Public Works Programs in Korea: A Comparison to Active Labor Market Policies and Workfare in Europe and the US

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Introduction

The aim of this paper is to compare recent changes in the Korean social protection system to ongoing developments in Western Europe and in the US.

After the financial crisis in 1997, Korea introduced a large scale public works program as a measure to provide income maintenance and meaningful activities to the new unemployed. This program has been described, also in World Bank documents, as a “workfare program”. The main purpose of the comparison to follow is to provide a framework within which it is possible to position the Korean public works programs.

There is today a large degree of confusion about how to understand and define the different measures which are generically referred to as “active policies”. The paper elaborates on the distinction between active labor market policies (ALMP) and Workfare made by Lødemel and Trickey (eds. 2001) and introduces a third form of activation to the comparison; public works.

The paper compares the Korean programs with workfare and other active labor market program in Western countries, with a view to highlight similarities and differences. The paper discusses whether the term “workfare” describes the Korean public works program in a meaningful way. It is suggested that an alternative is to compare it to Western experiences

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1 The first few pages of this chapter contains material from chapter 1 of the forthcoming book “An Offer You Can’t Refuse: Workfare in International Perspective” (Policy Press 2001)
Public Works Programs in Korea

with large scale public works. In the West such programs were last used, on a scale comparable to present day Korean policies, during the recession in the 1930s. The scale and the nature of the problems experienced in Korea today may be more similar to these early experiences than to modern workfare, which is targeted at groups who are marginal in relation to the labor market, and which focuses more on supply side measures than demand side measures. The rudimentary nature of the Korean welfare state also suggests that it is more fruitful to compare public works to earlier experiences of mass unemployment in Europe and in the US.

From Passive to Active Policies

This section presents, first, the broad area of active policies, second, Active labor market policies (ALMP), third, workfare, and fourth, public works.

Throughout the OECD-area the social consequences of joblessness continue to be a major focus of policy analysts and politicians. A range of difficult issues arises in formulating appropriate policy responses. There is the limited degree to which macroeconomic policy can be expected to improve the situation in the immediate future. There are various constraints that limit the ability of national governments to stimulate demand, and reduce the effectiveness of macro-economic management. Moreover there is general agreement that in many countries labor market rigidities are common, limiting the ability of macro-economic policy to affect the level of employment.

At the same time, there is growing concern about the ways in which benefits provided to the jobless contribute to the rigidities that complicate macroeconomic policy and imply slow adjustment to changing economic realities. A central advisor to the Blair government in the UK describes this as ‘moral hazard’ (Giddens, 1998); by discouraging initiative and fostering dependence, such policies may actually contribute to the incidence and duration of the problem they are intended to alleviate.

The emergence of a new ‘risk society’, as described by Beck (1992), involves a ‘temporalization’ and a ‘democratization’ of unemployment and poverty. The first refers to a change from permanent situations towards problems which are either short term, permanent or recurrent. Second, ‘democratization’ means that these situations are no longer confined to members of lower classes; poverty and unemployment are increasingly experienced also by members of the middle classes. More than before, therefore, policies targeted at the unemployed, need to be better tailored to individual needs.

Moreover a high level of unemployment implies a high level of social security spending. It is likely to mean a high level of spending on social assistance, as rights to social insurance are exhausted, and as younger
workers and others without contribution records become affected by unemployment. There may therefore be pressure to ensure that budgets are kept in check, and that money is targeted to the individuals most clearly in need of assistance.

In response to these concerns and new realities, both social policies and labor market policies are changing. In general a shift towards a more ‘active’ use of funds with the view to further self-help can be observed in all OECD countries. In Western Europe during the last decade, ‘activation’ has become a key concept to describe this trend. By contrast, this term is seldom used in the United States, where concepts such as a move towards an ‘enabling state’ (Gilbert and Gilbert, 1989; Gilbert, 1995) express similar ideals. The present change in Europe is based on an understanding that while the existing welfare states often provide ‘soft landings on the side of active society, we need ..to build bridges back to work’ (Larson in Heikkila ed., 1999).

While ‘activation’ and the ideas underlying it are long established in areas such as social work and the rehabilitation services (Hvinden, 1999), the present usage is different. Whereas in political rhetoric activation is perceived to guide most of the programs of the welfare state, the policy changes resulting from this new emphasis are mainly targeted at furthering paid employment. The term ‘active’ is therefore usually understood as economically active, and the aim of policies is to further (re-) integration in the labor market. On the other hand, an important aspect of the new activating policies is an extension of the role of labor market policies to go beyond its traditional concern with those closest to the labor market (the insured unemployed) to include other groups such as the disabled and jobless recipients of social assistance.

The rapid diffusion of these policies in recent years is partly a result of initiatives made by international organizations. In 1992, the OECD formulated a number of recommendations for member countries to reform social and labor market policies with the view to further integration, in work as well as in other institutions in society (OECD, 1994). Similarly, a meeting of European ministers of social welfare in the preparation of the 1995 United Nations Summit in Copenhagen stressed the importance of active social policies (United Nations, 1995). Finally, the European Union has adopted activation as the cornerstone of their social policies. In 1997 the Luxembourg Jobs Summit of the EU established three quantified objectives: first, to guarantee that after six months out of work, all unemployed people be offered training or other employability measures, second, a repeat of these measures after twelve months if necessary, and, third, an increase in the use of active labor market measures, to include at least 20% of the unemployed (European Commission, 1998)

Active Labor Market Policies (ALMP)
The most important instrument designed to achieve these targets is active labor market policies (ALMP). The term refers to the attempt at transferring passive benefits into active measures with the view to make the unemployed more attractive on the labor market (Hvinden, 1999). The origin of the present emphasis on ALMP in Europe has been traced to the Scandinavian countries (Wilensky, 1992). In particular Sweden has a long history of using labor market policies as an instrument to stimulate both the demand and the supply of labor in times of economic restructuring.

