

LIMITATIONS OF ALMP IN KOREA

By

Taek-Soon SONG

THESIS

Submitted to
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in partial fulfillment of the requirements
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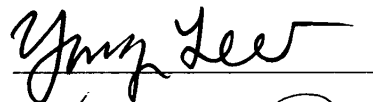
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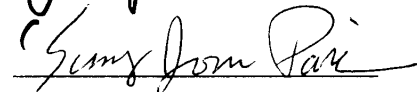
Professor Hun Joo PARK, Supervisor



Professor Yong S. LEE



Professor Sung Joon PAIK



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ABSTRACT
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Taek-Soon SONG

Facing with economic crises, Korean governments have designed and implemented a series of economic reforms in the financial, corporate and product market as well as labor market.

Whereas such reforms alleviated much of economic burden, however, they caused labor market dualism and income polarization, leading to worsened inequality and social conflict.

Recognizing such problems, this paper analyzes the history and the current status of Korean labor market, especially its active labor market policies (ALMP) from the perspective of flexicurity theory and transitional labor markets (TLM) theory.

Superficially, Korean labor market seems to be in a balanced flexicurity state. Nonetheless, while the labor force continuously undergoes transitions, ALMP, which is one of the most important factors that support flexicurity and transitions of labor force, is not far from being efficient. In particular, there is much room for enhancement in terms of targeting, monitoring, and evaluation of ALMP.

Institutional change is required in terms of enlarged spending, efficient implementation, systematic comprehensive monitoring and evaluation of ALMP for attaining a desirable state of employability of labor force and for achieving sustained growth based on social cohesion.

Key words: Korean labor market, flexicurity, TLM, ALMP

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I. INTRODUCTION

For the past several decades, Korea has advanced far in its growth and socio-economic development, and on June 23 2012, the Korean Government declared that Korea became a member of the so-called "20-50 club" whose member countries have at least US\$20,000 per-capita GDP, and population of 50 million. According to the MOSF (Ministry of Strategy and Finance), "Korea is the seventh country that has satisfied the two criteria, the first country that was not an industrialized before WWII, and that has achieved this".¹

In spite of the foreign currency crisis of 1997 and the global financial crisis of 2008, the average annual GDP growth was more than 4% for the past decade. Unemployment and government debt have been kept low as well. However, the potential growth rate is projected to fall, in part due to decreasing productivity, and to rapid population ageing. Other problems have also been arising. Among them, income inequality is most serious and getting worse due to factors such as labor market dualism. Relative poverty rate and Gini coefficient have been growing, while social safety net is not strong, and social cohesion is being endangered (OECD 2012a).

Globally, the European financial crisis and the delayed economic recovery of the US are withholding Korea's economic growth. Domestically, dwindling domestic demand, diminished investment, increased household debt and unemployment of the young generation are persistently problematic (NABO 2012).

Such problems imply that the reform measures taken by the recent Korean Governments were insufficient and incomplete. In particular, welfare and labor-market reforms failed to completely overcome the impact of the globalization and the shocks from

1) The Korea Times, June 23, 2012. The other 6 countries are Japan (1987), USA (1988), France (1990), Italy (1990), Germany (1991), and the Great Britain (1996). The per-capita income of these 6 countries increased up to over US\$30,000 in later years.

the 1997 foreign currency crisis and the 2008 global financial crisis. Indeed, "in contrast to the significant progress in the corporate and financial sectors, labor market reforms are lagging and the institutional framework is poorly adapted to the rapidly changing economy" (Jones 2005, 4).

Having recognized such problems, this paper reviews the history, current status, and problems of the Korean labor-market. In particular, its major focus is set on the ALMP (Active labor Market Policies), which is an important factor of flexicurity theory and TLM (Transitional labor Markets) theory. To be more specific, this paper ultimately tries to verify whether there are proper and systematic overall targeting, monitoring, and evaluation system with regard to ALMP in Korea.

This paper is organized as follows: Section II presents theoretical framework, namely flexicurity, TLM, and ALMP. Section III provides overview of Korean labor market. Section IV delves into the problems in the current regime, Section V presents some discussion and issues, and Section VI, as conclusion, summarizes the paper and proposes feasible solutions and policy recommendations.

II. Theoretical Framework

In the analysis of labor market policies,² recent attention has been paid to the flexicurity theory and TLM theory both of which put much emphasis on ALMP. For instance, the Korean Government officially lists "increasing the flexicurity of the labor market" as one of its economic challenges (MOSF 2011c, 7), and the Korea Labor Institute conducted a thorough study on TLM (KLI 2011) as an important labor market model. Accordingly, this paper utilizes the two theories and the ALMP concept for the analysis,

2) "Labor market policies can be defined as a system of policies, developed by governments in order to solve or diminish basic labor market problems, dealing with such matters as human resource development, vocational training, job placement, income insurance for the unemployed, and policies for foreign workers" (Inagami 1998, 1).

diagnosis, and prescription with regard to Korean labor market policies. Review of the history and status of the Korean labor market policies, which is covered in Chapter III, is included as analytical background to show that not much emphasis has been laid on TLM and ALMP aspect.

A. Flexicurity Theory

"Flexicurity is the combination of flexibility and security". In the labor-market dynamics, it deals with "the nexus between the [employers'] capacity to adapt the workforce to changes in the economy and the [workers'] capacity to maintain working and living conditions" (Vandenberg 2008, iii).

The concept was first advocated by Wilthagen, a Dutch economist. He argued that the full employment does not guarantee 'social inclusion', and flexicurity can include workers in insecure and precarious situations (Wilthagen 1998, 21)

Later, the Kok Report suggested balancing between flexibility and security as a policy guideline for the EU members, by emphasizing that "a high degree of *flexibility* in labor markets ... can only succeed if combined with adequate *security* for workers" (Kok 2003b, 27).³

Wilthagen and Tros define flexicurity as follows:

-
- 3) The report went on to propose the following measures:
- a) examine and, where necessary, adjust the level of flexibility provided under standard contracts, to ensure their attractiveness for employers and workers,
 - b) review the role of other forms of contracts with a view to providing more options for employers and employees depending on their needs,
 - c) ensure there is adequate security for workers under all forms of contracts and prevent the emergence of two-tier labor markets,
 - d) remove obstacles to the setting up and development of temporary work agencies as effective and attractive intermediaries in the labor market, offering improved job opportunities and high employment standards,
 - e) promote the use of ICT [information and communication technology] and working time flexibility as tools to modernize work organization,
 - f) remove obstacles to, and raise the attractiveness of, part-time work for employers and workers,
 - g) adapt social protection systems to support mobility in the labor market and facilitate transitions between different statuses, such as work, training, career breaks or self-employment (job-to-job insurance).

A policy strategy that attempts, synchronically and in a deliberate way, to enhance the *flexibility* of labor markets, work organization and labor relations on the one hand, and to enhance *security* – employment security and social security – notably for weaker groups in and outside the labor market, on the other hand (Wilthagen and Tros 2004, 169).

Flexibility can be divided into four forms (Wilthagen et al. 2003, 4):

- 1) External numerical flexibility: the flexibility of hiring and firing
- 2) Internal numerical flexibility: working hours, overtime, part-time, etc.
- 3) Functional flexibility: multi-employability, flexible organization of work
- 4) Wage flexibility: performance or result-based pay

Likewise, security can take four forms:

- 1) Job security: the certainty of retaining a specific job with a specific employer
- 2) Employment security/employability security: the certainty of remaining in work (not necessarily with the same employer)
- 3) Income security: income protection in the event that paid work ceases
- 4) Combination security: the certainty of being able to combine paid work with other social responsibilities and obligations.

To look at it from a trade-off relationship, there can be many states that are combinations of the eight forms (Table 1).

Table 1. Flexibility and security trade-offs

Flexibility/security	Job security	Employment security	Income security	Combination security
External-numerical				
Internal-numerical				
Functional				
Variable pay				

Source: Wilthagen and Tros (2004, 171)

Flexicurity has 4 policy components of 1) Flexible and reliable contractual arrangements, 2) Comprehensive lifelong learning strategies, 3) *Effective active labor market policies*, and 4) Modern social security systems. These components can support mutually and can improve employment, poverty condition, and human capital (European Commission 2007, 5).⁴

4) As a guideline for implementing flexicurity policies, 8 common principles (European Commission 2007, 9), and 4

In its essence, flexicurity is about transitions, about addressing segmentation, and about developing new securities, and the flexicurity model calls for such labor market policies that attend to such flexicurity aspect.

B. TLM Theory

Interestingly, TLM was also initiated at the similar time in the same country as Wilthagen's, Netherlands. Schmid (1998) proposed TLM as an element to solve the employment crisis in Europe at the time.

TLM theory was based on the recognition that 1) the traditional notion of full employment is outdated and unachievable, 2) the growing number of pensioners is depleting social security systems (Schmid 1998, 4), and 3) there is a "double evolution of workers' trajectories" (Gazier 2009, 14).

TLM is defined as "institutionalized arrangements which allow or support the change of the employment status or the combination of labor market work with other socially (and to some extent even economically) useful activities" (Schmid 1998, abstract).

The aim of TLM theory is to provide "a consistent framework to give *flexicurity* a clear direction and principles" (Schmid 2009, 2). Specifically, it looks to providing consistent normative and analytical principles for the deliberate combinations that flexicurity components can follow.

"As a *normative concept*, TLM theory redefines the social dimension of the labor market by focusing on social solidarity through *ex ante* risk sharing instead of only compensating *ex post* the losers of market dynamics through transfers." The normative perspective captures 4 justices, namely 1) fairness, 2) solidarity, 3) agency [institutional

pathways (European Commission 2007, 28-35) are defined. Even though these principles and pathways were originally intended for EU members, they might be applicable to other nations including Korea.

capacity building], and 4) inclusion (Schmid 2009, 7).

"As an *analytical concept*, TLM theory emphasizes the dynamics of labor markets. The analytical focus is on flows between different employment relationships rather than on stocks, and on transitions" over the following 5 critical events over the life-course (Schmid 2009, 11):

- 1) Transitions from school to work or between education and employment over the life-course
- 2) Transitions between jobs or various employment relationships
- 3) Transitions between employment and unemployment
- 4) Transitions between (unpaid) private household activities and gainful work
- 5) Transitions from employment to retirement

Each of these categories entails specific risks of 1) low earnings, 2) income volatility, 3) restricted earnings, and 4) reduced or zero earnings (Schmid 2009, 12). Accordingly, TLM theory provides means of managing these risks and calls for the establishment of "institutional arrangements that transform risks from danger to trust" (Schmid 2009, 29-30).

In summary, TLM theory proposes to reform, improve, and create markets, and its target is to emphasize and confirm overall re-embedding process of the labor market (Gazier 2009, 16).

C. Flexicurity vs. TLM

Flexicurity and TLM can be viewed as complement to each other. The flexicurity theory claims that it might define more precisely and accurately the conditions under which labor markets can become truly transitional. In some way, flexicurity can be considered as an implementation strategy for TLM (Wilthagen 1998, 23).

Table 2. Nexus between flexibility and security

Flexibility	Security			
	Job security	Employment security	Income security	Option security
External numerical	to	to / vt / vs	to / vt / vs	to
Internal numerical	vt	vt	(to) / vt	to / vt
Internal functional	vt	vt	to / vt	(to) / vt
External functional	vt	to / vt / vs	to / vt	to / vt

to = trade-off; vt = virtuous cycle; vs = vicious cycle

Source: Schmid (2004, 5)

On the other hand, TLM theory argues that flexicurity theory lacks consistency and can lead to opportunistic usage for various contradicting political interests. Especially, the nexus between flexibility and security (Table 2) is not always a trade-off because many combinations could produce virtuous or vicious cycles (Schmid 2004, 5).

One of the common aspects of these two theories is that they both underline the need for effective ALMP as measures to enhance flexicurity and to help transitions.

Since flexicurity could be an implementation strategy for TLM, while TLM theory provides a framework to complement the flexicurity theory, these two theories, if mixed together, might become a TLM Flexicurity Model.

D. ALMP

ALMP can be defined as transferring payments for participation in training or job creation programs (while passive policies transfer payments for willingness to job search only), and its objective is labor market integration through better employability (Auer 2005, 5).

ALMP can facilitate overcoming transitional situations "by providing supportive institutional environment" (Schmid 1998, 9). ALMP is "essential to tap the potential of the workforce", and to prevent workforce from becoming detached from the labor market,

especially in economic downturns and during restructuring period (Kok 2003b, 36).

"ALMP, rather than passive labor market policies, has increasingly been promoted in the OECD countries and transition economies as a principal means to deal with unemployment" (Pierre 1999, Foreword). In general, structural change should be accompanied by active labor market policies which are linked to other policies (Inagami 1998, 2). In effect, "OECD countries have sought to raise labor utilization especially by cutting labor taxes, delaying effective retirement ages, reforming disability schemes and strengthening ALMP" (OECD 2012a).

While ALMP measures include targeted employment subsidies, and job search assistance such as face-to-face interviews, individual action plans and job clubs (OECD 2012b), it is useful to refer to the measures proposed by the Kok report to see what constitute ALMP (Kok 2003b, 36):

- 1) Offer personalized services to all unemployed and job-seekers at an early stage: guidance, training or new job opportunities.
- 2) Improve the efficiency of activation programs by identifying the real needs of job-seekers and by providing tailor-made measures.
- 3) Develop rapid response schemes in the event of plant closures or large scale company restructuring: counseling, retraining and placement.
- 4) Equip employment services so that they can deliver tailor-made services and strengthen local partnerships for employment.
- 5) Address the specific needs of the most vulnerable, including disadvantaged young people and people with disabilities.

