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KOREA HUMAN DEVELOPMENT REPORT 1998

# KOREA



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# DEVELOPMENT

# REPORT 1998

Korea Institute for Health and Social Affairs

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**REPORT 1998**



# Preface

Improvements in people's well-being and quality of life should be the target of socio-economic development. In other words, the objective of development should be to create an environment that enables people to live long and healthy lives; an environment that promotes human capital and supports a decent standard of living, through a basic level of income, education, better health care, shelter, and nutrition.

Economic development is a means of achieving this objective. Development is not pursued for economic success alone. The fruits of economic growth and development must be transferred into the quality of life and well-being of the people.

Since the 1960s, the primary strategy of Korea's social development has been to eliminate absolute poverty through sustained and rapid economic growth. During the past three decades, the Korean economy has made great strides, with significant progress in the area of social development. Economic development has created job opportunities for the poor and has helped many unemployed and underemployed persons escape poverty.

However, enormous challenges in human development still remain. In terms of quality of life, Korea apparently still lags far behind in comparison to other developed countries. For example, as yet there are still many people living in relative poverty and strong discrimination against women still exists in Korean society. There is serious environmental degradation of land, water and air, largely

due to rapid industrialization. Also, various social safety net programs have been established to improve social equality, such as the social insurance system and public assistance programs. However, our social safety net is deemed inadequate to cope with the rapidly increasing needs of the people for social protection. These are some of the problem areas that should be dealt with in order to obtain a balance between economic and social development and to improve the overall quality of human development.

The publication of this report is an important step in attempting to build a unique people-centered and sustainable Korean human development model capable of guiding future policy directions in a way that deals with the changing economic, social and political conditions as we prepare to enter the 21st century.

This report will provide us with valuable guidance for developing practical strategies on human development policies and programmes, and will provide policy-makers and programme managers with new approaches to address the problems we are facing today in the area of human development.

This is the first time ever that a National Human Development Report for Korea (NHDR) has been prepared. The implementing agency responsible for the production of this report is the Korea Institute for Health and Social Affairs (KIHASA).

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authority. It undertakes research in the health services and social welfare fields. Since its establishment by the Korean government in 1971, KIHASA has made significant contributions to policy-oriented research in compliance with the government's requests and Korea's socio-economic development needs.

This report is co-financed by both KIHASA and the UNDP. The UNDP, through its country office in Seoul, has long been a close partner in Korea's governmental and non-governmental endeavors in the social development field. I would like to express my gratitude to the UNDP Resident Representative in Seoul, Mr. Somsey

Norindr.

I hope that this report will be useful not only to the Korean government in its attempt to globalize the Korean welfare system, but also to those outside of the Korean government who may be interested in the current developments taking place within the welfare system. This report may also prove to be valuable to policy planners in other countries who are likewise trying to develop a new welfare service paradigm.

Kyungbae Chung, Ph.D.  
President  
KIHASA

## Foreword

The human development perspective has provided an alternative to the view of development equated exclusively with economic growth. It sees economic growth not as an end in itself but as one of the means to achieve human development. The human development reports stressed that development must go beyond the aim of enlarging peoples' incomes and concentrate on expanding peoples' choices regarding their education, health, political freedom, cultural diversity and a myriad of other factors affecting human well-being.

The national reports bring human development concerns into the limelight, advocating a more people-centered approach to policy-making. They fill an important niche within the policy dialogue among development partners, complementing other government-led planning as well as civil society initiatives. National Human Development Reports (NHDRs) can be an effective tool for governments, civil society organizations, political representatives and academics in their joint effort to promote human development. It can bring people together and help build consensus. The reports offer an in-depth, focused perspective on national circumstances and country-specific strategies for advancing human development.

The NHDRs have covered various aspects of sustainable human development - which is the principal mandate for UNDP. The NHDR on the Republic of Korea (ROK), being the first human development report, provides considerable information on the various aspects and general profile of the

state of human development in the ROK. Since the NHDR is a country-level initiative based on the UNDP Global HDR, it provides a statistical basis for international comparisons in addition to enabling national policy makers to make timely formulation and implementation of national policy for overall human development activities in the ROK.

The publication of this first NHDR for the ROK is an important step in establishing a baseline for discussing in some detail a wide spectrum of human development issues, including economic growth and social development, health and population control, education and gender equity. The report provides valuable insights into the ROK experience on the alleviation of poverty and improvement in quality of life; it shows that even though the ROK has achieved a phenomenal rate of economic growth over the past three decades or so, the quality of life has not kept pace with the growth, leaving much room for improvement in many aspects of the peoples' lives. For instance, there are still many people living in relative poverty below acceptable living standards; there still exists strong discrimination against women and other disadvantaged groups in Korean society; there is serious environmental degradation of land, water and air, largely due to rapid industrialization and a fast growing consumption society. These are some of the problem areas that should be dealt with in order to obtain a balance between economic and social development and to improve the overall quality of human development for the people. The report ends

with a note stating that the ROK must prepare to lay the foundation of a welfare nation, one in which economic, social and cultural welfare are fused so as to attain sustainable economic growth, while at the same time provide the means for everyone to lead a stable and comfortable life at a higher material and spiritual level.

Finally the report recommends that the ROK needs to establish a new paradigm of a win-win, long-term national development strategy, which strengthens the social safety net by improving distribution of wealth and devising social protection programmes that suit the Korean context, given the current financial/economic crisis in the country.

The UNDP, through its offices in Seoul, has long been a close partner in Korea's governmental and non-governmental endeavours in the economic and social-development fields. This NHDR has jointly been prepared and funded by UNDP and the ROK Government. The Korea Institute for Health and Social Affairs (KIHASA), a national institute specializing in research and policy development in the fields of public

health, population and welfare under the sponsorship of the Ministry of Public and Welfare, is the implementing agency for the production of the first NHDR for the ROK.

