

# The Characteristics and Prospects of the South Korean Welfare State. A Comparison with the Southern European Welfare State Regime

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## Abstract

The purpose of this paper is to predict what welfare regime will develop in South Korea now that it has entered the initial stage of the welfare state. Welfare regimes are determined to a great extent by the structure of the labor market and by the demographic and family structure. When South Korea is compared to four states in Southern Europe, considerable structural similarities are found between the two groups in terms of the instability and fragmentation of their labor markets and the characteristics of their demographic and family structure. Because of these structural similarities, South Korea and the Southern European states exhibit a strong degree of fragmentation in social insurance and familialism in child and elderly care. As South Korean society evolves into a mature welfare state, its welfare regime is likely to converge into the Southern European type, which is characterized by large gaps and stratification in welfare benefits and a heavy burden on families. Furthermore, unless South Korea can resolve the heavy reliance on the market provision of welfare, which is one of the characteristics of its welfare supply structure, it is likely to become an inefficient welfare state that combines the shortcomings of the Southern European welfare regime with the shortcomings of the liberal welfare regime.

## Keywords

Southern European welfare states, Southern European welfare regime, South Korean welfare state, South Korean welfare regime, Korea

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## Introduction

Since South Korea's welfare spending exceeded 10% of Gross Domestic Product (GDP) around 2010, the country has entered the initial stage of a welfare state, though it is still far behind more mature welfare states. In that case, what welfare regime will develop in South Korea after going past its initial stage? In the early 2000s, the popularity of the book "Debate About the Nature of the Korean Welfare State" (*Hangukbokjigukgaseonggyeoknonjaeng*) gave rise to several conjectures: that South Korea's welfare system would develop into a liberal regime; that it would be similar to a conservative regime; or that, rather than any one regime, it would become a hybrid combining the characteristics of several different regimes (Kim, Yeon-Myung, editor 2002). But the prospects offered in that debate were based on circumstances more than a decade old, and they do not reflect the rapid changes that have taken place since then in South Korea's labor market, demographic structure, and social welfare programs. This paper sheds fresh light on the characteristics of Southern European welfare regimes,<sup>1</sup> which have hitherto received little attention from South Korean scholars, and considers the possibility that the South Korean welfare regime will evolve into something rather like the Southern European welfare regime found in Italy, Spain, Greece, and Portugal. Rather than constituting an independent welfare regime, the Southern European states have generally been regarded as "immature" models of the conservative welfare regime to which the Central European states belong (Esping-Andersen 1999). But a significant number of scholars have argued that the Southern European states have several characteristics that are distinct from the conservative welfare regime of Central Europe and that they should be categorized as a separate welfare regime (Ferrera 1998, 2010; Bonoli 1997; Vogel 2003; Moreno 2006; Karamessini 2008a).

The Southern Europe states exhibit a very strong phenomenon of welfare dividing, in which workers in the core labor market receive more generous benefits but workers on the periphery of the labor market and those who are outside it (including women and youth) basically have insufficient or no income security (Ferrera 2010: 620–622). This characteristic contrasts with the conservative model of France and Germany, which have achieved complete universalism in income security. This phenomenon of welfare dividing is very similar to the severe inequality in welfare benefits between regular workers and irregular workers that is seen in South Korea. Given the similarity between Southern Europe and South Korea in the structural characteristics of the labor market (the institutional basis of income security)—including the low employment rate, full-time male employment, the low participation rate of women in the labor force, and the high percentage of irregular workers and small business owners—the phenomenon of welfare dividing is very likely an inherent characteristic of South Korea and Southern Europe.

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<sup>1</sup> There is a great shortage of academic research in South Korea on the Southern European welfare regime. This mainly consists of the research of Kim, Yong-Ha, et al. (2012), which briefly reviews the Southern European welfare regime in the context of the sustainability of the welfare state overall, and a study by Yun, Seung-Hee (2008) that compares family welfare in the Southern European states with the situation in South Korea. Unless otherwise mentioned, the Southern European states referred to in this paper are Italy, Spain, Greece, and Portugal.

Southern Europe is also structurally different from the states of Northern Europe and Central Europe in regard to the family's responsibility for welfare. In the Southern European states, family members, and women in particular (daughters and daughters-in-law) play a critical role in raising children and taking care of the elderly (which leaves socialized care to play a minor role), and family members who are suffering financial difficulties largely rely on mutual aid (Moreno 2006; Yun, Seung-hui 2008). The family's dominant role in informal care is affected by structural factors including the low employment rate of women and extended family ties, and this is another striking similarity with South Korea. The Southern European states bear a particularly strong resemblance to South Korea in terms of the low birthrate and the aging society, and these characteristics are very likely to cause families to serve the same welfare function in South Korea and in the Southern European states.

The purpose of this paper is to consider the possibility that South Korea will converge on the Southern European welfare regime as it gradually becomes a mature welfare state while drawing attention to the fact that South Korea is very structurally similar to the Southern European states in terms of its labor market and demographic conditions and in its welfare service provision conditions. The tentative prediction made by this paper is that the South Korean welfare regime will resemble the Southern European welfare regime, combined with characteristics from the liberal welfare regime.

## The Current Stage of the South Korean Welfare State

If a universal welfare state is defined, for the sake of convenience, as a welfare regime under which social welfare benefits are provided to the entire populace, the only countries that possess such a system are welfare states in Western Europe and Japan." Indeed, a universal welfare state is hard to establish without wealth accumulation through industrialization, and the political system of democracy. This section aims to serve as a premise before discussing the prospects of the South Korean welfare state in connection to the Southern European welfare regime. It will be examining the discourse about the exceptionalism of the East Asian welfare state and the previous literature on the South Korean welfare state's development stages.

### *East Asian Social Welfare's Exceptionalism and the "Debate about the Nature of the South Korean Welfare State"*

The newly industrialized countries of East Asia—including South Korea and Japan—have been regarded as examples of "East Asian exceptionalism" in the area of social welfare (Peng and Wong 2010). According to this idea, it is difficult for these countries to set up Western-style welfare regimes, despite their remarkable economic growth and the corresponding development of their welfare systems. This East Asian exceptionalism dates back to Gosta Esping-Andersen's typology of the three worlds of welfare capitalism, which categorizes Japan and other East Asian

states as an exceptional system that mixes the principles of the liberal and conservative welfare regimes but does not constitute a welfare regime of its own (Esping-Andersen 1990, 1999). Subsequently, this viewpoint spread to other Western researchers. Catherine Jones described the East Asian states as “Confucian welfare states” in which families and local communities take responsibility for welfare as part of the Confucian tradition. Jones (1993: 214) contended that these states are characterized by “conservative corporatism without (Western-style) worker participation; subsidiarity without the Church; solidarity without equality; [and] laissez faire without libertarianism.” Ian Holliday (2000) coined the term “productivist welfare regimes” for East Asian states that are typified by the existence of strong economy-oriented governments, welfare policies introduced with the sole purpose of economic growth, and the subordination of social policy to growth-oriented economic policy, representing another viewpoint that emphasized these states’ exceptionalism vis-à-vis the universal welfare states of the West. More recently, this viewpoint is found in scholars who emphasize the “functional equivalents” of welfare—initiatives such as corporate welfare and large-scale public work projects that function similarly to official welfare institutions—and argue that this is what enables Japan and other East Asian states to maintain relatively small welfare states compared to the West (Miyamoto 2003; Estevez-Abe 2008: 30–45). Though the emphasis of research in this discourse varies, the unspoken assumption running through it is that the welfare regimes of East Asian states are different from Western welfare regimes (Kim, Yeon-Myung 2011).

The exceptionalism discourse, which exerts a powerful influence on comparative welfare state research in East Asia, encompasses many different opinions and arguments about the prospects for the South Korean welfare state. One example is the question of how exceptional welfare programs in East Asia actually are. That is, are such exceptional characteristics really a fundamental and distinctive aspect of Asian states? Furthermore, are these exceptional institutions fixed and unchanging? Considering that these states have not only distinctive institutions that count as “functional equivalents” but also universal welfare institutions, which of these are more fundamental aspects of Asian welfare states? To be sure, the discourse of exceptionalism may or may not be appropriate, depending on what aspects are being emphasized. But even more important is what this discourse implies. That is, the tacit assumptions of this discourse can lead to the argument that, because of East Asia’s uniqueness, it is very difficult or even impossible for East Asian states to establish a universal welfare state like those of the West, and furthermore that even if welfare institutions are developed, they will result in a welfare state (or regime) that takes a different form from the West.