Both ALMP and workfare are characterized by the use of incentives to achieve desired aims. The recent change towards incentives has been described as a ‘fundamental shift in policy makers’ beliefs about human nature and behavior’ (Taylor-Gooby, 1998) and ‘the victory of rational choice thinking’ (Le Grand, 1997). Incentives can be delivered in the form of either positive or negative sanctions, or, in more colloquial language, as ‘carrots’ or ‘sticks’. While ALMP typically applies a mix of positive and negative sanctions, idealized workfare is distinguished by a greater emphasis on negative sanctions (Hvinden, ibid.; Abrahamsen, 1998). Idealized workfare, in this perspective, can therefore best be described as the ‘stick’ of the new active policies.

Workfare is distinguished from ALMP in three further ways. First, while the use of compulsion may be a part of ALMP, for example where the receipt of unemployment benefits is conditioned upon participation in various activities designed to further labor market integration, the compulsory nature of workfare is compounded by the last resort nature of social assistance. While, in many countries the failure to meet ALMP requirements may result in the loss of unemployment benefits, a lower tier of social assistance is often available. With workfare, however, there is no safety-net below. It is in this situation that the ‘offer’ of work is one that ‘you can’t refuse’ (Lødemel and Trickey, 2001). Second, unlike most active labor market programs, the required activity in workfare is more often work than training. Training may be one of several options available in the first instance, or the participation in work activities is presented as training in the skills of functioning in a work place. Third, while ALMP is usually organized by the labor market authorities, workfare is typically a part of the social services. In practice, however, the use of the workfare instrument differs across nations, and the extent to which it shares similarities with ALMP, and the extent to which it is integrated with these policies in implementation, are questions that will be addressed in this chapter.

**Defining Workfare as a Part of the New Active Policies**

At present no consensus exists regarding a single definition of workfare. The use of the term varies over time and between countries (Peck, 1998) and the language of workfare is at least as ‘hazy’ today as it was a decade ago (Standing, 1990). There are two main reasons for this lack of clarity. First, in
comparison to other social policies, ‘workfare’ policies are not easily defined either in terms of their purpose (e.g. as compared to ‘rehabilitation policies’) or in terms of their target group (e.g. as compared to ‘pension provision schemes’). Policies variously described as ‘workfare’ are often associated with different aims and target different groups of people. Second, workfare has always been a politically charged term. When it was originally used during the Nixon administration in 1969 it was marketed as a very positive alternative to the passive provision of income maintenance. Surveys of public opinion suggest that the idea of replacing unconditional benefits with requirements to work receives substantial support across different welfare states. Over the last decade the term has most frequently been used by those who oppose work requirements, which they perceive to be eroding rights-based entitlement to assistance (Shragge, 1997). In Europe the word ‘workfare’ is often used by policymakers as a foil, to explain what the new policies are not. Only the political right in the United States still use the term to describe policies which they advocate.

The lack of clarity about what workfare ‘really is’, has not prevented it from increasingly penetrating public and academic discourse. In the three largest US newspapers more references were made to workfare in the year 1995 than in the entire period 1971-80 (Peck, 1999a). The academic literature also bears witness to this trend. Of a total of 90 articles describing ‘workfare’, only 11 were published before 1990 (Social Citation Index). The use of the term in the academic literature reflects its ambiguity and the blurred boundaries between workfare and related policies.

A key distinction can be made between aims-based (Evans, 1995; Morel, 1998; Nathan, 1993) and form-based definitions (Walker, 1991; Wiseman, 1993; Jordan, 1996; Shragge, 1997; Mead, 1997). Applying a form-based approach, Morel (1998) compares the French ‘insertion approach’ within social assistance, with a US ‘workfare approach’. She suggests that the key difference is that the workfare approach is concerned with a fight against ‘dependency’, whereas the insertion approach is intended to counteract ‘social exclusion’. Nathan (1993) focuses on the aim of policies when he distinguishes between two forms of workfare that can be identified in the US context. He uses the term ‘new-style workfare’, now commonly used in the United States, to refer to a range of ‘strategies which aim to facilitate entry into the labour force’. By contrast, ‘workfare’, referred to US policies in the 1970’s and 1980’s, was restrictive and punitive (Ibid.). According to Nathan, the different aims are reflected in the form of the policies; while the former offered little more than work in exchange for benefits, ‘new style workfare’ encompasses a variety of work and training programs designed to help welfare recipients gain access to regular jobs.