We would like to thank Dr. Kyung-bae Chung, the President of the Korea Institute for Health and Social Affairs (KIHASA), for sharing his keen interest and providing support for this first NHDR on Korea and for co-organizing the Asia and Pacific NHDRs Regional Workshop this Summer in Seoul. The efforts made by NHDR research team at KIHASA, led by Dr. Byungsik Yoon in close cooperation with UNDP Seoul Office, are most commendable.

This first NHDR will hopefully contribute to paving the way for the advancement of human development and the development practice of "People Matters" in ROK.

October, 1998

Somsey Norindr

Resident Representative, UNDP, Rep. of Korea

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#### SUMMARY

# Summary of the Korean NHDR

## I. Introduction

Based on the much limited economy-centred development paradigm, the United Nations Development Programme (UNDP) initiated the Human Development Report in 1990, in which they attempted to introduce a new people-centred development perspective. In this report, 'human development' is defined as the process of widening people's choices, a context in which people's choices define every aspect of human life - economic, social, cultural and political.

The concept of human development is different from the conventional concept of economic development, human resource development or human welfare. In the human development approach, income is the sole determinant for improving the quality of people's lives. However, many countries have experienced the fact that growth of income does not automatically improve the general quality of living. Human Development Reports show that the correlation between economic growth and the level of human development is weak.

Korea has been cited as a successful case in achieving human as well as economic development. Rapid economic growth over the past three decades has transformed the country from one of the lowest ranked to an upper-middle income country. In the thirty-five years between 1960 and 1995, the economy expanded at an average annual rate of nearly 9 percent. The Korean economy has grown to be an advanced developing economy while the focal point of industrial structure has shifted from agriculture to manufacturing and then to service sectors during this

period.

However, in terms of quality of life, Korea apparently still lags far behind in comparison to other developed countries. Despite its series of economic successes, many people are still struggling to secure a basic livelihood. With the onset of the 1990s, the Korean people and government realised the need to change their development strategy, gearing towards a more people-centred and quality-oriented one from the previous economy-centred and quantity-oriented one.

Based upon the human development perspective, this national report on Korea is intended to review the current status and the process of human development during the past thirty-five years, dating back to the start of all-out industrialisation in the early 1960s. This is the first attempt of its kind in Korea, one that presents a broad view of the development process while analysing human development policies.

## II. Economic Growth and Social Development

Since the early 1960s, the Korean economy has experienced exceptional growth. Even during the 1974-1975 world-wide recession after the first oil crisis, Korea managed to sustain a relatively high rate of 6 to 8 percent real GNP growth. The country's per capita GNP, which had grown only 1 percent a year prior to 1962, also soared. Per capita GNP in 1990 constant prices rose about 8.9 times, from U.S. \$938 in 1962 to \$8,354 in 1996. This sharp increase in per capita GNP was attributed to the rapid



growth of production, although it has also been facilitated by the gradual decline in the population growth rate from about 2.5 percent in the 1960s to less than 1 percent in recent years.

Although Korea lacks economically essential natural resources, these limited conditions underline the significant role of the nation's abundant human resources in economic development over the last three decades. Although the growth rate of total population gradually decelerated from 2.4 percent a year between 1963 and 1970 to less than 1 percent in the first half of the 1990s, the working age population increased at a much higher rate than the total population over the entire period.

In the 1980s, the issues of social welfare also received increasing attention as the discontent of the underprivileged grew with accelerated urban-rural, interclass and regional income disparities accompanied by rapid industrialisation, which deepened social conflicts and emerged as a major bottleneck to further development. Accordingly, the government's commitment toward social development was reflected in the Fifth Five-Year Economic and Social Development Plan (1982-1986). The Fifth Plan clearly outlined their concept of social development by stating its objectives as "to cope efficiently with the rising demands of Korean citizens for social welfare".

Under the subsequent Seventh Five-Year Plan (1992-1996), the government enacted various policy measures and programmes to improve social welfare and the quality of life. The Seventh Plan outlines major policy objectives, such as strengthening the international competitiveness of various industrial sectors, promoting balanced development, liberalising and internationalising the economy, and laying the foundation for national unification.

The social welfare budget of the central government for 1994 was equal to 1.9 percent of the nation's GNP, and international data indicate that the nation's social welfare expenditure is comparatively lower than the

average of other countries. Statistics further indicate that central and local government spending on welfare and the participation of private sectors in social welfare are relatively lower than those of advanced countries. In order to eliminate the disparity in expenditures for social security, additional investment in the area of social welfare will be necessary.

### III. Poverty and Income Distribution

Economic growth did create many job opportunities, which did in turn lead to the significant alleviation of poverty. The alleviation of absolute poverty in Korea can largely be accredited to labour-intensive industrialisation. The main determinant of reduced absolute poverty was the expansion of employment opportunities boosted by rapid economic growth. Therefore, the government must continue to stabilise the employment rate by maintaining optimal economic growth to prevent absolute poverty.

On the other hand, no substantial improvement has been observed in terms of relative poverty during the past two decades. When the relative poverty threshold is defined as 40 percent of average household income, the relative poverty ratio has increased rather than decreased over the past two decades. Since 1982, poverty ratios and Gini coefficients have fluctuated within a relatively narrow range, falling in 1992, then holding steady with only slight changes until 1995.

To guarantee a minimum standard of living to those who could not sustain basic living without support, the Livelihood Protection Act was enacted in 1982 as an Anti-Poverty System. The types of support consist of livelihood aid, medical aid, self-support aid, education aid, maternity aid and burial aid. This assistance is classified into three categories: home care, institutional care and self-support care. In addition, Cash Benefit Assistance is provided to two types of the extremely poor, those in public facilities and those in private homes.