The rapid expansion of social welfare in South Korea after the Asian financial crisis in 1997 served as an opportunity for raising objections to East Asian welfare exceptionalism. The expansion of welfare policy by the administration of Kim Dae-jung after the crisis precipitated a debate based on the aforementioned Korean book “Debate About the Nature of the Korean Welfare State”. Thanks to this debate, it was possible to discuss not about South Korea’s uniqueness but rather about the possibility that it could become a welfare state similar in form to those in the West. Several predictions were made during this debate: that South Korea’s development of private-sector insurance and public assistance gave it the characteristics of a liberal welfare regime and that the South Korean welfare state would eventually

develop into this type (Cho, Young-Hoon 2002); that because of the stratification of welfare benefits resulting from gaps in social insurance, it was likely to converge on a conservative welfare regime (Nam, Chan-Seob 2002); and that South Korea was not easy to categorize as any single welfare regime because it exhibited characteristics of all three of them, and, if it had to be categorized, it would be closer to a hybrid (Kim, Yeon-Myung 2002). While the “Debate About the Nature of the Korean Welfare State” sent a message about the possibility of both South Korea and other East Asian states developing into a universal welfare state, one of the main limits of this debate was that it discussed the nature of the South Korean welfare regime without strictly determining whether South Korea had actually become a welfare state. Whether it is exceptionalism or universalism that one wishes to emphasize in regard to welfare in East Asian states, that argument is only valid if one assumes that the state in question has already become a welfare state. If South Korea is not a welfare state, that debate becomes a quixotic attempt to find the characteristics of a welfare state in a non-welfare state. This must be preceded, therefore, by a discussion about whether South Korea has entered the stage of the welfare state. That question will be discussed in the following section.

### *South Korea's Entrance into the Initial Stage of the Welfare State*

The argument that South Korea has entered the stage of the welfare state began to appear in the first half of the 2000s. The scholar who specifically mentioned the possibility of South Korea being a welfare state was Mishra Ramesh, who made the following suggestion in a 2003 paper: “What we now have in Korea is an embryonic welfare state which will, on present trends, continue to expand, even if no new programmes are established, due to ageing of the population and maturing of the programmes” (2003: 88). After that, Shogo Takegawa, a Japanese expert on social welfare in East Asia, argued that the expansion of welfare since the Kim Dae-jung administration was similar to the reforms carried out by the Labor government in Britain in 1945 and the *fukushi gannen* (first year of welfare) reforms implemented by Japan in 1973 and that the South Korean welfare state had been developing in earnest since that point (2005: 286).<sup>2</sup> Scholars in South Korea have started to come to similar conclusions as well since the mid-2000s. Ho-geun Song and Kyung Zoon Hong asserted that South Korea entered the initial stage of the welfare state, at least institutionally speaking, in the mid- or late 1990s (Song, Ho-Keun and Hong, Kyung-Zoon 2006: 108), while Kim, Yeon-Myung expressed the view that South Korea is a late industrializer (since it began to industrialize after World War II) that is most likely to join the ranks of the welfare state (Kim, Yeon-Myung 2004). Studies that reviewed welfare state research on South Korea and other East Asian states through the late 2000s report that there is a tendency for strengthening universal welfare institutions in East Asia, which is the exact opposite of welfare exceptionalism (Kim, Yeon-Myung 2008; Peng and Wong 2010; Young Jun Choi 2011).

<sup>2</sup> In addition to these, scholars such as Christopher Pierson have given credence to the possibility of South Korea becoming a welfare state in a discussion of the development of the welfare state and industrialization among late industrializers (Pierson 2004: 232).



Of course, there are still some observers who think it is too soon to draw this conclusion. Holliday, who defined the East Asian welfare states as representing a “productivist welfare regime,” expresses skepticism about the establishment of a welfare state in South Korea. He admits that South Korean social welfare has undergone a certain amount of reforms since the Asian financial crisis but argues that this cannot be regarded as a transition away from East Asia’s productivist welfare regime toward a more comprehensive and universal welfare state (Holliday 2005). However, a strong counterargument has been made that South Korea’s welfare institutions have grown enough since the financial crisis to transcend the productivist welfare regime and that South Korea can no longer be classified as a productivist welfare regime, which emphasizes Asian uniqueness (Kim 2008). Such arguments have convinced Holliday as well as Paul Wilding (who invented the concept of the East Asian productivist welfare regime) to partially acknowledge the formation of the South Korean welfare state and to define South Korea as a hybrid that simultaneously exhibits characteristics of the productivist welfare regime and elements of the modern Western welfare state (Wilding 2008).

As we have seen thus far, though there is some skepticism about the possibility of South Korea turning into a welfare state, there have recently been several indications that South Korea has entered the initial stage of the welfare state. Though there is no clear consensus about what criteria can identify a given society as a welfare state, this paper argues that the following indicators show that South Korea has entered the initial stage of the welfare state: first, the level of welfare spending; second, the existence of welfare institutions that deal with social risks; and third, whether it has secured a standard for a “national minimum.”<sup>3</sup>

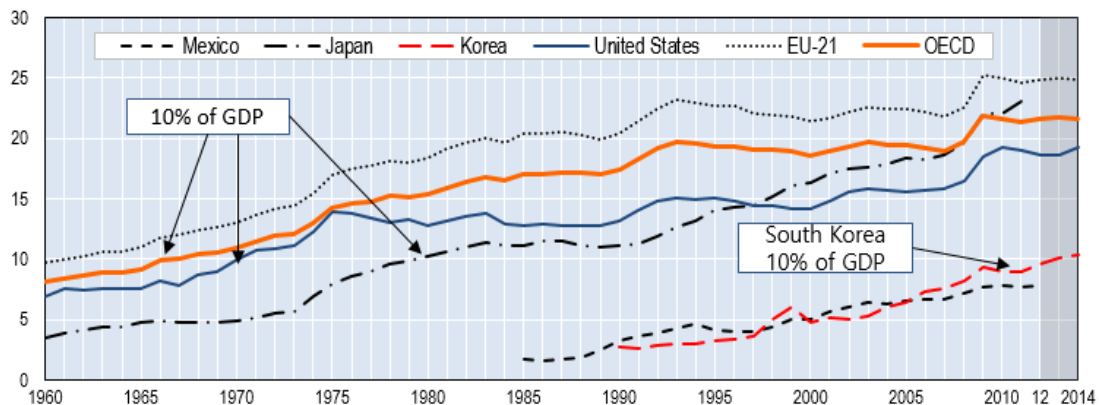
First, South Korea’s welfare spending exceeded 10% of GDP in 2009, according to OECD figures. Recently, the rate of increase has been very striking. Setting year 2007 as the standard for comparison at 100, South Korea’s welfare spending in 2012 was equivalent to 129, representing a 29% rate of increase in real welfare spending—the most rapid expansion of any OECD member state (OECD 2012a: 2). Considering that the average welfare spending by OECD member states is 22.7%, South Korea cannot be regarded as a mature welfare state, but this is adequate evidence to regard it as having entered the initial stage of the welfare state. Pierson defines the period 1880 to 1914 as the birth of the welfare state, when the institutions of the welfare state were being developed in the West, and the period 1920 to 1975 as the growth period of the welfare state. Welfare spending in the early and mid-1930s in a group of 17 Western states (including European countries, the US, and Canada) accounted for more than 5% of GDP (Pierson 2007: 114). In consideration of the time it occurred for welfare spending to surpass 10% of GDP, evidence indicates that South Korea is capable of moving beyond the initial stage of the welfare state to a more advanced stage. Table 1 shows the historical trends of welfare expenditure by mature welfare states. In the 21 EU member states, the welfare expenditure rate climbed above 10%

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<sup>3</sup> While it is not easy to specify when a specific country becomes a welfare state, Pierson (2007: 109) offers three criteria: first, the time when social insurance is implemented; second, the expansion of citizenship and the depauperization of public welfare; and third, the amount of social expenditures. The criteria used in this paper—namely the inclusiveness of welfare institutions, the national minimum, and the level of welfare spending—correspond to each of Pierson’s three criteria. Using these same three criteria, Young Jun Choi (2011: 29–31) concludes that South Korea entered the stage of the welfare state in 2000.

of GDP around 1960; in the 34 OECD member states, it did so around the mid-1960s. Welfare spending did not exceed 10% of GDP until about 1970 in the US (dubbed a “welfare laggard” due to a relatively slow development of welfare) and about 1980 in Japan. South Korea’s welfare spending exceeded 10% in 2009, much later than other countries. However, spending on national pension and medical insurance is still very low, so when these institutions mature, South Korea will likely approach the ranks of welfare states, at least in terms of welfare spending.