In the first systematic comparison of welfare programs in a large number of countries, Lødemel and Trickey outlined as: Programmes or schemes which require people to work in return for social assistance benefits. The definition thus has three elements – that workfare is compulsory, that
workfare is primarily about work, and that workfare is essentially about policies tied to the lowest tier of public income maintenance (Lødemel and Trickey eds., 2001)

Public Works Programs

Both ALMP and workfare are modern responses to the problems experienced by the matured welfare states within the OECD area. Both represent a reaction to what is increasingly described as “passive policies”. By contrast, public works programs are typically associated with the large scale programs implemented in the industrial countries of Europe and North America during the recession in the 1930’s. In the absence of support systems for the unemployed outside the Poor Law, work was created by the state and the unemployed were able to earn a living.

It is important to distinguish the purpose and nature of these programs from those of the present day active policies. Commenting on the main US public works programs, organized by the Civil Works Administration, Katz argues that “the CWA was not relief or a dole. Rather, it reflected the administrations highest priority; to put the unemployed back to work” (Katz, 1996). The participants were typically previously full time workers, including both blue- and white color workers. The task performed was designed to serve the interest of the community in a situation where funds for construction and maintenance were depleted: “building and widening roads, clearing sites for recreation workers, schools hospitals, libraries and other public buildings got replastered walls, new coats of paint and even decorative murals” (Ibid.). Public works programs were not only a part of the policies of democratic governments. In Europe, the programs installed by the Nazi government were perhaps the largest. The endorsement of these latter programs as an example to follow in Europe today, is at the core of the recent European isolation of the new right-wing government in Austria.

The public works programs of the 1930’s therefore combined the need to rebuild and maintain the nation’s infrastructure and to offer non-poor law support to the regular unemployed. In doing so, they also represent a precursor to later demand side oriented Keynesian economic policies. In the words of Katz, the CWA “pumped 1 billion dollars into the stagnant economy” (Ibid.).

In recent academic contributions to the discussion of the upsurge in workfare, references are often made to these programs as precursors to current policies pursued in the mature welfare states (Andenæs, 1992; Salonen and Johansson, 2000; Struthers, 1996). The discussion above suggests that these programs differed strongly both from current workfare initiatives for the uninsured and ALMP for the insured unemployed persons.

We have identified and defined three forms of active social- and labor market policies targeted at the unemployed. Although there are considerable overlaps in design and practical implementation, the differences among the
three forms can be expressed in an idealized typology as shown in Table 10.1 below.

Table 10.1: Distinguishing characteristics of three forms of active policies targeted at unemployed people

<table>
<thead>
<tr>
<th></th>
<th>ALMP</th>
<th>Workfare</th>
<th>Public works</th>
</tr>
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<tbody>
<tr>
<td><strong>Relationship</strong></td>
<td>Voluntary or compulsory.</td>
<td>Compulsory condition for</td>
<td>Not attached to entitlement</td>
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<tr>
<td>to welfare</td>
<td>UB-recipients</td>
<td>soc. assistance entitlement</td>
<td></td>
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<tr>
<td>entitlement</td>
<td></td>
<td></td>
<td>access to aid</td>
</tr>
<tr>
<td><strong>Form of regulation</strong></td>
<td>Supply side and demand</td>
<td>Supply side</td>
<td>Demand side</td>
</tr>
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<td></td>
<td>side</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Main target group</strong></td>
<td>Unemployed, close to</td>
<td>Un. recipients of</td>
<td>Unemployed close</td>
</tr>
<tr>
<td></td>
<td>labor market</td>
<td>assistance.</td>
<td>to labor market</td>
</tr>
<tr>
<td><strong>Main activity</strong></td>
<td>Training</td>
<td>Work</td>
<td>Work</td>
</tr>
<tr>
<td><strong>Responsible authority</strong></td>
<td>Labor market</td>
<td>Social services</td>
<td>Labor market</td>
</tr>
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**Empirical description**

*Western Europe and the US*

In recent years the emphasis on activating policies has resulted in an increased role of both ALMP and workfare. In this overview the focus is on workfare, because this is the policy form to which Public Works in Korea is most commonly compared. But first a few points about ALMP.

**ALMP**

Sweden is considered the pioneer in applying ALMP (Wilensky, 1992). It is interesting to note that the Swedish programs originated in the economic crisis in the 1930’s. Already at that time, the Social Democratic government replaced relief work with “public temporary employment” (Salonen and Johansson, 2000). The change involved a new responsibility by the state in providing suitable and meaningful work for the unemployed. In the 1950’s this demand side orientation was complemented by supply side measures. The programs were increasingly used to speed up structural changes in the labor market. By means of job brokerage, job subsidization and training
measures, ALMP was designed to improve both labor demand and labor supply (Hvinden in Heikkilä ed., 1999).

The Swedish experience has inspired other nations to use ALMP in the change towards more activating labor market policies. International organizations, most importantly the OECD, have played an instrumental role in promoting such policies in recent years. OECD countries differ, however, considerably in the extent to which they have transferred passive policies (with a focus on income maintenance) into ALMP. In the mid-1990's it was found that the Nordic countries remained “the activist corner” compared to other Western European nations (Hvinden, Ibid.). The UK and the US featured the lowest degree of activism in this period (OECD 1996).

