3</td>
<td>22.2</td>
<td>20.7</td>
</tr>
</tbody>
</table>
employees

Wage and salary earners = Regular employees and Temporary employees

during the period of 2000. Medical doctors went on strike against the government policy to redefine the division of labour between physicians and pharmacists. xvi
Citizens had to suffer from a number of disruptions in the health care systems, and did not show strong support for the reform. It is also worth remembering that President Kim failed to win an overall majority in the general election in April 2000. The Kim government had to make concessions to carry through the reform given the lack of support at the National Assembly. The government increased health care fees for doctors and hospitals by almost 60 per cent during the year 2000. In March 2001, the chief executive of National Health Insurance announced that the program would be financially bankrupt in a month’s time unless the government provided extra funding. The government provided emergency funding, but this caused a national outcry against the Kim government’s policy. It is also an urgent task for the government, the National Health Insurance Corporation, medical professionals and ordinary citizens, to find a sustainable formula for the financing of National Health Insurance.

The National Pension Programme has a similar problem although it is not as urgent as that of National Health Insurance. Basically, the National Pension Programme has a financially unsustainable structure in which the internal return rate is too high to deliver in a period of low economic growth, despite the reform of 1999. Kwon (1997) pointed out that this issue was related to the developmental paradigm of social policy,

Table 9. The current accounts of health insurance funds (billion won)

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<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,614</td>
<td>6,631</td>
<td>7,554</td>
<td>8,230</td>
<td>8,892</td>
<td>9,529</td>
<td>10,953</td>
</tr>
<tr>
<td>Expenditure</td>
<td>5,076</td>
<td>6,464</td>
<td>7,795</td>
<td>8,788</td>
<td>9,610</td>
<td>10,538</td>
<td>13,623</td>
</tr>
<tr>
<td>Current accounts</td>
<td>538</td>
<td>167</td>
<td>-241</td>
<td>-558</td>
<td>-718</td>
<td>-1,009</td>
<td>-3,971</td>
</tr>
<tr>
<td>Reserve fund</td>
<td>4,120</td>
<td>4,002</td>
<td>3,785</td>
<td>3,036</td>
<td>2,243</td>
<td>919</td>
<td>-3,053</td>
</tr>
</tbody>
</table>

1 By November 2001; 2 projection
which regards the National Pension Programme as a way of mobilising capital rather than as a public pension programme. Since the National Pension Programme requires at least twenty years’ contribution to gain eligibility for full pensions, it has so far only accumulated funds. Once pensions start being paid out from 2003, the fund will exhausted in a year’s time unless there is a reform of its basic financing structure.

Third, there is an equity issue in burden sharing for the welfare programmes. Since social insurance premiums are not decided by the risks involved but by a person’s ability to pay, it is essential to have correct information on the income of the insured. At the same time, however, there is always a tendency to underreport income, particularly in the case of the self-employed as in most societies. Korea is no exception, but the problem in Korea is that the number of people and businesses that are waived from filing tax documents is exceptionally large due to an antiquated tax system (see Table 10). Among those who pay taxes, only 43.3 per cent pay their taxes based on bookkeeping. Because of this problem, it is believed that a great number of high earning self-employed professionals, such as lawyers and physicians, pay far less taxes and social insurance contributions than they should, while the taxes and contributions of wage and salary earners are directly deducted from their pay cheques. As the country’s social insurance programmes have been extended and integrated, there has been a growing uneasiness among wage and salary earners about the inequity in burden sharing. This problem should, however, be tackled in terms of tax reform rather than the welfare system. Most Korean governments in recent history, including the Kim Dae-jung government, have been reluctant to take up this challenge, but it will cause great problems in the future unless the necessary steps are taken to address it.