**Figure 1.** Historical trends in public welfare expenditure



Secondly, a welfare state can be described as a system for managing social risk, and institutionally speaking, it can be roughly divided into social insurance systems, public assistance, social allowance, and social welfare services. South Korea has four kinds of insurance that are apparently universal (national pension, health insurance, industrial accident insurance, and employment insurance), and recently it also introduced long-term care insurance for the elderly. In terms of public assistance, there is the National Basic Living Security Act, which is a modern program that ensures that people can support themselves, and social services such as childrearing and elderly care have also been rapidly expanding recently. Of course, there is still a lack of policies such as child benefits or sickness benefits, usually ubiquitous in welfare states; the gaps in social insurance and public assistance are very large; and the low level of benefits is problematic. Even so, South Korea can at least be acknowledged for possessing a considerable framework of welfare institutions as systems of risk management.

Third, securing the national minimum is a key term that constitutes early modern welfare states. According to Harold Wilensky, “The essence of the welfare state is government-protected minimum standards of income, nutrition, health, housing, and education” (Wilensky 1975: 1). Ramesh Mishra also said that the welfare state institutionalizes “government responsibility for maintaining national minimum standards” (Mishra 1990: 34). By means of the National Basic Living Security Act and the Medical Aid Act, South Korea has acquired institutions that guarantee a national minimum in essential areas of life such as health care, education, livelihood, and housing. Considering that the high school enrollment rate is the highest in the world even though mandatory education only extends to middle school, and that the minimum housing standards are defined by the law, South

Korea possesses a substantial institutionalized framework for guaranteeing a national minimum. It is true, of course, that the gaps in basic livelihood security are so large that many segments are excluded from minimum income security and that it is far from a generous system,<sup>4</sup> but it is correct to affirm that, to a certain extent, a minimum living standard is being maintained through the intervention of the state.

## Welfare Systems of Southern Europe and South Korea

If South Korea is in the beginning stage of welfare state development, the next question is, what kind of welfare system is it turning into? Social scientists studying the change of welfare state and welfare regimes are generally concerned with variables belonging to one of two dimensions: structure and agency. In the former group, there is the institutionalist approach emphasizing structural features of the labor market and welfare system, while the latter category focuses on ways in which labor unions, business circles, and interest groups are organized to express their own benefits, as implied by the power resource mobilization theory. Naturally, when examining the formation of a future welfare state, it is essential to consider the combined effect of the current structural features and policy actors, nevertheless several elements are constrained in a logic of historical path dependency. For example, since in the United States, a liberal welfare regime, system and agency were historically developing in a very compressed time, it was difficult within this short time frame to get a level of organization that could allow for a regime shift to a Swedish-style social democratic regime. When scrutinizing future directions of welfare development in South Korea, this study assumes that both structure and actors remained basically unaltered.<sup>5</sup> However, under the assumption that structural variables remain essentially constant, the focus of this paper is on structure, and the form of a future South Korean welfare regime is postulated through comparison with the Southern European model. This exploration begins with a scan of employment/labor market and demographic structural features that directly affect welfare outcomes. In other words, the formation of the South Korean welfare state will be considered by comparing and reviewing the aforementioned factors as they exist in Southern Europe and South Korea in both the mid- and long term. The following section embarks on this comparative analysis by first identifying the characteristics of Southern Europe's welfare regimes.

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<sup>4</sup> Recently, the city of Seoul has declared "citizens' welfare standard" as a goal of city government, offering a minimum standard and a decent standard as two kinds of welfare standards. In regard to the application of minimum standards in South Korean welfare programs, refer to this report (Seoul Welfare Standard Committee (2012).

<sup>5</sup> Social actors refer to organized collectives such as trade unions, civic organizations, and welfare beneficiaries, of which one that has been critical in welfare state formation in the West is the "welfare coalition" of social forces. The current paper tackles welfare models from the angle of labor market and demographic structure. For a welfare coalition perspective on this topic, see Kim, Yeong-Soon (2013) and Choi, Young Jun (2011).



### *Features of the Southern Europe's Welfare System*

In spite of the various controversies and objections surrounding Esping-Andersen's three worlds of welfare capitalism typology, it remains the most widely cited model for comparative welfare state research with its persuasive heuristic on welfare regime development based on weighted key variables of state, market, and family in welfare provision (Arts and Gelissen 2010). According to Esping-Andersen (1999), depending on these three weighted variables, the three types of welfare regimes produce varying effects of decommodification, stratification, and defamiliarization in relation to how social risks, particularly income security, are addressed. A number of scholars support a differentiation drawn between the welfare systems of Southern Europe and those in conservative central European countries like Germany and France (Ferrera 1998; Kammer et. al. 2012; Moreno 2006; Karamessini 2008a, 2008b), since there are distinct decommodification, stratification, and defamiliarization effects seen in Southern Europe arising from unique labor market structure and features of familialism found in that region that induce welfare outcomes like income inequality.

The degree of decommodification (that is, income paid out in terms of welfare benefits) is high in social democratic and conservative welfare regimes and low in liberal models where market forces of private insurance and corporate welfare schemes supplement the shortfall. In Southern Europe, there are even higher decommodification effects than in social democratic and conservative states where public pension benefits are a core part of income security. OECD (2011a: 119) data on ratio of pension to average earnings noted that replacement rates of Greece (95.7%), Spain (81.2%), and Italy (64.5%) are notably higher than the average of 57.3% across the 34 OECD countries. At 53.9%, Portugal's replacement rate is slightly below this OECD average but still exceeds those in the conservative and social democratic countries of Germany (42.0%) and Sweden (53.8%). However, the problem that exists for Southern European countries is not the high replacement rate but that benefits apply differently depending on working position and status. Ferrera (2010: 620-621) expressed succinctly that, in Southern European countries' segmented labor markets with their own degrees of internal polarization, there are "generous entitlements for core/regular workers, modest benefits for the peripheral/irregulars, and only meager subsidies (if anything at all) for those workers who were unable to establish a formal contact with the regular labor market."

As this paper will examine later in more detail, because of the polarized welfare structure, unemployment benefit amounts are not only lower in Southern Europe in comparison to other welfare regimes, but they are also differentiated by working categories. In other words, Southern Europe's wide gap in how income security is provided stems from the labor market's class differentiation. Additionally, because of the considerable blind spots in welfare coverage, social stratification here differs from that witnessed in conservative and liberal regimes. In conservative regimes, differences by occupational status characterize social security systems through 'status segmentation'. In liberal welfare systems, there is a dualized stratification effect that manifests in the middle class's benefits from private insurance and employment-based health benefits, and the poor, who are dependent on minimal public aid and social assistance (Esping-Andersen 1999: 74-85). In the case of

Southern Europe, however, in addition to the status segmentation evinced by conservative systems, there is also welfare dividing, where widespread policy gaps mean that many who require social protection fall through the cracks, an outcome also familiar in South Korea. In other words, Southern Europe demonstrates the stratification effects both of status segmentation and welfare dividing.

This phenomenon demonstrates that Southern European social protection remains lacking in universalism. The three types of welfare regimes each have their own type of universalism. Social democratic universalism implies weak occupational-status differentiation in benefits and guarantees a high level of social benefits under a single system, while universalism in conservatism provides generous benefits according to occupational status. Compared to these two systems, the Anglo-American model provides lower level of benefits, but its universalism has the state providing low benefits to all citizens, which conforms to what has been outlined in the Beveridge Report.<sup>6</sup> When considering stratification effects and the modes of universalism, the welfare system of the Southern European states appears distinct from those in the main welfare typologies.