**Workfare**

Lødemel and Trickey (eds. 2000) have compared the institutional characteristics of workfare in Denmark, France, Germany, the Netherlands, Norway, the UK and the US. On the whole the introduction and extension of workfare programs into Europe is a 1990s phenomenon. However, whilst the United States, is often seen as the originator of workfare policies, having a history of programs going back to the early 1970s, there are important exceptions within Europe. Denmark has taken a pioneering role in European compulsory activation, and in Germany a provision for workfare was included in the 1961 social assistance legislation, though the policy largely lay dormant until the onset of mass unemployment in the 1970s.

Lack of employment (‘worklessness’) experienced by population sub-groups is a common concern in many western nations despite a range of labor market circumstances. Changes in the size and composition of unemployed and inactive populations; growth in the number of social assistance claimants; and, an associated rise in social assistance expenditure can be everywhere identified as key motivating factors for the introduction of active labor market policies, including workfare (Heikkilä, 1999).

Despite common reasons for rise in social assistance claims and common concerns about social assistance expenditure (Ditch and Oldfield, 1999), the

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2 Programs chosen to represent the six European countries were: Activation (Denmark); RMI based Insertion (France); Help Towards Work (Germany); The Jobseeker’s Employment Act (JEA) for Young People (The Netherlands); local authority schemes resulting from the 1991 Norwegian Social Assistance Act (Norway); and, The New Deal for Young People (The UK). In Germany, France and Norway national legislation is reinterpreted locally to such a degree that a different programme might be considered to exist in each locality. To accommodate this, an ‘overall’ picture of the programme (or set of schemes) is given from a national viewpoint and the extent of intra-national variation is indicated. Three states’ programmes for claimants of Temporary Assistance for Needy Families represent the United States (New York, Wisconsin and California). The programmes listed are not representative of the totality of programmes in each country – for example, the three American programmes represent three of the most developed forms of workfare in the US.
relationship between wider macro-economic concerns and program objectives is not straightforward. In addition to economic considerations, the use of workfare is underpinned by common ideological objectives related to changes in the way the relationship between paid work and citizenship is understood and described. These have been made manifest in rhetoric through the concepts of ‘social exclusion’ and ‘dependency’ – insofar as they refer to exclusion from the labor market and ‘dependency’ on social assistance – and to changes in the contract of ‘rights and responsibilities’ between claimants and the state.

A range of different explanations for worklessness underlies the programs considered here. Whilst architects of all the programs focus to some extent on eliminating ‘dependency’ – which is the reason for them being compulsory, to different extents they also aim to tackle ‘social exclusion’ and, in some cases, low labor demand. This is reflected in the extent of focus on external-based as opposed to individual-based problems, and on ‘demand-side’ as opposed to ‘supply-side’ issues.

There are very important differences in primary target groups between Europe and the US. Within Europe, the focus is on young unemployed people. Danish Activation stands out as the program most intended to apply to people whose main reason for claiming is not unemployment. Programs differ as to whether they are applied universally or more selectively to their target populations. The most ‘universal’ programs are the Danish, Dutch and British programs, with the German and Norwegian programs being the most selective.

The extent to which programs diverge from the idealized model of workfare outlined in the definition given above are a reflection of the extent to which their architects define the causes of worklessness differently, and, so, seek to accommodate the varied circumstances of individual clients. Different strategies are a reflection of differences in underlying ideological aims, and in attempts to respond to the heterogeneous needs of target populations.

The programs differ in the extent to which they are integrated with programs for the insured unemployed (ALMP). The most integrated programs are found in the UK, Denmark and the Netherlands. These are also the most “offensive” programs, focussing more than the others on human capital development in the form of training and other measures in addition to work. This suggest that where the social division of training is narrow, the traditionally marginal groups targeted by workfare may benefit from belonging to a wider “risk group” (Baldwin, 1992) which also include the unemployed who are closer to the labor market.3

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3 For a detailed comparison of workfare programs, see chapter 9 of Lødemel and Trickey (eds. 2001). For a discussion of possible explanation to differences among programs, see chapter 10 of the same book.
The Korean Case

Social Welfare in Korea

It is commonly acknowledged that people’s welfare stems from three different sources: the public, the market and the family. By western standards the welfare state in Korea is fairly limited and “lean” (Lee, 2000). This applies to budgets, degree of universialism, number of beneficiaries, and benefit levels (Park, 2000). However, it would be a mistake to take the official figures at face value. Still traditional family and caring values prevail in Korea, and many firms, in particular the large corporations, provide fringe benefits and welfare goods which are of great value to their employees. Accurate and reliable estimates are however, difficult to come by. At least up the crisis in 1997, the Korean labor market provided near-lifetime employment and a seniority system which served as social protection. Non-public welfare is not revealed in the official figures, but should be considered. Needs for welfare goods are also lower in Korea than in most western countries because the number of elderly in Korea is relatively low.

The Late 1990 Crisis and Its Background

After nearly three decades of continuous and steady economic growth Korea was in 1997 hit by a sudden and dramatic economic crisis. In a short time, from the fall of 1997 to early 1998, unemployment soared from 2.1 to 8.4 per cent, implying that 1.7 million Koreans were left without jobs almost over the night. No doubt, this is a conservative estimate as more than half a million is perceived to leave the work force completely. Real wages dropped by almost 10 per cent. Unemployment inflicted most groups, but some groups were affected more seriously than others: well educated employees experienced lower unemployment rates than the low educated, and non-professional workers in construction, trade and manufacturing were particularly hard hit (Kang et al., 1999).