ALMP is important because they have various socio-economic functions (Auer 2005, 5-6):

- 1) Matching functions
 - Public employment/reemployment service, job search assistance, prospecting vacancies, labor market information, profiling
 - Enhancing labor supply: training, retraining
- 2) Other functions:
 - Prevention of job loss
 - Formalize informal work
 - Income/employability provision to jobless and underemployed
 - Contribution to social integration and cohesion

ALMP works well under the following environment (Auer 2005, 13):

- 1) Well-targeted measures: good profiling of participants and programs.
- 2) Real-work place situations experience
- 3) Association of private sector: private-public partnership
- 4) Organizational capacities: function of new intermediaries
- 5) Public work schemes
- 6) Combined measures: e.g., training and public works
- 7) Proper timing of measures

III. KOREAN labor MARKET

This section reviews overall employment condition of Korea, and economic reforms and policies of the recent Korean Governments to abstract their common characteristics, and then focuses on their policies that are causal to the engendering of the recent social discontent.

A. Macroeconomic Overview

1. Growth and employment

In Korea, employment continuously grew at a quite rapid rate, and "such rapid employment growth was mainly due to the historic speed of economic growth", even though employment growth tended to slow down over time (Ann 2010).

In terms of growth, Korean economy recorded an unprecedentedly high growth before the 1997 crisis, and the average annual growth rate between 1970 and 1996 was 7.9 percent. During the period, as the average annual growth rate of employment exceeded the average annual growth rate of working age population, the economy enjoyed near full-employment, with the record high employment rate of 60.9% in 1997.

Table 3. Employment trend⁵

(Unit: 1,000 persons, %)

Year	GDP (billion won)	Employed	Unemployed	WAP*	Employment rate**
1970	61,851	9,617	445	17,468	55.1
1979	148,715	13,602	540	23,787	57.2
1988	316,245	16,869	435	29,602	57.0
1996	578,186	20,853	426	34,274	60.8
1997	611,529	21,214	556	34,851	60.9
1998	576,587	19,938	1,461	35,347	56.4
2002	642,748	22,169	752	36,963	60.0
2007	773,868	23,433	783	39,170	59.8
2008	978,499	24,347	769	39,598	59.5
2009	981,625	23,506	889	40,092	58.6
2010	1,043,666	23,829	920	40,590	58.7
2011	1,081,594	24,244	855	41,052	59.1

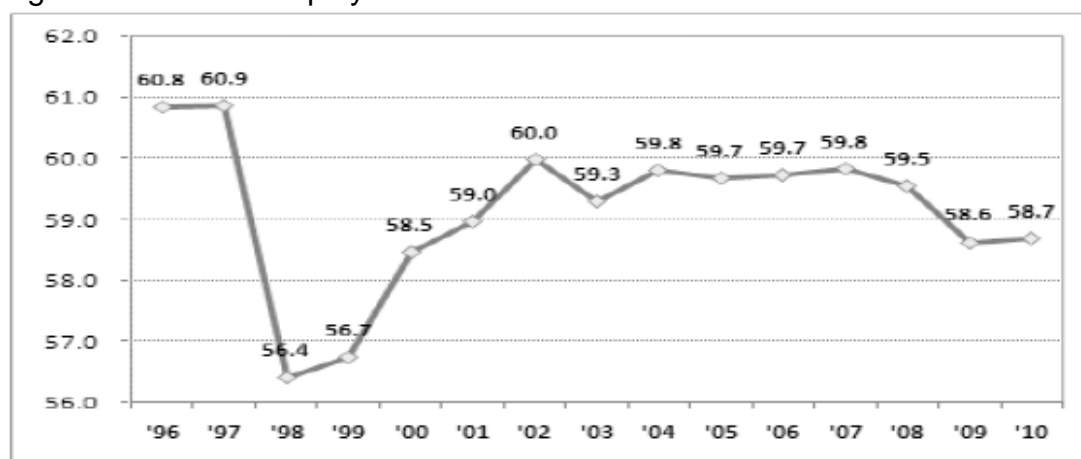
GDP: Market price Gross Domestic Production

WAP: Working age population (aged 15 or older)

Emp rate: Employment rate = (Emp/WAP)×100

Source: Ann (2010), Bank of Korea Economic Statistics System, and Korean Statistical Information Service (KOSIS)

Figure 1. Trend of employment rate



Source: MOEL (2011) Employment & labor White Paper

5) Selection of the years are based on such critical occasions as the 1979 oil shock, the 1988 Seoul Olympics, the 1997 Asian financial crisis, the 2002 World Cup, and the 2008 global crisis. For more details of population and employment trend for the period of 2001-2011, see Appendix A, and Appendix B.

Table 4. Average annual growth of GDP and employment

(Unit: %)

Period	GDP	Employed	Unemployed	WAP*	Employment rate
1970-79	8.3	3.93	2.17	3.49	0.24
1979-88	7.7	2.42	-2.37	2.46	-0.02
1988-96	7.7	2.69	-0.23	1.85	0.48
1996-02	4.3	1.03	7.36	1.27	-0.14
2002-07	4.4	1.12	0.81	1.17	-0.03
2008-11	3.5	0.86	2.56	1.18	-0.29

Source: Ann (2010), BOK Economic Statistics System, and KOSIS

The 1997 foreign exchange crisis, however, plummeted down economic indicators: "the economic growth rate plunged to minus 6.9 percent, and the employment growth rate, to minus 6.0 percent". Consequently, the unemployment rate hit the record-high 7.0 percent. The unemployment "more than doubled" to 1.5 million in 1998. After the crises, even though the economy recovered itself quite fast, economic growth and employment growth remained low. The total employment rate of 59.8 percent of 2007 was still lower than that (60.9) of 1997 (MOEL 2011).

The Korean economy was hit hard once again by the global financial crisis of 2008. The economic growth rate of 2008 was merely 2.3%, which dropped further to 0.3% in 2009. Accordingly, the unemployment rate also increased to 3.2% in 2008. This time, as well, Korean economy recovered itself relatively rapidly, attaining economic growth of 6.2% in 2010. But the recovery was, in most part, due to the large-scale fiscal deficit of 43.2 trillion Won in 2009, 30.2 trillion Won in 2010, and 25.3 trillion Won in 2011. The ratio of fiscal deficit to GDP was 1.5% in 2008, but it was 4.1% in 2009. Nevertheless, the economic recovery slowed down in 2011 with only 3.6% GDP growth (NABO 2012; BAI 2012).

Growth forecasts are also gloomy. While the administrative government expects annual growth of 4.5% to continue until 2015, NABO (National Assembly Budget Office) forecasts it to be 3.8%, based on expected waning of domestic demand due to such factors as household debt restructuring and slow recovery of employment.

OECD's estimate of the annual potential growth of Korea is still lower. Korea's potential growth slows down because labor productivity falls, and because working-age population growth gets sluggish. "Its potential growth rate per capita is projected to decelerate from around 4% during the current decade to around 2¼ per cent during the 2030s" (OECD 2012a).

Table 5 well captures the trend of decreasing GDP growth and the lowering employment elasticity of Korean economy, which raises question about sustained development in terms of growth and employability (Keum 2012, 2).

Table 5. GDP, job Creation and employment elasticity by government

	5th Republic ('83-'87)	6th Republic ('88-'92)	YS Government ('93-'97)	DJ Government ('98-'02)	Noh Government ('03-'07)	Current Government ('08-'10)
GDP (%)	67.1	50.9	42.9	26.6	23.6	9.0
Job Creation (Thousands)	1,975	2,655	2,205	955	1,264	396
Employment Elasticity	0.205	0.319	0.270	0.169	0.241	0.189

Note. The GDP and the employment elasticity of the current government are based on the performance for the 3 years from 2008 to 2010. GDP and employment elasticity, in general, were calculated on the basis of 5 years. YS = President Kim, Young Sam; DJ = President Kim, Dae Joong; Noh = President Noh, Moo Hyun. Data from Bank of Korea, National Account, each year; *Economically Active Population Survey*, by Statistics Korea, each year.

Source: Keum (2012, 2)

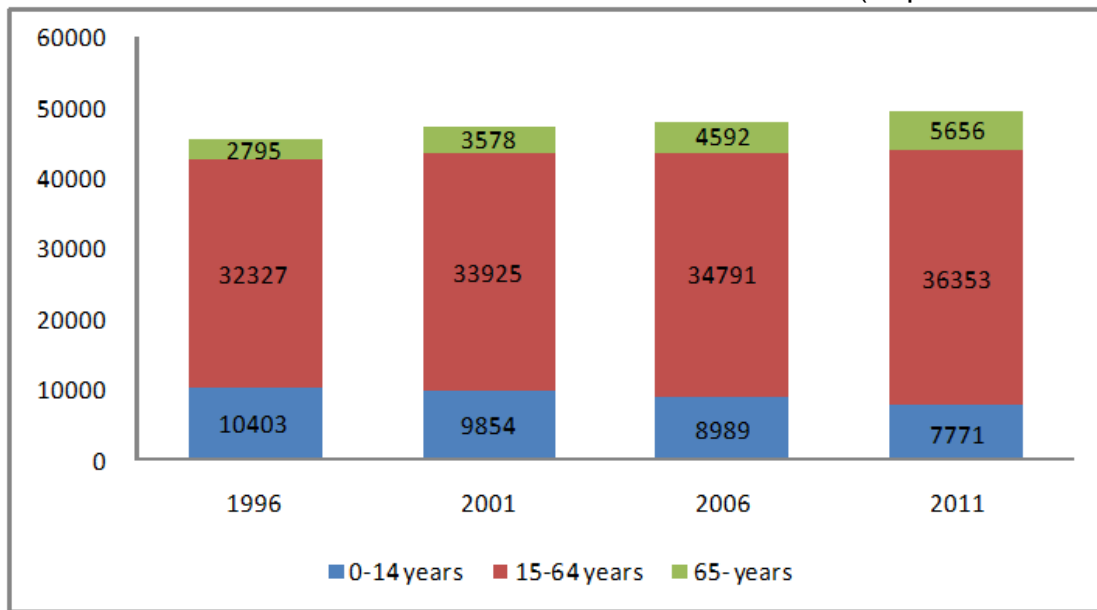
2. Population ageing

As Figure 2 clearly illustrates, Korean population has been increasingly ageing: Population of 14 years or younger is shrinking, while that of 65 years or older is expanding, which leads to the rapid growth of ageing index (27 in 1996, 36 in 2001, 51 in 2006, and 73 in 2011).⁶

6) Ageing index = (population of age 65 or older)/(population of age 14 or younger)×100

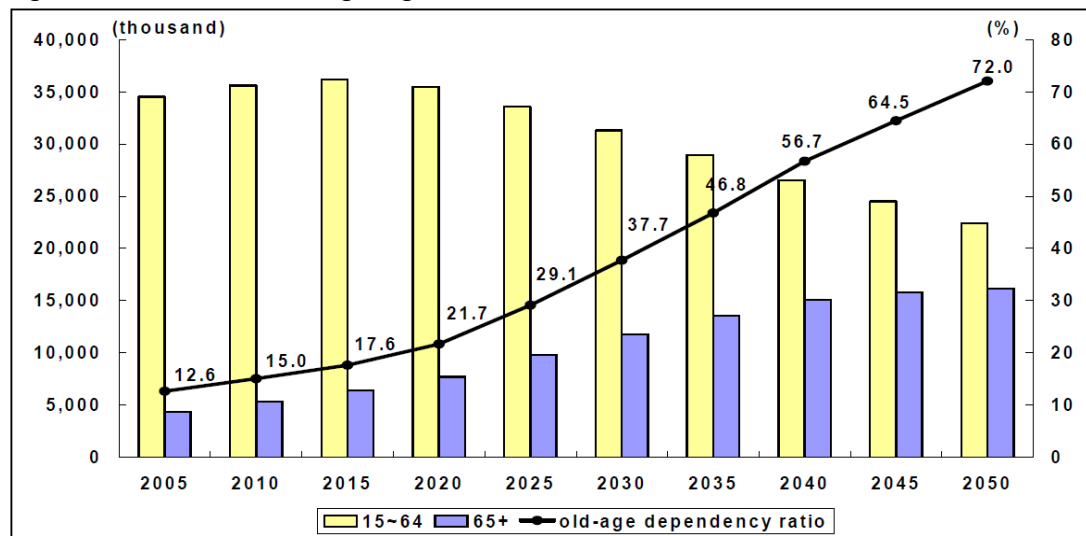
Figure 2. Ageing trend in Korea

(Population unit: 1,000)



- Source: KOSIS

Figure 3. Forecasts of ageing in Korea



Note:

Old-age dependency ratio = (population of age 65 or older)/(population of age 15-64) × 100
 Source: KNSO (2006), recited from Moon (2009, 1)

Ageing problem is forecasted to get worse in the coming years, and OECD (2012a) warns that "Korea faces the most rapid population ageing in the OECD area. Indeed, Korea, which currently has the third-youngest population, will have the second oldest by 2050". Figure 3 well depicts this forecast.

B. Historical Overview

Scholars vary in their views on the development of the Korean economy, politics, and welfare systems in terms of transformations. For instance, Yoon (2008, 3) counts 4 major transformations: mid 1970s, mid to late 1980s, mid 1990s, and between late 1990s and early 2000s.⁷ This paper focuses on two phases of reforms: 1) reforms in the globalization period, and 2) post-crisis reforms.

