Abstract
This study examines how the welfare regime has changed over the course of the most controversial period of modern Korean history. The welfare regime changed so as to meet the needs of export-led economic growth. The mid-1960s witnessed the beginning of industrialization focused on light industry, which absorbed and commodified the idle labor force in rural areas, creating the momentum for Korean society to get out of poverty. However, public decommodification (i.e., the social security system) as an adaptation to the commodification of labor was only institutionalized in very limited areas and categories. Indeed, the decommodification system was confined to areas linked directly to the reproduction of the workforce. Even then, eligibility was very limited because of the abundance of underutilized labor in rural areas. Compulsory health insurance was rejected because of the burden on corporations, and industrial accident compensation insurance was mostly introduced at large workplaces. As the focus of the Korean economy began to shift from light industry to heavy industry in the 1970s, the commodified labor force changed from low-skilled female workers to skilled male workers. It was at this time that a dual structure began to form distinguishing workers employed in export-oriented large enterprises and workers employed in domestic-oriented SMEs. In this manner, a system of decommodification supporting the reproduction of the workforce was also set up at large workplaces to manage social risk.

Keywords
developmental state, Korean welfare regime, Park Chung-hee, regressive selectivism


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Introduction

During the history of the South Korean welfare state, the presidency of Park Chung-hee, which spanned most of the 1960s and 1970s, is regarded as the time when South Korea’s modern social welfare programs came into being (Kwon, Moon Il, 1989; Son, Jun Kyu, 1981; Han, Jun Sung, 2012; Nam, Ji Min, 2009). Indeed, a variety of welfare programs, including the social insurance schemes of national health insurance and industrial accident compensation insurance, were enacted during the two and a half years of military rule, from the coup d’etat on May 16, 1961, until the inauguration of the Third Republic on December 17, 1963. To explain why so many social security programs were adopted during this period, many studies look to the military junta’s quest for legitimacy (Kwon, Moon Il, 1989). According to this argument, the junta sought to compensate for its fragile legitimacy by expanding social welfare programs on behalf of the public. But there are serious doubts about whether the programs instituted at this time were effective ways to shore up the junta’s legitimacy. When its social welfare programs were first instituted, citizens might have hoped to benefit from them. But the moment they learned that the majority of those programs had nothing to do with their everyday lives, the programs forfeited whatever utility they may have had in propping up the junta’s vulnerable legitimacy. The perfunctory establishment of social welfare programs could not satisfy the majority of citizens’ demand for an end to absolute poverty. A military junta can only secure legitimacy when it has met the actual demands of the public. During the twilight of the Joseon Dynasty, Japan’s colonization, and the autocratic rule of Syngman Rhee, the masses had repeatedly called for the modernization of the country and for a solution to their absolute poverty. With the April Revolution still fresh in people’s minds, therefore, genuinely meeting those demands was the only road to legitimacy for a military junta that had overthrown the Democratic Party’s democratically elected government in a putsch.

This viewpoint is fundamental to this study, which uses the method of comparative-historical analysis to analyze the characteristics of the Korean welfare regime during the rule of Park Chung-hee.2 My primary argument is that the Korean welfare regime in the 1960s and 1970s constituted an “anti-Communist authoritarian developmental state” that was focused on private decommodification grounded in familialism and the selective commodification of labor3 and that public

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2 Whereas historical analysis is typically based on primary sources, comparative-historical analysis is a research method that utilizes secondary sources derived from those primary sources (Lange, 2013: 14-5). Direct analysis of historical sources is not easy for social scientists, who are, after all not, historians. For this reason, social scientists generally conduct their analysis using secondary sources (Lim, Hyun-Chin, 1992: 21). Immanuel Wallerstein, a giant in the field of world systems theory, and Giovanni Arrighi are two scholars well-known for their use of comparative-historical analysis. For a more detailed discussion of this method, see the following texts. 1) Lange (2013). Comparative-Historical Methods. Los Angeles: Sage. 2) Korean Society of Comparative Sociology Research. (1992). Comparative Sociology: Method and Practice II. Seoul: Yeoleumsa.

3 Elsewhere, I have defined the anti-Communist authoritarian developmental state as one in which “anti-Communism was adopted as official policy on grounds of national security amid the division of the Korean Peninsula and American hegemony in the Cold War and in which the (authoritarian) ruling coalition that took that situation as a pretext for controlling and suppressing the basic democratic rights of workers and citizens in general attempted to bolster its weak democratic legitimacy through
welfare, including social insurance and public relief, were policy measures that served to complement the anti-Communist authoritarian developmental state’s mechanism of distribution. That is, the authoritarian developmental state served as a functional equivalent for the welfare states of the West. In adopting this perspective, this study diverges from productivist studies that approach the Korean welfare regime under Park on the assumption that social policy was subordinated to economic policy (Yang, Jae-jin, 2008; Holliday, 2000; Deyo, 1992; Kwon & Holliday, 2007) and previous studies that have focused on the formation of Korea’s welfare institutions (Kam, Jeong Ki, Choi, Won Gyu & Jin, Jae-Moon, 2010; Kwon, Moon Il, 1989; Son, Jun Kyu, 1981; Han, Jun Sung, 2012; Nam, Ji Min, 2009).

More specifically, this study argues that the selective commodification instituted by the anti-Communist authoritarian developmental state, in combination with public social insurance programs, led to the formation of today’s welfare regime, which is characterized by regressive selectivism and focused on social insurance programs that exclude workers exposed to types of underemployment such as precarious work and self-employment. Neither the productivist perspective, which assumes that social policy is subordinated to economic policy, nor other studies that focus on the formation of welfare institutions are capable of explaining how Korea’s current welfare regime came to be oriented on social insurance for permanent economic development focused on large conglomerates and the direct and indirect support or tolerance of the United States” (Yoon, Hong Sik, 2015: 71). For a more detailed discussion of the anti-Communist authoritarian developmental state, see the following: Yoon, Hong Sik (2015). “From anticommunist developmental state to the peace-welfare state: History and prospective” Citizen and the World, 27: 57-106.

This paper breaks decommodification down into “public decommodification” and “private decommodification” under the following operational definitions. Public decommodification is defined as the sort of decommodification in which the state has agency in responding to the market, in the tradition of Polanyi, Offe, and Esping-Andersen. In contrast, private decommodification is defined as individuals and families managing social risks with the wealth they have accumulated through market mechanisms. When an individual prepares for retirement by enrolling in a private pension plan at a life insurance company, for example, I regard that private pension as playing the role of private decommodification. Though private decommodification neither provides the social solidarity of public decommodification nor serves to redistribute income between classes, it can be regarded as helping individuals and families manage their social risks. To be sure, stating that private decommodification serves a similar function as public decommodification does not mean that it can replace public decommodification, nor am I arguing that private and public decommodification have the same function or status in terms of the welfare state. Private decommodification should be understood as an operational concept reflecting the reality of the welfare regime, in which not only public social security programs but also private wealth play some role in the way that individuals deal with social risks. It would be helpful to contextualize the concepts of public and private decommodification in Esping-Andersen’s observation that the state is an important agent in shaping a welfare regime’s public-private mix.

The concept of functional equivalence is generally used in comparative cultural studies (Höllinger & Eder (2016). In this paper, however, I use the concept to compare Korea’s anti-Communist authoritarian developmental state under Park Chung-hee’s authoritarian rule to the Western welfare state. In the West, the welfare state has been a key system for alleviating the poverty and inequality produced by the market. The argument of this paper is that Korea’s functional equivalent to the welfare state (that is, the system that played a similar role to the welfare state during Park’s rule without actually being one) is the authoritarian developmental state. My rationale for arguing that Korea’s authoritarian developmental state is the functional equivalent of the Western welfare state is that, although the two systems had different objectives, they had similar results: namely, they both alleviated inequality and poverty.
workers and middle-class professionals.

Moving on from the analytical framework, the layout of this paper can be summarized as follows. The second section divides Park’s authoritarian rule into three phases and describes the political and economic characteristics of each of those periods in terms of the welfare regime. This provides readers with a survey of the political and economic environment that is necessary for understanding the characteristics of the Korean welfare regime during Park’s time in power. Based on a general understanding of this period, the third section examines the basic characteristics of the welfare regime under Park. The fourth section reviews the process of selective commodification, one of the characteristics of the Korean authoritarian developmental state as a functional equivalent of the Western welfare state, and the corresponding selectivity of the public welfare regime. That leads in the fifth section to an analysis of the mechanism of private decommodification that formed as a result of economic development under Park and his policy of low taxes, with a focus on saving. The sixth section analyses the institutional features of the social security system, focusing on public relief, social insurance, and social services. The seventh and final section sums up on the significance of the Park era for the history of Korea’s welfare regime.