Lastly, there is an issue of democratic legitimacy concerning social policy making, as voluntary organisations are increasingly involved in the process. It is not in doubt that such involvement is a good contribution to democracy. The Korean government also seems to be eager to apply the concept of governance in policy making. The question, then, is who should be included (or consulted) while others are not? What kind of

Table 10. Tax returns of other than wage and salary earners (Global tax payers)
(1999)

<table>
<thead>
<tr>
<th>Global Tax Payers</th>
<th>3,407,662</th>
<th>Taxpayers to file return</th>
<th>1,342,153</th>
</tr>
</thead>
<tbody>
<tr>
<td>Those under tax</td>
<td>2,047,371</td>
<td>Based on estimated</td>
<td>748,762</td>
</tr>
<tr>
<td>threshold</td>
<td></td>
<td>income</td>
<td></td>
</tr>
<tr>
<td>Taxpayers to file</td>
<td>1,360,291</td>
<td>Based on bookkeeping</td>
<td>593,391</td>
</tr>
<tr>
<td>returns</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of those filing</td>
<td>39.9%</td>
<td>Ratio of those bookkeeping</td>
<td>43.3%</td>
</tr>
</tbody>
</table>


democratic mandate do voluntary organisations have when they are involved in public policy making? These issues are not confined only to the Korean case, but have become salient in the Korean context. Some voluntary organisations lack professional expertise in the relevant area when they are involved in public policy making while other voluntary organisations are politically biased. There is also a question of accountability and responsibility when policies are not successful. Regarding the financial collapse of National Health Insurance, for instance, it was only the Minister of Health and Welfare that took up the responsibility while voluntary organisations remained silent as the financial problems turned out to be serious. The government has not displayed a clear idea about the concept of governance in relation to who should be in charge, who should be consulted and who should be held responsible for decisions in the end. This is unexplored territory in Korea’s democracy due to relatively short experience, but it is very important to uncover the right formula, which, in turn, would be based on a social consensus.

VIII. Summary, interpretations, possible lessons

Whether the welfare state – with its programmes for retirement and disability pensions, sickness insurance, occupational injury insurance, maternity insurance and paid parental leave, child and family benefits, unemployment insurance and labour activity programs, health and personal social services, kindergartens, etc. - is a
blessing or not for economic growth and efficiency is a topic for much research and dispute (Maddison, 1984; Atkinson, 1999; Sandmo, 1995). Maddison stated 18 years ago that “It is difficult to reach strong conclusions on the influence of the welfare state on economic development because the evidence does not warrant them. Strong judgements on the question are influenced mainly by ideological positions, or predictions about what might happen in the future” (Maddison, 1984: 83). In a more recent study, Sandmo (1995: 4) concluded after a review of the aggregate empirical evidence that “the adoption of the Nordic model of social security does not have catastrophic consequences for economic growth”, but added also: “nor is it a guarantee of economic success”. Korpi (1985, 1996) found no evidence to support the argument that the Nordic welfare states are economically inefficient. At least seen at the macro-level and over longer time-spans, the welfare state and economic growth have gone hand in hand (Kuhnle, 2000a). We do not imply simple causal relationships one way or the other, but that interdependence has prevailed and exists. Economic growth is possible with a number of welfare state constructions, of different scope and generosity. But economic growth and efficiency are not the only goals of national welfare politics.

Politics and welfare state construction are also about the equalization of life chances, social justice, social security, social cohesion and stability. All of which are also in various ways related not only to economic growth and dynamics of economic development, climate of investments, etc, but also to political preferences, ideologies, interests and values. Thus, what kinds of welfare state policies are possible is also at all times a question of what is considered desirable by governments and voters, and what is considered desirable – what the state can and ought to do (Rothstein, 1994) – is a question of political and cultural context (norms, expectations, value structures) as much as a question of level of economic development and theories and knowledge of pre-requisites for economic growth and efficiency.