With respect to family care, public welfare and market economy, respectively, play pivotal roles in social democracy and liberal regimes. On the other hand, both state and market take a backseat in Southern Europe, where the cornerstone of society is the family and, in particular, the women, just as under conservative regimes. That is to say, in Southern Europe, the women in a family undertake most of the child- and elder-care responsibilities. Furthermore, in this region, the role of the family is not limited to providing informal care services but includes that of income security through intergenerational private transfers (Haberkern and Szydlik 2010; Ferrera 2010: 622-623; Moreno 2006: 75-77). In this regard, South Korea shares a degree of similarity with Southern Europe, whereby familialism means the family is a core provider of care services as well as a source of monetary support via private transfers.<sup>7</sup>

Table 1 displays a summary of the discussion thus far. When compared to the degree and modes of decommodification, stratification, and defamiliarization demonstrated in established conservative, social democratic, and liberal welfare regimes, the distinct welfare provision structures observed in the four Southern European countries of Greece, Italy, Spain, and Portugal support an argument for a separate typology of the Southern European welfare model. The next section examines social structural characteristics to review similarities shared with the welfare system in South Korea.

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<sup>6</sup> Universalism, as outlined in the Beveridge Report, aligns to the principle of a national minimum. In a liberal model, the public sector provides a national minimum for subsistence to all citizens; anything above which is the responsibility of the individual and the market. This sense of universalism diverges from that in both social democracy and conservative models. Esping-Andersen (1999: 79) highlighted that social democracy is “the fusion of universalism with generosity,” since the system provides for social security above the national minimum.

<sup>7</sup> Refer to Kim, Ji-kyung and Song, Hyun-joo (2008) and Kim, Yeon-Myung (2015) for overviews of the magnitude and mechanisms of private intergenerational transfers in South Korean society.

**Table 1.** Characteristics of the four welfare regime typologies

	Social-democratic	Conservative	Liberal	Southern European
Degree of decommodification	High	High (for the male breadwinner)	Low	High (for the male breadwinner)
Type of stratification	None	Status segmentation	Dualism	Status segmentation' and welfare division
Degree of defamiliarization	High (high responsibility to state)	Low (high responsibility to family)	High (high market forces)	Low (high responsibility to family)

Source: Modified from Esping-Andersen (1999:74-85) and Ferrera (2010)

### *Labor Market Structure and Welfare Dividing*

#### *Structural Characteristics of Southern European Labor Markets*

Labor market structure, alongside demographic family structure, is foundational in shaping a welfare state and its welfare regime characteristics. Notwithstanding variations between the four Southern European states, the four countries have generally offered similar employment patterns of low employment levels (especially in the cases of women and youth), a high ratio of self- and temporary employment, and job security for full-time, permanent workers, and up to the mid 2000s, with deindustrialization in full swing, the situation remains mostly unchanged (Karamessini 2008b). By associating characteristics of the Southern European labor market structure with the operating principles of its welfare system, I will examine relevant implications for the development of the South Korean welfare regime. Noteworthy will be the impact of factors like labor force participation rate and employment structure on not just the operations of welfare institutions, but also welfare outcomes including income distribution.

The rate of labor force participation is a crucial indicator of the magnitude of the welfare system, the range of social security coverage and the level of benefits, as well as the future of the welfare regime, because it implies demographic features of both tax and premium-paying populations and the possibility of receiving employment-related social benefits. Table 2 illustrates key work participation rates of the four main welfare regimes in the West<sup>8</sup> alongside figures for South Korea. The labor force participation rates of individuals aged 15 to 64 highlight a notable disparity between the three key welfare regimes in 1990, with the differences narrowing over time as 2010 figures indicate. Looking ahead, the figures seem set to converge as we

<sup>8</sup> The countries of the four welfare regimes are Sweden, Finland, Norway, and Denmark (social democratic regime); Germany, France, Austria, and Switzerland (conservative regime); the US, UK, Canada, and Australia (liberal regime); and Italy, Spain, Portugal, and Greece (Southern European regime). In order to simplify the discussion, each country's indicators can be found in the supplemental tables in the appendix. Where two indicators exist for a region, values were left blank to reduce statistical bias.

approach 2020,<sup>9</sup> a forecast made based on the increasingly commonly cited “Europeanization” of the welfare state. In the case of Southern Europe, even though its labor force participation rates remain lower than those of the three welfare regimes, the numbers show an upward trend. Similar patterns are detected for the female labor force participation rate. From 1990 to 2010, the gap contracted for the three key welfare regimes, and the numbers look set to narrow further by 2020. However, even by 2020, the female labor force participation rates for Southern European and South Korea are forecasted to lag by 10% or more, in comparison with the other three welfare regimes. Likewise with youth, unemployment and work participation rates of young workers aged 15 to 24 are similar for the three welfare regimes, whereas Southern Europe demonstrates an extremely high youth unemployment rate, regardless of year, and work participation rates at about two-thirds that of the other three welfare regimes. South Korea offers a challenge for an objective comparison because of difficulties in obtaining unemployment statistics. Even after taking into consideration military enlistment and high college admission numbers of youth falling into this age range, youth labor force participation rates appear close to half of what is suggested in the three welfare regimes and most closely similar to Southern Europe’s data. The identified differences in labor force participation rates between the numbers of Southern Europe and the three key welfare regimes are evident in Table 2, with figures for South Korea developing similarly to the Southern European pattern. In other words, when considering labor market conditions as the foundation of a social welfare system, South Korea is more likely to approximate the features of Southern Europe than social democracy, conservatism, or liberalism.

**Table 2.** Current labor market participation rate across welfare regime typology

	Labor force participation rate (age 15-64)			Labor force participation rate for women (age 15-64)			Youth labor force participation rate indices (age 15-24)			
	1990	2010	2020	1990	2010	2020	Unemployment rate		Labor force rate	
	1990	2010	2020	1990	2010	2020	2000	2012	2000	2012
Social democracy	79.9	77.8	80.6	77.7	76.5	79.5	12.2	16.1	60.8	56.7
Conservative	70.3	76.1	76.8	62.2	72.0	73.3	9.8	12.3	52.8	54.0
Liberal	75.8	75.5	77.3	68.1	71.1	73.4	11.5	15.8	67.6	62.4
Southern Europe	62.8	69.7	71.3	46.9	61.2	63.3	23.3	45.3	43.0	35.3
South Korea	62.5	65.0	66.4	49.7	54.3	56.1	10.8	9.0	33.0	26.6

Note: Refer to Supplementary Table 1 for data source and definitions of indicators

<sup>9</sup> While a comparison of individual countries within regimes, and not only between regimes, would also be meaningful, only the details necessary for a comparison of regimes will be included in this paper. The relevant numbers for individual countries are presented in supplementary tables in the appendix. Refer to Supplementary Tables 1 to 5.

If the variables of gender and age in labor force participation rates are taken as external, indirect influences on how social security schemes operate, then factors like the ratio of wage-earners and self-employed among total labor force, the ratio of standard to non-standard workers, and the degree of job protection afforded to full-time, permanent employees become important characteristics of an employment structure that has an influence on the operations of a social security system, especially when Bismarckian, as well as on income redistribution. Due to technical issues with running social security systems such as managing eligibility standards and collecting premiums, the lower the proportion of the self-employed and the higher the proportion of regular employees and employment protection, the greater the participation in social security schemes. As a result, blind spots in coverage are reduced and the replacement rate of cash benefits goes up.

Table 3 includes a comparison of employment structure and employee protection across the welfare regimes. Patterns similar to labor market participation rates are detected whereby the social democratic, conservative, and liberal regimes demonstrate significantly different trends from the regimes in Southern Europe and South Korea. First, the ratio of employees to total employment in the three key welfare regimes stand in the high 80% range, while, at 74.4%, the figure for Southern Europe is over 10% lower. Even lower is South Korea at 68.7%. The next category proves a challenge for social security systems. The figures for the self-employed and unpaid family workers are 7.8% for conservative regimes and the overwhelmingly higher percentages of 20.2%<sup>10</sup> and 24.8% for Southern Europe and South Korea, respectively. Southern Europe also indicates a higher proportion in the final category of temporary employment, about 5% higher than the percentages in social democratic and conservative systems and over twice as large as the number in a liberal system. Historically, both social democratic and conservative welfare regimes have had low proportions of irregular workers and high proportions of regular workers. However, since the 2000s, an increase in labor market flexibility has seen temporary employment increase dramatically (Emmenegger et. al. 2012). In the case of South Korea, temporary workers account for 23.8%, which is higher than that of Southern Europe. As a result of this employment structure characteristic in both regions, the take-up rates on social insurance is low, and gaps in income security are evident even within the eligible group.