1. Industrialization Period

The main tenet of the Korean industrial policies of the 1960s was "guided capitalist system" embodied in the 5-year Economic Development Plans by which the government intervened in various socio-economic sectors.⁸

In its essence, the high growth of the earlier phase of Korean development was in line with the "state's intervention" which took the form of "industrial policies" that protected domestic industries, developed strategic industries, and adjusted the economic structure to changes (Johnson 1982).

Amsden's analysis of late industrialization process of Korea also identified the system as the developmental statism. In particular, she found the cause of the Korean success of late industrialization in the state's support for chaebols, and the discipline that corresponded with the support (Amsden 1989).

Overall, the period of 1963-1975 was "a great employment expansion period" when workforce was supplied unlimitedly from the rural sector or the underemployed people in

7) For the details, see Appendix C.

8) The 1st 5-year plan explicitly stated, as its basic objectives, that 1) to correct all socio-economic vicious circles, 2) on the basis of the liberal enterprise principle that respects freedom and creativity of the private actors, to maintain "guided capitalist system" in which the government directly involves in or indirectly uses guiding policies with regard to infrastructure sector and other importance sectors, and 3) focusing on the public sector to which the government can affect with direct policy measure, to seek activities that affect the private sector and to stimulate spontaneous activities of the private sector. See KDI (Korea Development Institute), *Half-century Korean Economy* (Seoul: KDI, 2003), 203, for the full text.

the urban informal sector. However, employment growth rate slowed down in the 1970s, and the unlimited labor supply began to be exhausted since 1975 (Cheon 1999, 6-7).

Pushed by the developmental initiatives, the Park Jung Hee government and the Chun Doo Hwan government pursued "restrictive new labor laws" and policies to reduce unions and their activities, "to discourage unwanted wage hikes and labor disputes". Nonetheless, "in return for these sacrifices of long hours, low pay, and limited labor rights, Korean workers received ... the implicit benefit of lifetime employment security" (Kitt 2003, 2).

One of the security measures for the workers was the Industrial Accident Compensation Insurance which was "established as the nation's first social insurance in 1964" (Kim Yeon Myung 2006, 9). At the same time, however, "the government suppressed any independent labor movement", and during the 1960s and 1970s labor law was often amended to restrict union activities. For instance, in 1972 labor legislation was revised to stifle unions, and to prohibit strikes (Lee et al. 2001).

During the mid-1980s, "the government shifted its policy from labor market repression to liberalization". The 1987 labor law amendments "allowed formation of unions, limited the interference of government in dispute resolution and arbitration, and enforced minimum wage". But the effect was devastating. During the period from July 1987 to June 1989, the number of unions almost tripled, and the number of union members almost doubled, which led to large number of strikes: There arose 3,600 strikes only during the second half of 1987, and In 1987, about 70 percent of manufacturing firms with 1,000 workers or more experienced strikes (Lee Chung H. 2005, 9).

On the employers' part, however, need for labor flexibility emerged for maintaining competitiveness in the international markets. Consequently, in 1989, massive layoffs were legitimized.⁹

9) Dismissal required judicial orders on such condition as a) only in managerial urgency, b) after all efforts

Meanwhile, the National Health Insurance, which became effective in 1977, and initially covered firms with 500 employees or more, was extended to accomplish universal health coverage in 1989. Another major social insurance, namely the National Pension Scheme, mandatorily covered firms with 50 employees or more in 1988 (Kim, Yeon Myung 2006, 5-6).

With such basic social safety nets, the developmental statism worked quite nicely, and with the economic development model of export-oriented industrialization, Korea "successfully entered the world economy" (Hwang and Lim 2003, 230). However, the developmental state began to malfunction in the face of external and internal challenges during the 1980s and 1990s:¹⁰

The faulted *dirigiste* state was displaying "a good many signs of malfunction even before the Asian crisis, as it was caught in the cross-current of two challenges: (1) demands of the global market for further liberalization, deregulation, and competitiveness of the nation's industries and (2) rising pressures to reduce market-generated inequity from an increasingly vociferous society, especially the labor force" (Park 2001, 67).

2. Globalization and Reforms

After the democratization, the first civilian administration under President Kim Young Sam incrementally liberalized the economy, mainly for two reasons: 1) it wanted to gain legitimacy from the international community such as the OECD and the WTO, and 2) it wanted to differentiate itself from the developmental role of the military regime (Kim, Minjae 2011, 3-4).

The Kim Young-sam government's liberalization and internationalization policies included relaxation of labor regulations (Chan 2006). The Employment Insurance System were made, c) prior consultation with union or representatives of workers, and 4) fair and equitable layoff procedure.

10) For further details of the challenges that East Asian developmental states were facing, see Joseph Wong, "The Adaptive Developmental State in East Asia", *Journal of East Asian Studies* 4 (2004), 345-362.

(EIS) was implemented in 1995 to facilitate smooth reforms. The Labor Standards Act was modified on December 26, 1995 which eliminated the need for court orders with regard to dismissals.¹¹

The new law aroused protests, and huge strikes broke out, led by the Korean Confederation of Trade Unions (KCTU) and the Federation of Korean Trade Unions (FKTU). In response to such protests, the law was revised again in March 1997. The revision was to improve basic labor rights for the improvement of workers' welfare, and to enhance flexibility in the labor market for the enhancement of business competitiveness. The legislation allowed multiple unions for workers, but at the same time legalized layoffs for businesses. In addition, flexible working hours system was also stipulated (Lee et al. 2000, 12)

With the democratic politics in place, government-business ties began to take on a new character and received more scrutiny from labor and civil society. Industrial policies and "the discretionary power of developmental state was further eroded in the early nineties" (Doucette 2009, 13).

3. Post-crisis Reforms

The 1997 crisis occurred due to the consequences of "Korea's unprepared, premature liberalization and foreign investors' irrational exuberance for the Korean market" (Park 2001, 70). With the \$58 billion loan from the IMF, the Korean government was forced to conduct reforms ranging from corporate governance to labor laws.

The post-crisis labor market reform mainly aimed to improve labor market flexibility to carry out the IMF-mandated restructuring. On February 6, 1998, the Tripartite

11) This new legislation also required some preconditions such as 1) before layoffs, prior consultation with worker's is needed at least 60 days in advance, and 2) larger firms require prior permission from the labor Committee for mass layoffs.

Commission reached a Tripartite Agreement.¹² Based on the agreement, against strong opposition by labor, on February 13, the new labor law was approved, which allowed redundancy layoffs and eased the hiring of irregular, temporary, and substitute workers during strikes (Lee, Chung H. 2005, 13).¹³

In addition, the Act Regarding Protection of Dispatched Workers was enacted in 1998,¹⁴ which consequently resulted in the increase of non-regular jobs. Moreover, the rapid expansion of public works also increased the number of part-time and temporary workers. By 1999, “the non-regular workers was accounted for more than 50 per cent” of the regular workers (Chan 2006).

When the crisis had deepened, the Kim Dae Jung Government perceived the need for reinforcing social safety net, and declared the "productive welfare" as one of the three pillars of the Government including market economy and democracy (Lee, Hye Kyung 2005, 1).

Under the flag of the "productive welfare", the "five big social reforms" were vigorously pursued: the extension of the National Pension System; the establishment of the National Health Insurance System; the forming of the Tripartite Commission; the expansion of Employment Insurance System; and the enactment of the National Basic Livelihood Security Law¹⁵ (Park 2010, 11).

In 2000, the Minimum Wage Law was amended to benefit all work-places, and the Industrial Accident Compensation Insurance, which started in 1964, became available in all work places. In 2001, daily workers became eligible for unemployment insurance. The government also reinforced employment training and job placement services, and

12) For the core contents of the agreement, see Appendix D.

13) This time, the preconditions for layoffs included, 1) for urgent managerial needs, such as transfer, merge or acquisition of business to avoid financial difficulties; 2) with prior efforts to avoid layoffs, and a fair and rational standard should be applied for layoffs; and 3) with prior consultation with unions, at the notice of 60 days in advance. (Article 31, *labor Standards Act*).

14) In 26 occupations which are deemed to require special knowledge, skills, and experience, it is allowed to use "dispatched workers" up to two years, and such used of dispatched workers can be extended for another year upon agreement between management and employees.

15) The law superseded the Livelihood Protection Act of 1961.

established Job Centers nationwide.

The Tripartite Commission formed the Special Committee on Measures for Non-regular Workers, reached the Social Pact for Job Creation in 2003, and entered into the Agreement on Vocational Training for SMEs and Non-regular Workers in March 2005.

The Noh government established an "overall measures regarding youth unemployment in 2003, and "overall measures for job-creation", and concluded the Tripartite Social Pact in 2004 for creating jobs and increasing employment rate (MOL 2005, 3).

For the protection of non-standard workers, the Noh government proposed the Act on the Protection of Fixed Term and Part-time Employees,¹⁶ and a revision of the Act on the Protection of Dispatch Employees in November 2004. In the end, the Act on the Protection of Non-regular Workers was enacted in November 2006.

4. Recent Policies

Facing the economic crisis of 2008, the Lee Myung Bak government formed an "Emergency Economy Government" in January 2009, and sought for economic boosting and job creation (MOSF 2009, 4).

The policy achievements in the labor and welfare area in the 2008-2009 period were 1) supporting "job-sharing" through tax measures, 2) seeking employment security of the vulnerable class through the Youth-intern System, and the Hope Labor (public-works), 3) pursuing livelihood stability of the vulnerable class through Livelihood Relief, and Emergency Welfare, and 4) fortifying of working-class-friendly policies through "micro-financing" and the Bogeumjari (cozy nest) Housing (MOSF 2009, 5).

16) The Act mainly stipulated the following:

- a) Unjustifiable discriminatory practices are prohibited.
- b) For hiring fixed-term and part-time workers, written contracts must be established.
- c) The maximum duration of a fixed-term contract is three years.
- d) Overtime work by part-time employees is limited to 12 hours a week.
- e) Use of temporary agency workers is allowed to all occupations.

By 2011, the current government achieved some advancement of industrial relations, and expansion of open employment through such measures as implementation of multiple unions, the execution of the Overall Measures regarding Non-regular Workers, and extending 40-hours-per-week scheme to businesses having less-than-20 employees (MOSF 2011, 6).

Also the government established a framework for the Welfare for Work, and the Customized Welfare. The income criterion for the Earned Income Tax Credit was raised to 17 million won per year and its payment was increased up to 1.2 million won. The burden of the National Pension contribution and Employment Insurance premium was lessened by one-third for both petty employers and low-wage (120% or less of the minimum wage) workers. In addition, the Basic Old-age Pension and the Farm-land Pension both increased their number of beneficiaries and the amount of benefit (MOSF 2011a, 7).

In the labor area, the Lee Myung Bak government dealt with the industrial conflict based on law and principles, which lead to the decrease of labor-management disputes, and hence the labor loss days. In the welfare area, it expanded various subsidies and benefits. However such policies as the Senior Long-term Recuperation Scheme, and the Basic Old-age Pension had already been instituted during the Noh Moo Hyun Government (Kim, Shi-jeong 2010, 2).

Overall, in response to the new social risks such as low birth, ageing, and polarization, the government has expanded fiscal expenditure on health, welfare, and labor at the average annual growth of 9.7% (MOSF 2011b, 90).¹⁷

The main directions of the labor and welfare policy of 2011-2015 are 1) strengthening “work-welfare connection” for the support of escape from poverty through work, 2) expanding “custom-made” welfare for the low-income vulnerable class, 3) executing the

17) Welfare spending by year (trillion won): 2007, 61.4; 2008, 67.7; 2009, 74.6; 2010, 81.2, and 2011, 86.4.

Basic Plan against Low-birth and Ageing, 4) fortifying the competitiveness of health-medical industry and expanding public health service, and 5) preventing budget leakage through the improvement of welfare delivery system (MOSF 2011b, 91-92).

5. Characteristics of the Reforms¹⁸

Kim Dae Jung Government's economic reform showed the features of regulatory (neo-liberal) state of crisis management as well as the characteristics of former developmental state (Kim, In Young 2011). In addition, it had the characteristics of "institutional isomorphism" due to exogenous events and their internal and external pressures, and it was a hybrid of neo-liberalism and developmentalism (Goo 2011). Indeed, the "stickiness of unreconstructed strong statism persisted", and "the state failed to enhance the status of labor and productivity" (Park 2001, 64).

The Noh Moo Hyun government can be characterized as both a regulatory (regulating chaebols with the Monopoly Regulation and the Fair Trade Act), and a developmental (increasing the competitiveness of Korean economy by pursuing FTAs).

Whereas the Kim Dae Jung Government adopted neo-liberalism reluctantly, the Lee Myung Bak Government voluntarily adopted the same ideology. However, the Lee Myung Bak Government cannot be said to have fully adopted the neo-liberalism as well (Goo 2011).

Under the strong developmental state, the welfare and labor system also evolved into taking developmental characteristics. Accordingly, Holliday (2000) categorized Korean welfare system as a "*productivist welfare regime*" that has a developmental-universalist characteristic (Holliday 2000).¹⁹

18) For the historical overview of Korean social insurance and welfare system, see Appendix E.

19) According to Holliday (2000), "a productivist world of welfare capitalism needs to be added to Esping-Andersen's conservative, liberal and social-democratic worlds. Japan, Hong Kong, Singapore, South Korea and Taiwan can all be placed in that world."