Both Norway historically and Korea after 1945 started out as more egalitarian than most other countries in their respective regions. Norway has a long history of independent peasants and no nobility, and the landowning class in Korea failed to remain capitalists after the land reform in the post-1945 period and the Korean war, which caused devastating destruction. Both countries were able to start
industrialization on a rather egalitarian basis because no strong property owning and industrial classes existed. The legacy of pre-industrial egalitarianism has been carried along and been prevalent in the industrial and post-industrial era in both countries. Egalitarianism and redistributive policies (mainly in Norway so far) have been compatible with economic growth. Rodrik (1995) emphasises that in Korea (and Taiwan) a relatively equal distribution of resources was, among other factors such as a skilled and educated work force, a necessary condition for economic growth because it insulated the political leadership from elite pressure and allowed it to focus on economic growth as a top priority. Initial conditions such as high levels of educational attainment relative to income, and equal distribution of income and wealth, were characteristics special to Korea and Taiwan and proved conducive to long-term economic growth, as also argued by Sen (1999: 188) and Alesina and Rodrik (1994). Also, comparing developmental data for Norway and Korea, it seems that the initial egalitarian income distribution in both countries made it possible for governments to concentrate on expanding the pie after 1945. Egalitarianism was no hindrance for growth, and has not prevented introduction of major (more or less redistributive) social reforms in both countries.

One important general lesson to be learnt from the European experience is the simple one that the welfare state does and may serve many functions. Debates on what are proper lessons to be learnt and what are proper welfare policy solutions in other, non-European, contexts can thus be framed in many ways. Social protection and welfare are topics often discussed in terms of poverty relief and meeting minimum needs for income and services. Poverty reduction was historically one aim for many governments putting social legislation on the agenda. But the establishment of European welfare states is about much more, especially in their Nordic and Continental European variants. Originally, considerations of social harmony and regime support were important in Europe (Flora and Heidenheimer 1981) – and, as shown, in the early period of social insurance reforms in Korea (Kwon 1999). Over time, many programs were developed to insure against events and risks, which cause income loss, or to enable reallocation of income over the life-cycle and redistribution across social groups, and to provide a sense of security for all citizens (Atkinson 1999: 5-6). Although a controlled experiment is impossible, we dare claim that the welfare state in the European context appears to have been a societal ‘stabilizer’,
which has prevented serious social rebellion, strong revolutionary movements (except for right-wing extremism in the pre-WWII period, widespread in Continental Europe, modestly so in Scandinavia, when the welfare state as well as parliamentary democracy were still weak and ‘underdeveloped’, and extensive poverty. The combination of structures of democratic governance, regulated capitalist market economies, and relatively comprehensive welfare institutions have rather successfully accommodated changing social needs. Social and political challenges have continuously filled government agendas, but dramatic ‘crisis-theories’ since the mid-1970s have fared rather poorly empirically in the European context (Van Kersbergen, 2000). That crisis-theories have not come true may of course be because they have served their function as ‘warning signals’ to which democratic systems and actors can be responsive, but in that case the theories have been deficient for not being able to take this kind of responsiveness into account in the first place.

In a recent comparison of different ‘regimes’ of welfare states, Scharpf (2001) contends that Scandinavian welfare states have been characterized with very high levels of total employment, and the highest rate of public sector employment among OECD countries; very high levels of female participation in the labour market; very high levels of taxation; very generous social policy, providing high levels of income replacement in cases of involuntary inactivity and in old age as well as comprehensive social services for the young, for the sick and handicapped, and for the aged; and very low levels of wage differentiation and income inequality. The Scandinavian countries have succeeded in creating a virtuous circle. In response to fiscal constraints, Finland and Sweden, much more than Denmark and Norway, have had to make cuts in social security benefits and eligibility criteria (Eitrheim and Kuhnle 2000), and some reduction of public employment (Scharpf 2000), during the 1990s, but the welfare state institutional set-up is basically intact. In international comparisons, all Nordic countries are still doing well on overall employment, social security and social equality. Economic and fiscal recoveries came about in the latter half of the 1990s without sacrificing the basic structure of the welfare state (Scharpf 2000). Financing expensive welfare states is a future challenge, but less so in the case of Norway thanks to its revenues from the oil and gas sector. Social security expenditures are expected to increase, especially after 2010, because of demographic change, which will also put greater pressure on the provision of health and social services. Uncertainties about
future expenditures and doubts about financing the Norwegian welfare state in its present format may induce governments to find a combination of increasing revenues (taxes, payment for services) and reducing expenditure in other fields (Bowitz and Cappelen 2001). The very rapid increase in disability pensioners during the last 20 years has led to a number of political attempts to stem the tide, to make it more difficult to obtain a pension (Hatland 2001), and recently to make it possible also to re-enter the labour market.