Three Phases of the Anti-Communist Authoritarian Developmental State

The period of the anti-Communist authoritarian developmental state in the 1960s and 1970s can be divided into three phases according to the characteristics of the welfare regime as shown in Table 1. Viewed in terms of power relations, the first phase runs from immediately after the coup d’état until just before the Park regime began revising its first five-year economic development plan. Power relations during this period were characterized by an uneasy balance between the military and the civic groups that had spearheaded the April Revolution. Through this phase, the military junta paid lip service to carrying on the spirit of the revolution and took a populist line that included writing off high-interest loans for farmers and fishermen, propping up the prices of agricultural goods, and prosecuting those who had amassed wealth through illicit means and confiscating their assets. Until this point, the military junta received some degree of support from leading groups of intellectuals and even from university students. The government’s economic policy generally focused on import substitution through the development of heavy industry and other foundational sectors with the goal of achieving autarky, or a self-sufficient economy. Exports were viewed in strictly functional terms, as a tool for earning the foreign currency needed for self-sufficiency. As for the welfare regime, the programs instituted by the former government of Syngman Rhee were retained. While a public relief program was created by the Livelihood Protection Act (*Saenghwal Bohobeop*), this merely served as a legal substitute for the Joseon Relief Order, which dated back to the Japanese colonial period. Various welfare policies were adopted, including industrial accident compensation insurance, national health insurance, and the Children’s Welfare Act, but with little effect.
The second phase covers the period from the middle of 1964 until shortly before the adoption of the Yushin constitution and the launch of the heavy industry drive in October 1972. On a political level, the elections for the 6th National Assembly in November 1963 and the 7th National Assembly in June 1967 witnessed the return of a “1.5-party system,” or in other words a two-party system dominated by the ruling conservatives. Because the electoral system permitted a limited amount of democracy, this was also a time when students and out-of-power political groups formed an antigovernment front opposed to Park’s authoritarian regime. Economically speaking, this was when the developmental state came into its own. The country enjoyed export-oriented economic development, especially in light industry, earning the government sweeping popular support. In regard to the welfare regime, the developmental focus on light industry led to the first round of selective commodification of unskilled young female workers, which proved a key mechanism of distribution. The commodification of the idle labor widespread in the countryside initiated a decrease in absolute poverty.

**Table 1. Three phases of the anti-Communist authoritarian developmental state: May 1961-October 1979.**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Characteristics of power relationships</th>
<th>Characteristics of economic system</th>
<th>Characteristics of welfare regime</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1: period of military government (May 1961-June 1964)</td>
<td>*Partial acceptance of the spirit of the April Revolution of 1960 *Partial populism *Popular support *Military’s incomplete hold on power</td>
<td>*Maintain line of state-directed capitalism *Pursuit of economic independence *Focus on import replacement in heavy industry (promote export industries with goal of balancing international balance of trade)</td>
<td>*Period of rhetorical institutionalization of social security system *Introduction of several systems related to social security (Livelihood Protection Act, Child Welfare Act, Industrial Accident Compensation Insurance, etc.)</td>
</tr>
<tr>
<td>Period 2: period of limited electoral democracy (June 1964-October 1972)</td>
<td>*Political establishment consists of two-party system, dominated by conservatives *Limited procedural democracy, developmental dictatorship *Social activism = student activism (critical of regime) *Campaign for regime change goes underground</td>
<td>*Move toward liberalization by enrolling in GATT, rationalizing interest rates, taking steps toward free trade *Launch of two-track industrialization *Import substitution industries &lt; Export-focused industrialization *Exports: light industry &gt; heavy industry</td>
<td>*Selective commodification centered in light industry (relative importance of female workers)</td>
</tr>
</tbody>
</table>
Period 3: Yushin regime (October 1972-October 1979)

* Fissures in conservative-dominated two-party system (stronger showing by independents)
* Establishment of authoritarian regime (October Yushin)
* Democratization movement against dictatorship, social activism expands base
* Two-track industrialization matures
* Import substitution < export industries
* Import substitution (light industry < heavy industry)
* Export industry (light industry < heavy industry)
* Selective commodification in heavy industry (focused on male workers) and selective social security system (decommodification)
* Formation of welfare regime based on familialism
* Adoption of compulsory health insurance system

Finally, the third phase lasts from the introduction of the Yushin constitution in October 1972 until the collapse of the Park regime with his assassination in October 1979. A strategic shift by the United States had led to a thaw in the Cold War in East Asia, but inter-Korean tensions had been high since the late 1960s. At the same time, this period marked the beginning of direct dialogue between North and South Korea. Park’s establishment of the formidable authoritarian regime known as Yushin prompted the formation of an antigovernment front that brought together popular movements such as farmers and workers demanding their “right to survival” with the student movement, opposition parliamentarians, and out-of-office politicians. Notably, the “right to survival” movement made it possible for farmers, workers, and other members of popular movements to gradually gain more of a hearing. The base of opposition to the dictatorship and support for democratization had begun to expand. In terms of the economy, an accumulation regime based on what could be called “peripheral Fordism” developed, subsuming the working class on a selective basis, rather than in its entirety. In regard to the system of distribution, selective commodification’s focus shifted from light industry to skilled male labor. The accumulation regime of peripheral Fordism that had taken shape now expanded to include skilled male workers in the manufacturing sector. This led the government to seriously consider the idea of creating social insurance programs for those workers, including national health insurance and a national pension scheme. The eventual establishment of national health insurance symbolized the major progress made on expanding public welfare during this period. But this was also a time when the middle class and other segments of society that had managed to capture surplus income through selective commodification found ways to hedge against social risk.

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6 “Accumulation regime” is a key concept in regulation theory that is distinguished from Marx’s “mode of production.” An accumulation regime refers to the entire system of rules that enables capital to be accumulated consistently, and without distortion or imbalance, under a capitalist system. As such, the concept covers the organization of production, technology, the period of production, income distribution, the configuration of demand, and the ways in which these combine with non-capitalistic forms (Boyer, 2017 [2015]: 84-6).
for their families through such mechanisms as saving and private insurance. While absolute poverty continued to decline, the increasing number of skilled male workers in heavy industry (which was oriented on exports, not the domestic market) inevitably created a dual structure in the labor market and consequently set the welfare regime on a foundation of regressive selectivism. We will now take a detailed look at the Korean welfare regime during the 1960s and 1970s.

### Characteristics of the Welfare Regime

Whereas Western welfare regimes were supported by the three pillars of the state, the market, and the family, the Korean welfare regime (at least through the early 1960s) had a fourth pillar: foreign aid. The government depended upon American aid for a substantial part of its total budget in the years following the Korean War, so it is hardly surprising that this aid was also a major component of the Korean welfare regime. As late as 1962, grant aid accounted for 10.1% of Korea’s GDP (Compilation committee for the Korean economy six decades of growth and development, 2010a). In 1962, the year after Park took power in a coup, the government was only responsible for 7.0% of spending for people in need of public assistance; the remainder, a whopping 93.0%, was provided by foreign aid. Even children’s welfare organizations depended on foreign aid for 56.0% of their operating expenses, with government subsidies only covering 21.1%. Until the 1960s, foreign aid was the most important source of funding for the Korean welfare regime, helping vulnerable groups meet their basic needs. Foreign aid did not cease to be important to the welfare regime until 1977, when grant aid dropped below USD 1 million a year.

In the early 1960s, the Korean welfare regime retained the contours of the aid-backed welfare regime of the previous decade. But aid was shrinking with each year, and the military junta was unable to fund the welfare regime on aid alone. Of course, it did try to secure a steady supply of aid from the United States in the months following the coup. Park (then chairman of the junta, which called itself the Supreme Council for National Reconstruction) said that the most important objective of his trip to the United States on November 11, 1961, was lining up more aid. He even kicked off his American itinerary with a public pledge “not to waste a single penny of American aid” (Lee,Wan Bom, 2002: 145-6). In a gracious gesture, the Kennedy administration signed on to a joint statement in which it promised to keep giving Park as much economic aid and cooperation as possible.\(^7\) In fact, American aid to Korea in 1962, the year after Park’s visit, amounted to USD 232 million (10.1% of GDP), up from USD 199 million (9.5% of GDP) in 1961 (Compilation committee for the Korean economy six decades of growth and development, 2010a). But the 1962 aid package proved an exception, and American aid to Korea was soon slashed, making it impossible for Korea to sustain the aid-backed welfare regime.

One of the military junta’s primary justifications for launching a coup in defiance of the constitutional order was that it had managed to “inspire the people

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\(^7\) The aid pledged by the United States was contingent on Park’s promise to hand over power to a civilian government in the summer of 1963.
with hope by rescuing them from the brink of starvation and tackling their economic woes,” as described in the fourth item in its “Revolutionary Pledge” (Park, Chung Hee, 2005[1963]: 257). It follows, therefore, that raising people’s standard of living would have been crucial for shoring up the legitimacy of the coup. While no statistics for poverty were kept at the time, the level of poverty can be inferred from statistics that tracked the number of unemployed and jobless. According to data compiled by the Ministry of Health and Social Affairs, only 6.78 million people (53.8%) were employed in a labor force of 12.6 million after the April Revolution in 1960, leaving 5.78 million people unemployed or jobless (Kim, Won, 2006: 442-3). In short, 45.9% of the working-age population were out of a job. Since many of those who did have a job were actually underemployed, the percentage of the population capable of making a living through their job must have been very small. In short, the absolute majority of Koreans were in absolute poverty.