He concludes that the Korean welfare system is "a rather pure form of developmental-universalism, because the Public Assistance Program provides no more than a very basic universal safety net, and all other programs cover only those who have paid into them". Kwon (2002, 4) also admits that "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."

In support of this view, Kim (2009) also defines the Korean welfare system as a productive welfare state.²⁰ Indeed, many scholars have thought of the Korean economic transition as path dependent on developmental statism that once contributed much to the development and modernization of Korea. For example, Goo (2011) argues that institutional practices of developmental state have been deeply embedded in the political and economic system of Korea.

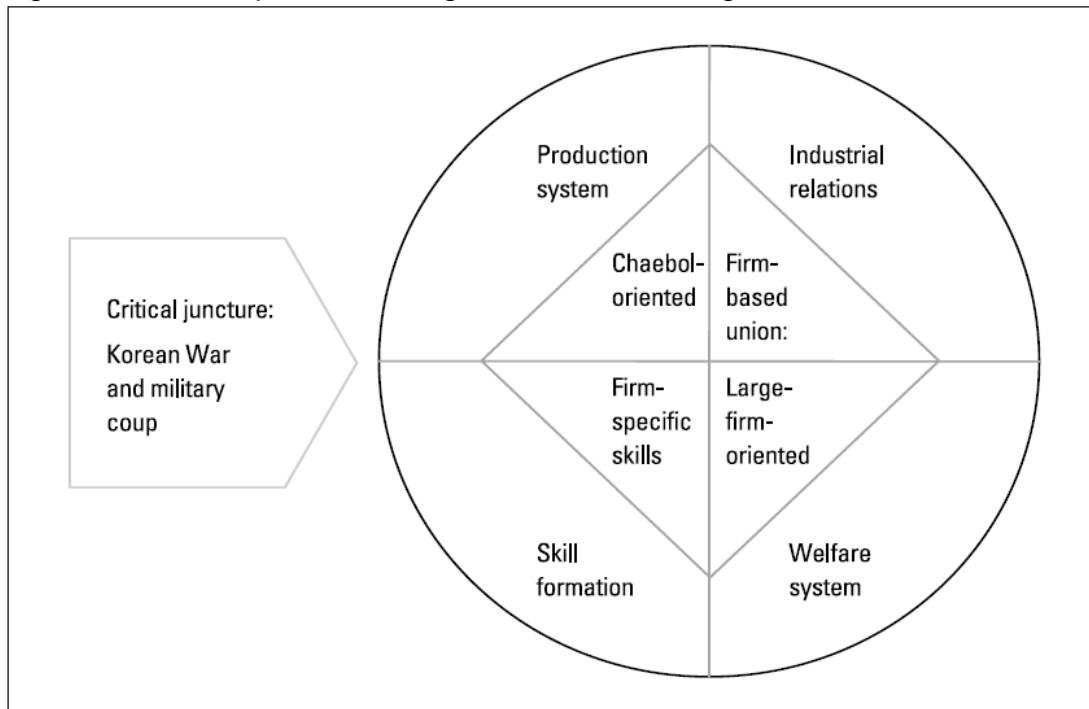
During the 1997 crisis, the "basic institutional frameworks for a comprehensive welfare state were firmly established in Korea". All occupational groups are generally covered by a unified social insurance in Korea, except for the public pensions. (Kim Yeon Myung 2006, 3).

Figure 4 well describes the dynamics of welfare production regime of Korea during the industrialization period that shows the characteristics of developmental productivist welfare regime.

Ironically, such transition was also because IMF not only asked for labor flexibility, but also recommended enlargement of unemployment insurance, and programs of job placement/training for helping dismissed workers find more productive jobs (Kitt 2003).

20) For example, In his discussion of the National Pension Program, Kim (2009, 10) comments that "the enactment of the scheme was clearly driven by the economic purpose to mobilize national capital required for the development of heavy and chemical industries".

Figure 4. Welfare production regime in Korea during industrialization



Source: Lee, Seung-yoon (2011, 69)

The overall goal of the welfare state was to increase the flexibility of labor market while protecting workers who lost their jobs during restructuring or reform processes necessitated by economic downturns. Accordingly, Korean Governments pursued this goal in responding to the crisis, and tried to implement policies for achieving economic reforms, social development, and political democratization at the same time, which can be referred to as the "Productive Welfare" (Chan 2006, 12).

IV. Current Status

A. Level of Flexicurity

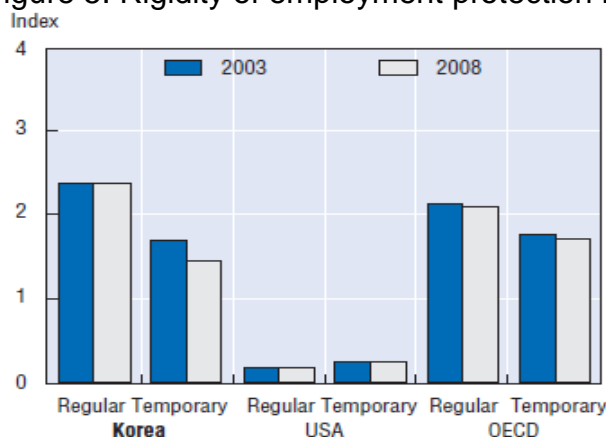
Vandenberg (2008, iii) conducted a survey of flexicurity condition of 6 Asian countries, based on the level of EPL (employment protection legislation), PLMP (passive labor market policies) and ALMP,²¹ and concluded that Korea has made the transition into

²¹) For the components of this flexicurity system, see Appendix F

flexicurity because it reduced restrictions on layoffs, and introduced unemployment insurance and ALMP.

He evaluated that the level of EPL in Korea is at a medium level, while those of PLMP and ALMP are at a high level (Vandenberg 2008, 3). OECD (2012b) also confirms that the Korean level of EPL is at a medium level (See Figure 5).

Figure 5. Rigidity of employment protection legislation



Source: OECD 2010b Economic Policy Reform

EPL level was evaluated from the analysis of 1) notice period for retrenchment (30 days), 2) administrative authorization for retrenchment (no authorization but notice is needed), and 3) non-regular employment condition (non-regular employment is partially protected). Table 6 summarizes key points of non-regular employment legislation.

Table 6. Non-regular employment legislation in Korea

Fixed-term (engaged directly by the employer)		labor contracting (contractor employs workers for work in another business)	
Law	Key provisions	Law	Key provisions
Act Concerning the Protection of Fixed-Term and Part-Time Employees, 2007	combined maximum length is 2 years, regardless of number of renewals, thereafter must be offered regular work if s/he is to be retained	Act Relating to the Protection of Dispatched Employees, 1998	period of service is limited to one year, but it can be renewed once for a year; final employer is liable to pay wages if contractor fails to do so

Source: Vandenberg (2008, 18)

PLMP was analyzed by 1) unemployment insurance system, 2) severance pay, and 3) gratuity pay.

In terms of unemployment insurance, Korea has a rather generous scheme. Korea initiated the Employment Insurance Program in 1995 along with two other programs: job training, and employment promotion and maintenance subsidies. Its coverage has been expanded, and enterprises of all sizes are now covered. However, small construction contractors, and non-corporate businesses in such areas as farming, forestry, and fishing are not covered. Moreover, its compliance is still not complete (36% of total workforce was covered in 2006) (Vandenberg 2008, 18).

Table 7. Unemployment insurance in Korea

Eligibility and benefits	Contribution as % of wage
- Contributes for minimum 6 months - Provides 50% of previous wages (minimum 90% of minimum wage, maximum 40,000 won) - 90-240 days (below age 30 receive benefits for a shorter period than those between 30 and 50. The longest benefits period is reserved for those above 50 and the disabled)	- Employer: 0.7-1.3% - Worker: 0.45%

Source: Vandenberg (2008, 19)

ALMP were reviewed by 1) employment (job search) service, 2) skills training, 3) public works, 4) promotion of self-employment, and 5) employment subsidies (Vandenberg 2008, 27-47).

Korea has 1,579 employment centers (6.9 per 1 million of economically active population and) where employment service is provided. Priority groups/areas for skills training are "training for the unemployed, training in small enterprises, and training for jobs in social services", while the major programs include on-the-job and new recruits training and subsidized training (Vandenberg 2008, 31).

Korea utilized public-works programs extensively, especially after the crises. For example, during 1998-2000, the annual expenditure was U\$1.4 billion (9% of total government expenditure), and the number of public works was 0.95 million (Vandenberg 2008, 40).

Self-employment rate in Korea is high (27% as of 2006), and the support for start-ups is organized through a few government agencies. To encourage hiring, retention and re-

employment, Korea has adopted a few subsidy programs such as the Employment Retention Subsidy, the Re-employment Subsidy, and the Subsidy for SME's Adoption of Working Hour Reduction (Vandenberg 2008, 43-46).

However, flexicurity of the Korean labor market is not yet sufficient enough, which is evidenced by the policy recommendations of OECD (2012a. 28) that calls for “breaking down of labor market dualism by relaxing employment protection for regular workers, expanding the coverage of non-regular workers by the social safety net, and increasing training opportunities for non-regular workers to enhance their employment prospects.”

B. Dynamics of labor Transitions

Study on the dynamics of labor transitions seems not robust. However, KLI's Jae-ryang Nam has some literature in this field (Nam 2007; Nam et al. 2010), and this part draws heavily on Nam's research.

In his study on the Korean labor market dynamics based on the KLIPS (Korean labor and Income Panel Study), he analyzed such dynamics as job- separation rate, job-finding rate, transitional possibilities, and wage gaps with regard to transitions (Nam 2007).

Table 8. Job-separation and job-finding rate²²

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Job separation rate	4.18	3.22	2.64	2.42	3.35	3.47	3.62	3.25
Job finding rate	57.7	54.4	60.1	60.4	65.9	60.4	61.8	63.3

Source: Nam (2007, 5)

Table 8 shows job-separation and job-finding rates. The job separation rate is high and the job finding rate is low in 1998 and 1999, compared to 2000-01, which suggests that the financial crisis in 1998 caused the unemployment rate to rise.

22) The reason job separation rate has a small value whereas the job finding rate has a big value is that the former is based on a large number of the employed and the latter is based on a small number of the unemployed.

Looking into job-separation and job-finding rate by age groups, we can find some important implications.

Table 9. Job-separation rate by age groups

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
Youths	6.6	4.9	5.3	5.3	6.1	7.2	6.7	6.1	6.0
Primary Labor Force	3.3	2.7	1.8	1.7	2.7	2.4	2.9	2.7	2.5
The Aged	5.1	3.0	2.8	1.6	1.8	2.4	3.3	2.0	2.7
Youths / Primary Labor Force	2.0	1.8	2.9	3.1	2.2	3.0	2.3	2.3	2.48
The Aged / Primary Labor Force	1.6	1.1	1.5	0.9	0.6	1.0	1.1	0.8	1.08

Note: youth, 15-29; primary labor force, 30-54; the aged, 55-
Source: Nam (2007, 6)

Table 10. Job-finding rate by age groups

Job finding rate	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Average
Youths	54.7	52.8	62.7	55.5	75.5	55.0	60.3	67.7	60.5
Primary Labor Force	65.1	59.6	61.1	70.3	62.2	66.7	64.6	63.0	64.1
The Aged	37.8	42.2	47.9	38.5	29.0	53.0	51.2	43.5	42.9
Youths / Primary Labor Force	0.8	0.9	1.0	0.8	1.2	0.8	0.9	1.1	0.95
The Aged / Primary Labor Force	0.6	0.7	0.8	0.5	0.5	0.8	0.8	0.7	0.67

Note: youth, 15-29; primary labor force, 30-54; the aged, 55-
Source: Nam (2007, 6)

From Table 9 and Table 10, we can find that the job-separation of the youths is high; 2.3 times that of the primary labor force, and the job-finding rate of the aged is low: 0.7 of the primary labor force. The facts imply that measures should be focused on helping the youth find and adapt to the right jobs, and creating jobs for the aged and informing them of such jobs.

Table 11. Transition rates between employment states

	2002-03	2003-04	2004-05	2005-06
11	73.0	74.4	75.5	77.1
12	13.2	13.0	12.1	13.2
13	2.7	3.3	3.0	1.8
14	2.6	2.5	2.3	2.2
15	8.5	6.9	7.2	5.7
21	37.5	34.6	35.3	33.7
22	44.2	45.9	40.5	48.8
23	4.4	3.1	8.5	2.0
24	2.0	3.2	4.3	3.3
25	11.9	13.1	11.3	12.3
31	3.0	2.5	2.1	3.3
32	2.2	1.5	1.0	1.7
33	86.6	88.2	90.1	88.7
34	1.0	0.9	0.9	0.8
35	7.2	6.8	5.8	5.4
41	33.2	25.6	29.8	28.3
42	21.8	13.8	13.6	14.9
43	2.5	4.3	2.8	5.5
44	10.0	19.9	19.0	18.1
45	32.5	36.3	34.8	33.2
51	6.0	5.7	5.4	5.3
52	4.6	4.3	3.4	3.7
53	2.0	2.1	1.9	1.5
54	2.4	2.4	2.3	2.6
55	85.0	85.4	87.0	86.9

Source: Nam (2007, 27)

Table 11 shows the transition rates between 5 employment statuses. The first data cell, for example, means that 73 persons out of 100 regular workers moved between regular jobs in the period of 2002-03.

