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A Study on the Welfare State Model in Korea

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Abstract

This study is an exploratory study to identify the characteristics and levels of the Korean welfare state. To clarify the characteristics of the Korean welfare state, we applied the social model that explains the development of the welfare state and tried to typify it by using various social indicators that are on the social welfare part of OECD countries. To achieve the purpose of this study, cluster analysis was used as a research method, and data were used from the most recent OECD data set. For this, SPSS version 20 and AMOS 21 were used. As a result, Korea was included in the type of underdeveloped welfare state with Mexico and Chile despite the huge economic size. The implication of the study shows that the Korean government should expand social welfare institutes and services to match the current economic level.

Keywords: *Korea welfare state, Typology of the welfare state, Social model, Welfare generosity ratio*

1. Introduction

Korea can be categorized as one of the developing welfare states that have not built a basic framework of the welfare state. Social insurance and public assistance did not become a basic framework until the 1990s, and in the early 2000s, the framework of state provision of social services began to be established. In particular, Korea is classified as a Confucian welfare state, which emphasizes Confucianism as well as China, Japan, and Taiwan. However, it is very difficult to distinguish or to typology the welfare states. When we apply Esping-Andersen's (1990)' typology; liberal, conservative, and social democratic welfare states, South Korea can be included in liberal welfare states [1]. Also, according to Sapir welfare state classification: Nordic country, Anglo-Saxon country, the continental country, and the Mediterranean, Korea can be clarified as an Anglo-Saxon. The welfare state standardization is mainly centered on European countries or European countries including North American countries [2]. As an Asian country, Korea has many limitations to be classified into the above-typified groups.

Most Asian countries have a short history of the welfare state and social expenditure is about 10% of GDP compared to that of European countries, and the development of charitable welfare provision centered on family or private organization is developed. White and Goodman point out that differences in the social model of East Asian countries are as follows: first, low expenditure on welfare; second, as a provider of social rights related to civil rights in the social role of welfare, Third, it emphasized the preference based on selectivity rather than tax-based payment or universalism-based social insurance. The social

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model that explains the development of the Korean welfare state maintains the three characteristics of East Asian countries pointed out by White and Goodman [3]. Korea can be categorized as one of the developing welfare states that have not built a basic framework of the welfare state. Social insurance and public assistance did not become a basic framework until the 1990s, and in the early 2000s, the framework of state provision of social services began to be established. In particular, Korea is classified as a Confucian welfare state, which emphasizes Confucianism as well as China, Japan, and Taiwan. However, it is very difficult to distinguish or to typology the welfare states. When we apply Esping-Andersen's (1990)' typology; liberal, conservative, and social democratic welfare states, South Korea can be included in liberal welfare states. Also, according to Sapir welfare state classification: Nordic country, Anglo-Saxon country, the continental country, and the Mediterranean, Korea can be clarified as an Anglo-Saxon. The welfare state standardization is mainly centered on European countries or European countries including North American countries. As an Asian country, Korea has many limitations to be classified into the above-typified groups. This study deals with the characteristics of the Korean welfare state in earnest. In particular, we apply the social model that explains the characteristics of the welfare state, identify characteristics of the Korean social model, and try to typify the Korean welfare state through the comparative analysis of the country by using various social indicators based on quantified and objectified data from OECD [4].

2. Theoretical background

(1) Korean Welfare State

The welfare states of Sapir suggested are classified as Nordic countries, Anglo-Saxon (liberal) countries, Continental countries, and Mediterranean countries. Nordic countries (Denmark, Finland, and Sweden Netherlands) have very high social protection spending. Anglo-Saxon (liberal) countries (Ireland, UK) are characterized by a relatively large social aid system, particularly with a focus on the labor force based on active policy instruments. In terms of the labor market, it is characterized by relatively weak labor unions, low-wage employment, and wage deviations. The continent countries (Austria, Belgium, France, Germany, and Luxembourg) are based on social insurance such as unemployment benefits and pension, membership is declining, but trade unions still have strong bargaining power. Also, the Mediterranean countries (Greece, Italy, Spain, and Portugal) are focusing social spending on old-age pensions and providing welfare benefits through a detailed separation of rights granting. In particular, social welfare systems are typically tailored to those who are early retirement in employment protection and the labor market. The wage structure is strongly suppressed and is achieved through collective bargaining. The welfare state classification of Sapir was based on the three criteria proposed by Boeri, namely: first, elimination of income inequality and poverty; second, protection of unwarranted labor market risks; Third, it is compensation for labor market participation.