Previous studies have drawn upon this socioeconomic context to argue that the social policy legislation passed by the military junta in the early 1960s—including the Livelihood Protection Act, the Industrial Accident Compensation Insurance Act, and the National Health Insurance Act—was designed so that the military junta could achieve legitimacy among people in abject poverty (Kwon, Mun Il, 1989 Kam, Jeong Ki, Choi, Won Gyu & Jin, Jae-Moon, 2010: 396; Lee, Hye-Kyung, 1993). This argument is not far-fetched. Indeed, 1963 was the year in which presidential and parliamentary elections were held (October 5 and November 26, respectively) as part of transferring power to a civilian government. Since the elections provided the military junta with the most reliable way of achieving legal legitimacy, it very well could have launched welfare programs prior to the elections to win the people’s favor. Considering that Yun Posun, a likely presidential candidate for the opposition, had blamed starvation and unemployment on the “five evils” perpetrated by the military junta (Seo, Joong Seok, 2008: 135), the institution of welfare programs would have been a powerful tool for the junta to prove its determination to tackle the people’s economic woes.

However, the military junta itself did not present its welfare policy as being intended to address starvation and poverty. During a 1962 policy speech, Park only spoke of how economic development and his plan to achieve it were aimed at tackling poverty and starvation, without making any mention of welfare policy. The welfare state was the long-term goal for which the “revolutionary government” would strive, but it was not proposed as a way to resolve the starvation and poverty that people saw all around them. The idea that the junta’s social security programs were a means of tackling starvation and poverty and thereby securing legitimacy is an interpretation reached by later researchers, but it does not appear to have been the Park regime’s actual intention. And since the adoption of social welfare policy did not actually improve people’s lives, it is also doubtful whether that policy even brought the government more legitimacy.

During the two and a half years from the legislation of the Act for Settlement Loans for Recipients of Veteran Assistance on July 5, 1961, to the promulgation of the National Health Insurance Act on December 16, 1963, 23 welfare laws were

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8 This was when the Ministry of Health and Social Affairs was responsible for labor-related duties, before there was a separate Ministry of Labor.
9 Park’s 1962 policy speech can be viewed here: https://www.youtube.com/watch?v=YaesQVSul0
announced to the public. Nevertheless, welfare spending as a percentage of GDP actually decreased in 1963, as Figure 1 shows. That percentage never exceeded 2% throughout the entire authoritarian developmental state period. Additionally, the absolute poverty rate remained at 40.9% in 1965 despite the raft of welfare laws (Seo, Sang-Mok, 1979: 20). In urban areas in particular, the absolute poverty rate stood at 54.9%; that is, more than half of urban residents had trouble keeping food on the table. It is extremely unlikely that the public would have bestowed legitimacy upon a junta that had seized power in a coup merely because it had instituted welfare policies that sounded fancy but accomplished little.

Another argument is that the military junta adopted welfare policies not to enhance its legitimacy but rather to help it build an anti-Communist state. Scholars who argue that the latter was the most important objective of welfare policy note that most of the junta’s welfare laws were linked to veteran assistance (Nam, Chan Seob, 2008a: 36-7). In the first clause of its Revolutionary Pledge, the junta promised to “regard anti-Communism as the primary policy of the state and to prepare for the crisis of a foreign invasion by adjusting and strengthening the stance of anti-Communism, which has hitherto been only a formality and a slogan” (Park, Chung Hee, 2005[1963]: 256). Indeed, the Korean Welfare regime only consisted of veteran assistance programs until the mid-1960s (Baek, Seung-wook & Lee, Ji Won, 2009: 364), and aid to soldiers outnumbered public relief by a margin of 44 to 1. However, there are issues with this claim. It was not in the early 1960s but in the early 1970s that welfare programs were made effective enough to aid South Korea in its competition with the North Korean system. That was when the two sides’ social welfare regimes became the subject of comparison during inter-Korean dialogue (Kim, Yeon Myung, 1993: 118-21). A report published by the National Unification Board in 1972 argued that North Korea’s social welfare regime posed a grave threat to the South. More broadly speaking, of course, the series of social security laws can be understood as part of the process of building an anti-Communist state when we consider that the Park regime justified its very existence through the need to achieve victory in its rivalry with the North Korean system.

**Figure 1.** The social spending rate as a percentage of GDP, 1962-1979.
Nobody would have viewed the authoritarian regime as legitimate just because it had enacted a social security system in name only, and even the regime itself could not have expected to either secure or sustain legitimacy through legislation that was little more than political rhetoric. Furthermore, its social insurance programs did not begin to benefit public welfare in a meaningful, if limited, way until the late 1970s. The National Health Insurance Act was fully overhauled in October 12, 1976, making enrollment compulsory, and the Medical Care Act was enacted on December 31, 1977, providing medical services to vulnerable groups. As Figure 1 shows, social expenditure as a percentage of GDP began to gradually increase after 1976. Additionally, it was only in the late 1970s that a public discussion began about the idea that there were close ties between social security programs and natural security (Son, Jun Kyu, 1981). That was when the institution of welfare policy began to play a role in improving citizens' welfare (despite obvious limitations in service coverage and quality) and when these programs began to accrue beneficiaries.

These facts raise questions about productivist interpretations of the nature of the Korean welfare regime, interpretations that presume that social policy is subordinated to economic policy. How exactly could the authoritarian regime have maintained its legitimacy for 15 long years until its welfare policy began to function, and only then on a limited basis, in the late 1970s? Such questions call for a new perspective on the welfare regime at this time.

Selective Commodification of the Authoritarian Developmental State

As various studies have already observed, economic development was nearly the only success that the Park regime could use to claim legitimacy. But even economic development does not automatically guarantee a regime’s legitimacy. Unless the fruits of economic development are somehow distributed to the majority of the people, economic development will not be viewed as an achievement certifying the regime's legitimacy; rather it will fuel criticism of the regime’s injustice. When economic development (treated as a separate matter from politics) raises the income level of the majority of the people in the short term and eases relative inequality in society in the medium- and long-term, it can serve as the basis for national consent for the ruling coalition remaining in power. For such reasons, this

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10 Prior to the enactment of the Medical Care Act in 1977, medical relief was provided to recipients of livelihood protection.
11 The following differences can be enumerated in regard to how Korean welfare regime is explained from the perspective of selective commodification and from the perspective of productivism. Productivism addresses the shortcomings of the Korean welfare regime on the assumption that social policy is subordinated to economic policy. In contrast, the perspective of selective commodification is appropriate for explaining that industrialization under the authoritarian developmental state did not provide wage labor universally, to all citizens, but selectively, according to what was needed at a given phase of industrialization, and that this selectivity combined with a selective social security system (that is, social insurance) to form the characteristics of the Korean welfare regime. In other words, selective commodification is a suitable approach for explaining how private decommodification was formed selectively and how the public social security system was instituted in a way that only covered certain groups.
paper argues that explaining the characteristics of the Korean welfare regime in the 1960s and 1970s must begin with examining how labor commodification occurred. In terms of the welfare regime, the legitimacy of the Park regime should be located not in policies adopted for the decommodification of wage earners as in the Western welfare state but rather in the commodification of labor. The welfare regime of the authoritarian developmental state in the 1960s and 1970s, with its market-oriented distribution, came into being as the role of foreign aid from the United States (one of the four pillars that had supported public welfare, alongside the state, market, and family) diminished and as the role of the market expanded. Furthermore, that explanation occurred through selective commodification, in this case the process by which a large portion of idle labor in the countryside and urban fringe were turned into wage earners.

**Selective Commodification of Labor**

From 1953, at the end of the Korean War, until 1961, Korea’s economy grew at an average yearly rate of 4.1%. Compared to the low growth of the 2010s, that might sound like a decent rate of growth. But 4% was not enough growth to provide jobs for a rapidly growing population. After economic development took off in the 1960s, the Korean economy rose to a level that was twice as high as during the 1950s. With some fluctuations (as high as 13.8% and as low as 2.1%), the Korean economy maintained an average annual growth rate of 8.4% during the nearly twenty years from 1961 to 1979. That was accompanied by an increase in the working population. Between 1962 and 1979, the number of employed individuals continued to increase at the high annual rate of 3.8% (Compilation committee for the Korean economy six decades of growth and development, 2010a). Wage labor emerged as the chief mechanism of the welfare regime.

The commodification of labor derived from growth in the secondary sector, itself a result of economic development. Employment statistics for the period 1963-1979 show that the number of people employed in the agriculture, forestry, and fishing industries between 1963 and 1979 remained virtually unchanged, while the number of people employed in the secondary sector steadily increased (Compilation committee for the Korean economy six decades of growth and development, 2010a). Contradicting received wisdom, the number of employees in the agriculture, forestry, and fishing industries rose slightly between 1963 and 1976, while the heavy industry drive was underway, allowing for some variation. It was not until after 1976 that the number of employees in those industries really began to decrease. In contrast, the number of people employed in the mining and manufacturing industries surged from 657,000 to 3,209,000 during that same period, an increase of 2,552,000 people, or 388.4%. The quality of employment changed as well. The percentage of workers with permanent employment soared from 12.3% in 1965 to 22.9% in 1970, and the employment stability rate also rose from 39.0% to 59.0% over the same period (Park, Joon-shik, 1999: 168).