Recently, the budget aimed at improving the quality of life as well as anti-poverty programmes has drastically increased. While the Livelihood Protection Act directly assists the poor through cash allowances so they can meet their basic necessities, they are also indirectly supported by programmes that improve their ability to earn a higher income.

Indirect programmes provide support through vocational training and capital loans. The poor receive vocational training to improve their skills, which subsequently helps them to emerge from poverty. The government subsidises tuition and living expenses during the training period, in addition to covering expenses for training preparation and job-searching. Apart from training, the poor can receive loans for small businesses and housing rentals at low interest rates with a long-term repayment period.

Moreover, Poverty-related issues such as social inequality, gender discrimination, problems in urban and rural areas, and environmental hazards need to be dealt with multi-dimensionally. Social inequality accompanies poverty, because disadvantaged people do not have equal access to social resources by which they can advance their social well-being. As a preventive measure, the Korean government provides four major social insurance programmes - medical insurance, the national pension system, industrial accident insurance, and employment insurance. We need to go further and remove the political, legal, economic, and social barriers that exacerbate social inequality. Additionally, policies intended for distributing social wealth and income more equally must be implemented, and structural obstacles that keep the poor emerging from poverty must be removed.

### IV. Health and Population Control

Rapid demographic changes, particularly the dramatic decrease in fertility, have been the most important aspects of Korea's development process. The total fertility rate

dropped from 6.0 in 1960 to 1.75 in 1993, far below the replacement level.

In 1962, the Korean government introduced its family planning programme as part of its Five-Year Economic Development Plan. Since the early 1960s, this programme has been linked to the "Saemaul Undong" (New Community Movement). Concomitant with socio-economic development and the successful implementation of the national family planning programme, there has been an enormous decline in the nation's fertility level and population growth rate since 1962.

Health is an end as well as a means of development and constitutes an essential element of human capital. Improvements in the overall health status are a necessary condition for continuous development. The general health status of Koreans has greatly improved in the past three decades, along with economic development. Life expectancy at birth for females increased from 53.7 years in 1960 to 77.4 in 1995, representing a 23.7 year extension of life expectancy in 35 years.

In contrast, the increase in male life expectancy at birth was far less than that of females during the same period, with the life expectancy of males at birth rising by 18.4 years, from 51.1 to 69.5. One can infer from the gender gap that the reason for the shorter lifespan of men in this country resides in the circumstances of men's economic participation and their related health practices. Insecure and stressful work environments, together with poor health habits, are responsible for the high risk of death among economically active men.

The infant mortality rate is another important component of the level of life expectancy and a key determinant of the reproductive health status of women of child-bearing age. The major causes of infant death have been congenital malformation and certain conditions that originate during the prenatal period. However, reproductive health has greatly improved as more women are giving birth in hospitals. Another problematic issue concerning reproductive health

is induced abortion.

Although the life expectancy at birth is longer for women than for men, women are prone to become sick more frequently and for longer periods than men. The highest morbidity rates have been found among women in their fifties and older. The prevalence of chronic diseases has also been higher among women than men. Several reasons for this higher morbidity rate can be identified. First of all, women are more at risk than men, due to their frequent contact with young children and emotional distress. The patriarchal family culture deeply rooted in Confucianism seems to worsen the inferior health environment of women.

Korea's health care system depends primarily on the private sector. In 1996, private clinics and hospitals comprised more than 91 percent of all medical facilities with 91 percent of all beds, and employed 88.8 percent of all physicians. The private sector-centred health care system is conducive to a vast disparity in the distribution of health resources between urban and rural areas.

To overcome the problem of unequal distribution of medical resources, the government has continuously tried to replenish the supply of medical manpower and facilities in rural areas. The government has also expanded primary health facilities and outfitted them with modern medical equipment in an effort to improve health services for people in rural areas. In 1981, the Special Law for Primary Health Care in Rural and Fishery Areas was enacted; as of 1995, some 2,039 Primary Health Care Posts (PHPs) had been established in rural and fishery areas with more than 500 inhabitants.

In 1977, Korea initiated a compulsory health insurance scheme with limited coverage of less than 10 percent of the population. In the beginning, this scheme covered employers with 500 or more workers. On a voluntary basis, this scheme was also open to firms employing less than 500 workers. In 1988, the scheme was extended to self-employed farmers and fishermen who were not covered before, and became available to

everyone in 1989. In other words, while only 10.5 percent of the population had medical insurance in 1978, over 97.9 percent of the population was covered in 1996.

The development of the health insurance plan has contributed significantly to increasing accessibility to health care services. The most prominent characteristic of the health insurance system is that the bulk of financing is raised from private sources via premiums, copayments and deductibles, rather than from public funds. Under the fee-for-service system, all service charges are reimbursed according to a fee schedule set by the government. However, this system is linked to a problem of over-treatment by physicians and the deterioration of health care quality. Thus, an extensive table of reimbursement services and a gradual reduction of patient copayments has been suggested.

## V. Education

Korea's strategy for obtaining economic development began generating a sufficient pool of low-cost but well-educated workers in as short a time as possible, by assigning top priority to an education policy that provided primary and secondary education for everyone. As a result, Korea was able to achieve primary-school universal education as early as the mid-1960s, by the late 1970s for middle schools, and by the mid-1990s for high schools. By 1996, the colleg-level enrolment rate reached 61.8 percent. This rapid expansion of education could not be possible without the strong demand for education among Koreans, as well as the government's firm commitment to universal education as a precondition for development.