South Korea is close to the model of the liberal welfare state in political ideology, and it approaches the model of the welfare state in southern Europe according to the model typified by characteristics of geographical area. Based on objective figures, Korea is only one of the least developed welfare states with the lowest level of national spending in all areas of social welfare. In other words, the nature of the Korean welfare system is based on the lowest level of social welfare spending in the OECD countries, providing low-level national direct services, participating in the welfare provision of high-level non-profit voluntary organizations. It is characterized by a market structure [5].

(2) Social Model

The social model can be explained as a theoretical framework that explains the nature of the welfare state and a very different type of welfare state depending on the social model. Most welfare states that maintain the form of welfare capitalism, regardless of whether they are European, North American, or Asian, can be characterized by the characteristics of the social model. To distinguish the characteristics of the welfare state, Walker analyzed the role of family, market, and state, the social expenditure level relative to GDP, the welfare decision model that determines the welfare provision, the degree of de-commodification of the people, and the degree of poverty and inequality. [6] On the other hand, Gough presented the European social model as a character with high social protection rates, high expectations of citizens, and high spending in GDP. [7] The characteristics of Gough's social model are relatively weak criteria compared to various criteria suggested by Walker as a standard in the financial aspect.

European countries have a social model that reflects the collective characteristics of European countries, while North American countries have a social model that fits North American countries and Asian countries have a social model with the characteristics of Asian countries. Of course, in addition to the features of the Asian social model that can be applied in common, it is natural that there are unique characteristics or characteristics of individual Asian countries. However, it can be said that it is difficult in terms of relative comparison by country. Among the Asian countries, China, Japan, Korea, and Taiwan can be grouped into East Asian countries. Europe can also be classified into Western Europe, Eastern Europe, and Northern Europe. This grouping is characterized by the commonality of social models that reflect group characteristics that should be derived. In other words, countries that are grouped into a homogeneous social model should all have the characteristics or characteristics of a common social model [8][9].

3. Research method and analysis

In this study, we compare the characteristics of the welfare state in Korea more specifically by comparing with OECD data. To this end, we try to analyze the nature of Korean welfare states based on the most recent OECD data. OECD data works on establishing evidence-based international standards and finding solutions to a range of social, economic, and environmental challenges. Therefore, it is very appropriate to guarantee objectivity and to compare internationally. The data used to identify the characteristics of the welfare state are the pension expenditure ratio to GDP, the income support ratio to the working population, the health service expenditure ratio, the social service expenditure ratio, the total social expenditure ratio, the family welfare expenditure ratio (cash + in-kind benefit), and the welfare generosity ratio. Among the seven variables, the welfare generosity ratio is the ratio of social expenditure to GDP, which is the sum of the elderly population and the unemployment rate. The ratio is derived by applying the formula directly with the OECD data. The other six variables represent the ratio of spending to the "social" sector in GDP, expressed as quantified value.

For this comparative survey, the OECD countries are comparatively analyzed with the above seven indicators for the welfare level of 34 countries, excluding Slovakia, where the data for each region is the most lacking.

As a research method, cluster analysis was used. For this SPSS 20.0 and AMOS 21.0 statistical programs were utilized. The collected data is mostly based on 2015; however, the data of 2015 and 2013 are used simultaneously when the data of the country in 2015 is insufficient. [Table 1] shows the results of cluster analysis [10][11].

Table 1. Type of welfare state (34 OECD countries)

Type	Group 1	Group 2	Group 3	Group 4	Group 5
State	Greece Spain Austria Italy Portugal France	Netherlands Norway Germany Luxembourg Slovenia United Kingdom Japan Czech Republic Poland Hungary	Mexico Chile Korea	New Zealand Latvia United States Switzerland Iceland Ireland Estonia Israel Canada Turkey Australia	Denmark Belgium Sweden Finland
Total	6 States	10 States	3 States	11 States	4 States

Group 1: The states included in group 1 are Spain, Austria, Italy, Portugal, France, Greece, and Austria. These states include the welfare states of the Mediterranean and western countries of Europe. In terms of the characteristics of group 1, the proportion of total social expenditure to GDP is very high (second place in the total group, about 27.92% spending), and spending on pension accounts for about half of social spending(1st place in total, OECD average 14.38%), while expenditure on health services was high (1st place in total, about 6.78 in spending), while income support for the workforce was high (2nd place in the overall group, about 4.65 spendings)。 However, spending on services was the lowest among the other groups (about 1.57 spending, fifth place in the overall group). Also, the welfare generosity ratio was the third among the overall group (.86). However, the ratio of public welfare expenditure to GDP-related family benefits including cash and in-kind was about 1.78%, ranked 4th among the total 5 groups. As a result, considering all variables in seven areas as a whole, group 1 can be defined as "the stable welfare state".