Also noteworthy is the fact that the number of people employed in the tertiary sector (social overhead capital and the service sector), was relatively high in the early 1960s (characteristic of aid-dependent third-world countries) and that this sector outgrew agriculture, forestry, and fishing in the primary sector after 1978 to hold the
largest share of the working population. Considering that the population was growing at an annual rate of just above 2% in the 1960s and 1970s, the lack of a substantial change in the number of people employed in the agriculture, forestry, and fishing industries means that the majority of the mathematical increase in the workforce was absorbed by the mining, manufacturing, and service industries (Statistics Korea, 2016a). The jobs that industrialization created in those industries made it possible for the Park regime to alleviate absolute poverty and inequality even without a meaningful increase in its social spending. The absolute poverty that had strangled Korean society finally began to recede. As we can see in Figure 2, the absolute rate of poverty fell by nearly half in just five years, from 40.9% in 1965 to 23.4% in 1970. The rate fell further, to 14.8% in 1976 and 9.8% in 1980, or one quarter of the level in 1965. In just 15 years, absolutely poverty had started to disappear (at least in a statistical sense).

![Figure 2](image)

**Figure 2.** Changes in the rate of poverty under the authoritarian developmental state, 1965-1980.

Of course, the commodification of labor does not always lead to a reduction in absolute poverty. Labor commodification must be accompanied by an increase in real wages in order for people to enjoy a higher standard of living and escape from absolute poverty. Between 1960 and the end of the Park regime in 1979, the cumulative rate of increase in real wages failed to keep up with the cumulative rate of increase in labor productivity (Kim, Tae-il, 1985; Park, Hyun Chae, 1985). Even worse, real wages between 1963 (when Park came to power) and 1966 were lower than they had been in 1960. Importantly, however, real wages began to increase in 1965. Because employment improved the absolute standard of living, the commodification of labor emerged as a key mechanism in distribution. In contrast with absolute poverty, income inequality behaved differently in the 1960s and 1970s. As Figure 2 shows, the relative poverty rate (an indicator of the degree of inequality) fell significantly between 1965 and 1970, from 12.2% to 4.8%, but increased again in
the 1970s. A similar pattern is seen when inequality in viewed in terms of index coefficients. In the 1960s, inequality fell even though welfare expenditure relative to GDP remained largely the same, but in the 1970s, inequality started to increase again. The Gini coefficient, which had been 0.344 in 1965, dropped to 0.332 in 1970, before rising to 0.381 in 1976 and then to 0.388 in 1980, the highest point in twenty years (Choo, 1992; Mun, Hyeong Pyo, 1999; Cheon, Byung You, 2008; Statistics Korea, 2015). These changes in the absolute poverty rate and inequality indices reveal important characteristics of the commodification-based welfare regime under Park’s authoritarian rule.

Selective Commodification in Light Industry

It would seem appropriate to distinguish between two periods in our examination of the characteristics of the welfare regime under the authoritarian developmental state. The period from the coup d’état on May 16, 1961, until power was handed over to a civilian government in December 1963 can be regarded as a period of transition from an aid-based welfare regime to a system of selective commodification. It was when economic development took off after this handover of power that selective commodification emerged as a central characteristic of the welfare regime. The first period, therefore, is the one during which labor commodification focused on light industry. This period was characterized by commodification occurring selectively among young female workers in the labor-intensive area of light industry. By commodifying the large number of low-skilled surplus workers in rural areas, economic development in light industry provided a significant number of families with enough extra income to lift themselves from absolute poverty.

Most of the people employed in the leading industries of the time—such as textiles, shoes, and electronics—were young women. In 1985 (admittedly later than the period under consideration), 88% of workers in apparel, 77% in textiles, and 68% in electronics were women (Koo, Hagen, 2002[2001]: 65-6). As of 1966, 90% of female factory workers were below the age of 29, with about 50% in their teens. In 1963, women accounted for 41.0% of production-line workers; in 1973, they accounted for 50.7%. Most of these female workers were from rural areas, and they helped support family members back at home. The reason that it was possible for absolute poverty to decrease despite the inadequacy of public welfare was that young women were commodified and served as supplementary livelihood breadwinners. But we should bear in mind that the wages of these female workers were extremely low. In 1967, the wages of female workers on the production line were just 51.1%, or barely half, of their male counterparts. The issue of low wages for female workers was so severe that it was even covered by the Seoul Sinmun, a state-run newspaper, in 1968.

Throughout the 1960s, the average wage of workers in the manufacturing

12 As used in this paper, selective commodification means that the recruitment of classes as wage earners during the process of industrialization occurred selectively according to the characteristics of industrialization, which focused on light industry in the 1960s and on heavy industry in the 1970s. The main category of people who became wage workers in light industry in the 1960s were young women from the countryside, whereas the main category of people who joined heavy industry in the 1970s were male workers with a higher skill level.
industry was less than 50% of living expenses: 28.2% in 1961 and 34.8% even in 1967 (Lee, Won Bo, 2004: 95). It was not until the early 1970s, as heavy industrialization got underway, that the level of income in the manufacturing sector surpassed 50% of living expenses (reaching 53.3% in 1971). Even during the 1970s, average wages in the mining and manufacturing industry remained below half the cost of living. Furthermore, figures for average wages as a percentage of grocery bills show that, through 1969, workers’ wages were not even enough to buy food for their families. Considering that the wages of female workers were less than half that of male workers at the time, women probably had an even lower ratio of wages to living expenses.

Despite the low-wage structure, selective commodification in light industry helped to reduce absolute poverty. But those workers also faced social risks such as unemployment, disease, old age, and industrial accidents, and those risks were not addressed by a government policy of public decommodification. Article 2 of the employment decree for industrial accident compensation insurance (the first social insurance program to be adopted) states that the law applies to companies in the mining and manufacturing sectors employing at least 500 full-time individuals. In 1968, only 0.8% of factories had at least 500 full-time employees, accounting for 31.3% of the total workforce (Koo, Hagen, 2002[2001]: 67). Considering that light industry operated on a smaller scale than heavy industry, most likely only a small proportion of female workers were actually eligible for industrial accident compensation insurance. When this insurance program was implemented in 1964, only 80,000 people were enrolled, and even when heavy industrialization began in 1973, there were just 1,170,000 enrollees (Park, Joon-shik, 1985: 189). In fact, all the social insurance programs extant at the time (including pension for government employees, national health insurance, and industrial accident compensation insurance) only applied to a tiny fraction of the economically active population. While the system of selective commodification in the 1960s achieved income distribution through commodifying low-skilled female workers in light industry, most of those workers were excluded from public decommodification.

Selective Commodification in Heavy Industry

The second period of selective commodification began when heavy industrialization moved into full swing in 1973. The sector had been growing steadily since 1961, but it was in 1973 that it began to expand in earnest. The characteristics of heavy industry that are relevant to the welfare regime are that workplaces in the sector tended to be large and that most workers were skilled men. That contrasts with commodification in light industry, which concentrated on low-skilled female workers at smaller workplaces. As I mentioned previously, inequality began to increase when the expansion of heavy industry drove the commodification of skilled male workers. Labor commodification began to divide along the lines of heavy industry and light industry, creating a dual labor market (Sim, Sagn Yong 2010: 8). This was caused by the rapid growth of real wages among skilled workers during the growth phase of the heavy industry sector.

From 1973 until 1979, the rate of increase of real wages exceeded that of labor productivity in every year except for 1974 and 1979, when oil shocks caused economic troubles (Kim, Tae-il, 1985; Park, Hyun Chae, 1985). In 1977, labor
productivity increased by 10.4% while real wages rose more than twice as much, by 21.5%. Between 1975 and 1979, production-line workers saw their wages rise by a yearly average of 16.8%, and professionals, engineers, and managers by 15.3% (Amsden, 1989). There are several reasons why real wages increased faster than labor productivity in the late 1970s. First, as conglomerates began to move aggressively into the heavy industry sector, they had to compete for skilled workers, driving up real wages. Second, the working class was able to demand higher wages through collective bargaining when business was relatively good in the heavy industry sector, while the government also adopted policies to raise what it regarded as excessively low wages (Choi, Jang Jip, 1988).

The second way in which selective commodification in heavy industry differed from selective commodification in light industry is that its expansion was closely related to the selective expansion of the system of public decommodification. Light industry commodification transformed labor into wage earners, but the government did not adopt a policy of public decommodification that would have enabled those commodified workers to prepare for social risks. In short, one of the characteristic features of selective commodification in light industry was the absence of public decommodification. In contrast, selective commodification in heavy industry (which took off in the mid-1970s) was accompanied by the selective expansion of a system of public decommodification focused on workers in heavy industry, who were guaranteed relatively decent wages and stable employment. In order for the government and capital to attract higher-skilled male workers into these basic industries, it was necessary not only to pay them such wages but also to provide them with institutional protection against social risks. These were the first signs of the regressive selectivism that marked the creation of institutions of public decommodification that concentrated on skilled male workers to the exclusion of low-skilled female workers.