Table 12 shows the numbers and transition rates with regard to transitions from or to non-regular jobs. The job condition types are denoted by numbers; namely, 1) regular, 2) non-regular, 3) non-wage, 4) unemployment, and 5) non-labor. For example, the first data under 2002-03 column means that 953,000 persons (and 13.2 persons per 100) moved from regular jobs to non-regular jobs.

One of the noticeable points is that the number of persons who went through

transitions from or to non-regular jobs is huge, annual average being 4.55 million transitions. Including transitions between all types of job conditions, the number still gets bigger.

Nam (2007, 17-18) also reviewed dynamics of wage in relation to transitions, and the result is summarized in Table 13. Another point Nam discusses is the wage gap between regular and non-regular workers. Table 14 shows that wages of non-regular workers were lower than those of regular workers from 2002 to 2006 without a single exception, and the wage gaps between the two groups have widened over time.

Table 12. Transitions from/to non-regular jobs

(Unit: 1,000 persons, %)

	Number of those who have moved from a state to another				Transition Rate			
	2002-03	2003-04	2004-05	2005-06	2002-03	2003-04	2004-05	2005-06
12	953	999	945	1,094	13.2	13.0	12.1	13.2
21	1,309	1,131	1,153	959	37.5	34.6	35.3	33.7
22	1,544	1,499	1,322	1,391	44.2	45.9	40.5	48.8
23	153	102	278	56	4.4	3.1	8.5	2.0
24	70	106	140	93	2.0	3.2	4.3	3.3
25	414	429	370	350	11.9	13.1	11.3	12.3
32	153	128	107	176	2.2	1.5	1.0	1.7
42	114	76	53	92	21.8	13.8	13.6	14.9
52	120	93	108	117	4.6	4.3	3.4	3.7

Note: 1 regular work, 2 non-regular work, 3 non-wage earning, 4 unemployment and 5 non-labor forces

Source: Nam (2007, 9)

Considering the number of Korean labor force, a huge number of people experience transitions of job types and wage levels. This observation, in special, calls for more attention on the importance of flexicurity, TLM and ALMP.

However, the gap does not reflect working hours that have significant influences on wage determination. Hourly wages show smaller gaps between regular and non-regular jobs (Table 15).

Table 13. Dynamic changes in wage in accordance with transitions

(Unit: 10,000 Won)

		Monthly Wage					Hourly Wage				
		2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
Wage Level	21	136.5	151.4	170.9	182.2	191.8	7,186	7,845	8,607	8,939	9,654
	22	103.3	113.8	130.0	136.7	145.5	6,533	7,460	7,281	7,404	7,916
	12	132.9	147.1	169.3	176.3	192.9	6,425	7,374	8,238	8,796	9,487
	11	149.5	169.6	192.7	211.8	229.2	7,677	8,559	9,342	10,264	11,549
Changes in the Amount of Wage	21	0.0	14.9	34.5	45.7	55.3	0.0	659	1,422	1,753	2,469
	22	0.0	10.6	26.7	33.4	42.3	0.0	927	748	872	1,383
	12	0.0	14.3	36.4	43.4	60.1	0.0	948	1,812	2,370	3,061
	11	0.0	20.1	43.2	62.4	79.7	0.0	882	1,665	2,587	3,872
Wage Change Rate	21	0.0	10.9	25.3	33.5	40.5	0.0	9.2	19.8	24.4	34.4
	22	0.0	10.2	25.9	32.4	40.9	0.0	14.2	11.5	13.3	21.2
	12	0.0	10.7	27.4	32.7	45.2	0.0	14.8	28.2	36.9	47.6
	11	0.0	13.5	28.9	41.7	53.3	0.0	11.5	21.7	33.7	50.4

Note: the changes in the amount of wage and wage change rate are based on the numbers of 2002. .

Source: Nam (2007, 17)

Table 14. Average monthly wages of regular and non-regular workers

(Unit: 10,000 , won)

	2002	2003	2004	2005	2006
Regular Workers	141.6	158.3	172.6	184.9	195.3
Non-regular Workers	111.2	113.8	123.6	121.0	139.3
Relative Wage (Regular Workers' Wage=100)	0.79	0.72	0.72	0.65	0.71

Source: Nam (2007, 18)

Currently, in the labor market studies, “this kind of transitions matrices is still underdeveloped. For lifelong guidance, it would be helpful to have such matrices on a regular basis, broken down by relevant socio-economic categories such as age, gender, education and occupations or industrial areas” (Schmid 2009, 18).

Table 15. Average hourly wages of regular and non-regular workers

(Unit: won)

	2002	2003	2004	2005	2006
Regular Workers	7,125	7,930	8,365	8,960	9,617
Non-regular Workers	6,471	6,877	7,102	6,877	7,986
Relative Wage (Regular Workers' Wage=100)	0.91	0.87	0.85	0.77	0.83

Source: Nam (2007, 18)

C. ALMP and PES

The Employment Insurance Law went into effect on July 1, 1995, and the unemployment benefits, which required a minimum one-year contribution by the insured, became effective on July 1, 1996 (Yoo et al. 2002, 288).²³ For the past 16 years, the system have been expanded in terms of the applicable employers, eligibility, benefit amount and period (see Table 16).

Table 16. Expansion of EIS

Applicable employers (unemployment benefit)	30 or more employees → 10 (Jan 1998) → 5 (Mar 1998) → 1 (Oct 1998)
Maximum amount of job-search benefit	30,000 won per day (Jul 1999) → 35,000 (Jan 2001) → 40,000 (Jan 2006)
Minimum amount of job-search benefit	Not specified → 70% of minimum wage (Mar 1998) → 90% of minimum wage (Jan 2000)
Days of job-search benefit	30-210 days → 60-210 (Mar 1998) → 90-240 (Jan 2000)
Minimum pay-in period	12 months or longer within 18 months before unemployment → 180 days or longer (Apr 2000)
Applicable employers (Employment security, vocational ability development program)	70 or more employees → 50 (Jan 1998) → 1 (Oct 1998) * From Jan 1, 2006 self-employment worker having 0-4 employees can optionally subscribe to this program

Source: MOEL (2011, 588)

In addition, spending in job-skills development has much increased (Table 17). While the number of employment benefit recipients has been increasing, however, the extent of training for re-employment of unemployed has not increased at all (Table 18).

Table 17. Fiscal spending in job-skills development

(Unit: billion won)

Year	2005	2006	2007	2008	2009	2010
Total	858	975	1,158	1,397	1,449	1,535
Employment insurance fund	642	727	927	1,141	1,279	1,208
General budget	236	248	231	257	271	327

Source: MOEL (2011)

²³) For the structure of the Korean employment insurance system, see Appendix G.

To make matters worse for the public employment service (PES), job-searching route of unemployed workers are: Internet and etc., 36.4%; friends, family and relatives, 27.3%; ads in media, 16.3%; other personal connection 7.7%; in person 5.3%; school bulletins etc., 2.4%; prepare for self-employment 2.4%; public job centers 1.9% (KLI 2010, 88).

Table 18. Training for the re-employment of the employed

(Unit: 1000 persons, million won, %)

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Employment rate	4.4	4.0	3.3	3.6	3.7	3.7	3.5	3.2	3.2	3.6	3.7
No. of unemployment benefit recipients	332.7	428.2	416.0	502.2	707.4	812.8	943.5	1,009.2	1,162.5	1,528.4	1,336.4
No. of trainees	120.3 (8.8)	104.6 (6.0)	88.4 (4.8)	57.7 (3.3)	53.7 (2.6)	64.2 (2.5)	53.6 (1.8)	65.2 (1.8)	70.6 (1.7)	88.1 (1.8)	26.1 (0.6)
Amount of support	215.5 (53.3)	152.5 (39.4)	152.0 (38.7)	132.0 (33.8)	124.2 (23.7)	136.8 (24.0)	128.5 (17.5)	152.6 (17.5)	160.9 (17.2)	249.7 (23.3)	234.9 (24.5)

Note:

- Trainees are those who were supported through the employment insurance fund.
- Beginning from 2004, training for women household heads is included.
- Employment rate: until 2000 is job-searching period of 1 week, from 2000, 4 weeks.
- () are percentage of job-skills training program

Source: KEIS (2011)

This means that unemployed people do not have any trust in the PES provided in the form of job-matching. Such lack of trust seems to be reflected in the low share of the public employment centers in the employment service market: Korea (5%), Germany (33%), Japan (23%), UK (23%), France (22%), and the Netherlands (14%) (KLI 2008, 176).

ALMP is divided into a wage subsidy type and an overall PES type. Of the two, the latter is preferable because it is effective in unemployment reduction, while the former is not effective and even produces adverse effects (Kim, Hyung-rae 2011, 7). Therefore, it is worthwhile to review the current PES of Korea.

The initial program of PES dated back to 1961 when the Job Security Office was established, but it was only after the legislation of the Employment Security Act in 1994 and the Employment Insurance Act in 1995 that PES in Korea has gained legal authority.

Nevertheless, PES has remained as perfunctory until after the 1997 crisis, when PES agencies started to operate substantially (Oh 2012, 6).

Still, the delivery system of PES was less effective than expected. The main task of the Job Security Centers was to provide unemployment benefits excluding vocational skill development, and the inter-linkages between unemployment benefits and employment assistance programs, such as skill/career development and job security programs, were not established. In addition, Job Security Centers suffered from shortage and inexperience of counseling staffs (Oh 2012, 9).

Consequently, several measures were taken to improve PES. In 2006, Employment Security Centers were renamed Job Supporting Centers and restructured in terms of organization and manpower. At the same time, the One-stop PES Delivery System was devised to provide unemployment benefits, job placement assistance, employment security program, and vocational skills development program altogether. Moreover, networking with local private and public institutions was developed to deliver local-customized PES. Furthermore, new programs and instruments²⁴ were set up (Oh 2012, 9).

As of 2011, there are 81 Job Centers in Korea (71 Job centers and 10 of its branch centers) (Oh 2012, 15), while the main tasks of the Job Centers are employment service programs (such as job placement, vocational guidance, and vocational skill development for the unemployed), and employment insurance programs (such as unemployment benefits, employment security, and vocational skill development for the employed) (Oh 2012, 11).²⁵

Table 19 shows the trend of number of the Job Centers and their staffing. The number of job-seekers per PES staff is 1,121. And the number of economically active population per PES staff is 8,239 (as of 2008) which is by far larger in comparison with those of Germany

24) Such programs included Successful Employment Package Program, Vocational Competency Development Accounts Program, and New Confirmation System of Unemployment.

25) For the departments and functions of a Job Center, see Oh 2012, 17-18

(564), UK (436), and the USA (3,312) (Oh 2012, 25).

Table 19. Number of Job Center staffs

Year	Number of Job center	Number of Staffs		
		Total	Government Officials	Job Consultant
2002	156	2,364	543	1,821
2003	155	2,367	603	1,764
2004	118	2,347	632	1,715
2005	112	2,510	885	1,625
2006	85	2,897	1,323	1,574
2007	84	2,935	2,763	162
2008	82	2,996	2,884	112

Source: Oh (2012, 25)

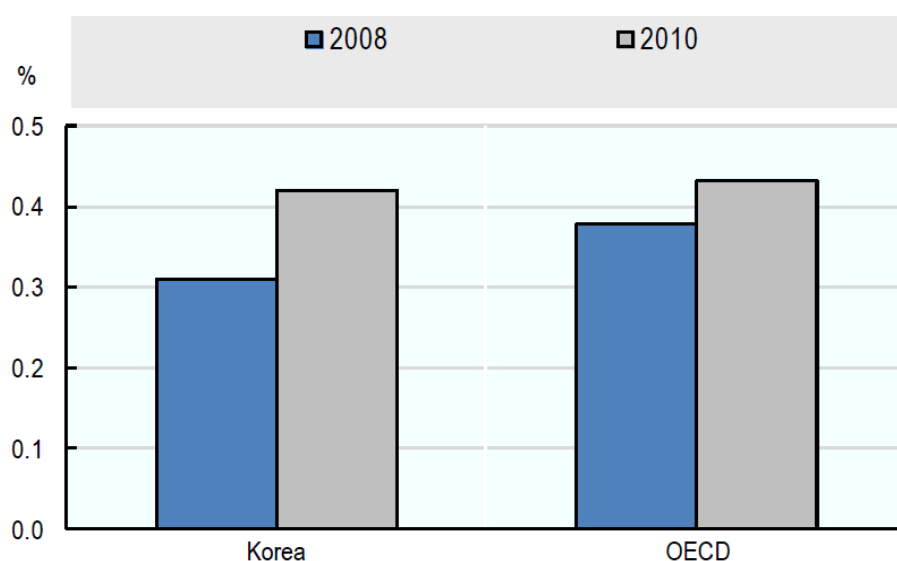
V. Discussion and Issues

A. Lack of Spending

Spending in ALMP has increased considerably in Korea over the period of the 2008 crisis. It increased by 35% in Korea (OECD average 14%) during 2008-2010. Nevertheless, much of the increase in ALMP spending in Korea has been on direct job creation, which has little long-term impact on participants' employment prospects. However, at 0.42% in 2010 (Figure 6), ALMP spending in Korea as percent of GDP is still slightly below the OECD average of 0.44% (OECD 2012c, 1).

Figure 7 shows that the public expenditure is far smaller than those of other OECD countries. Accordingly, unemployment benefit is still very small (Figure 8). In view of the small portion of labor taxes levied on workers (Figure 9), there is an ample room for the government to increase revenue for expanding social spending including labor market policies. Table 20 and 21 also back up this conclusion.