In the *East Asian* context, Korea’s social policy response should be much of interest for policy makers in the region and beyond. Confronted with the economic crisis of 1997-98, Korea adopted active social policy initiatives to overcome problems, and appear to have succeeded with these strategies in terms of social stability, cohesion and prospects for renewed economic development. In the process of social policy decision, Korea was able to create broad-based social and political consensus across major political actors and organizations in the labour market, notably business, labour and government. Such Korean experience clearly demonstrates that democracy is able to overcome crisis and carry out painful structural adjustment measures with active social policy. This contention challenges not only the influential economic argument that social policy is detrimental to economic development, but also a long political line of thinking that an authoritarian political regime is a necessary-evil to undertake the painful structural adjustment in the developing countries (Haggard and Moon 1990; Lee Kuan Yew 2000). However, we also need to point out that the Korean experience is not easy to apply to other countries in the region or the wider area of the developing countries. Democracy is not a simple choice of public policy. Whether a nation in question will strive for democracy depends, among other things, on the power structure of social forces and institutional experiences. Nevertheless, Taiwan seems to be succeeding in consolidating her democracy while the Philippines are trying to regroup democratic institutions. The fact that the era of democracy seems, at least in East Asia, to be coming to the fore is an encouraging sign.

In terms of social policy, it is necessary to note that Korea had already introduced social policy programmes before the 1997-crisis. Amid the economic difficulties, it would have been much more difficult to introduce a social welfare programme from scratch rather than extending and strengthening the programme established. Policy
makers were aware of how the programme would work when they extended the Employment Insurance Programme introduced in 1995, three years before the crisis. There were bureaucrats and policy experts who had accumulated know-how during the implementation of the programme and prior to the critical need for it in 1997-98. Korea also had a long tradition of a strong bureaucratic machinery both at central and local levels. Although its reputation as a driving force of economic development was tarnished, it was in fact able to implement emergency measures, such as the public works projects, without any difficulty.

Of course, the social policy initiative in Korea is not free from the political strategy of the Kim Dae-jung government. President Kim used the social policy initiative, the so-called ‘productive welfare’, to enhance his chance of winning an overall majority in the National Assembly. This turned out to be failure. At the time of writing, his government’s chance of winning the 2002-presidential election is doubtful despite all the good economic signals and social policy reforms\textsuperscript{xvii}. There are also a number of emerging policy challenges with regard to the welfare state in Korea. In particular, the Korean government and citizens need to figure out how to finance social policy programmes extended during the economic crisis in a sustainable manner. In short, Korea needs to consolidate the welfare state as well as her democracy. Consolidation is necessary both in the sense of expanding the welfare state further and in the sense of matching its obligations to its funding. Social policy has not reached its intended target, as shown in Table 8. At the same time, social policy programmes must be made financially sustainable in a long term perspective. This may sound contradictory, but it is not. Reaching the target population means at the present moment collecting premiums from both individuals and their employers while giving them a social guarantee for the time when individuals will need social protection. Of course, in the case of the National Health Insurance, it is necessary for Koreans to make a social contract on how much they should pay in terms of premium rates and in terms of share of GDP. Clearly, much remains to be done to strengthen Korea’s young welfare state.
References