The Selectivity of Public Decommodification

One of the major reasons that selective institutions became a characteristic feature of selective commodification and public decommodification in the Korean welfare regime is their close link to export-oriented industrialization. Export-oriented growth that is focused on final consumer goods (which depend upon imports of raw materials, intermediate materials, and capital goods) will of necessity bear little connection to the domestic division of labor. That also meant that the commodification of the workforce that expanded during that period of economic growth was bound to occur selectively in the export industry. Examining how total consumption and total exports changed relative to gross domestic product (GDP) shows that total domestic demand as a percentage of GDP decreased by 40.1% (28.1 points) under the authoritarian developmental state, from 98.1% in 1961 to 70.0% in 1979. During the same period, exports increased 392.6% (21.2 points). In other words, labor commodification occurred selectively among the workers needed in export

13 Intermediate goods are the goods needed to produce a final product. If an airplane engine is imported from the United States for airplane assembly, for example, that engine is an intermediate good.
industries as a result of export-oriented industrialization, and decommodification naturally occurred in a manner that corresponded to selective commodification. In the 1960s, when export-oriented production was focused on light industry, which was staffed by low-skilled labor, there was little need to publicly guarantee the reproduction of the workforce, making it possible to exclude selectively commodified labor from public decommodification. Members of the large underutilized workforce in the countryside and the urban fringe were prepared to enter the low-wage labor market at any time, and capital did not need skilled workers. Furthermore, the workers who were mobilized for commodification in light industry were young unmarried women who served as supplemental providers for their families. Given their role, these female workers were extremely unlikely to be the beneficiaries of a patriarchal social security system that had been set up to meet the needs of male breadwinners. In fact, under Korea’s patriarchal society in the 1960s and 1970s, household living expenses were calculated based on the male breadwinner model (Kim, Kyeongil, 2016). There was no sense that measures should also be taken to manage social risks for female workers, who, it was assumed, were only supplementary providers and would quit their jobs after marriage. When these women—who had to work for long hours for absurdly low wages—were rendered unable to work by workplace accidents or disease, their care was left entirely to their families in the countryside.

In contrast, expanding exports in heavy industry led to the commodification of skilled male workers, and the method of decommodification was also adjusted accordingly. Capital supported the decommodification of skilled male workers in heavy industry (though limited to areas linked to the reproduction of the workforce). This was a departure from the 1960s, when female workers in light industry were excluded from decommodification. When the Federation of Korean Industries (FKI) backed a revision of the National Health Insurance Act in 1976 that made enrollment compulsory, its reasoning was that the revision did not entail many additional expenses, since conglomerate firms were already covering up to 50% of their employees’ medical costs. Furthermore, making health insurance compulsory meant that corporate contributions to their employees’ insurance could be filed as expenses, leading to tax deductions. In addition, health insurance could help instill corporate loyalty in workers because it was implemented collectively inside the company, and the health insurance reserve fund could also be used to fund investments (Kim, Yeon Myung, 1989; Kang, Myong-sei, 2006). In reality, the national health insurance program, despite being a public initiative, was operated in the manner of corporate welfare. Conglomerate firms operating in the capital-intensive area of heavy industry sometimes provided corporate welfare beyond what was legally required to compensate for their heavy-handed control of labor (Lee, Sang-Woo & Cho, Eeun-Sang, 2003). The rationale for instituting social security programs directly connected with the reproduction of the workforce, therefore, was to recruit and retain skilled workers.

Finally, export-oriented industrialization could not hope to absorb enough of the underutilized workforce spread around the country during its transition from an agricultural society to an industrial society because industrialization involved importing technological expertise and producer goods (capital goods and intermediate goods) from countries with a higher productive capacity (in terms of industrial development) and then exporting consumer goods in their finished form.
Even the sectors of heavy industry that were launched in 1973—including steel, electronics, machinery, nonferrous metals, petrochemicals, and shipbuilding—were intended for export and had little bearing on the domestic division of labor (Jeong, Gwan Yong, 1994). This type of industrialization caused overwhelming numbers of potential workers to move from rural areas to the vicinity of large cities, where they formed a low-skilled industrial reserve. It also caused excessive growth in the tertiary sector, especially in microenterprises that were not suited for Korea’s level of industrialization. The working class had never made up an absolute majority of the population even in Western Europe (with the exception of Belgium), but its position was even weaker in Korea. Even though an accumulation regime comparable to Fordist mass production formed in the 1970s, the working class struggled to find opportunities to develop its political capacity under the authoritarian regime. The problem was that industrialization proceeded at a faster pace than the working class could mature politically.

Thus, Korea’s industrialization was based on the domestic demand and division of labor in countries at the center of the capitalistic world-system, preventing it from creating the kind of Fordist accumulation regime that would incorporate the entire working class into the welfare state (Lipietz, 1991[1985]). The accumulation regime that formed instead was one of peripheral Fordism, which is characteristic of (semi)peripheral systems in the capitalist world-system. This kind of accumulation regime tends to depend for its survival on overseas markets (generally in states in the center) and to selectively limit its recruitment of the working class to those working in export industries. The selective commodification and selective decommodification that became features of the Korean welfare regime in the 1960s and 1970s are themselves based in the accumulation regime of peripheral Fordism that developed there. And since the working class was unable to mature politically, workers could hardly have transcended the boundaries of their individual workplaces to demand the creation and expansion of social security programs based on social solidarity. When the working class’s political maturity finally surged in the late 1980s, Korean society was already moving away from the Fordist accumulation regime based on the nation-state. The period when the political power of the working class came into full bloom was thus limited to the late 1980s and 1990s—and like the cherry blossoms, its bloom was short-lived.

**Private Decommodification and Reinforcement of Familialism**

Considering that opportunities for wage labor—and especially for jobs at conglomerates in heavy industry—were apportioned selectively and that welfare policies were also instituted selectively in the 1960s and 1970s, how did Koreans prepare for and endure the social risks they faced? Though employment did mitigate absolute poverty during the high growth period, the commodification of labor by

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14 I bring up Belgium here to illustrate that the maturity of the working class’s political capacity does not necessarily depend upon the number of workers. The only election in Western Europe in which the working class represented a majority of voters was one in Belgium in 1912, in which workers represented 50.1% of the electorate (Przeworski, A., 1980: 39-40).
itself probably did not provide adequate protection from social risks. In fact, for most of the 1960s and 1970s, the “average” wage of workers in the manufacturing and mining industries did not even amount to half the living expenses of urban workers.\textsuperscript{15} Until the late 1960s, average wages were not even enough to buy a family’s food, and workers’ wages did not rise to the level of grocery expenditure until the 1970s. According to a survey carried out by the Federation of Korean Trade Unions at the end of 1977, the minimum cost of living for a family of five was KRW 162,267, and as Table 2 shows, the monthly income of 96.5\% of workers was below KRW 150,000. Even considering that the average household consisted of 5.0 people in 1975 (Statistics Korea, 2016b)\textsuperscript{16} and that households included an average of 1.34 employed individuals, each worker had to make at least KRW 121,000 a month on average in order to provide more than the minimum living expenses for his or her household (Kim, Hyung-Bae, 1980, as quoted in Kim, Ho Ki, 1999).\textsuperscript{17} Under these circumstances, only a small percentage of working households, or just over 6\%, were able to privately save enough assets to mitigate social risks (assuming a family of five).

### Table 2. Distribution of workers by income bracket (March 1977).

<table>
<thead>
<tr>
<th>Monthly income (KRW 10,000)</th>
<th>% of total</th>
<th>% of total (cumulative)</th>
<th>Monthly income (KRW 10,000)</th>
<th>% of total</th>
<th>% of total (cumulative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>~4.5</td>
<td>78.8</td>
<td>78.8</td>
<td>~15</td>
<td>2.6</td>
<td>96.5</td>
</tr>
<tr>
<td>~5</td>
<td>1.1</td>
<td>79.9</td>
<td>~20</td>
<td>2.0</td>
<td>98.5</td>
</tr>
<tr>
<td>~6</td>
<td>1.5</td>
<td>81.4</td>
<td>~30</td>
<td>1.0</td>
<td>99.5</td>
</tr>
<tr>
<td>~7</td>
<td>1.8</td>
<td>83.2</td>
<td>~40</td>
<td>0.3</td>
<td>99.8</td>
</tr>
<tr>
<td>~8</td>
<td>2.4</td>
<td>85.6</td>
<td>~50</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>~9</td>
<td>2.7</td>
<td>88.3</td>
<td>~70</td>
<td>0.06</td>
<td></td>
</tr>
<tr>
<td>~10</td>
<td>2.8</td>
<td>91.1</td>
<td>~100</td>
<td>0.015</td>
<td></td>
</tr>
<tr>
<td>~12</td>
<td>2.8</td>
<td>93.9</td>
<td>100 and up</td>
<td>0.015</td>
<td>100.0</td>
</tr>
</tbody>
</table>


### Tax Expenditure and Regressive Fiscal Welfare

Low taxation would have been a major prerequisite for individuals and families to support themselves despite the lack of public welfare and to save up private wealth (which functioned as a mechanism of private decommodification and a safeguard against social risks). Industrialization in the 1960s and 1970s provided underutilized labor with an opportunity, albeit a selective one, to earn wages

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\textsuperscript{15} We should bear in mind that this refers to the “average” income level.