Figure 6. ALMP spending in Korea and the OECD (% of GDP)



Note: OECD is the weighted average of 28 countries (excluding Chile, Estonia, Iceland, Israel, Slovenia and Turkey).

Source: OECD (2012c, 1)

Table 20. Total tax revenue as percentage of GDP

(Unit: %, as of 2008 except for Korea)

	Korea (2010)	USA	Japan	UK	France	OECD
Tax/GDP	19.3	19.5	17.3	28.9	27.1	25.8
Total tax revenue/GDP	25.1	26.1	28.1	35.7	43.2	34.8

Note: Total tax revenue = (taxes + social security contributions)/GDP × 100

Source: OECD (2010a)

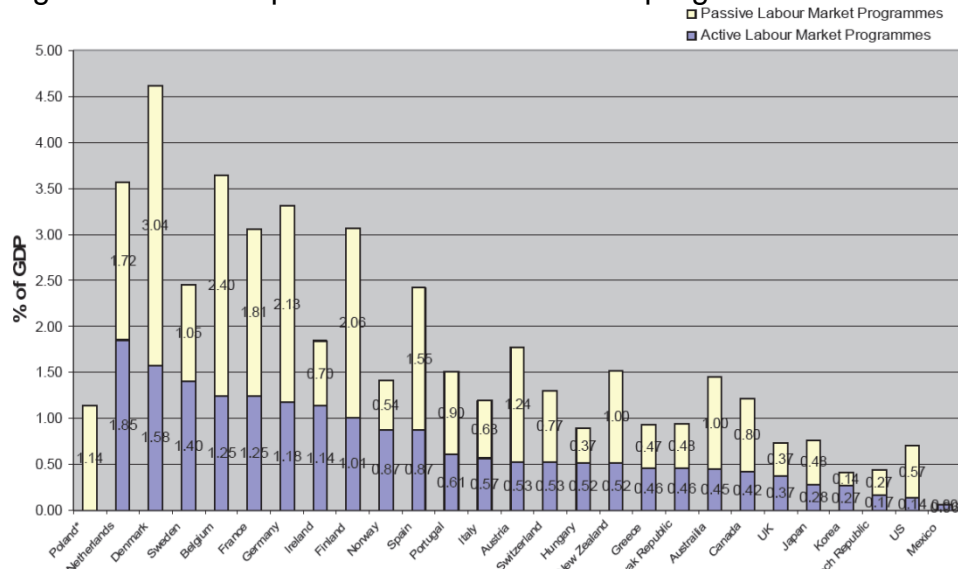
Table 21. Tax revenue as percentage of GDP

	2000		2010			Change ¹ 2000-10
	Korea	OECD	Korea	Rank	OECD	
Direct taxes on households	3.3	9.4	3.6	26	8.7	0.3
Direct taxes on firms	3.2	3.5	3.5	4	2.8	0.3
Social security and payroll	3.8	9.3	5.8	25	9.2	2.0
Goods and services	8.7	11.3	8.5	26	10.7	-0.2
Property	2.8	1.6	2.9	7	1.6	0.1
Holding taxes	0.6	0.9	0.8	14	1.1	0.2
Taxes on property transactions	2.0	0.6	1.8	1	0.4	-0.2
Estate, inheritance and gift taxes	0.2	0.1	0.3	5	0.1	0.1
Other	0.8	0.2	0.9	3	0.2	0.1
Total	22.6	35.3	25.1	28	33.2	2.5

1. For Korea in percentage points.

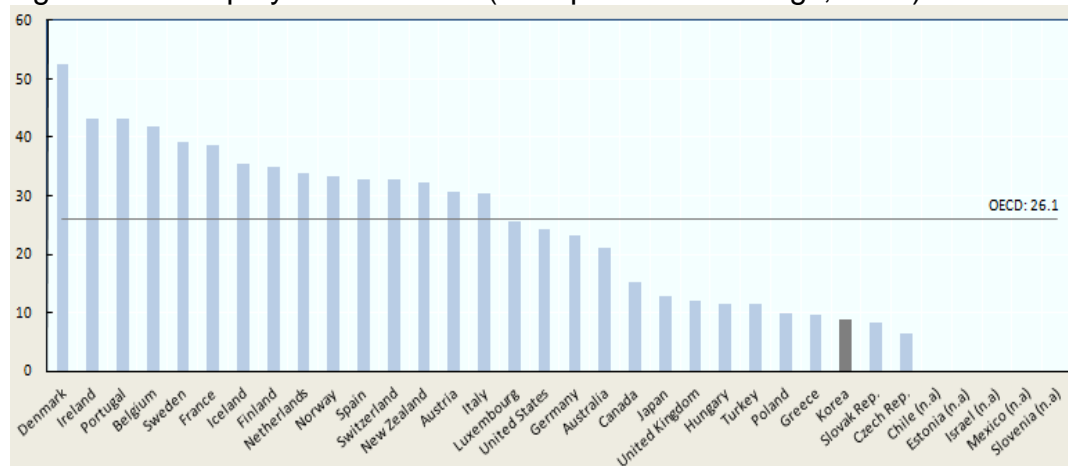
Source: OECD (2012a)

Figure 7. Public expenditure on labor market programs in OECD countries



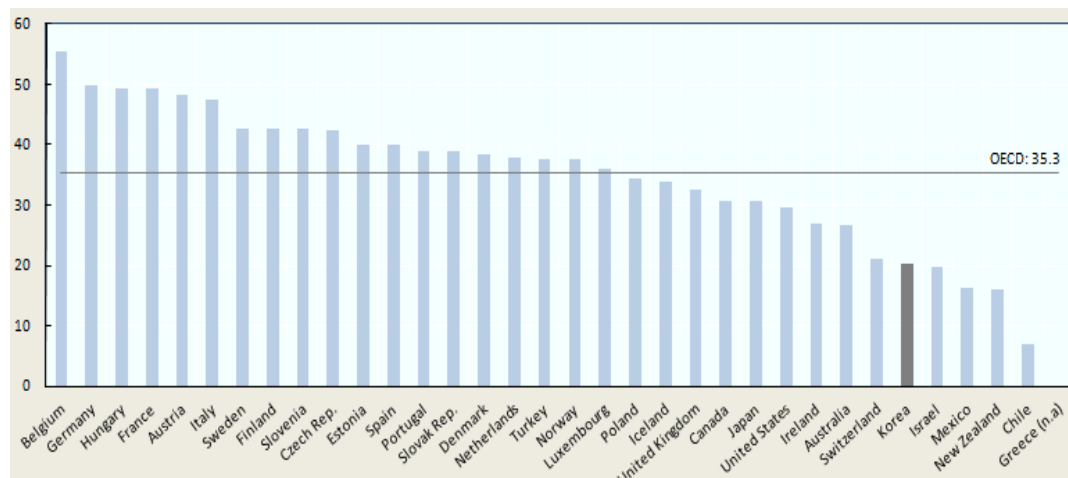
Source: OECD 2004 Employment Report, re-cited in Auer (2005, 7)

Figure 8. Unemployment benefits (% of previous earnings, 2009)



Note: Korea=8.9%, Source: OECD (2012d)

Figure 9. Labor taxes for a single w/o children (% of labor costs, 2011)



Note: Korea=20.3%, Source: OECD (2012d)

B. Lack of Efficiency

Even though employment insurance coverage has expanded (Table 22), the Job Centers are not fulfilling ALMP functions properly. Table 23 clearly shows that rate of employment through public job centers is very low.

Table 22. Employment insurance coverage expansion

	Size of companies covered						
	1995.7.1. ~ 1996.12.31.	1997.1.1. ~ 1997.12.31.	1998.1.1. ~ 1998.2.28.	1998.3.1. ~ 1998.6.30.	1998.7.1. ~ 1998.9.30.	1998.10.1. ~ 2003.12.31.	2004.1.1. ~ present
Unemployment benefit	30 and more	30 and more	10 and more	5 and more	5 and more	1 and more	1 and more
Employment security program, Vocational ability development program	70 and more	70 and more	50 and more	50 and more	5 and more	1 and more	1 and more
Construction industry (Total construction cost)	4 billion won	4.4 billion won	3.4 billion won	3.4 billion won	340 million won	340 million won	20 million won

Source: Yoon (2008, 11)

Choi and Lee (2011) conducted a study on the method for the enhancement of the public service through a comparative cost-efficiency analysis on the performance of Job Centers.

Table 23. Job-offering, job-searching, and employment status of public Job Centers
(Unit: persons, %)

Year	2007	2008	2009	2010	2011
No. of Job-offerings	1,008,448	1,112,341	1,225,011	1,770,987	1,742,178
No. of Job-searchers	1,967,073	2,093,557	2,732,741	2,755,006	2,559,832
Job-offering multiplier	0.51	0.53	0.45	0.64	0.68
No. of employed	501,256	544,122	669,535	701,928	656,494
Rate of employment	25.5	26	24.5	25.5	25.6

Source: Ministry of Employment and labor, National Index Webpage

Currently, in the employment service delivery system, budget and manpower is being wasted due to overlapping of roles among organizations. Moreover, efficient networking such as IT system is lacking among the central government, local governments and private

actors. In particular, the linkage between KEIS (which operates the Work-net, the government-run job-portal site) and the Job Centers is not satisfactory. In addition, employment services are not differentiated to meet different local needs (MOEL 2009a, 107-110).

C. Lack of Targeting, Monitoring and Evaluation

In analyzing Korea's reform effort in terms of labor market and social safety net after the 1997 crisis, OECD listed a few observations of the Korean labor market programs including the lack of targeting, and the need for careful monitoring and evaluation. Specifically, OECD (2000, 2) emphasized that it is important "to better target ALMP, enhance the quality of the PES staffs, and undertake rigorous evaluations of the programs."

With regard to targeting, due to "a general lack of targeting" in many of the programs, "it is unclear whether they really reach disadvantaged groups, such as unemployed workers not covered by the EIS (employment insurance system) and young unemployed workers". Subsidies to SMEs, which are the largest in terms of government spending on ALMP, should be especially well targeted (OECD, 2000, 5).

Ji (2011) points out that the Korean employment services are dispersed into such services as employment insurance, employment support and job training, and that the linkage between these services is not sufficient. Accordingly, overall services targeted on individual situations are not fully provided.

Monitoring systems are important for implementing and following up on measures, and are absolutely necessary for efficient labor market administration. Monitoring is required on data of expenditure/participation and labor market information in general. While monitoring functions are located usually with PES, they are not enough to assess overall (macro) impact. Especially, benchmarking and feedback are important in monitoring (Auer

2005, 10).

Evaluation is another important factor. It is needed to assess overall micro and macro impact to assess effects on labor market: integration effect and earnings effect. There are different methods of evaluation: aggregate impact, non experimental, quasi experimental, experimental, cost/benefit, qualitative assessments; program vs. target evaluation; cross section or longitudinal. However, as complex techniques are costly, simple evaluation techniques and simple cost/benefit analysis (monitoring) are more appropriate. In addition, third-party evaluators are preferable because of non partisan views (Auer 2005, 11).

Pierre (1999, 30-31) suggested "a framework for active labor market policy evaluation", and presented the following general principles regarding monitoring and evaluation:

- 1) A target group approach seems appropriate.
- 2) The determination of evaluation strategies seems preferable early in the policy making process, in co-operation with the relevant agents.
- 3) The usefulness of evaluation studies is enhanced when their results are used in policy making.
- 4) Monitoring can be used to rapidly give indications of the success of a program through comparisons of the performance of the agencies implementing it.
- 5) Transparency is necessary to sell new policies to the taxpayers.
- 6) The evaluation should not only consider the impacts of the program but also its implementation and formation.
- 7) As many of the impacts as possible need to be evaluated.
- 8) A combination of evaluation techniques should be used.
- 9) In order to improve the quality of the results, data from various sources can be used.

While monitoring and evaluation is this important, the Korean labor market does not have a proper monitoring and evaluation system.

With regard to public employment services, there have been a few efforts to establish evaluation systems. For instance, the Employment Service Evaluation Center was founded in the KEIS (Korea Employment Information Service) in 2006 for the improvement of employment services by continuous assessment, monitoring, quality certification, and skill development. However, the Center's function is limited around employment service, not

around overall labor policies. On top of that, it was as late as in 2011 that the Centre constructed the PMS (performance management system) for employment services, which provides overall management of performance indicators for employment services only (Oh 2012, 50).

When it comes to evaluation of Job Centers, which are at the core of PES, the Job Centers are not performing satisfactorily. Since 2009, simple and absolute standards have been utilized, while the main performance evaluation criterion is job placement assistance. Currently, the performance evaluation score of the Job Centers is very poor at 700 (52%) points out of 1,350 as of 2011. In addition, the evaluation of the Job Centers posed several problems as follows (Oh 2012, 28-29):

- 1) It neither considered local specificity nor generated any positive, proactive, and creative motivation for working.
- 2) Only quantitative indicators were adopted.
- 3) It did not take account of linkage with other regional institutions or their resources.
- 4) There were a few concerns about how to use the evaluation other than performance ranking.

Regarding the employment insurance program, Korea has focused on partial, and short-term measures against problems occurred during its implementation, and there has been lack of institutional tools for comprehensive and regular monitoring and evaluation of employment insurance program (MOEL 2009b, 3-4).