In 1998 the GDP dropped by 5.8 per cent which lead Korea from being the world’s 11th largest economy to become dependent on loans from international finance institutions (Park, 2000; Kang et al., 1999). A crisis of such proportions was unprecedented in post-war Korean history although the country went through a recession in the early 1980s. The period from 1962, when the first of a series of five-year development plans where implemented, and onwards may be characterized by four key words: economic growth, industrialization, drastically improved standard of living, and a sustained income equality, by international standards (Choo, 1993). It is generally
perceived that Korea still is an egalitarian country, at least what income is concerned (Choo, 1993, p.351). What concern growth and industrialization, as late as in 1961 Korea was still an agricultural society with virtually no industry and no exports. The Government introduced export incentives, and encouraged private capital to invest in Korea (Kwon, 1993). Several commentators have labeled this transformation an economic miracle. It is argued that investment in human capital and education is one of the key factors in this development (Kwon, 1993). Five years development plans in close co-operation with private business and geared at promoting the private sector were also decisive factors. Among other things a plan for developing a heavy and chemical industry plan was announced in the early 1970s. Following the economic downturn in the early 1980s which was characterized by negative growth and high inflation, the Government turned to liberalization, deregulation and market mechanisms to tackle the problems.

In the period up to the recent crisis real wages increased enormously and doubled several times. The absolute poverty rate decreased from 40 per cent in the mid 60s to about 10 % in 1980 (Leipziger, 1993, p.364). Up to 1990 income inequality (measured by the Gini index) fluctuated between .32 and .39 and did not show any increasing trend, rather the opposite (Choo, 1993). On should keep in mind, however that the statistics suffer from the weakness that the very rich and very poor are excluded, and so are self employed like doctors and lawyers.

The public welfare system in Korea rests on three pillars: social insurance, social assistance, and social welfare services for the disabled, aged etc.

**Social Insurance**

The social security law was enacted in 1963. It first implemented a work injury program in the early sixties (Choo, 1993, p.164). In 1977 a health insurance system was introduced which was made universal in 1989. In 1988 a national Pension system for workers at workplaces with 10 or more was introduced. This was expanded to workers in workplaces with five or more workers in 1992 and made universal after 1997.

Unemployment insurance was introduced in 1995. Less than 50 per cent of Korean workers were covered by unemployment insurance when the crisis hit in 1997. However, since the scheme just had been made operative, many workers were entitled to only a few months of benefit. The crisis also hit marginal workers in small firms much harsher than the core workers in the big firms and corporations. Thus a disproportionally high rate of marginal workers were thrown into unemployment without a social safety net. No more than 11 per cent of the unemployed population received unemployment benefit when the crisis peaked early in 1999 (Park, 2000, p.16).
Social Assistance

Korea first introduced social assistance, labeled Livelihood Protection (LP), in 1961. Just as the economic growth as such was used as a means to eradicate poverty, so was the LP scheme. From the beginning the LP scheme served as a poor relief program. The Ministry of Health and Welfare is responsible for this program (while the Ministry of Labor is responsible for Public Works). A clear division of responsibility is in existence, as the first take care of income maintenance programs, while the latter handles the work related programs. The Ministry of Health and Welfare is essentially concerned with income protection even if their programs contain certain productive, work, or activity requirements.

The target group of LP is the poor, marginal workers in the informal sector, for example elderly women who sell food on the street. They are considered as able-bodied. They also should meet the requirements of the assets of 28 million won (23 thousand US dollars) per household in 1999, and income tests of 220 thousand won (183 US dollars) per month per person in 1999.

A strong version of the subsidiarity principle applies to the LP program. Claimants are required to seek assistance from spouses or parents, or the spouses of the parents or grandparents or the spouses of the grandparents, or brother/sister belonging to the same household before having recourse to public assistance. Older claimants are expected to seek assistance from spouses or children, or spouses of the children or grandchildren, or spouses of the grandchildren or sisters/brothers belonging to the same household.

There are six forms of aid: Livelihood Aid, Education Aid, Maternity Aid, Medical Aid, Self-supporting Aid and Funeral Aid. The Livelihood Aid takes the biggest proportion of these. The law describes entitlement to aids as individuals, but the actual unit for whom benefit is payable is household. The social assistance scheme has no limits on duration as long as the recipients meet the requirements.

Recent Changes in Korean Welfare: Temporary Livelihood Protection and Public Work Programs

Since the financial crisis in the late 1990s, a temporary Livelihood Protection has been introduced. The means testing (asset and income) in the temporary LP are lower than in LP, and so are the benefits. Under the temporary scheme, as the assets test requirement has been lowered to 44 million won (US$ 37,000) per household in 1999, more low income people have benefited. 310,000 and 760,000 more of the low income people were targeted for the beneficiaries in 1998 and 1999, respectively. In 1999, a cash livelihood benefit was also given to the low-income care recipients during the winter period and about 50 % of them received the benefits. Public works participants (see below) or the low income care recipients with
Labor Market Reforms in Korea: Policy Options for the Future

household’s income above 600 thousand won (US$ 500) per month were excluded from this program.