**Notes**

i The Stein Rokkan Centre for Social Studies was established as of 1 January 2002 as a result of a merging of The Norwegian Research Centre in Organization and Management and The Centre for Social Science Research at the University of Bergen. Both Selle and Prakash were employed at the former of these centres until the two centres were merged.

ii Among the East Asian five countries hit by the crisis in 1997, Korea was the first country upgraded to the investment level by the international investment rating agencies such as ICBA/Fitch in 1999. Her rating was also upgraded in November 2001 by the Standard and Poor’s in the midst of the fear of world recession.

iii ‘Scandinavian’ and ‘Nordic’ are used interchangeably in this paper, both concepts referring to Denmark, Finland, Iceland, Norway and Sweden.

iv We say so-called social democratic type because the concept may lead readers to think that this is a type of welfare state which only social democratic parties and governments have promoted, and this is definitely not the case in Scandinavia – all major parties have favoured and contributed to a strengthening of this type of welfare state regime historically and in the present time.

v It is interesting to note that the IMF (*Financial Times*, 9-10 September 2000) does not credit the recent years’ renewed Swedish economic upswing, creativity and entrepreneurship, to the persistent Swedish government emphasis on core welfare state policies such as a broad tax basis, high tax revenues, security in the labour market, the world’s most generous paid parental leave schemes, increased child allowances, and extra resources for universal pre-schools and public care. Sweden, as
other Scandinavian countries, illustrates that a combination of high tax revenues, labour market security, declining unemployment, generous universal welfare services, and economic growth is possible.

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

vii This section builds on research reported on, among other places, in Wollebæk, Selle, Lorentzen (2000).

viii Esping-Andersen (1997) disagrees to the suggestion of the fourth welfare regime. Instead, he argues that Northeast Asian welfare systems are the hybrid of the conservative and liberal regimes.

ix Under the mandatory provident fund schemes, individual members maintain their own saving accounts. Between these individual accounts, there is no redistribution mechanism and one can only draw money or designated benefits within the limits of saving in one’s account. One exception is the state top-ups that the state occasionally transfers to individuals’ accounts.

x Before the economic crisis hit the country, Kim Dae-jung was in the second position (Joongang Daily 21 July 1997), but he led the opinion poll in 24 November (Joongang Daily 24 November 1997).

xi Interview with a senior officer at the Presidential Office, May 1998.

xii Crime increased by 11% in 1998 compared to 6.3% in 1997 and the increase in divorce was up by 25% in 1998 compared to 0.9% in the previous year (National Statistical Office, 2000).

xiii To be eligible to unemployment benefits, one needed to have contributed at least one year to the Employment Insurance Programme. Since the Employment Insurance Programme was introduced in 1995 and started only with people employed in the large-scale businesses, only seven per cent of the unemployed were eligible to the benefits in 1998.

xiv There are four categories of work (Lee, Joo-hee 2000: 7). First, infrastructure-maintaining projects include cultivating forest, building small public facilities and repairing public utilities. These are kinds of work that have been, by and large, considered for some time before by the local authorities but postponed due to their low priority and budget constraints. Secondly, the Public Works Projects provide a workforce for social service and charity organisations such as community centres and welfare institutions. This sort of work includes a variety of jobs, such as maintaining the facilities of those institutions and teaching children in after-school classes. Thirdly, there is environment-cleaning work, which includes roadside cleaning and rubbish collection. Lastly, there are information-technology related projects, which are targeted at the young, and computer-literate people. These projects provide timely help for many central ministries and local authorities, which have a great deal of backlog in digitalising their databases.

xv They are Dr Moon, Jin-young at Sogan University and Catholic Minister Song Kyong-yong.

xvi For many years it has been allowed for physicians to sell medicines as well as to diagnosis patients while pharmacists have been allowed to sell medicines without prescriptions. The government wanted to correct this by the redefinition policy.

xvii President Kim can not personally be a candidate for another period since the law does not allow a president to stand for re-election.