On the other hand, the employment protection indexes (EPI) are significantly higher in Southern Europe (2.78) than in other regimes. South Korea's EPI are lower than other regimes, but not as much as in other indicators.<sup>11</sup> This means, in other words, that South Korea's protection of regular workers does not exhibit as great a gap with other regimes as on other indicators. Ferrera (2010) reported that Southern Europe's high EPI indicate generous working conditions and high levels of social protection for core and public employees, but the absence of these benefits for peripheral workers remains true of the Southern European labor market. In other

<sup>10</sup> No data is available for self-employed and unpaid family workers in social democratic and liberal welfare regimes, as their employment structure surveys do not differentiate between employed and self-employed. For statistics by country, refer to Appendix 2.

<sup>11</sup> There is significant controversy over South Korea's employment protection indexes. See Kang, Seong-Tae (2013) for the calculation methodology and analysis of the accuracy and appropriateness of the OECD's employment protection indexes.



words, the labor markets in Southern Europe are divided into two groups: an “insider” group with access to high wages, workers’ rights, and generous social security, alongside “outsiders” with limited or no access to these conditions. The bipolarization in South Korea’s labor market between the welfare conditions of regular and irregular workers (Kim, Yeon-Myung 2010) is highly similar to the Southern European situation.

**Table 3.** Indicators for employment structure and employee protection across welfare regime typology

	Employment structure characteristics (2008)			Employment protection indicators (EPI)	
	Wage earners (%)	Self-employed, unpaid family workers and others (%)	Temporary workers (%)	1998	2008
Social democracy	89.88	-	11.98	2.32	2.18
Conservative	87.03	7.8	12.83	2.35	2.26
Liberal	86.90	-	8.60	1.04	1.06
Southern Europe	74.43	20.2	17.02	3.25	2.78
South Korea	68.7	24.8	23.8	2.00	1.90

Note: Refer to Supplementary Table 2 for data sources and definitions of indicators.

### *Labor Market Instability and Welfare Outcomes*

A characteristic of the Southern European labor market is low social security coverage and resultant welfare dividing. Table 4 provides a side-by-side comparison of the participation and reciprocity rates for the system performance indicators of pension, unemployment benefits, and industrial accident compensation under the welfare regimes during the mid-2000s. The actual participation rate in a public pension scheme is based on the number of “active members” who contribute to the pension and not on affiliates in the working age population (Pallares-Miralles, Romero and Whitehouse 2012: 75-76). By means of example, if one million individuals are required to pay insurance premiums and the number of people who actually contribute to the plan is 800,000, this gives an actual participation rate of 80%. Although pension scheme participation rates differ across countries, in general, social democratic, conservative, and liberal states demonstrate an actual participation rate that averages 69% to 76%. In contrast, Southern European states exhibit numbers that are over 10% below this range, while at 40.8%,<sup>12</sup> South Korea’s

<sup>12</sup> Original data from the World Bank appears to include erroneous figures for South Korea, reporting 19,886,000 actual contributors and a working age population of 36,703,000 (as of 2011), which results in an actual participation rate of 54.2%. According to the *Korean National Pension Scheme Statistical Yearbook*, 19,886,000 individuals had been enrolled in the National Pension Scheme in 2011, including 4.9 million individuals who failed to contribute. Excluding these non-contributors, the actual participation figure

actual participation rate is more than 18% lower than that of Southern Europe. Bearing in mind that labor market instability is closely related to income security in old age, it appears that labor market instability in both South Korea and Southern Europe are related to low actual participation rates. The pension reciprocity rate is the ratio of seniors over the age of 65 who are receiving pension benefits in any form in a regular fashion, and not in lump sum, relative to the total population. This figure exceeds 100% because of the inclusion of seniors who receive both basic and income-related pensions as well as those under 65 who are receiving early disability pension. The disparity of 10-20% in the reciprocity rates of Southern Europe against the other regions suggests that a considerable number of elderly people are excluded from receiving pension benefits in the Southern European states. This may be taken as an indirect indicator of widespread blind spots in social security schemes. South Korea's duplication of the tax-based basic old-age pension and the insurance-type national pension explains why the country has public pension reciprocity that is higher than that of the other regimes alongside an actual participation rate over 18% lower than that of Southern Europe. This means that about 2 million of the population are receiving both basic old-age and national pension payouts at the same time. It is this double counting that inflates the reciprocity rate in South Korea, rather than the country's scheme being a universal pension.

The participation rate in unemployment benefits refers to the percentage of workers covered by an unemployment protection scheme in an economically active population and takes into consideration both the contributory and non-contributory schemes. With percentages a little above 60%, the participation rates in unemployment benefits in both Southern Europe and South Korea evince a gap of over 20-30% from the other welfare regimes. Figures for the non-take-up rate, which indicates the percentage of unemployed workers who are not receiving unemployment benefits, are available for Italy (66.7%) and Spain (26.5%; refer to Supplementary Table 3), but are unavailable for Portugal and Greece, rendering an average calculation impossible. In general, social democratic and conservative welfare regimes have high participation coupled with extremely low non-take-up rates, while liberal states have a high non-take-up rate relative to participation rate. At 62.8%, South Korea's non-take-up rate is exceedingly high relative to the rates of the other regimes, further demonstrating the inadequacy of South Korea's unemployment insurance scheme in guaranteeing the unemployment benefits of its non-regular workers. In fact, this figure may be even higher due to errors in the denominator employed for calculation of unemployment statistics, with one study (Lee, Byeong-Hee 2009: 82-85) estimating South Korea's unemployment insurance reciprocity rate at 22%. In terms of workers' compensation coverage, South Korea also lags behind its counterparts, with an approximate 20% gap between the participation rates.

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amounts to 14,997,000 individuals, which in turn equates to an actual participation rate of 40.5%.

**Table 4.** Comparison of the participation rate and reciprocity rate for major income security systems between various countries (mid-2000s)

	Public pension scheme		Unemployment benefits		Employment accidents scheme participation rate
	Actual participation rate	Reciprocity rate	Participation rate	Non-take-up rate	
Social democracy	75.36	114.4	95.4	27.5	87.4
Conservative	68.54	123.9	88.0	15.7	86.9
Liberal	70.67	-	88.0	49.5	82.1
Southern Europe	58.93	104.4	64.3	-	78.3
South Korea	40.80	127.9	66.0	62.8	66.0

Note: Refer to Supplementary Table 3 for data sources and definitions of indicators.

In Southern Europe, welfare outcomes also reflect a gap in social security driven by an insider/outsider divide that has battered the distribution structure. Calculations based on OECD data<sup>13</sup> of the change in poverty rate (taken as being below the median household income) before and after taxes as well as public transfers indicate that, in social democratic regimes, the average poverty rate dropped from 27.5% to 7.54%, which is a reduction in poverty rate by about 72.8%. Similar analyses reveal a drop of 69% from 27.8% to 8.7% for four conservative states as well as a drop of 52.7% from 28.4% to 13.4% for liberal states. As for Southern Europe, the reduction from 32.2% to 13.5% corresponds to a 57.5% reduction in the poverty rate. This is similar to trends noted in liberal states with underdeveloped public welfare programs. In other words, the differentiated distribution of welfare based on the insider/outsider divide displayed in Southern European states reduced inequalities, but not effectively enough.

For their analysis, Häuserman and Schwander (2012) classified the occupations of labor market insiders and outsiders based on their risks of being unemployed or atypically employed in order to explore the effects of tax and social security expenditures on inequality. They found that the primary market income of labor market insiders and outsiders fell by 7-9% in countries including the UK, Denmark, Sweden, and the Netherlands, whereas the gap increased in France by 7.9%; notably, in the Southern European state of Spain, there was an increase in the insider/outsider divide by 28.9% (2012: 38-41). The Southern European pension system that is structured to favor insiders in both public and private sectors also plays a part in the widening disparity of old-age benefits. An analysis of the difference in pension replacement rates between the two income classes of median and lower quartile earners across the four welfare regimes showed gaps of 33.9% for Italy and 40.6% for Spain, which are both much greater than the average of 6.1% for the Anglo-American model and the average of 26.83% for the Northern European region (Häuserman et al. 2012: 41-43). These numbers reflect the core characteristic of

<sup>13</sup> Recalculated by the current author from figures obtained from the OECD database for income distribution and poverty (<http://stats.oecd.org/Index.aspx?DatasetCode=CRSNEW>; retrieved 23 July 2013).

Southern European social welfare policy, that is, the tendency to offer benefits that are more generous to insiders in the labor market, largely those at the market's core, while affording weak compensation to those on the market's periphery.