Group 2: The states included in the group are the Netherlands, Norway, Germany, Luxembourg, Slovenia, England, Japan, Czech Republic, Poland, and Hungary. In terms of the characteristics of group 2, total social expenditure as a percentage of GDP accounted for more than 20% (22.31) (third among all groups), and expenditure on pensions accounted for third place (about 8.72 expenditures) (About 6.28% of expenditure), and the income support for the working population was the third (about 4.34 of expenditure) in the whole group. Social services (about 2.44 of expenditure) and welfare generosity ratio (. 94) occupied second place in the whole group. The ratio of family welfare to GDP, including cash and in-kind benefits, was 2.36%, the second-highest among the five groups. In other words, group 2 can be defined as "the developing welfare state" considering all the variables in the seven areas as a whole.

Group 3: The three countries included in the group are Korea, Chile, and Mexico. The characteristics of the group are that all six indicators except for the social service area (4th in the whole group) show the lowest level. In other words, group 3 can be classified into "the underdeveloped welfare state" considering all variables in the seven areas as a whole. In all three countries, the proportion of social expenditure to GDP is below 10%, and the welfare generosity ratio, which represents the ratio of the unemployment rate to the social expenditure and the elderly population, is .67. In public expenditure on GDP, the proportion of family benefits, including cash and in-kind, was about .97%, ranking fifth among all five groups, and income support for the working population was fifth (about 1.37%) respectively.

Group 4: The states in group 4 are 11 countries, including New Zealand, Latvia, Iceland, the USA, Switzerland, Ireland, Estonia, Israel, Canada, Turkey, and Australia. It can be seen that there is a mix of several continental nations and countries that have been classified as liberal welfare states. In terms of the characteristics of group 4, total social expenditure as a percentage of GDP accounted for about 17.23% (4th among all groups), and expenditure on pensions accounted for 4th place (about 5.55% spending) (5.71% of total spending), and the income support for the working population was 4th among the total group (3.90% expenditure, 4th overall). The proportion of the welfare generosity ratio (.79) was 4th in the total group. The ratio of the public expenditure to the family benefits including cash and in-kind was about 1.95%, the third among the total 5 groups. In other words, group 4 can be defined as "a conservative welfare state" considering all the variables in seven areas as a whole.

Group 5: The states included in group 5 are Belgium, Denmark, Sweden, Finland, mostly the Nordic welfare states. As for the characteristics of the group, the total social expenditure as GDP accounted for about 28.80%, the highest expenditure (1st in the total group), and the expenditure on the pension accounted for second place (about 9.25% spending) The expenditure on health services (about 6.77% expenditures) was the highest among all groups, and the income support for the working population was the highest among all groups (6.18% expenditures), social services (about 5.43 expenditures). Also, the welfare generosity ratio (1.08) occupied first place in the whole group. The ratio of public expenditure to the family benefits including cash and in-kind benefits was also high, about 3.35%, ranking first among all five groups. In other words, group 5 can be defined as "the developed welfare state" because they record the highest level when all the variables are considered in seven areas as a whole.

The results of the cluster analysis are classified the level of the welfare state as developed, developing, stable, conservative, and underdeveloped states. The developed welfare state like Sweden in group5 has a well-developed welfare system and institutions in all aspects. The developing welfare state like Germany in group2 is the second-highest group in all welfare factors. A stable welfare state like France in group 1 is ranked the third in welfare factors. The conservative welfare state as the USA in group 4 is approximately is ranked 4th place in welfare factors. Finally, the underdeveloped welfare state like Korea in Group 3 has the least level in all welfare factors.

4. Conclusion and Implication

According to the comparative analysis based on OECD data, Korea is one of the least developed types of the welfare state with Mexico and Chile. In terms of contents, low welfare generosity ratio and low level of public spending on family benefits mean that the degree of de-commodification is low, and the level of social expenditure is low in all areas of welfare, so the level of welfare is generally low have. However, unlike Chile and Mexico, the level of economic development represented by GNI or GDP is high, and the economical basis for enhancing the level of state spending on welfare and the degree of de-commodification is superior to Mexico or Chile. It can be concluded that Korea is likely to enter a developing welfare state in a short period. The table below compares the indicators of New Zealand and Spain, which are similar to those of Korea.

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