1.92 million people, or 4.2% of the total population, received social assistance under the livelihood protection scheme in 1999 including those receiving benefits under the temporary program. However, only 60% received the regular protection. This means that only 2.5% of the total population received a regular social assistance. In terms of the beneficiary coverage, this ratio is very low compared to some of other OECD countries. Among the compared 23 countries, Korea’s ratio is ranked almost the bottom with Japan (Park, 2000). The coverage of Korea’s social assistance is thus very limited, considering that the livelihood protection scheme is the only public assistance program available to low income individuals.

The Public Works program (PW) was launched in 1998 as a direct response to the soaring unemployment among more or less regularly workers. It was expanded in 1999 and contracted in 2000 in conjunction with the business cycle and the fluctuations in the unemployment rates. In 1999 the number of participants on the program peaked by covering some 1.6 million people (Lee, 2000). The PW scheme is the program on which the government spent the largest amount of money during the high unemployment period of 1998 and 1999. The government spent about 3.8 trillion won (US$ 3,100,000,000) in two years.

There have been several changes in the contents of the public works scheme since its initial implementation. The following does not cover development after May 2000.

Aim

The aim of the PW program is to carry out work in the interest of the public while at the same time provide a decent income to people who became unemployed “over the night” in the wake of the economic crisis. The program is claimed to be an income protection program as well as an active labor market program (Lee, 2000). Participants carry out a variety of work tasks ranging from high tech computer jobs to manual work like cleaning the parks. The participants receive allowances between 19,000 won (US$ 16) and 22,000 won (US$ 18) depending on their work type. Lately the benefits have been reduced in line with arguments put forward by the private sector, and supported by the press. The allowance is paid on daily basis. A public works project period, lasts about three months, and may, after reapplication, be extended by four months. The participants work five days per week and eight hours per day.

Target Groups

The characteristics of the target groups have been altered, due to criticism that the wrong people participated in the program, e.g. women and the
“elderly” i.e. those over 60 years of age. Since the last half of 1999 the selection criteria are based on a sum score of nine characteristics. Among these are age, householder status, number of dependants, assets, female householder status (Lee, 2000). Unemployment benefits recipients, home care recipients of the Livelihood Protection program, the spouse of the household head with regular income, farmers with certain size of land, and students are not allowed to participate. If more than one member of the household participates in the current period or a person has participated for three consecutive periods (it is possible to participate after one month), that person is also not eligible.

One might ask why a completely new program – Public Works- was invented when the crisis swept over Korea? Why did the government not build on the existing Livelihood Protection (LP) program, which had been in place for decades? One plausible answer is that LP and PW are targeted at different groups. The target groups under The Ministry of Health and Welfare’s LP programs are different from the ones under the Ministry of labor and Public Works. Therefore they provide quite different working conditions and benefit levels, the latter being superior in these respects. The first is targeted at the poor, most of them quite distant from the labor market, at least distant from the ordinary labor market. PW on the other hand was initially designed for ordinary workers – often skilled - who suddenly found themselves without work due to the economic crisis. Due to prevailing norms, one simply does not mix regular workers with poor people on a poor relief program like LP. Adding to this, many of the newly unemployed men were closer to the labor market than the recipients of the old LP. This might have facilitated the decision to introduce a new and more appropriate program of better quality than the old LP.

PW is about to be phased out in pace with the business cycle. This characteristic strengthens the image of the extraordinary and temporary nature of this program. This stands in contrast to the Livelihood Protection program which is about to be modernized as a new legislation is currently being implemented (Ministry of Health and Welfare, 2000). The new program, called the Basic Livelihood Security System, became effective from October 1, 2000. Among other things the new law will secure basic livelihood protection for people with low income. Furthermore it will introduce measures to enhance recipient’s ability of self-support, and strengthen the rights and responsibility of claimant. Accompanying measures are social services provided by more and better educated social workers.

Comparative Analysis

In this chapter we have identified three forms of activating policies,
workfare, ALMP and Public Works. Because the Korean Public Works program is often described as a Workfare program, the empirical description of the Western initiatives focussed on this area of policy.

**Similarity to ALMP**

The Korean Public Works program exhibits some features of ALMP. They focussed primarily on unemployed people who are close to the labor market and the programs are organized as part of labor market, rather than social policies. They differ, however, on three important points. First, in contrast to ALMP, they are not tied to entitlement to income maintenance transfer. As such, they exist “instead of” benefits. Second, whereas ALMP typically combine supply-side and demand-side measures, the main objective of the Korean program is to provide work for the jobless. Third, it follows from the demand-side orientation that training, unlike in ALMP’s, is not an important part of the Korean program.

**Similarities to Workfare**

Public Works in Korea also share some features with workfare policies in emphasizing work more than training and other forms of human capital development. They differ, however, both in focussing on demand side- more than supply side measures of regulation; in providing work instead of entitlement to aid, and therefore not as condition for aid.

It has been found that the workfare programs in Western countries also diverged from an idealized model of workfare (Lødemel and Trickey, 2001). In some countries, notably Germany and France, the scale and nature of workfare share many similarities to demand side oriented public works programs. Also, in some of the French programs and recently also in the US, workfare is detached from entitlement to public transfers, and can therefore be described as an “opt in” program, enabling the jobless to receive public support- a distinguishing feature of public works programs. This variation suggests that the Korean program share more similarities to workfare in some countries than in others.