The key conclusions highlighted thus far in relation to the Southern European states and South Korea are low labor force participation rates, high proportions of self-employed and irregular workers, in addition to the presence of insider protection that both hinders the universal reach of social security and skews the distribution structure in favor of labor market insiders. Simply put, it will be difficult for the Southern European states to achieve social security universalism as long as the current labor market instability and divided structure remain, which in turn maintains the resultant welfare divide. In this regard, in the absence of drastic change to the labor market and welfare dividing, South Korea, which exhibits both labor market instability and segmentation to a degree equal to or more severe than that in Southern Europe, will very likely be on the same developmental course as exhibited by the Southern European welfare regime.

### *Demographic Structure and Familialism*

Demographic and family structures in the Southern European states are distinctly different from those in the other regions. In terms of demographics, it is generally held that the exceptionally low birth rate coupled with a high proportion of elder population in Southern Europe translates into a much greater welfare burden on these states than for other countries (Rajoy 2008). Table 5 indicates past birth rates as well as trends and projections for the population of seniors in the main four welfare regimes, in addition to South Korea. Of the four welfare regions, Southern Europe demonstrates the lowest birth rate of 1.35 in 2007. Since 1990, South Korea's birth rate has been declining and reached 1.26 in 2007, a rate that was even lower than that of Southern Europe. Given the low birth rates coupled with longer life expectancy, the proportion of seniors over age 65 in the year 2050 is forecasted as 33.38% for Southern Europe and 32.98% for South Korea, approximately 10% higher than the proportion of seniors predicted for social democratic and conservative countries. As a result, compared to the key welfare regimes, the old-age dependency ratio is expected to be higher, at about 60%, in Southern Europe and South Korea. It appears highly probable that South Korea and Southern Europe will approximate similar demographic trends in the decades to come.

**Table 5.** Demographic indicators across welfare regime typology

	Birth rate			Percentage of elderly population (aged 65 and up)		Old-age dependency ratio (65yrs/(15-64yrs))	
	1990	2000	2007	2010	2050	2010	2050
Social democracy	1.88	1.72	1.86	16.75	23.47	25.47	39.18
Conservative	1.57	1.53	1.55	18.09	29.59	27.21	51.62
Liberal	1.91	1.74	1.88	14.32	24.21	21.24	40.85
Southern Europe	1.36	1.32	1.35	18.60	33.38	27.89	60.80
South Korea	1.59	1.47	1.26	11.08	32.98	15.24	57.32

Note: Refer to Supplementary Table 4 for data sources and indicator definitions.

In view of both the low birth rate and the high elderly population, higher costs in public spending on pension and health care are expected. As shown in Table 6, according to OECD estimates, the public pension expenditures in Southern Europe were the highest of the groups at 12.9% in 2010, and this trend is expected to continue until 2060. There is substantial private spending on pensions in liberal regimes, and in 2007, private expenditures, including corporate provisions, accounted for 10.3% of the GDP in the US, 9.9% in the UK, and 8.2% in Canada (OECD 2011a: 157). According to the same set of OECD data, the proportions of private pension expenditures in Greece, Italy, and Portugal for the same year were 0.4%, 1.2%, and 0.5% respectively. As can be seen, the bulk of income for seniors comes from public pensions in the Southern European belt. In the case of South Korea, only figures from the national pension are presented. In 2060, about 8-11% of GDP is expected to be utilized on public pension plans, including basic pension.<sup>14</sup> The similar 2060 estimations of public pension expenditures in Southern Europe and South Korea, as well as by the other welfare regimes, contradict the high elderly population statistics illustrated in Table 5. The contradiction arises because pension expenditures are comparatively low, relative to the high elderly proportion, therefore either resulting in many seniors being without the assistance they need (i.e., a low reciprocity rate due to gaps in coverage) or in seniors receiving a lower amount of payout. The Southern European states provide generous social benefits to labor market insiders, which also implies the presence of a considerable population without access to public pension. Pension expenditures are hence relatively lower in comparison to the elderly population. In South Korea, despite the high population ratio, pension is low due to widespread policy lapses as well as lower public pension payouts.<sup>15</sup>

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<sup>14</sup> If basic pension payments that are made to the bottom 70% of income earners were raised to KRW 200,000, proportion of GDP spent on public pension plans will be an estimated 4.3% in 2060. If recipients were limited to the bottom 40% of elder income earners, this estimate readjusts to 1.53%. Therefore, it is estimated that overall public pension expenditure, including that for basic pension, against GDP in 2060 will be 8-11%.

<sup>15</sup> There has been much controversy over the omission of health care provision as a variable in Esping-Andersen's welfare typology model (Bambra 2005). The Southern European states have a unique history pertaining to health care. In the 1970s and 80s, there was a shift from a fragmented social health insurance to a tax-based "national health service" similar to that in the UK or Northern Europe. It is still a matter of debate whether the NHS model of Southern Europe was the same or distinct from the NHS systems of the UK and North Europe (Toth 2010). According to Table 6, South Korea's public spending on health care was 3.3% in 2005 and is expected to rise to 11.9% in 2050, a level similar to that of the other welfare regimes. However, considering the higher proportion of the elderly population in Southern Europe and South Korea, it is imperative that their elderly health care expenditures increase, especially for South Korea. Even though South Korea's health care spending remains lower than that of other countries, the annual rate of per capita healthcare cost inflation was 8.6% between the period 2000 and 2009, ranking second among the 35 OECD countries (OECD 2011b: 149). In the future, further study and analysis of the differentiated health care systems by countries is necessary.



**Table 6.** Prospects for family-related, pension, and health care security spending against GDP across welfare regime typology

	Public pension expenditures		Public health care security expenditures		Family-related expenditures	
	2010	2060	2005	2050	1990	2009
Social democracy	10.3	12.3	8.2	13.3	3.4	3.6 (2.0)
Conservative	11.5	13.3	7.4	12.7	1.9	2.9 (0.9)
Liberal	5.2	6.3	7.1	12.8	1.1	2.5 (0.8)
Southern Europe	12.9	13.9	6.0	12.5	0.6	1.6 (0.6)
South Korea	0.9	6.5	3.3	11.9	0.0	1.0 (0.8)

Note: In the case of family-related expenditures, figures in parentheses indicate the percentage of in-kind services. Refer to Supplementary Table 5 for data sources and definitions of indicators.

As previously indicated, familialism in the provision of care services strongly characterizes the Southern European welfare system (Haberkern and Szydlik 2010; Esping-Andersen 1999). The proportion of GDP of family-related expenditures in the four welfare regimes, as denoted in Table 6, imply the differences among regimes in relation to the role of the family in care duties. According to this table, between 1990 and 2009, South Korea and the three welfare regimes, excluding the Nordic countries, have witnessed a rapid increase in family-related expenditures, which has been regarded as a salient feature of social democratic countries. However, an expansion of cash benefit provisions, such as through family subsidies, has been cited to explain this increase. Spending on in-kind services like childcare remains the highest in social democratic regimes (2.0%), as compared to conservative regimes (0.9%) and liberal regimes (0.8%). With the rapid expansion of childcare services, South Korea has been approaching the levels of the latter regimes. In this aspect, the Southern European states exhibit the lowest spending at 0.6%. In other words, the region's low level of public support for family-related matters is supplemented by the populace's strong familial ethic and the informal care setup provided by family members. In fact, infants between the ages of 0-2 in the four countries of Southern Europe received an average, per week, of 32.2 hours of informal care by parents, relatives, and neighbors (i.e., outside of childcare facilities), as compared to the averages of 27.7 hours in South Korea, 17.3 hours in the three countries of the conservative realm, and 1.9 hours in social democratic states (OECD 2013). There are similar trends for elderly care. Around 2007, if the percentages of unofficial caregivers aged 50 and above providing care and assistance for family members in activities of daily living (ADLs) was 8% in Sweden, this figure was 15.3% in Spain and 16.2% in Italy, a proportion well above the OECD average of 11.7% and also the highest figure reported among surveyed countries (OECD 2011b: 170-171). It is evident that Southern Europe and South Korea, both regions with strong familialism, utilize informal family care in caregiving for both children and the elderly.