\textsuperscript{16} The average household size was 5.2 in 1970 and 4.5 in 1980.

\textsuperscript{17} KRW 121,000 was calculated by dividing the minimum living expenses for a household of five (KRW 162,267) by the average number of working individuals per household (1.34).
through commodification; if taxes had also been kept low, individuals and families (at least in a limited subset of classes) could have spent part of their income on their livelihood and saved up the rest to prepare for whatever the future might hold; in other words, for social risks. The authoritarian regime repeatedly provided exemptions for income tax on wages, and tax exemptions served as something of a substitute for public welfare, which did not exist at the time. There was even a debate between the regime and its political opposition about the cutoff line for taxing household income (Kim, Dokyun 2013). In fact, the tax exemption point for wages rose from KRW 120,000 a year in 1970 to KRW 660,000 in 1974, and then still further to KRW 1,860,000 in 1979.

However, these arguments are half true and half false. It’s true that the tax burden (that is, tax revenue as a percentage of GDP) decreased from 10.7% in 1962, when Park was preparing to hand over the power gained through the coup to a civilian government, to 7.1% in 1964, early in the Third Republic (Compilation committee for the Korean economy six decades of growth and development, 2010a). But the tax burden for steadily, with some fluctuations, between 1964 and 1979, increasing by 140% over that fifteen-year period. At a time when all resources had to be mobilized for economic development, lowering taxes was not an option for the authoritarian developmental state. Furthermore, income tax exemptions were themselves a policy of regressive distribution that favored high-income earners. Figure 3 shows the yearly increase in disposable income per capita that urban households gained through income tax exemptions in 1979. While the first and lowest decile’s disposable income increased by KRW 10,863, the tenth and highest decile’s disposable income increased by KRW 79,611, or eight times as much. The higher the income bracket, the greater the absolute value of the increase in disposable income resulting from income tax exemptions. The authoritarian developmental state’s regressive tax policy caused the tax burden on the wealthy to fall and the tax burden on the middle and lower classes to rise. Even as the regime lowered income tax, which was based on progressive tax rates, it boosted overall tax receipts by introducing an indirect value-added tax (VAT), which is regressive in nature. The ratio of direct tax to indirect tax flipped from 53.9%-46.1% in 1960 to 40.1%-59.9% in 1975 (Compilation committee for the Korean economy six decades of growth and development, 2010a).

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18 According to Jong-in Kim, the Park regime's substantial increase in the tax exemption point in the mid-1970s was a response to North Korean propaganda aimed at South Koreans, which played up the fact that the North had abolished direct taxes (Kim, Dokyun, 2013).
The Park regime shifted the tax burden from the wealthy to low-income earners by raising regressive taxes to offset lower progressive taxes. The tax policy of the authoritarian developmental state gave the middle and upper classes an opportunity to accumulate financial and real estate wealth that could then be used to build a private safety net. But low-income earners faced more restrictions in wealth-building than the middle and upper classes. The best-known program that aimed to help low-income workers build wealth was known as “workers’ wealth-building savings.” In 1979, workers created 2,030,000 accounts and paid more than KRW 300 billion into the program, but the average amount saved in each account was just KRW 133,000 (Kim, Dokyun, 2013). That was less than half (47.8%) of the monthly minimum living expenses for a family of five, or KRW 278,000 (Lee, Won Bo, 2004). While most people were able to barely rise out of absolute poverty by selling their labor, they could hardly afford to set up a private social security system (private decommodification) through accumulating personal wealth. Even given a regressive tax burden, spending tax revenues on expanding public welfare and making it universal could have alleviated income inequality, but that choice was not available to the authoritarian developmental state. This was a period dominated by the ideology of growth, when it was believed that economic growth would soon resolve absolute poverty and enrich people’s lives. Though tax revenue was increasing, there was little if any chance that it would be used on public welfare. And as Figure 1 illustrates, defense spending served as both a plausible pretext and a practical reason to block welfare expansion, given the hostile standoff with North Korea (Kim, Yeon Myung, 1993).

*Household Saving and Private Decommodification of the Select Few*

Household saving and other such methods of wealth formation constituted the system of private decommodification for the middle and upper classes. The key was

**Figure 3.** Amount of per capita tax exemption for urban households by income bracket, 1979 (KRW).
that low taxes made wealth formation possible, and wealth built in this fashion could function as decommodification instead of public welfare. In fact, the net personal savings rate\(^\text{19}\) continued to increase, with some variations, between 1961 and 1979. During the period of rapid growth, middle- and upper-class households were able to build private wealth by saving the income left over after paying their living expenses and their growing tax burden. At a time when absolute wealth was increasing, there was no reason why the tax rate and the household savings rate would have to be negatively correlated. Even if we take the positive relationship between the tax rate and the household saving rate as meaning that income increased to a greater extent than taxes, there are still reasons to doubt that the system of private decommodification functioned universally. If household saving had increased universally, it could indeed have served as a functional equivalent for public welfare, given the lack of a decent public welfare regime. But the fact is that household saving did not increase universally, at least under the authoritarian developmental state. As we saw in Table 2 above, only 6.1% of all workers earned wages that exceeded the living expenditures of a five-person household in 1977. What this tells us is that the increase in household saving was not a universal phenomenon but rather a very exceptional one that was limited to the segment of workers earning a relatively high income. The fact that the Gini coefficient, an indicator of income inequality, began to rise in the 1970s can also be taken as supporting evidence of this.

Given such considerations, the argument that “household saving has been a very important method for ensuring stable lives and has basically served as a substitute for public welfare” (Kim, Dokyun, 2013) can be understood as referring strictly to a limited number of classes under the authoritarian developmental state. Besides, private welfare cannot substitute for public welfare. The goal of public welfare is a welfare regime grounded in universalism and civic rights and supported by social solidarity; in contrast, the household saving, private wealth, and private insurance that can be regarded as the foundation of private decommodification are private matters that have no direct relation to social solidarity or civic rights. Of course, the state can create various institutions by which individuals can accumulate private wealth and can provide institutional and fiscal support for building a system of private decommodification based on the wealth thus accumulated. But even so, privately accumulated wealth cannot substitute for public welfare. While private assets can ultimately play a similar role (as a functional equivalent) to public welfare for some social classes, they can never be a substitute for public welfare. The central flaw that prevents a system of private decommodification from substituting for public welfare is that private wealth alone cannot provide universal protection for social risks. If the private decommodification system had been a universal phenomenon applying to every income bracket, it would not have been so common for people to be refused emergency care, and ultimately die, because they could not pay the hospital fees (Shin, Onhan, 2006: 77).

Moreover, the method of wealth formation was extremely unfair. Wealth

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\(^{19}\) The net personal saving rate, a concept that is identical to the household saving rate, signifies the percentage of disposable income (excluding taxes and interest) that remains after consumption. This can be regarded as the percentage of income that an individual can set aside as a precaution against future risks.
inequality is implied by the very phrase “private decommodification system.” Between 1961 and 1979, the real annual interest rate was just 3.9% (Compilation committee for the Korean economy six decades of growth and development, 2010a), and real wages only rose by 240% (Kim, Tae-il, 1985; Park, Hyun Chae, 1985). Meanwhile, land prices soared, increasing by a factor of 187.3 during the 16 years between 1963 and 1979 (Lee, Jeong Woo, 2003). This means that, even if ordinary workers had managed to save money by spending less, wealth inequality would still have gradually become more severe over time. The only people capable of purchasing assets such as land under the authoritarian developmental state were the tiny fraction of the populace whose earnings outweighed their spending. Private decommodification, therefore, can be described as a very unfair private social security system focused on the select few.

The Public Social Security System: Institutional Characteristics

To all appearances, the two years and seven months between the coup d’état on May 16, 1961, and the transfer from a military to a civilian administration in December 1963 was a time when a large number of social welfare programs were enacted. That was only natural, considering that Park himself had asserted that the coup’s ultimate goal was building a “democratic welfare state”: All our ability must be focused on building a true democratic welfare state,” Park declared upon being appointed chairman of the Supreme Council for National Reconstruction on July 3, 1961 (Supreme Council for National Reconstruction 1973, as quoted by Han, Jun Sung, 2012: 332). On July 28, 1962, Park sent the head of the cabinet written instructions in his capacity as council chairman to “establish a social security system.”