Yet in many developing countries, expansion of the educational system has not necessarily brought about economic growth; instead there has been an increase in the number of educated unemployed, resulting in social problems. In contrast, education has been expanded in close coordination with economic development in Korea, mainly due to two closely-related factors: a low educa-

tional cost per student and less government share of the educational burden. The unit cost of education has remained relatively low in Korea due to over-crowded classrooms and low wages for teachers.

The government's share of spending on education in Korea is less than other developing countries. GDP proportion of spending on public education has held steady at only 5 percent, while over the past three decades its ratio to total government expenditures has been less than 15 percent. This minimal government share of the educational burden has been substituted by a great willingness among parents to make outstanding financial sacrifices for their children's education. It is astonishing that as much as 10 percent of household consumption has been set aside for the education of children in both urban and rural area. In spite of the high enrolment rate, however, the quality of education has yet to be improved. This fact is especially evident in such indicators as the ratio of students per class or students per teacher, double-shift classes, and school facilities.

One of the objectives of education is to provide labour markets with workers equipped with the required knowledge and skills. The employment rate of graduates is a representative indicator of the effectiveness of Korea's education. In comparison to the low employment rate of high school graduates, that of college and university graduates is on record as being higher than 60 percent. The strong desire to pursue higher education is due to the fact that higher education guarantees better jobs and a secure life after graduation.

The overwhelming financial burden shared by the private sector, including the families of students, is another social problem that needs to be solved. At the beginning of the 1990s, the physical environment of primary and secondary education was enhanced with the rapid decline of the school-aged population. On the other hand, the financial burden on households for educating their children increased constantly in

both urban and rural areas. Government educational policies have failed to cope with these problems effectively. The increase in the government's education budget is one of the many solutions for such problems in the short run. However, since the fundamental cause lies in the enormous disparity between college graduates and non-graduates in economic, social, and political participation, a long-term solution in creating an equitable society with respect to educational disparities must be arrived at.

## VI. Gender Equality

Although Korea ranks high in the Human Development Index, the social, economic and political participation of Korean women is still among the lowest in the world. This is basically due to discrimination against women, which stems from a deeply-rooted, Confucian male-oriented cultural tradition and a patriarchal family system. Economic development has improved the relative status of women in terms of developing their abilities and skills in the areas of health and education; nevertheless, social, economic and political participation among educated women has remained stagnant up until recent years.

Surprisingly, the gender gap concerning the enrolment rate in higher education has been increasing over the past three decades, along with the rapid increase in the average enrolment rate for men. The gender gap for the enrolment rate in higher education increased from 8.9 percent in 1966 to 32.5 percent in 1996. As a result, both formal and informal education should be expanded to accommodate goals that guarantee the participation of women on an equal basis with men in economic activities as well as in civic and public affairs.

Despite the low status of women, their participation in economic activities has substantially increased over the past three decades. During the early stage of economic development, a large number of young female workers held jobs that required a

minimum amount of skills such as in export-oriented, labour-intensive manufacturing industries. In addition, by 1996 almost half of all women aged 15 and over participated in economic activities, comprising 40.4 percent of the economically active population.

However, the economic participation of women of child bearing and rearing ages remained unchanged due to two underlying factors. The first was discrimination against women in the workplace, an instance of which is the widespread assumption that all women leave the workforce permanently once they are married. The other factor is due to limited institutional preparation for alternative child caring. Therefore, working women are most likely to be less educated or raised in families under economic hardship. Working women are relegated to the lowest paying jobs, limited in their job tenure and mobility, and receive lower wages compared to men, with the average wage for women being only 59.9 percent of that of men in 1995.

Female workers in the labour market constantly face sexual discrimination, such as restrictive recruitment practices, limited opportunities for promotion, unstable employment and wage gaps between sexes. Although discrimination against working women still exists, these women have been slowly climbing the corporate ladder. In all aspects of women's economic activities, progress is slow but consistent.

Attitudes toward female employment became more favourable among both women and men, particularly in the early 1990s. The government's aggressive implementation of policies focused on providing childrearing support helped substantially. The government's budget for childrearing facilities increased 5.7 times from 41.9 billion won in 1991 to 237.9 billion won in 1996. During the five years between 1991 and 1996, massive investments expanded the number of childcare facilities and children by 2.7 and 3.8 times, respectively.

An informal solution for increasing the husband's share of homemaking is consid-

ered impossible to achieve in a short period of time. Thus more childcare facilities are being prepared to stimulate the participation of married women in the workforce since childcare is the foremost barrier.

Politics were the area most closed to women's participation up until the 1990s. Even though the 1948 Constitution guaranteed equality of the sexes in all political activities, the actual participation of women is extremely minimal. In the 1996 elections for the National Assembly, only 2.6 percent of the candidates were women. Only 2 women were elected through direct elections for 253 seats, while women were appointed to 7 out of 46 positions under the proportional representation system.

Besides the exclusion of women in the formulation of laws and policies, neither have they been involved in public policy-making or in its implementation process. In the executive branch, 91 percent of women are concentrated in the lower levels of grade seven or below, while only 4.2 percent are in the upper levels of grade five or higher. In order to boost the small number of women occupying civil positions, the government introduced a quota system for female civil servants in 1996. According to the plan, the proportion of women who pass the Higher Civil Service Examinations is projected to increase to 20 percent by the year 2000.

As the 1990s got underway, the scant representation of women in social and political activities began to be taken seriously by Korean society. Together with this heightened awareness of the status of women as government policies began to gear towards expanding women's participation in the economy and politics, expectations are that this process will be accelerated.