According to official replies of a few public organizations sent to me in response to my inquiry about whether Korea has a well-organized monitoring and evaluation system of ALMP, there is no system that monitors and evaluates overall performance of ALMP in Korea, except for a series of in-depth reports on employment insurance projects and ordinary annual performance evaluation of government agencies with regard to their budget projects.²⁶

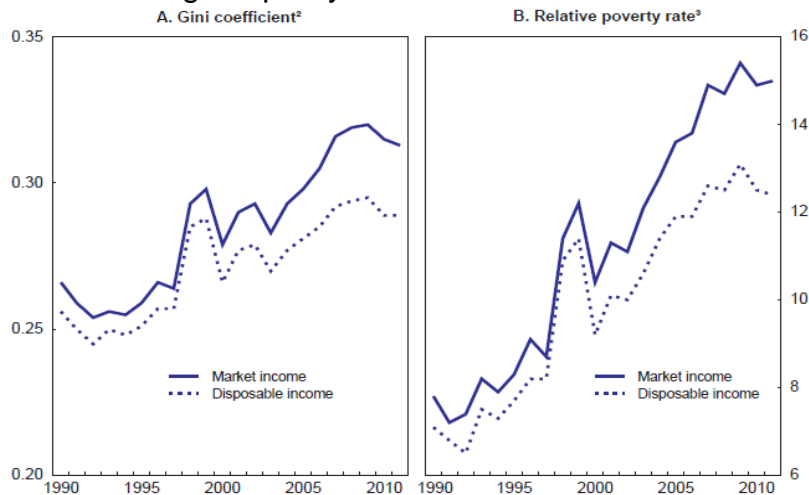
²⁶) To acquire official reply regarding the existence of monitoring and evaluation of ALMP and PES, I requested on August 9, 2012 for information disclosure through the government site, <http://www.open.go.kr>, which processes citizens'

VI. CONCLUSION

Korea has enjoyed relatively high growth and employment, while it has undergone a few major crises. For the past few decades, Korea has implemented remarkable labor reforms.

Nevertheless, Korea is suffering from increasing inequality (Figure 10), mainly due to dual labor market caused by such phenomena as a large incidence of low-paid work (Figure 11), and wage gap between manufacturing and service sectors (Figure 12).

Figure 10. Increasing inequality in Korea

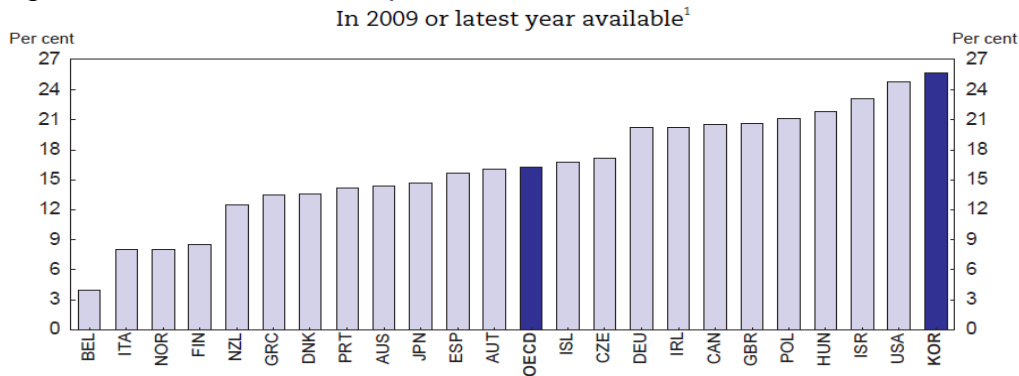


1. For urban households with at least two persons.
2. The Gini coefficient can range from 0 (perfect equality) to 1 (perfect inequality).
3. Relative poverty is defined as the share of the population that lives on less than half of the median income.

Source: OECD (2012a)

request for the disclosure of information regarding government agencies and their activities. For the list of government agencies to which I sent request for information disclosure, content of my request, and replies from the agencies, see Appendix H.

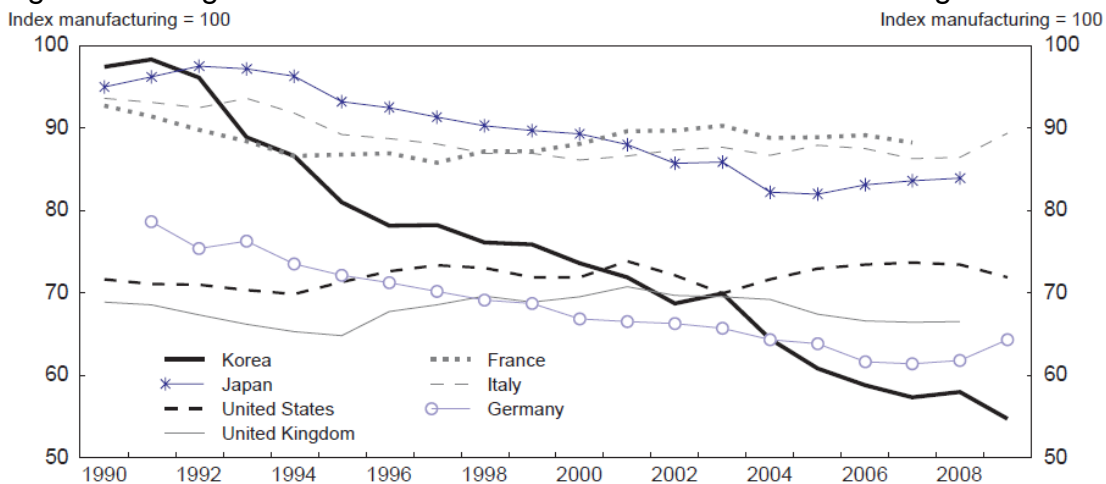
Figure 11. Incidence of low-paid work



1) The percentage of full-time wage earners that earn less than two-thirds of the median wage of full-time earners.

Source: OECD 2012a

Figure 12. Wages in the service sector as a share of manufacturing



Source: OECD 2012a

Korea's growth potential is staggering while its population is rapidly ageing. To reduce the impact of such population ageing such policies should be implemented as solving the labor mismatch problem, activating under-utilized segments of the population such as the female, the youth, and the old, and promoting productivity through education and training.

In the Korean labor market, there has been path dependency on the legacy of “developmental statism”, which took its changed form as “developmental welfarism”. Consequently, its post-crisis neo-liberal reforms and adjustment process have not been completely free from such legacy, and its effectiveness has been questioned. The process gave rise to the importance of state capacity (Erdogdu, 2002).

To borrow the "punctuated equilibrium" concept of Krasner (1984), developmental statist institutions established, spread, and perpetuated themselves from the 1960s through mid-1980s in Korea, but then were cast aside in the labor uprising of June 1987 as a "punctuation" that brought about radical changes in societal, economic, and political atmosphere of Korea; then the neo-liberal regime set in, and the neo-liberalist institutions perpetuated themselves for some time.

At a glance, Korean labor market seems to be in a flexicurity status. Yet, from the TLM point of view, there is much to be done. Korea is facing the challenge of mitigating down increasing inequality, and keeping up economic growth, both of which are critical for achieving social cohesion.

As Inagami (1998, 2) argues, the "level of activeness of labor market policies, and the extent to which they perform efficiently, are entirely separate questions. It may well be that the labor market is highly efficient where ALMP policies are entrusted to the market or deregulated and the firms' roles in these areas are significant."

Korean labor market should establish institutions to implement ALMP efficiently. Expansion of social spending, prudent and effective targeting, comprehensive and regular monitoring/evaluation should be in place to fill holes in the social safety net.

From a wider point of view, the Government should pursue proactive measures to increase its capacity of improving employability of work force, in response to such challenges as rapid population ageing, labor market dualism, and shrunken growth potential, so that the Korean economy can overcome the tough currents of global competition, and informatized knowledge economy.

In some respects, to go beyond developmentalism and market fundamentalism, “inclusionary state activism”²⁷ is needed to achieve “a virtuous circle of economic growth with reduction in poverty and inequality, and improvement in basic social indicators - in short, a period of inclusionary development” (Arbix and Scott 2012, 5).

27) This inclusionary state activism is also referred to as “new developmentalism.” Implications of “new developmentalism” and their applicability to the Korean economy will be saved for further study elsewhere. For the summary of the Ten Theses of New Developmentalism, which summarizes the essence of this concept, see Appendix I.

APPENDICES

APPENDICES

Appendix A. Population ageing Index (2001-2011)

Population unit: 1,000

Year	Total Population (a)	Growth (%)	0-14 years (b)	b/a (%)	15-64 years (c)	c/a (%)	65 - years (d)	d/a (%)	d/c* (%)	d/b** (%)
2001	47,357	0.7	9,854	21	33,925	72	3,578	8	11	36
2002	47,622	0.6	9,747	20	34,103	72	3,772	8	11	39
2003	47,859	0.5	9,606	20	34,285	72	3,968	8	12	41
2004	48,039	0.4	9,446	20	34,428	72	4,166	9	12	44
2005	48,138	0.2	9,241	19	34,530	72	4,367	9	13	47
2006	48,372	0.5	8,989	19	34,791	72	4,592	9	13	51
2007	48,598	0.5	8,725	18	35,046	72	4,828	10	14	55
2008	48,949	0.7	8,489	17	35,408	72	5,052	10	14	60
2009	49,182	0.5	8,232	17	35,694	73	5,256	11	15	64
2010	49,410	0.5	7,975	16	35,983	73	5,452	11	15	68
2011	49,779	0.7	7,771	16	36,353	73	5,656	11	16	73

* Old-age support rate: (population of age 65 or older)/(population of age 15-64)*100

** Ageing index: (population of age 65 or older)/(population of age 14 or younger)*100

- Source: Korean Statistical Information Service

Appendix B. Population and employment trend (2001-2011)

Population unit: 1,000

Year	Total Population (a)	15-years (b)	EAP* (c)	Participation rate (%)	Employed (d)	Employment rate (%)	Un-employed (e)	Unemployment rate (%)
2001	47,357	36,579	22,471	61.4	21,572	59.0	899	4.0
2002	47,622	36,963	22,921	62.0	22,169	60.1	752	3.3
2003	47,859	37,340	22,957	61.5	22,139	59.3	818	3.6
2004	48,039	37,717	23,417	62.1	22,557	59.8	860	3.7
2005	48,138	38,300	23,743	62.0	22,856	59.7	887	3.7
2006	48,372	38,762	23,978	61.9	23,151	59.7	827	3.5
2007	48,598	39,170	24,216	61.8	23,433	59.8	783	3.2
2008	48,949	39,598	24,347	61.5	23,577	59.5	769	3.2
2009	49,182	40,092	24,394	60.8	23,506	58.6	889	3.6
2010	49,410	40,590	24,748	61.0	23,829	58.7	920	3.7
2011	49,779	41,052	25,099	61.1	24,244	59.1	855	3.4

* EAP: Economically active population

- Economic activity participation rate = (c)/(a)×100

- Employment rate = (d)/(b)×100

- Unemployment rate = (e)/(c)×100

- Source: Korean Statistical Information Service

Appendix C. Development of welfare system, economy and politics in Korea

	Economic Development	Changes in Welfare System	Changes in Political Situation
1960s : Introduction	Growth and distribution have yet to be established Light industry	Enactment of life insurance system and various social insurance programs were enacted	. Development of the military regime . Social security policy was needed to secure legitimacy for the military regime
Mid 1970s: First Transformation	Per capita GNP of \$500-1,000 Quantitative growth no longer effective Surplus labor no longer exists, Surplus in the international balance of payments, Capital-intensive heavy chemical industry Speculation boom in real estate and securities	Introduction of medial insurance and medical care	. Authoritarian regime extended and resistance grew
Mid to late 1980s: Second Transformation	Per capita GNP of \$2,000 [*] -3,000 Technology-intensive industry Overseas labor inflow begins, Speculation boom in real estate and securities, Increase in conspicuous consumption and relative poverty	Implementation of National Health Insurance Introduction of National Pension Strengthening of welfare for the elderly and the disabled Improvement in real estate policy	. Protecting the regime against strikes and social conflict and meeting the demand for welfare . Growing resistance against military regime led to the declaration on democratization
Mid 1990s: Third Transformation	Per capita GNP of \$10,000 ^{**} Restructuring industry to enhance quality for sustainable growth-competitive management, High-wages and increase in labor income	Decrease in investment on welfare as the economic cost increases The pursuit of high-quality welfare and introduction of regional pension and employment insurance Focus on the role of private welfare	. Civilian government's efforts to pursue economic and political reform
Late 1990s, early 2000s: Fourth Transformation	Economic crisis due to foreign exchange crisis and restructuring to overcome the crisis Foreign investment Development of IT industry,	Productive welfare and participatory welfare	. Expanding welfare system

Source: Yoon (2008, 3)

Appendix D. Tripartite Agreement of 1998: Core Contents

LABOR	STATE	CAPITAL
<p><i>Promote Labor Market Flexibility</i></p> <ul style="list-style-type: none"> - Ease the procedures for laying off workers - Legalize temporary work agencies 	<p><i>Strengthen Social Safety Nets</i></p> <ul style="list-style-type: none"> - Allocate 5 trillion won for unemployment measures - Reform the health insurance system and expand coverage 	<p><i>Initiate Corporate Restructuring and Establish a Responsible Management System</i></p> <ul style="list-style-type: none"> - Develop workers' participation schemes
	<p><i>Improve Basic Labor Rights</i></p> <ul style="list-style-type: none"> - Legalize trade unions' right to engage in political activities - Legalize the Teachers' Union - Establish work councils for government officials 	
<p><i>Promote Labor-Management Cooperation</i></p>	<p><i>Promote Labor-Management Cooperation</i></p> <ul style="list-style-type: none"> - Establish labor-management cooperation center - Guarantee and support free collective bargaining between labor and management 	<p><i>Promote Labor-Management Cooperation</i></p> <ul style="list-style-type: none"> - Invest more in workers' training programs