The transfer of cash between family members, or what is known as private transfers, is often cited in literature on Southern European welfare without presentation of clear empirical evidence. Recent studies of private transfers and

mitigated income inequality in Europe, South Korea, and Taiwan indicate no significant discrepancies with the European countries. Kim and Choi (2010) analyzed LIS data from the early 2000s and found no substantial differences between figures from the three countries of Greece, Italy, and Spain; these three regions indicate private transfers that were 0.4-0.8% of total household income. On the other hand, with private transfers in South Korea reportedly accounting for 6.5% of total household income, this considerably large amount likely affects income inequality to a greater extent than what has been observed in the European countries. Further research is needed to investigate and accurately compare the scale and nature of private transfers in South Korea and Southern Europe.

## **Conclusion: A Hybrid Between the Southern European and Liberal Welfare Regimes?**

South Korea entered the initial stage of the welfare state before researchers were completely aware of it. The question posed by this paper is what the South Korean welfare regime will approximate if it develops into a mature welfare state. As the paper has examined thus far, the most likely scenario is the Southern European welfare regime, which is similar both in terms of demographic and family structure (low birth rate, aging society, and familialism) and in terms of the incompleteness and fragmentation of the labor market. That is to say, strong familialism and stratification resulting from the welfare dividing that is characteristic of the labor market and the demographic and family structure are very likely to become the key constituent principles in the South Korean welfare regime. Another point that should be added is the role of private sector welfare providers, which have become firmly established in South Korea's welfare supply structure. South Korea is a country in which private insurers provide a huge amount of pension and medical care and in which for-profit private companies account for an overwhelming share of child and elderly care and medical services (Kim, Yeon-Myung 2013). In other words, South Korea is a country in which the market plays a major role in supplying welfare services. Although it was not fully dealt with in this paper, taking into account the major role played by market providers in the supply of welfare services leads to the tentative conclusion that the South Korean welfare regime is likely to converge with a hybrid welfare regime that is based on the Southern European welfare regime, while combining with characteristics from the Anglo-American liberal welfare regime.<sup>16</sup>

The Southern European welfare states have the welfare regime whose sustainability is most doubtful, because of its poor fiscal health, little chance of future growth, low employment rate, and negative indicators for birth rate, share of

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<sup>16</sup> It is debatable whether Esping-Andersen's hybrid model is an independent welfare regime. Recent studies on welfare models are adding credibility to the argument that the Esping-Andersen's models are purely ideal types and that the welfare regimes that exist in reality need to be seen to a great degree as hybrids that combine several characteristics. For more on this, see Arts and Gelissen (2010) and Rice (2013).

the elderly population, and income distribution (Kim, Yong-Ha, et al. 2012: Chapters 13 and 14). If this is combined with characteristics of the Anglo-American welfare regime—including a poor distribution structure and a large role for the market in the supply of welfare services—South Korea would indeed acquire the status of a welfare state, but it would be an inefficient welfare state that combines the shortcomings of the Southern European and Anglo-American welfare regimes. In other words, the worst possible scenario for the welfare state that South Korea could become would be one that adds the surplus in market supply and poor distribution structure found in the Anglo-American welfare regime to the heavy welfare burden for families and the polarization of welfare benefits found in the Southern European welfare regime. Barring the emergence of a political movement that will bring innovative reform to the polarized labor market structure, the gaps and low benefits of welfare policy, and the low tax burden, the present moment only permits a very pessimistic outlook about whether South Korea's welfare regime will be a good social system, even if the country does develop into a mature welfare state.

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## Appendix

**Supplementary Table 1.** Indicators for labor market participation rate across welfare regime typology

		Labor force participation rate (age 15–64)			Labor force participation rate for women (15–64)			Youth labor force participation rate indicators (15–24)			
		1990	2010	2020	1990	2010	2020	Unemployment rate		Labor force participation rate	
								2000	2012	2000	2012
Social democracy	Sweden	83.6	79.4	82.5	81.5	76.6	80.4	11.79	23.66	52.87	52.46
	Finland	77.1	74.6	77.3	77.1	74.6	77.6	20.28	17.82	53.79	52.73
	Norway	76.3	78.0	81.5	69.8	75.4	79.2	10.16	8.62	64.68	57.62
	Denmark	82.4	79.3	80.9	82.4	79.3	80.9	6.72	14.14	71.89	64.05
	Average	79.9	77.8	80.6	77.7	76.5	79.5	12.22	16.06	60.81	56.71
Conservative	Germany	67.3	76.8	77.1	55.4	70.8	71.7	8.39	8.13	51.48	50.76
	France	66.8	70.6	72.2	57.7	66.2	68.3	20.64	23.81	5.63	37.84
	Austria	67.7	75.0	75.1	67.7	75.0	75.1	5.10	8.73	55.67	59.87
	Switzerland	79.5	82.0	82.8	68.1	75.9	78.0	4.95	8.44	68.44	67.35
	Average	70.3	76.1	76.8	62.2	72.0	73.3	9.77	12.28	52.80	53.95
Liberal	US	75.7	72.7	73.3	67.1	67.3	67.8	9.34	16.21	65.81	54.88
	UK	77.1	75.2	77.6	66.8	69.3	72.4	11.70	21.02	69.65	63.34
	Canada	76.7	77.8	80.4	76.7	77.8	80.4	12.67	14.30	64.39	63.57
	Australia	73.6	76.4	77.9	61.9	70.0	72.9	12.08	11.72	70.60	67.65
	Average	75.8	75.5	77.3	68.1	71.1	73.4	11.45	15.81	67.61	62.36
Southern Europe	Italy	60.2	62.4	64.5	43.6	51.0	53.5	29.69	35.26	39.50	31.63
	Spain	60.7	73.6	74.2	41.6	66.0	67.1	25.29	53.16	48.55	42.77
	Portugal	70.6	74.1	75.5	59.2	70.0	71.5	8.59	37.67	45.71	37.86
	Greece	59.8	68.6	70.8	43.1	57.9	61.2	29.50	55.26	38.13	29.19
	Average	62.8	69.7	71.3	46.9	61.2	63.3	23.27	45.33	42.97	35.36
	South Korea	62.5	65.0	66.4	49.7	54.3	56.1	10.84	9.00	33.01	26.64

Sources: The labor force participation rate and the labor force participation rate for females are found in *ILO Economically Active Population, Estimates and Projections: 1990–2020 (6th ed.)* (2011) and the youth unemployment rate and labor force participation rate are found in the OECD's online employment database.

Note: The labor force participation rate and the labor force participation rate for females from the ILO data represent the economically active population relative to the total population for the age group in question, where the economically active population represents the sum of the employed and unemployed populations.

**Supplementary Table 2.** Indicators for employee protection and employment structure across welfare regime typology

		Employment structure characteristics (2008)			Employment protection indicators (EPI)	
		Wage earners (%)	Self-employed, unpaid family workers (%)	Temporary workers (%)	1998	2008
Social democracy	Sweden	89.6	-	15.3	2.49	2.18
	Finland	86.4	1.4	15.7	2.18	2.03
	Norway	92.2	5.7	8.4	2.72	2.72
	Denmark	91.3	-	8.5	1.90	1.77
	Average	89.88	-	11.98	2.32	2.18
Conservative	Germany	88.4	6.5	13.9	2.57	2.39
	France	89.4	6.0	15.2	2.84	2.89
	Austria	86.2	8.9	9.3	2.38	2.15
	Switzerland	84.1	9.7	12.9	1.60	1.60
	Average	87.03	7.78	12.83	2.35	2.26
Liberal	US	92.9	-	-	0.65	0.65
	UK	81.9	-	6.3	0.98	1.10
	Canada	84.6	-	13.6	1.06	1.06
	Australia	88.2	9.0	5.9	1.47	1.43
	Average	86.90	-	8.60	1.04	1.06
Southern Europe	Italy	74.5	24.1	13.8	3.06	2.38
	Spain	82.3	11.6	23.6	2.96	3.01
	Portugal	76.0	18.5	20.7	3.53	2.93
	Greece	64.9	26.7	10.0	3.46	2.81
	Average	74.43	20.23	17.02	3.25	2.78
South Korea		68.7	24.8	23.8	2.00	1.90

Sources: The percentages of wage earners and of self-employed and unpaid family workers are found in ILO and LABORSTA, and the percentage of temporary workers and the employment protection indicators are found in the OECD's online employment database.

Note: The percentage of wage earners is relative to the population aged 15 and above, except for soldiers. The percentage of self-employed and unpaid family workers includes independent contractors and occupations that are difficult to classify as wage earners.