**Similarities to Public Work**

The ways in which the Korean program differs from ALMP and workfare are similar to the features of public work as expressed in Table 10.1 above. Providing that our interpretation gives a correct picture of both the featuring characteristics of different active policies and of the nature of the Korean program, it appears to be most fruitful to compare the program to the public works initiatives of the Western countries during the great depression of the 1930’s.

There are also two other features which make it more fruitful to compare
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The Korean programs to these experiences rather than to present day workfare and ALMP in Europe and the US; the scale of the problem addressed, and the nature of the welfare state.

The Scale of the Problem Addressed

Workfare and ALMP have recently been introduced by countries which have experienced varying levels of unemployment during the last three decades. By contrast, public works in these countries were introduced as a crisis measure following a sudden economic shock which was accompanied by a steep increase in the level of unemployment. The latter is also the case in Korea. On a scale similar to that found in the West in the 1930's, following the economic crisis in 1997, in less than half a year the country went from near full unemployment to a situation where 1.7 million people were out of work.

The Nature of the Welfare State

An important drive for reform in present day Europe is an increasingly shared view that too much entitlement and too generous benefits stifle initiatives among the unemployed by weakening incentives to seek work. The reforms therefore take place within welfare states which have matured to a point where transfers programs provided universal, or close to universal support for the unemployed, regardless of the status of the person or the reason for the lack of income from work. In addition, relative high benefits, as compared to alternative earnings facilitated the “de-commodification” of labor (Esping-Andersen, 1990). Today, the pressure on public budgets and the changing needs of the labor market have contributed to an emphasis on the negative impact on incentives to seek new opportunities in the labor. As a result, the current reforms can be viewed as a “re-commodification” of labor. The level of benefits in Korea today, suggests that incentives may be less of a problem here.

When public works were introduced in the 1930’s the Western welfare states were for the most part rudimentary. While coverage in most cases was achieved for industrial injury and retirement, the Poor Law remained the main source of support for the unemployed. The repressive nature of the Poor Laws, and their association with marginal groups in society added to the need for a non-Poor Law alternative for the new masses of unemployed persons.

The situation in Korea today is similar to this. After a rapid development of the welfare states over the last four decades, the first system of Unemployment Insurance was introduced in 1995. By the onset of the crisis two years later, it had not reached a level of maturity that would make it an effective buttress against hardship for the newly unemployed. In a situation similar to that experienced in the West, the Livelihood Protection program
represented the only public income alternative. When asked why this was not extended to meet the new needs, the response we received from different Korean officials was that this program was neither designed for, nor suitable to offer relief to the newly unemployed.

In summary, therefore, both the nature of the Public Works program, the scale and the nature of the need it is designed to meet as well as the nature of the welfare structure into which it is introduced suggests that it is more fruitful to compare this program to the Western public works programs of the 1930’s than to ALMP or workfare.

Policy Recommendations

As guests to this country it is not our intention to degrade neither the nature nor the achievements of the Public Works program. Rather, it is our firm belief that when new terms are being spread in our globalized world, often with the aid of international organizations, it is necessary to remain critical and plan future policy developments on the basis of a correct description of the present. From our reading of the literature, as well impressions made during our visit here, we find that the people of Korea have good reason to be proud of its country achievements during the last four decades. When Europe and the US faced their great depression, more than sixty years ago, this took place after a period of industrialization which in many cases dated two centuries back. Moreover, the development of the non-poor law welfare state started with Bismarck’s reforms in Germany half a decade prior to the crisis. By contrast, Korea remained an agricultural society until the beginning of the 1960’s, only three decades before the crisis. During the interim period, the country not only experienced an impressive economic development. The structure of the welfare state was developed in a far greater speed than that found in the West during its period of industrialization. As in the west, other groups were covered before the turn came to the unemployed. Having experienced much greater problems with fluctual unemployment, no Western country had achieved coverage of unemploy-ment insurance comparable to Korea today when they faced their first economic shock. These observations should be kept firmly in mind when the current state and future path of the Korean welfare state is commented upon.

We have been asked to conclude this chapter with recommendations for policy changes. Adding to the observations made above, the short period in which we were able to study up on policies and to meet officials and the people participating in the Public Works program calls for a humble approach to this task.

The work sites visited during our mission in March appeared to offer well organized and meaningful work activities for the participants. A site where workers made park benches out of fallen acacia trees gained both the
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participants; who not only were able to receive economic relief, but also
carried out work which was both useful to the community; to the state which
was able to get something in exchange for “benefits”; to the local
community which saw its infrastructure improved as well as the environ-
ment which benefited from the recycling of resources which otherwise may
not have been put to use. This contrasted sharply to the work sites designated
for the participants of the Livelihood Protection program, where elderly
women (mainly) were set to sort garbage. Therefore, our impression is that a
clear “social division” of both welfare and activation is in place in Korea - as
in the West. But while this takes place between public works and the work
program within poor relief in Korea, the division in the West is mainly
between workfare and ALMP. The challenge therefore may be twofold; to
develop Public Works into a modern ALMP program and to reform the
Livelihood Protection program into a modern social assistance scheme.

The inadequate development of ALMP perhaps represents the greatest
shortcoming in Korea’s attempt to meet her economic crisis. While Public
Works may offer an effective buffer against the immediate effects of large
scale unemployment, it falls short in developing the skills of the work force
to the needs of the changing economy.