Park’s speech and instructions are apt to be misinterpreted as meaning that the military junta’s desired political system was social democracy. A closer reading of its political rhetoric can help us understand why it instituted so many welfare programs. To be sure, a large number of those programs focused on soldiers or veterans (Nam, Chan Seob, 2008b). But the welfare laws enacted under the junta covered nearly the entire gamut of welfare policy, including public relief under the Livelihood Protection Act, the provision of social services under the Social Welfare Services Act, and industrial accident compensation insurance and national health insurance under the Social Insurance Act. When this legislation is looked at in isolation, it would appear that the authoritarian developmental state is the institutional origin of Korea’s welfare policy. But as I have already mentioned, there was virtually no change in social welfare expenditure as a percentage of GDP despite the numerous new laws. This percentage, which stood at 1.3% in 1962, actually dropped to 0.9% in 1964, after the laws took effect. Aside from 1979, social expenditure as a percentage of GDP never exceeded 2% under the authoritarian developmental state. During this period, the public social security system never surpassed the level of selective decommodification provided to selectively commodified workers. Public welfare merely served to supplement selective commodification in the market. More precisely, public welfare played an even smaller role in the Korean welfare regime of
that time than did the private social security system that depended upon the private wealth of the individual and the family, to say nothing of the market. Bearing in mind these characteristics of public welfare, we will briefly examine the major features of public social welfare policy under the authoritarian developmental state.

Public Relief

With the majority of the population in a state of absolute poverty, the most urgent task for the military junta was providing the public with a steady livelihood. The first law it passed aside from welfare programs for veterans was the Livelihood Protection Act, which can be seen as reflecting the socioeconomic situation of the early 1960s. But the Livelihood Protection Act did not create a new welfare program for vulnerable groups; instead, it merely changed the name of the Joseon Relief Order, which had been enacted in 1944, during the Japanese colonial period. As Table 3 indicates, the categories of people eligible for relief are virtually the same in the Livelihood Protection Act and the Joseon Relief Order. One change was that the Livelihood Protection Act raised the age of children eligible for relief from 13 and below, under the Joseon Relief Order, to under 18 years of age. At the same time, the Livelihood Protection Act omitted the unemployed, who had been covered by welfare order 3C, issued by the American military government.

Table 3. Comparison of beneficiaries of public relief in three periods.

<table>
<thead>
<tr>
<th>Public relief</th>
<th>Eligible groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joseon Relief Order, March 1, 1944</td>
<td>The elderly (65 years and above), children (13 years and below), pregnant and nursing women, and individuals unable to work because of disability, incurable conditions, sickness, or other similar physical or mental conditions</td>
</tr>
<tr>
<td>American military government, Orders No. 3, 3A, 3C, January 12, 1946</td>
<td>No. 3: The elderly (65 years and above, mothers with children 6 years and below, children (13 years and below), people with incurable diseases, women who need help giving birth, and individuals with a physical or mental disability who are not living in a shelter, have no direct family or relatives, and are unable to work; No. 3A: those displaced by disasters and fleeing conflict; No. 3C: the destitute and unemployed</td>
</tr>
<tr>
<td>Livelihood Protection Act, December 30, 1961</td>
<td>The elderly (65 years and above), children (under 18 years), pregnant and nursing mothers, individuals unable to work because of disability, incurable disease, or other similar physical or mental conditions, other individuals that the authorities recognize as needing protection (children under 18, the mothers rearing them, and individuals with no one to look after them)</td>
</tr>
</tbody>
</table>


The Livelihood Protection Act stipulated that legally eligible individuals would receive assistance with their livelihood, medical care, childbirth, and funerals, but in fact, only some of those nominally eligible received aid, in the form of rations of
wheat flour. As of 1965, 3,797,000 people, or 13.5% of the total population, were eligible for aid under the Livelihood Protection Act. But the only ones who actually received any help were 283,000 individuals who were considered incapable of supporting themselves and given 250 grams of wheat flour a day (Jun, Kwang-Hee, 1999; Compilation committee for the Korean health and welfare seven decades of growth and development, 2015). It was only in 1975 that this category was expanded to 330,000 people and their daily ration increased to 300 grams. Poor people who were able to work did not receive any benefits under the Livelihood Protection Act. However, the poor did begin to receive a fuel subsidy in April 1974 and full tuition for children in middle school that September, under Presidential Order No. 9495 (Compilation committee for the Korean economy six decades of growth and development, 2010b).

In 1962, it cost KRW 990 million, or 51% of the total budget of the Ministry of Health and Social Affairs, to implement the Livelihood Protection Act (Compilation committee for the Korean health and welfare seven decades of growth and development, 2015). Between 1961 and 1979, the cost ranged from 46.7% (1975) to 71.9% (1965) of the Ministry’s total budget. The livelihood protection program was the most important welfare policy administered by the Ministry of Health and Social Affairs, which could more accurately have been called the “Ministry of Public Relief.” Until the early 1960s, most public assistance for vulnerable groups was funded by foreign aid. In 1962, for example, foreign aid was behind 93% of the government’s public assistance spending (Shin, Seon Hee, 2015). Livelihood protection surged in the budget of the Ministry of Health and Social Affairs in the mid-1960s, largely because of a sharp decrease in grant aid from overseas. During this period, the livelihood protection program was administered on an ad hoc basis, as the government’s finances permitted. The central government did not even officially appropriate funds for the program until 1969 (Ahn, Sang-Hoon, 2010).

One final point that should be mentioned in connection with the Livelihood Protection Act is that benefits were provided only to those deemed incapable of supporting themselves, which in fact is one of the key characteristics of relief policy in the early modern era. Poor individuals regarded as being capable of working were mobilized for public works projects, such as roads, bridges, embankments, water pipes, and sewers, and paid for their labor (Compilation committee for the Korean health and welfare seven decades of growth and development, 2015). In 1963, these poor workers put a remarkable 26.36 million man-days into such infrastructure projects. At a time when economic development overshadowed all over values, few would have dreamed of advocating civil rights, such as the right to survival. At any rate, this was a time when those who did not work did not eat—which is actually still the case today.

Social Insurance: A Welfare Policy Tailored for the Authoritarian Developmental State?

On November 5, 1963, the Supreme Council for National Reconstruction enacted the Social Security Act, which contained two principles that would define the character of the Korean welfare regime in the 1960s and beyond. The second article
of the act defined social security as follows: “Social security refers to various payments made through social insurance and public relief distributed freely,” while the act’s first article said that “the purpose of this act is to establish a social security system designed to create a decent life for the people and to contribute to the efficient development of that system.” In short, the military junta made clear that the development of the Korean welfare regime would focus on social insurance and public relief. Indeed, the Social Security Act served as a guideline for the welfare regime’s subsequent expansion.

Why did the military junta plan to orient the expansion of the Korean welfare regime on social insurance? The answer can be deduced from the fact that the welfare regime under the authoritarian developmental state was characterized by selective commodification and by the corresponding selective expansion of welfare coverage (Nam, Ji Min, 2009). Article 3, Clause 3, of the Social Security Act states that “social security programs will be conducted as mandated by the law while taking into account the economic circumstances of the state.” In other words, the junta seems to have regarded social insurance as a welfare policy that would not prevent it from achieving its goal of economic development. In fact, the apparent reason the authoritarian developmental state preferred social insurance was because this approach enabled it to expand welfare without massive spending. After all, social insurance programs are funded for the most part by contributions paid by workers and their employers. For example, industrial accident compensation insurance was adopted because it was a program that effectively compensated workers for accidents while minimizing the financial burden on the state (Woo, Myungsook, 2007).

But this sort of explanation is only partially valid. At the time, Korea could not have raised the capital needed for economic development even if it had mobilized all the capital available at home. Moreover, considering that the state controlled the banks and that the majority of the conglomerates’ demand for capital was being met by state-subsidized loans, the question of whether social insurance would be funded by the state or by the corporate sector was a moot point. During the period of economic development, all capital, whether foreign or domestic, was channeled to companies via the state, and the growth of the conglomerates would have been impossible without financial incentives provided by the authoritarian developmental state. Therefore, industrial accident compensation insurance was adopted not because it enabled the state to minimize its fiscal outlay but because the insurance program could be operated without additional spending by either the state or the corporate sector. That explains why industrial accident compensation insurance was limited at its inception to large corporations (those with at least 500 employees). Adopting industrial accident compensation insurance was unlikely to increase those companies’ financial burden because they were already paying compensation for industrial accidents under the Labor Standards Act.

This point becomes clearer when we consider why industrial accident compensation insurance was adopted fully while national health insurance was adopted only nominally, on a voluntary basis. It might seem strange that national health insurance was ignored, since even compulsory enrollment would not have placed a heavier fiscal burden on the state. The state need only have covered the relatively low management and operation costs, with workers and employers covering most of the cost of actual medical care. Nevertheless, national health
insurance was not instituted because it was obvious that doing so would increase the financial burden of both workers and employers. This burden was the precise reason that the business community opposed compulsory health insurance (Shin, Onhan, 2006), and the military junta deferred to the business community because it agreed with its assessment. During the initial period of economic development, the authoritarian developmental state restricted all expenditures that were not directly related to development, the cause to which it wanted all resources devoted. As far as the authoritarian state was concerned, even funds that ostensibly belonged to companies that were fully subordinated as junior partners to its pursuit of economic development were not available for private use but had to be invested in economic development. That is also why compulsory health insurance was not launched until the late 1970s, to address growing problems caused by rapid economic growth. Since the export-oriented conglomerates were already subsidizing 50% of their workers' medical costs by the late 1970s, compulsory health insurance entailed few additional costs for them (Kang, Myong Sei, 2006). There were other reasons that companies had no reason to oppose compulsory health insurance by the late 1970s. First, they were able to receive tax deductions on their health insurance contributions, and second, health insurance was administered collectively inside companies, which both bolstered corporate loyalty and provided companies with a reserve fund that could be used for investing.