Source: Lee and Lee (2002, 42)

Appendix E. Social insurance and welfare system in Korea

Year	Social insurance	Protection of livelihood and workers	Welfare for vulnerable class	Other s
1960-1965	Public Officials Pension Act enacted and enforced (60) and amended (62). Military Personnel Medical Insurance Act enacted (63). Industrial Accident Compensation Insurance Act enacted (63) and enforced (64)	Labor Standards Act (53). Protection of Minimum Living Standards Act enacted (61). Employment Security and Protection Act enacted (61)	Child Welfare Act enacted (61)	Disaster Relief Act for Seaman and Military Personnel enacted (62). Labor Union Act Environmental Pollution Prevention Act
1966-1969	Coverage of Industrial Accident Compensation Insurance expanded	Enforcement Decree of Protection of Minimum Living Standards Act	Korea Association of Social Workers established (66)	Employment Security Act enacted
1970-1975	National Pension Act enacted but yet to be enforced (73). Pension for Private School Teachers and Staff Act (73)		Social Welfare Services Act enacted (70)	Mother and Child Health Act enacted
1976-1979	Medical Insurance Act revised (76) and enforce (77). Medical Insurance Act enacted. Act on Medical Insurance for Public Officials and Private School Teachers and Staff enacted (79)		Act on the Promotion of Education for the Handicapped enacted (77)	Framework Act on Vocational Training enacted (76). Vocational Training Promotion Fund Act enacted (76). Act on the Special Compensation to Defecting North Korean Soldiers enacted (78)
1980-1985	Industrial Safety and Health Act enacted (81)	Protection of Minimum Living Standards Act revised (82). Act on the Prevention of Pneumococcosis (84)	Child Welfare Act revised (81). Welfare on the Aged Act enacted (81). Welfare Act for Handicapped of Mind and Body enacted (81)	
1986-1990	Health insurance expanded to cover oriental medicine (87). agricultural and fishing village (88). cities(89) pharmacy insurance (89) National Pension System enforced (88)	Minimum Wage Act enacted (86) and enforced (88). Regulation on Management of Homeless Assistance Center (87)	Mother and fatherless Child Welfare Act enacted (89). Welfare of Child, the Aged and Disabled Persons enacted (89). Employment Promotion of Disabled Persons Act enacted (90)	Act on the Equal Employment for Both Sexes enacted (87). Act on the Encouragement of Technical Skills enacted (89)
1990-1995	Employment Insurance Act enacted (93) and enforced (95). National Pension System applied to agricultural and fishing village (95)	Intra-Company Labor Welfare Fund Act enacted (91). Promotion of Welfare for Small and Medium Enterprise Workers Act (93)	Infant Care Act (91) and Framework Act on Juveniles enacted (91). Employment Promotion for the Aged Act (91). Center for Home Volunteer Service established	National Health Promotion Act (94) Framework Act on Employment Policy enacted (93)
1996-2000	Health insurance benefits expanded (96). Insurance for urban self-employed (98)	Minimum Livelihood Protection Plan (96-98)	Act on the Promotion of Access for the Disabled to Facilities and Information enacted (97). Public Health and Medical Services Act enacted (00)	Framework Act on Social Security enacted and enforced (96)
2001-2006	Special Act to Stabilize National Health Insurance Finances enacted (02)		Employment Promotion and Vocational Rehabilitation of Disabled Persons Act enacted (00) Special Act on Health Care for Inhabitants of Rural and Fishing Villages enacted (04)	Framework Act on Health and Medical Services enacted (00). Oriental Medicine Nursing Act enacted (03). Cancer Management Act enacted (03). Framework Act on Healthy Families enacted (04). Act on the Collection of Excess Profit from Rebuilding Projects (06)

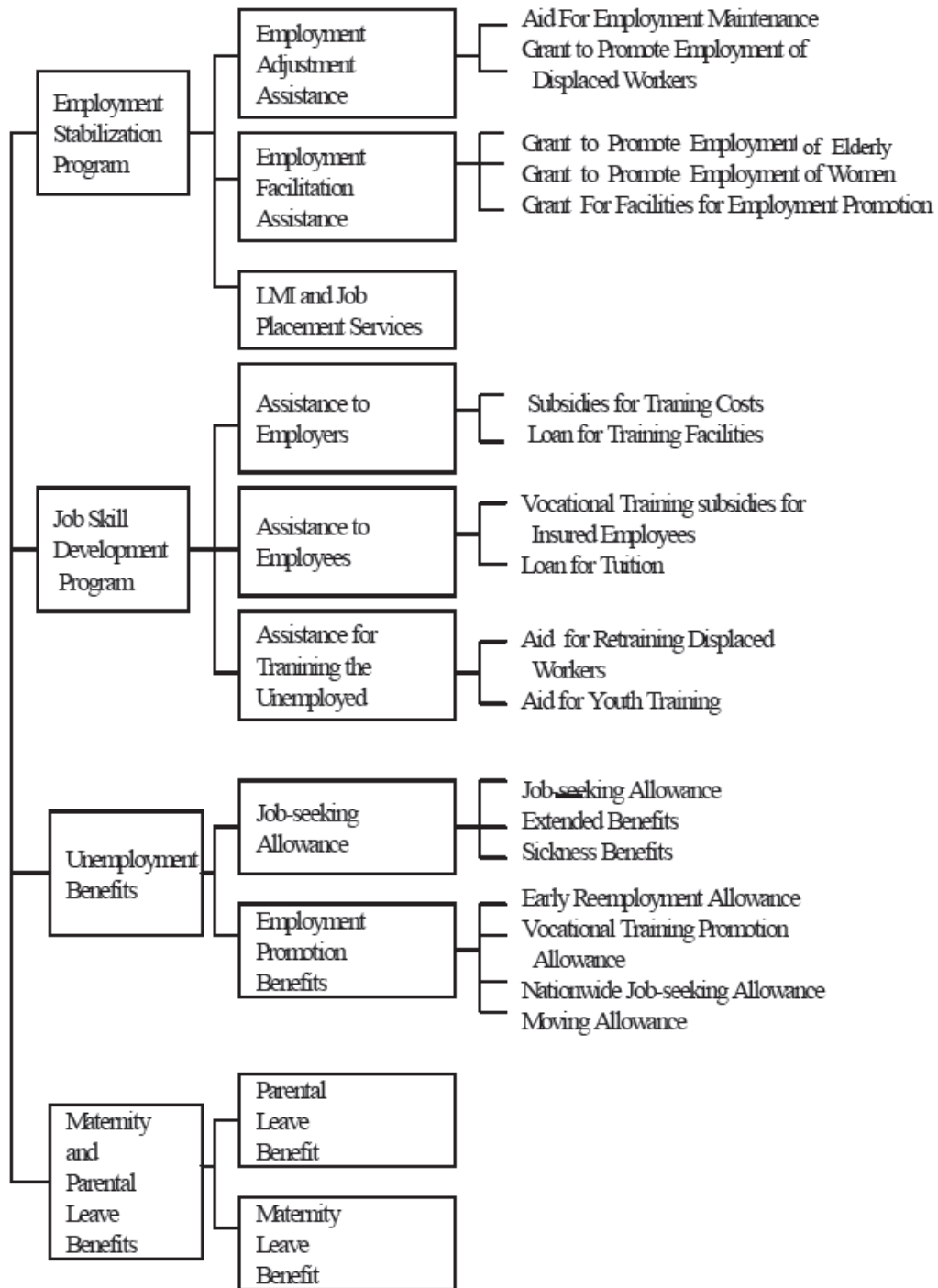
Source: Yoon (2008, 4)

Appendix F. Components of flexicurity system

Components	Specific measures	Nature of labour market security
1. Employment protection legislation (EPL)		
<i>Notice period</i>	Notice given by employers to workers, trade unions and/or government prior to retrenchment	time to make transition to new employment
<i>Retrenchment authorisation</i>	Need for approval ('administrative authorization') from government for retrenchment	employ. security when approval denied; when granted provides time to organize transition to new employ.
<i>Non-regular employment</i>	Protection for part-time, casual, fixed-term and contract labour	employment and benefits security
<i>Wrongful dismissal</i>	Protection against wrongful dismissal (for reasons other than negligent or lax conduct (gender, pregnancy, race, colour, religion, trade union membership, etc.))	employment security
<i>Maternity, parental leave</i>	Provides income support and/or right to return to work after an absence for birth and post-natal care	employment security, also considered a social right
2. Passive labour market policy (PLMP)		
<i>Unemployment insurance</i>	Monthly monetary payment to those temporarily out of work, funded by contributions	short-term income/transition security
<i>Severance Pay (Gratuity Pay)</i>	Payment provided by employers in a lump sum at the end of employment based on years of service	short-term income security
<i>Early retirement</i>	Lump sum or monthly payments provided by employer prior to normal retirement	income security
3. Active labour market policy (ALMP)		
<i>Job search</i>	Job search assistance through the public employment service (i.e. job centres), including job and career counselling	transition to new employment
<i>Skills training</i>	Training or re-training to increase employability	transition to new employment
<i>Self-employment</i>	Promotion of self-employment through business management training, mentoring, credit access, tax breaks, etc.	transition to newly (self) created employment
<i>Wage subsidies</i>	Wage subsidies to encourage hiring of unemployed	transition to new created employment (or employment security)

Source: Vandenberg (2008, 6)

Appendix G. Structure of the Korean employment insurance system



Source: Yoo et al. (2002, 292)

Appendix H. Request for information disclosure regarding ALMP and PES

Agencies to which request was sent	MOEL, KLI, and KEIS	
Content of my request (dated Aug 9, 2012)	<p>1. Are there monitoring and evaluation system of ALMP and PES in Korea?</p> <p>2. If yes, what are their chronicles, achievements, current status (including budget), problem, and solutions?</p> <p>3. If not, is there monitoring and evaluation system of overall labor market policies?</p> <p>4. If yes, what are their chronicles, achievements, current status (including budget), problem, and solutions?</p>	
Summary of replies from the agencies (date of reply)	MOEL (Sep 4, 2012)	<p>MOEL conducts governmental operation evaluation (self evaluation and specific evaluation) and performance evaluation on budget-spending projects based on the Basic Law regarding Governmental Operation Evaluation, and the National Fiscal Law. And it conducts operation progress performance evaluation on its local offices.</p> <p>However, it does not conduct separate evaluation on ALMP and PES.</p>
	KEIS (Sep 16, 2012)	<p>There exists a performance management system on PES. Performance evaluation of Job Centers is part of MOEL's evaluation on local labor offices and its Branch offices.</p> <p>In 2009, evaluation criteria for Job Centers was simplified focusing on their performance of employment provision, and absolute evaluation indicators were used.</p> <p>Performance evaluation of Job Centers was focused on employment support, and its evaluation indicators comprised of employment provision performance in such areas as general job-seekers, unemployment insurance beneficiaries, vacant job takers, vulnerable class, low-income unemployment insurance beneficiaries package, employment success package and youth new start, in-depth counseling.</p> <p>The Employment Service Evaluation Center was established in KEIS for the purpose of enhancing employment service through continuous evaluation, monitoring, certification and skills development. The Center constructed Employment Service Performance Management System in 2011 which provides overall management of PES performance evaluation indicators.</p>
	KLI (Sep 21, 2012)	<p>ALMP system of Korea is composed of Employment Insurance System at its center, job creation policies of government agencies, job training system which centers around job training account scheme, and PES which centers on Job Centers.</p> <p>All these systems are to be evaluated in every fiscal year: General budget projects undergo MOSF's Fiscal Projects Autonomous Evaluation by Agency (performance management system), and funded projects (e.g., Employment Insurance Fund) submit their fund operation result reports to the National Assembly for annual evaluation.</p>

Note: MOEL = Ministry of Employment and Labor, KLI = Korea Labor Institute, KEIS = Korea Employment Information Service, MOSF = Ministry of Strategy and Finance.

Appendix I. Summary of the Ten Theses on New Developmentalism

1. "Economic development is a structural process of utilizing all available domestic resources."
2. "The state has a strategic role in providing the appropriate institutional framework to support this structural process."
3. "Economic development requires a national development strategy which seizes global opportunities, ... mitigates barriers to innovation, ... assures financial stability, and creates investment opportunities to private entrepreneurs."
4. "The demand side is where the major growth bottlenecks unfold."
5. "The tendency of wages to increase more slowly than productivity growth is due to the existence of an abundant supply of labor and of the political economy of labor markets. ... A legal minimum wage, cash transfers to the poor, and ... a government guarantee to provide employment at a living wage could be used."
6. "The tendency to cyclical overvaluation of the exchange rate in developing countries has been due to both the excessive reliance on external savings in the form of foreign capital flows and the Dutch disease."
7. "Dutch disease may be characterized as a permanent overvaluation of the national currency due to Ricardian rents originated from the export of commodities based on natural resources or exports based on ultra cheap labor."
8. "Economic development should be financed essentially with domestic savings."
9. "The government must ensure a stable long term relation between the public debt and GDP and a real exchange rate that takes account of the need to counter the adverse effects on the manufacturing industry of Dutch disease."
10. "To achieve long term development, economic policies should pursue full employment as its primary goal, while assuring price and financial stability."

Source: <http://www.tentheseonnewdevelopmentalism.org/>

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