In addition to all the hardship and problems arising, a crisis may also open
up new opportunities. Lessons from history tells us that once a national
system and local implementing agencies are put in place, this can be
changed to meet new needs (Lødemel, 1997). As the crisis appears to be
lessening today, this is perhaps the time to take this opportunity to develop
new policies which may combine to serve as a buffer in future periods of
high unemployment, and to develop the skills of the workfare through
training and other measures attached to work.

The good features of Public Works may also offer good examples in the
strive to reform the Livelihood Protection (LP) program. Work that requires
few formal skills may be both useful to the individual and to the community.
While the sorting of garbage may serve the environment, other tasks may be
chosen if the desire also is to enhance the position and self-esteem of the
most vulnerable groups of the nation.

The reform of the LP program, recently enacted by Parliament, suggests
that Korea is ready to reform its last resort service in the direction of a
modernized social assistance program, combining the provision of cash with
social work intervention. While the cash-care multifunctional nature of
social assistance in the West until recently has been perceived as a sign of a
lacking departure from previous Poor Law systems, the tendency today is to
strengthen the integration of income maintenance and care with the view to
achieve integration through a combination of human capital development
and control. In the West it remains to be seen if this trend results in a return
towards the coercive nature of the Poor Law or towards a new form of
assistance offering the recipients more than money alone. Korea is today in
the fortunate situation where she might be able to make a transition into a
new form of social assistance, without experiencing all the mistakes of the West since the abolition of their Poor Law in the early post World War Two period.

Compared to the other Asian countries suffering from the 1997 crisis, Korea has proved an ability to offer more than economic relief to the unemployed. These are positive signs of a country that continues to meet the needs of its people, as well as those of the economy. The economic and social progress in post-war Korea took place within a traditional cultural heritage which was favorable to the country’s development towards modernity. Weber’s classical argument that the work ethic based on religious ideals was an indispensable premise for the birth of early Western Capitalism, seems to have a bearing on the Korean case. While protestantism was the decisive factor in Weber’s analysis, Confucian ethics appear to play a similar role in Korea. In both cases, religion promoted attitudes which were advantageous towards work, self discipline, desire for education, strong family ties and loyalty to the country.

A lesson which we believe to be universal is that a welfare state is most successful in meeting the needs of its people at large if it is carefully constructed on the foundation of its national culture. Direct imports are seldom successful. Still, we believe that some countries may offer better examples than others. As a cohesive and close knit, if hierarchical society, Korea appears to have more in common with the Continental and Nordic countries than with the US. Today, there is a dominance of US style policies among international organizations giving advice and support giving community. In our assessment, this is particularly the case for the IMF and the World Bank. While the US is an example for Europe in its success in combining sustained economic growth and low levels of unemployment, other aspect of US policy are more negative.

In contrast to Europe, and we believe also Korea, US welfare policies are based on an individualized view of people, their behavior and their aspirations. The “end of entitlement” enacted by the US in 1996 reflects these views. While it builds on a strongly divided society, our fear is that the new legislation will further deepen the divisions.

Also in Europe there is a turn away from an emphasis on entitlement and towards a greater stress on the obligations of those in need, but the new reforms are based on a more structural understanding of the reasons for joblessness. As a result, we find a different balance between rights and obligation in European policies compared to the US. The countries differ, in the extent to which they have succeeded in developing programs for different groups. In the strive to modernize the programs for the young and for other vulnerable groups, the best examples of programs which combine obligations with human capital development are perhaps found in the Netherlands, the United Kingdom and in Denmark.

In the area of ALMP the best examples are perhaps found in Scandinavian countries. When Korea today considers her options for reform, it is perhaps
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particularly inspiring to note that Sweden’s pioneering and leading role in ALMP grew out of the unique way in which this country built on the public works experiences of the 1930’s.
Active labour market policies (ALMPs) are government programmes that intervene in the labour market to help the unemployed find work. Many of these programmes grew out of earlier public works projects, in the United States particularly those implemented under the New Deal, designed to combat widespread unemployment in the developed world during the interwar period. Today, academic analysis of ALMPs is associated with economists such as Lars Calmfors and Richard Layard. Demand-side policies are (1999) study the evidence of ALMP in the US and Europe, reaching the conclusion that none of the program types substantially benefit unemployed youth. A meta-analysis of European ALMP evaluation studies up to the year 2000 is provided by Kluve et al. (2002) who find that youth tend to benefit less from ALMP participation than adults. Youth unemployment rates and stock of ALMP participants relative to the active working population in selected European countries, 2012 (a). Source: Eurostat, 2012. Note: Dark gray bars depict youth unemployment rates, light gray bars the ALMP participation among all active youth. (a) Only countries that provide information on ALMP participant numbers for the youth population. Public spending on labour market programmes includes public employment services (PES), training, hiring subsidies and direct job creations in the public sector, as well as unemployment benefits. And job rotation and job sharing. Out-of-work income maintenance and support includes full unemployment benefits, unemployment insurance, unemployment assistance, partial unemployment benefits, part-time unemployment benefits, redundancy and bankruptcy compensation. Data are based mainly on information about individual labour market programmes which appears in state budgets, and the accounts and annual reports of bodies which implement the programmes. This indicator is measured as a percentage of GDP. More. Latest publication.