## VII. The Environment

Korea is now paying the price of its neglect of environmental quality. Evidence shows that serious environmental problems are not only lowering the quality of life of Koreans but also jeopardising future eco-

nomical growth itself. Environmental conservation has become a major social concern in Korea, and will continue to be so. The complexity of the country's environmental issues is a result of various factors: serious pollution in major industrial complexes, high ozone concentrations, the collection and treatment problem regarding solid waste, sewage treatment in metropolitan areas, and the strong demand for the development of ecologically-valuable areas, to name a few.

Moreover, beginning in the early 1990s the local autonomy system has had different effects on the environment. While some local governments are giving more attention to environmental protection than ever before, others are still emphasising regional economic development by sacrificing environmental quality. Serious environmental disputes between local governments and the attitude of not-in-my-backyard (NIMBY) has become another rising issue. The globalisation of environmental issues and problems is a major challenge in Korea. Deterioration of the global ecosystem due to climatic changes, ozone depletion, desertification and deforestation requires close international cooperation. Furthermore, transboundary pollution problems such as acid rain necessitates close regional cooperation with neighbouring countries.

In order to cope with rising environmental problems and to satisfy the peoples' desire for a clean environment, Korea needs a new administrative system and effective environmental policies that can mobilise the resources and energy of all social sectors. We can say that environment policy and regulation in Korea began with the enactment of the Environmental Conservation Act in 1977. This Act was replaced by the Basic Environment Policy Act, with four new acts introduced in 1990: the Air Quality Preservation Act, the Water Quality Preservation Act, the Noise and Vibration Control Act, and the Toxic Chemical Control Act.

In preparation for the 21st century, or the so-called Century of the Environment,

Green Vision 21 was formed in 1995 for the sole purpose of providing advanced environmental administrative services and creating a national consensus for environmental protection. This Green Vision 21 presents a comprehensive set of water management goals as well as quantitative objectives. At the most general level, its aims are to provide safe water in sufficient quantities and to make rivers, even small rivers near cities, suitable for fish.

Beyond this general aim, 11 sets of more specific objectives are defined, ranging from quality objectives for water supply sources to hookup rates for sewage treatment, including strengthened co-ordination of national water management policies. Green Vision 21 will also strive for substantial smog reduction in large cities and industrial complexes to improve the overall quality of air, with a timetable stipulated for the gradual strengthening of standards for ambient air quality and diesel exhaust emissions, as well as for fuel specifications.

The National Comprehensive Waste Management Plan, drafted in 1993 and revised in 1996 to cover 1996-2001, addresses all stages of the waste hierarchy. With the aim of full implementation of the polluter pays principle by 2001, it proposes to stimulate the recycling industry through taxation and governmental procurement policies. The Master Plan for the Preservation of the Natural Environment (1994-2003) seeks to strike a balance between preservation and development and to maintain diverse and balanced natural ecosystems. Its long-term objectives include the restoration of damaged natural ecosystems, with short-term objectives directed toward achieving an efficient preservation policy, extending green areas and strengthening wildlife protection.

## VIII. Conclusions

The international and domestic environments in Korea are now experiencing a wave of changes as the world moves into the 21st century. The vision of Korean society in the

forthcoming 21st century is of a productive and mature society with a high quality of life. Based on the prospective vision of the 21st century, the establishment of a new paradigm of national development is needed. This paradigm should improve the level of welfare and the quality of life of our communities, as well as strengthening the nation's competitive power.

In the process of furthering national advancement, the aims of government policies should be transformed from development strategies partially focused on quantitative growth into well-balanced development strategies for improving the quality of life for all people. To realise this goal, the current quantity-oriented value system should be

exchanged for a quality-oriented value system. Also, each economic entity should be characterised by an ethical civil service, a code of conduct for entrepreneurship, diligent workers and thrifty people. Based these foundations, our country can be rebuilt under coexisting market principles.

In conclusion, we need to establish a new paradigm of the long-term national development strategy, one that strengthens the social safety net by improving distribution of wealth and social welfare programmes. Also, strategies should strive to promote health, restore the environment, achieve cultural advancement, and at the same time accomplish economic growth.

The well-being of people should be the target of socio-economic development. The basic objective of development is to create an environment enabling people to enjoy long, healthy and creative lives. Economic development is a means of achieving this objective. The Gross National Product per capita, the representative indicator of development, falls far short of being an adequate indicator for the purpose of monitoring a nation with respect to this objective. Based on this criticism of the economy-centred development paradigm, the United Nations Development Plan (UNDP) initiated the Human Development Report in 1990, an attempt to introduce a new people-centred development perspective.

The basic difference between economic growth and human development is that the former focuses exclusively on the expansion of only one choice --income or product, while the latter embraces the enlargement of all human choices --whether economic, social, cultural or political. In many cases, income expansion may fail to increase human options. Many human choices extend far beyond economic well-being. Knowledge, health, a clean physical environment, political freedom and the simple pleasures of life are substantially dependent on income. However, when surveying many countries in the world, we find there is no automatic link between expanding income and expanding human choices. A link between economic growth and human lives has to be created consciously through deliberate policy. In other words, the quality of growth is as important as the quantity. Mahbub ul Haq (1995), the originator of

the human development paradigm, argued that 'people' should be moved to centre stage in development planning. Development is analysed and understood in terms of people. The touch stone of the success of development policies becomes the betterment of people's lives, not just the expansion of production processes. Starting with this perspective, in the annual publication of the Human Development Report by the UNDP, human development is measured not only by income but also by a more comprehensive index called the Human Development Index. The procedure is a composite measure reflecting the many dimensions of human choices, which mainly consists of income, health, and education.

The Human Development Index has continued to be improved over the years since its introduction in 1990. The Income-distribution-adjusted Human Development Index, Human Freedom Index, Gender-equity-adjusted Human Development Index, Gender Empowerment Measure, and Human Poverty Index are the result of such continued efforts. Accordingly, the Human Development Report has heightened its reputation worldwide through its effectiveness in monitoring the development of a country from a human-centred perspective.