**Social Services**

Social services under the authoritarian developmental state had two major characteristics: they were residual in nature, focused on vulnerable groups, and their delivery system was oriented on the private sector. These characteristics had taken shape and become entrenched over the course of the Japanese colonial occupation, the American military government, and the presidency of Syngman Rhee. They were perpetuated by the Social Welfare Services Act, which was enacted on January 1, 1970, to give the government management and oversight of residual social services provided by welfare facilities in the private sector. The act effectively empowered the state to regulate the establishment and operation of private-sector social welfare facilities, through issuing licenses for incorporating organizations and running facilities, and to minimize its fiscal responsibility, aside from the costs entailed by management and oversight. Article 13 of the act, which concerns subsidies, authorized the central government and local governmental bodies to subsidize welfare organizations and facilities but did not require the state to assume any fiscal responsibility for private-sector facilities providing social services to vulnerable groups on its behalf. The objective of the Social Welfare Services Act, therefore, was to put formal legal trappings on the hitherto customary system of delivering social services—a system in which, as already mentioned, the private sector provided the services and the state managed and supervised those services without taking any responsibility for funding them. Through this act, private-sector social welfare facilities were made the “proxies and cooperative subjects of the public sector” (Lee, Hye-Kyung, 1998). We should bear in mind, however, that while the private sector filled in for the state as its subordinate proxy and cooperative subject, it lacked
Why exactly did the authoritarian state seek to pass legislation formalizing its relationship with the private sector vis-à-vis the provision of social services to vulnerable groups in 1970? Broadly speaking, there appear to have been two reasons. For one, social services were being provided in accordance with laws enacted since the 1961 coup (including the Livelihood Protection Act, Child Welfare Act, and Prevention of Prostitution Act), so the state needed to systematically manage the operation and provision of those social services (Lee, Hye-Kyung, 1998; Lee, Sang Yong, 2003). Another reason appears to have been the need to oversee and manage public spending on social welfare facilities, which was growing as aid from abroad fell in the 1960s (Nam, Chan Seob, 2008a; Lee, Sang Yong, 2003). The top priority for the authoritarian regime was economic development, and it apparently was neither able nor willing to spend public resources on social services for vulnerable groups to replace shrinking foreign aid. The government’s position was made clear in the messages of gratitude read on behalf of the president at workshops held by the Korea Association of Voluntary Agencies (KAVA) in 1965 and 1967. Park explained that the government’s defense spending kept it from providing public services and that therefore the assistance of foreign aid organizations remained necessary for providing welfare services to vulnerable groups (Choi, Won-Gyu, 1996). When Vice Minister of Health and Social Affairs Kim Do-uk appeared before the National Assembly’s Health and Social Affairs Committee to address the question of enacting the Social Welfare Services Act, he said that neither the central government nor local governments could afford to offset the decrease in foreign aid, which had once amounted to nearly KRW 10 billion a year (Shim, Jaejin, 2011). What is clear is that the Social Welfare Services Act was enacted so that the shortfall in funding for private-sector welfare facilities resulting from the decrease in foreign aid could be resolved through private-sector fundraising. Article 24 of the act (“joint fundraisers for social welfare”) authorized private-sector organizations to solicit donations to cover their operating funds, while Article 17 permitted them to run for-profit businesses. One final point to note about the Social Welfare Services Act is that it limited state support and management to incorporated organizations and facilities, pushing private-sector welfare facilities that were too small to be officially registered into a legal gray area. Thus, the issue of unregistered facilities, which continued to cause problems until the 2000s, effectively dates back to a law enacted in 1970 (Nam, Chan Seob, 2008a).

One significant change in the area of individual social services was that, through the adoption of the Child Welfare Act, the nature of child welfare services began to shift from poor relief to childcare services (Compilation committee for the Korean health and welfare seven decades of growth and development, 2015). In 1978, the childcare services that had previously been provided only to children in vulnerable groups started to be made available to ordinary children through a plan to improve the operation of daycare facilities, which was announced on April 23 of that year. In the 1960s and 1970s, Korea’s policy was to only provide social services on a residual basis to vulnerable groups. The actual provision of these services continued to be handled not by the state but by the private sector. The principle of limiting the state’s involvement in welfare policy that was not directly connected to the reproduction of the workforce on behalf of economic development (an important characteristic of welfare policy in the East Asian authoritarian developmental state) is also observed.
in social service policy. In social services, however, selective decommodification had two characteristics that were at odds with an income security policy. First, this system selected members of vulnerable groups who could not receive help from family members, in contrast with the decommodification of people who had already been selected by the labor market seen in income security policy. Second, social welfare services designed solely for vulnerable groups were separated from social services such as education and medical care that were directly connected to the reproduction of the workforce.

Conclusion and Implications

This study examined how the Korean welfare regime changed during the most controversial phase of the country’s recent history. Viewed in political terms, this was the period in which limited democracy gave way to the authoritarian Yushin regime, motivating the conservative opposition, the student movement, and out-of-power politicians to form a coalition against the dictatorship. Economically speaking, the focus of the economic structure was shifting from light industry to heavy industry, enabling the working class to develop a class consciousness, though their struggles were limited to economic goals. The welfare regime changed in accordance with the needs of export-oriented economic growth. When industrialization began in the mid-1960s, with a focus on light industry, a large portion of underutilized labor in rural areas was absorbed and commodified, creating an opportunity for Korean society to escape from absolute poverty. However, the public decommodification (that is, the social security system) that corresponded to the commodification of labor was only realized in a few areas and only made available to a small segment of the workforce. In fact, the decommodification system was limited to areas that were directly connected to the reproduction of the workforce, and even then, eligibility was extremely limited because workers could be replaced by the idle labor so commonly found in the countryside. Compulsory health insurance was rejected because of the financial burden on corporations, but industrial accident compensation insurance was implemented at large companies. When the Korean economy began to reoriented from light industry to heavy industry in the 1970s, commodified labor began to shift from low-skilled female workers to skilled male workers. That is also when the labor market started to take on a dual structure, dividing workers employed at export-oriented conglomerates from workers employed at SMEs catering to the domestic market. The result was that the programs of public decommodification, which supported the reproduction of the workforce by managing social risks, were generally instituted at large workplaces.

What then were the characteristics of the welfare regime of the authoritarian government that was in power through the 1960s and 1970s? There is no simple answer to that question because the welfare regime of the authoritarian developmental state was not a single fixed entity but rather a construct that evolved along with political and economic changes in Korean society. But in the sense that the authoritarian developmental state managed to mitigate poverty and inequality through economic growth, its welfare regime can be ultimately regarded as having
been a functional equivalent of the Western welfare state. In the second round of selective commodification carried out during this period, the round focusing on heavy industry, the middle and upper classes created a system of private decommodification through private insurance, personal saving, and real estate (houses). It was during this period that families (in some classes) gained the ability to take responsibility for their own welfare. While the public social security system (including social insurance and public relief, both for livelihood and health care) is generally regarded as the primary decommodification policy in the welfare state, it played a supplementary role to the systems of selective commodification and private decommodification during this period in Korea.

In terms of the welfare regime, moreover, the current Korean system, in which the absolute majority of irregular workers and most of the self-employed are excluded from public social insurance, is seen to originate in the two rounds of selective commodification carried out by the authoritarian developmental state to promote export-oriented economic growth at the conglomerates. Furthermore, the fact that the public social security system serves to supplement the commodification of labor and private decommodification (represented by personal saving and private insurance) can be fundamentally regarded as a legacy of the authoritarian developmental state’s efforts to manage citizens’ social risks through private decommodification and commodification in the labor market.

In the end, the welfare regime built by the anti-Communist authoritarian developmental state functions to block efforts to move toward a welfare state that would free individual citizens from their private interests and provide universal public welfare based on social solidarity. Rather than creating the social conditions for expanding public welfare, economic development has exacerbated inequality between the classes and become an obstacle to expanding public welfare. That is also why the welfare paradigm of Park Chung-hee and his authoritarian developmental state produces numerous social problems in an era where rapid economic growth is no longer feasible. Based on the results of this analysis, we can conclude that the Park era was the origin of fundamental problems with the Korean welfare regime, including sweeping loopholes, weak public social security, and a strong private sector. While selective commodification under the authoritarian developmental state raised many people out of absolute poverty, it also expanded inequality and defined welfare not as the product of collective solidarity but as a private good that the individual accumulates through competition. What this means is that, if Korean society seeks to address the problems facing its current welfare regime, it must start by dismantling the legacy of the authoritarian developmental state built during the Park era. That will be a challenging task indeed, since it will force Korean society to repudiate the economic development that is its most cherished success.

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