**Supplementary Table 3.** Comparison of the participation rate and reciprocity rate for major income security systems between various countries

		Public pension scheme		Unemployment benefits		Employment accidents scheme participation rate <sup>5)</sup>
		Actual participation rate <sup>1)</sup>	Reciprocity rate <sup>2)</sup>	Participation rate <sup>3)</sup>	Non-take-up rate <sup>4)</sup>	
Social democracy	Sweden	72.18	116.1	92.7	34.0	92.7
	Finland	67.37	118.2	100.0	33.2	81.1
	Norway	75.19	101.3	88.9	10.0	88.7
	Denmark	86.68	122.1	100.0	32.6	87.2
	Average	75.36	114.4	95.4	27.5	87.4
Conservative	Germany	65.61	113.7	100.0	1.0	80.8
	France	61.36	139.9	99.6	40.3	91.5
	Austria	68.5	117.9	70.2	5.9	93.1
	Switzerland	78.71	-	82.2	-	82.2
	Average	68.54	123.9	88.0	15.7	86.9
Liberal	US	71.45	82.6	85.3	62.5	85.3
	UK	71.52	-	92.7	48.6	80.6
	Canada	69.96	78.0	77.4	55.3	77.3
	Australia	69.75	-	96.7	31.5	85.1
	Average	70.67	-	88.0	49.5	82.1
Southern Europe	Italy	57.11	112.5	54.3	66.7	89.2
	Spain	48.67	89.9	77.4	26.5	77.4
	Portugal	71.61	117.0	69.6	-	90.7
	Greece	58.33	98.1	56.0	-	56.0
	Average	58.93	104.4	64.3	-	78.3
	South Korea	40.8 <sup>6)</sup>	127.9 <sup>7)</sup>	66.0	62.8	66.0

Sources: The participation rate and reciprocity rate for public pension schemes are found in the World Bank, Social Protection and Labor, Pensions Database (Active Coverage 3Q2013, Beneficiaries Coverage 3Q2013). The participation rate and non-take-up rate for unemployment benefits and the workers' compensation participation rate are recalculated from ILO (2010), *World Social Security Report: Providing Coverage in Times of Crisis and Beyond: 2010–2011*, pp. 216–229.

Notes: 1) The actual participation rate for public pension is the percentage of the working age population that is actually paying insurance premiums. All these figures refer to 2005, except for Canada (2009) and South Korea (2011).

2) The reciprocity rate for public pension is calculated by dividing the number of pensioners by the population aged 65 and above, where a pensioner means someone who is regularly receiving payouts. This includes disability pension, survivors' pension, and all compulsory pension schemes, including earnings-related, tax-based, and insurance-type basic pension. All these figures refer to 2006, except for the US (2008), Canada (2007), and South Korea (2011).

3) The participation rate in unemployment benefits, which includes both contributory and noncontributory programs, is defined as the percentage of people enrolled in official unemployment benefit programs relative to the economically active population. This figure is based on data from the mid-2000s (2005–2006).

4) The non-take-up rate for unemployment benefits is the percentage of the unemployed who do not receive unemployment benefits.

5) The Employment accidents scheme participation rate, which includes both industrial accident insurance and employer's liability insurance, is defined as the percentage of people enrolled in official employment accidents schemes relative to the economically active population. This figure is based on data from the mid-2000s (2005–2006).

6) This was found by dividing the number of people paying into the national pension fund (excluding those exempt from making payments) by the working age population for 2011 (recalculated by the author).

7) This was found by dividing the number of recipients of the national pension, the basic old-age pension, and the three special occupation pensions by the population aged 65 and above for 2011 (recalculated by the author).

**Supplementary Table 4.** Demographic indicators across welfare regime typology

		Birth rate			Percentage of elderly population (65 and over)		Old-age dependency ratio (65yrs/(15-64yrs))	
		1990	2010	2007	2010	2050	2010	2050
Social democracy	Sweden	2.13	1.54	1.85	18.20	24.03	27.88	40.45
	Finland	1.78	1.73	1.83	17.13	23.98	25.82	40.23
	Norway	1.93	1.85	1.90	15.01	23.54	22.68	39.51
	Denmark	1.67	1.77	1.85	16.66	22.31	25.49	36.54
	Average	1.88	1.72	1.86	16.75	23.47	25.47	39.18
Conservative	Germany	1.45	1.38	1.39	20.80	31.60	31.63	55.10
	France	1.78	1.88	1.96	16.80	23.76	25.91	40.41
	Austria	1.45	1.36	1.38	17.83	31.01	26.45	53.88
	Switzerland	1.59	1.50	1.45	16.91	31.99	24.85	57.10
	Average	1.57	1.53	1.55	18.09	29.59	27.21	51.62
Liberal	US	2.08	2.06	2.10	13.06	20.56	19.47	33.88
	UK	1.83	1.64	1.90	16.59	23.79	25.19	39.98
	Canada	1.83	1.49	1.59	14.16	27.63	20.41	47.19
	Australia	1.90	1.76	1.93	13.45	24.85	19.89	42.33
	Average	1.91	1.74	1.88	14.32	24.21	21.24	40.85
Southern Europe	Italy	1.26	1.24	1.34	20.29	34.31	30.90	63.06
	Spain	1.33	1.24	1.38	17.10	35.19	25.16	66.29
	Portugal	1.43	1.52	1.30	18.01	31.75	26.95	55.82
	Greece	1.40	1.29	1.38	18.99	32.25	28.56	58.02
	Average	1.36	1.32	1.35	18.60	33.38	27.89	60.80
South Korea		1.59	1.47	1.26	11.08	32.98	15.24	57.32

Sources: The birth rate is found in the OECD's Gender, Institutions, and Development Database 2009 (GID-DB), while the percentage of the elderly population and the old-age dependency ratio are found in UN (2013), *World Population Prospects: The 2012 Revision*.



**Supplementary Table 5.** Prospects for family-related, pension, and health care security spending against GDP across welfare regime typology

		Family-related expenditures		Public pension expenditures		Health care security expenditures	
		1990	2009	2010	2060	2005	2050
Social democracy	Sweden	4.4	3.7 (2.2)	9.6	10.2	8.6	12.9
	Finland	3.2	3.3 (1.6)	12.0	15.2	6.2	12.2
	Norway	2.7	3.3 (1.8)	9.3	14.2	9.9	15.0
	Denmark	3.2	3.9 (2.3)	10.1	9.5	7.9	12.9
	Average	3.4	3.6 (2.0)	10.3	12.3	8.2	13.3
Conservative	Germany	1.6	3.1 (0.9)	10.8	13.4	8.8	14.3
	France	2.5	4.0 (1.8)	14.6	15.1	8.1	13.4
	Austria	2.6	3.0 (0.6)	14.1	16.1	5.1	10.9
	Switzerland	1.0	1.4 (0.3)	6.3	8.6	7.4	12.3
	Average	1.9	2.9 (0.9)	11.5	13.3	7.4	12.7
Liberal	US	0.5	1.2 (0.6)	4.6	4.7	7.2	12.4
	UK	1.9	4.2 (1.4)	7.7	9.2	7.2	12.7
	Canada	0.6	1.6 (0.2)	5.0	6.2	7.3	13.5
	Australia	1.5	2.8 (0.8)	3.6	4.9	6.5	12.6
	Average	1.1	2.5 (0.8)	5.2	6.3	7.1	12.8
Southern Europe	Italy	0.8	1.6 (0.8)	15.3	14.4	6.6	13.2
	Spain	0.3	1.8 (0.9)	10.1	13.7	5.6	12.1
	Portugal	0.7	1.7 (0.5)	12.5	12.7	6.9	13.1
	Greece	0.7	1.4 (0.4)	13.6	14.6	5.0	11.6
	Average	0.6	1.6 (0.6)	12.9	13.9	6.0	12.5
	South Korea	0.0	1.0 (0.8)	0.9	6.5	3.3	11.9

Sources: Family-related expenditures are recalculated from the OECD's Social Expenditure Database, the projections for public pension expenditures are found in *OECD Pensions Outlook 2012* (2012: 210), and health care security expenditures are found in OECD (2006:31), "Projecting OECD Health and Long-Term Care Expenditures: What Are the Main Drivers?", OECD Economics Department Working Papers, No. 477.

Note: The figures for family-related expenditures include tax expenditures, and the figures inside parentheses for the 2009 figures are the percentage of expenditures on in-kind services such as child care.