Even though the index has much room for improvement, as a means of monitoring the improvement of quality of life the report has been an important stimulus for many countries, encouraging them to direct their development-policy priorities toward improving the quality of life. For example, the 1995 Human Development Report highlighted the inferior status of women

worldwide, country by country. In the report, the socio-economic status of Korean women was seen to lag behind the country's economic development, which drew nationwide attention to the situation of women in the private and public sector. As a result, the government was obliged to plan specific actions for improving the status of women in Korea.

Based upon the human development perspective, this national report on Korea seeks to review the current status and the process of human development for the past thirty-five years since the onset of all-out industrialisation in the early 1960s. This is the first attempt of its kind in Korea, presenting a broad view of the development process while analysing human development policies. With this objective in mind, the chapters of this report reflect a variety of themes.

The remaining part of this introductory chapter is reserved for a birds-eye view of the national context concerning physical, human, and economic situations and government structure. In the next chapter, a brief description of human development and a related index and the relevance of this perspective to Korea is presented. In Chapter 3, the current status of human development is seen from various points of view. The strong and weak areas of human development this country confronts and the relationship between various areas of life choices in the development process are also discussed in this chapter. In Chapter 4, the process of social and economic development is briefly outlined. Chapter 5 to Chapter 9 deal with five areas of Korean human development (poverty, health, education, gender gap, environment) in detail. In the final chapter, the key topics on each area of human development are summarised and highlighted in pursuit of further development in Korea.

For a better understanding of human development in Korea, it is necessary to view it in terms of how the physical, human and economic context are perceived. A brief description of the country's physical, human, and economic background as well as general

government structure is presented below.

### 1.1 The Physical Context

Geographically, Korea is a peninsula that protrudes into the ocean on the northeastern coast of Asia. It is located opposite Japan facing the East Sea and the Korea Strait in the east and south respectively, and it borders China across the Yalu and Tuman Rivers and the Yellow Sea in the north and west.

The territory measures 99,392 square kilometres, of which about 70 per cent is mountainous. The T'ae Baek range reaches a height of 1,708 metres and runs along the full length of the east coast, descending steeply on its eastern flank and forming a relatively straight coastline with sheer cliffs and rocky islets; on the western and southern sides of the range the land descends gently toward broad coastal plains. The irregular western and southern coasts have many inlets and over 3,000 islands. The Yellow Sea, lying between the Korean Peninsula and the Asian mainland, and the South Sea, which form a continental shelf with a shallow sea floor, are rich in fishing resources.

Korea is located on the East Asian monsoon belt and has hot, humid summers and dry, cold winters. Annual rainfall averages 1,276 mm, but varies considerably from year to year and, to a lesser extent, from place to place; June, July and August are generally the wettest months. In early spring, gusty winds bring in yellow dust from northern China.

Korea is a mountainous land, with many rivers and streams. The four main rivers - the Han, the Nakdong, the Keum and the Youngsan - run to the sea in a disorderly way. The four river basins contain a large number of rivers and streams, which for the most part flow to the west and the south towards the Yellow and South Seas. The Nakdong and Han Rivers are the main sources of irrigation water for rice paddies and of water for industrial use.

Korea is largely dependent on the importing of natural resources. More than 96 percent of primary energy is imported:

mainly oil and coal, and also nuclear fuel and some liquefied natural gas. More than 85 percent of the wood used in Korea is imported. Only a small part of the iron ore for the country's large steel industry is mined locally, a diminishing resource. Exploitation of some indigenous mineral resources has decreased sharply in the 1990s. For instance, local anthracite production dropped by more than half in the first half of the decade, though it still accounts for 13 percent of the coal supply.

### 1.2 The Human Context

The Republic of Korea has a population of some 45 million, giving it the highest density (452 people per square kilometre) among OECD countries. Given that two-thirds of the nation's territory is composed of uninhabited mountains and hills, the actual density in developed areas is considerably high.

Population growth, a grave social problem in Korea in the 1960s and 1970s, now stands at an annual rate of 0.9 percent, down from nearly 3.0 percent in the 1960s.

The number of people of productive age (15 and above) has gone from 17.5 million to 33.6 million in the past 25 years. The growth rate of the economically active population has risen twice as much as that of the population growth. Life expectancy has increased dramatically in recent decades and now stands at 77.4 years for women and 69.5 years for men in 1995.

The territory is administratively partitioned into nine provinces, Seoul and five other metropolitan areas. The country has six cities with more than 1 million inhabitants: Seoul (10.6 million), Pusan (3.8 million), Taegu (2.2 million), Incheon (1.8 million), Kwangju (1.1 million) and Taejon (1.1 million). With continued rapid urbanisation, the urban population accounted for 78.5 per cent of the total in 1995.

### 1.3 The Economic Context

Table 1.1  
The Population Trend  
(Unit: Thousands, %)

	1970	1975	1980	1985	1990	1995
Total Population	32,241	35,281	38,125	40,806	42,869	44,851
(increasing rate)	(2.4)	(1.8)	(1.6)	(1.4)	(1.0)	(0.9)
Population 15 Years Old and Over	17,468	20,918	24,463	27,553	30,887	33,558
Economically Active Population	10,062	12,193	14,431	15,592	18,539	20,797
(increasing rate)	(2.8)	(3.9)	(3.4)	(1.6)	(3.5)	(2.5)

Source: National Statistical Office, *Population & Housing Census*, 1997.

Table 1.2  
Urbanisation Trend

Year	'60	'70	'80	'90	'95
Urban Population Rate (%)	28.0	41.1	57.3	74.4	78.5

Source: Ministry of Environment, 1997.

Table 1.3  
The Economic Growth Trend

	1962	1970	1980	1985	1990	1995
GNP (bn. \$)	2.3	8.1	62.8	94.3	253.6	352.0
Annual Growth Rate (%)	2.2	8.8	-2.7	6.5	9.5	8.9
Per Capita GNP (\$)	87	253	1,597	2,242	5,883	10,548

Source: Bank of Korea, *National Accounts*, each year.

Korea's economic growth during the past 35 years has been one of the most rapid in the world. With the success of a series of five-year economic development plans, the Korean economy has achieved continuous growth. Annual economic growth rates stood at around 9 percent in the 1970s and 1980s, while the average annual growth rate between 1990 and 1995 was 7.2 percent. Per capita GNP rose from US\$ 82 dollars in 1960 to US\$ 10,548 dollars in 1995.

During the 1970s and the early 1980s, Korea's development policies focused on the promotion of heavy and chemical industries. Hence, a significant change in industrial structure occurred.

In 1960, the agriculture and fisheries industry comprised 39.6 percent of industries, the mining and manufacturing industry, 14.4% and the service industry, 46.0 percent of the GDP. However, in 1995, the ratio of the agriculture and fisheries industry

Table 1.4  
Changes in Industrial Structure  
(Unit: %)

	1960	1970	1980	1990	1995
Agriculture and Fishery	39.6	29.7	16.0	8.7	6.6
Mining & Manufacturing	14.4	19.7	26.9	29.8	27.2
Services	46.0	50.6	57.1	61.5	66.2

Source: Bank of Korea, *National Accounts*, annual.

to the GDP was reduced to 6.6 percent, while the mining and manufacturing industry increased to 27.2 percent. (See Table 1.4)

Considerable changes have also occurred within the manufacturing sector. The output of light industry which accounted for 60.8 percent of the manufacturing sector in 1960 decreased to 26.9 percent by 1994. In other words, heavy industry grew from 39.2 percent in 1970 to 73.1 percent in 1994. Fabricated metal products, machinery and equipment constitute the largest contributor to manufacturing output (more than 25 percent), while the chemical industry is the second largest (at about 20 percent).

In order to overcome the natural handicap of scarce natural resources and a relatively small domestic market, the Government of Korea has focused on export-oriented development strategies. As a result, the percentage of export and import rose from 33.1 percent of GDP in 1970 to 55.0 percent in 1995. The high dependency on foreign markets made Korean industries sensitive to foreign market trends.

#### 1.4 The General Government Structure

In the wake of significant democratic reforms during recent years, the government system is still adjusting to institutional

Table 1.5  
Trends in Trade Volumes

	1970	1980	1985	1990	1995
Export (bn. \$, A)	0.9	7.2	28.4	63.1	123.2
Import (bn. \$, B)	1.8	21.5	26.5	66.1	127.9
GDP (bn. \$, C)	8.1	62.8	94.3	253.6	456.5
A+B/C (%)	33.1	45.7	58.2	50.9	55.0

Source: Bank of Korea, *National Accounts*, annual.

changes. The first local council elections in 30 years were held in 1991, followed by the first election for provincial governors, city mayors and county chiefs in 1995. Elected community leaders, public officials, non-governmental organisations and the public are searching for ways to increase public participation in new governing practices.

The Korean Constitution sets forth the separation of executive, legislative and judicial powers and prescribes a presidential system for the executive branch, in addition to stating the goal of reunification with North Korea. A 1980 amendment to the Constitution recognises citizens' right to a clean environment as part of their basic human rights. This latest major revision to the Constitution in 1987 was the first to grow out of agreement between the ruling and opposition parties and received wide public support in a national referendum.

Legislative authority is vested in the 299-seat, unicameral National Assembly. The President of the Republic, elected directly by the population for a single, five-year term, chairs the State Council (Cabinet), appoints the Prime Minister and the Chief of Justice, and is commander-in-chief of the armed forces.

Traditionally, the country has been ruled by a strong central government, although local government reforms in January of 1995 gave greater autonomy to municipalities and provinces. The territory is administratively partitioned into nine provinces, five metropolitan areas and Seoul, which is designated as a Special City. Seoul and the five metropolitan areas are further partitioned into 65 local government divisions (ku). Provinces (do) are divided into 67 cities (shi) and 98 counties (kun). Counties are subdivided into 193 towns (eup) and 1,241 townships (myon). Provinces, cities and counties have their own assemblies and can enact ordinances in accordance with national laws. Provinces, cities and counties, in addition to their responsibilities, carry out many duties assigned to them by the central government.

## CHAPTER 2

# Concept and Relevance of Human Development in Korea

### 2.1 Concept

In the Human Development Report of 1990, 'human development' is defined as the process of enlarging people's choices. In this context, such choices define all aspects of human life - economic, social, political, and cultural - which may be infinite, wide-ranging and versatile. There are also the choices essential to all people - "At every level of development, the three essential ones (choices) are for people to lead a long and healthy life, to acquire knowledge, and to have access to resources needed for a decent standard of living. If these essential choices are not available, many other opportunities remain inaccessible." Furthermore, additional choices are also important to people, such as political and religious freedom, community participation, guaranteed human rights, human dignity and equity, self-respect and security.

The ultimate objective of human development should be to improve human well-being and the quality of people's lives. The people must be the central focus of development, particularly, the formation of human capabilities, such as improved health, knowledge and skills, (namely, human resource development), with ongoing opportunities for people to apply their capabilities. Human development invests in people by encouraging them to participate in the development process and by meeting their needs, as well as providing them with vast opportunities to pursue their goals.

Human development is also concerned with the elements that constitute the critical issues of gender and development. Within the concept of human development there are

four major elements--productivity, equity, sustainability, and empowerment. The creativity and productivity of people must be supported and demanded so they may become effective agents of growth through enhanced capabilities. Economic growth and equitable distribution of its benefits must coexist. Equitable opportunities must be available for both present and future generations, and both men and women must be empowered to participate in decisionmaking and the implementation of key ideas that shape their lives and determine their future.

The concept of human development differs from the conventional concept of economic development, human resource development, or human welfare. The human development paradigm emphasises people-centered development, whereas economic growth is concerned primarily with an expanding GNP rather than enhancing the quality of human life. Human resource development regards humans as the primary source of input in the production process - a means rather than an end. Welfare approaches humans as beneficiaries and not as prime agents of change in the development process. Although human development assigns priority to satisfying three essentials for a decent standard of living (income, health, knowledge), it varies from the basic needs approach, which focuses on providing material goods and services to deprived people rather than expanding the range of human choices.

In the human development approach, income is the sole determinant for improving the quality of people's lives. Human development aims at achieving not only economic

growth, but also the expansion of income and wealth. Income is one means of improving human well-being. While economic growth is necessary for human development in developing countries, it is not sufficient. Many countries have experienced the fact that income growth does not automatically improve the general quality of living. The Human Development Reports show that the correlation between economic growth and the level of human development is weak. A number of countries have achieved high rates of growth while missing a valuable opportunity to foster human development. Although the growth of income is an indispensable factor for improving the quality of people's lives, there are a number of detrimental factors that arise from income growth: the concentration of income and wealth, failure to ensure adequate access to health and education services, discrimination of minority groups regarding social, economic, and political participation, and excessive degradation of the environment and physical assets.

## 2.2 The Measurement of Human Development

The measurement of human development focuses on the three essential elements of human life - longevity, knowledge and decent living standards. The Human Development Index is a composite of these three components. For the first component (longevity), life expectancy at birth is the main indicator. The importance of life expectancy lies in the common belief that a long life is valuable in itself and in the fact that various indirect benefits, such as adequate nutrition and good health, are closely associated with higher life expectancy. For the second component (knowledge), literacy and gross enrollment rate are the main indicators. Literacy is a person's first step to learning and building knowledge, and the gross enrollment rate represents the opportunity for systematic learning in modern society. The third component of human development (command over resources needed

for a decent living) is indicated by per-capita income. In order to reflect the diminishing returns from transforming income to human capabilities, per capita income is discounted by using Atkinson's function (UNDP, 1990).

The Human Development Index only gives us a snapshot of human development status in selected areas; it is therefore not a comprehensive measure of human development. All three components of the Human Development Index suffer from a common deficiency: they are merely averages that conceal wide disparities in the overall population. Different social groups have different life expectancies, male and female enrollment rates reveal wide disparities, and income is distributed unevenly. To obtain a more complete picture of human development, the index should be supplemented with other human development indicators. In this paper, the Gender-related Development Index and Gender Empowerment Index are introduced, both of which focus on inequality of the sexes and women's economic and political participation.

The gender-related development index (GDI) measures achievement of the same basic capabilities as the HDI does, but takes note of inequality in achievement between women and men. The methodology used penalises inequality, so that the GDI falls when the achievement levels of both women and men in a country go down or when the disparity between their achievements increases. The greater the gender disparity in basic capabilities, the lower a country's GDI compared with its HDI.

The gender empowerment measure (GEM) examines whether women and men are able to actively participate in economic and political life and take part in decision-taking. While the GDI focuses on expansion of capabilities, the GEM is concerned with the use of those capabilities to take advantage of life's opportunities. These two measures of Gender disparity supplement the GDI when monitoring a country with respect to both the general and distributional aspects of the

quality of life.

## 2.3 The Relevance of Human Development in Korea

Korea has been quoted as being one of the successful cases of achieving human development as well as economic development. Rapid economic growth over the past three decades has transformed Korea from among the lowest ranked to an upper-middle income country. The standard of living has generally improved with economic progress. The country displays an outstanding level of improvement in all three key components of human development, while the benefits of economic development in various aspects of people's lives have been remarkable.

In Korea, the rapid economic development has gone hand in hand with human development. Economic development has been initiated and monitored by the government through a series of economic development plans, foreign debt, and the leadership of business and industry both in the public and private sectors. Korea's economic success also owes a great deal to the nation's advanced level of education. Its historical background, in conjunction with Confucian traditions, has helped establish a firm base for educational development. In addition, the government's policy of assigning priority to universal education has contributed greatly to economic development by producing a huge pool of low-cost yet well-educated workers. The great success of population control initiated by the government in the early 1960s has also increased per capita income. In a nutshell, human development so far has owed a great deal to the government's accurate policy-making decisions.

Human development has reached a significant level in quantitative terms. As a result, many specific indicators of human development have not been able to measure the specific status of human development in the case of Korea. The literacy rate, enrollment rates in primary and secondary education, daily calorie intake per capita, access to

health services, potable water, and sanitation are some of the measures. However, in terms of the quality of people's lives, the country has a long way to go. As a trade-off for rapid mortality rate for men in their 40s is high, heavy smoking and drinking are a universal phenomena, the risk of dying from traffic and industrial accidents is high, traffic congestion is worsening, and the natural environment is continuously deteriorating. This situation makes it evident that Korea now needs a holistic approach to the quality of people's lives. While income is an important means of improving the standards of living, other aspects of people's lives obtain relatively more importance along with income growth. In short, a more balanced approach to the benefits of economic development is required for development planning in the future. In this context, the concept of sustainable development gains added importance in Korea.

Korea has often been cited as an outstanding case of economic development with highly equitable income distribution. The relatively high level of income equality can be attributed to its specific historical background. Land reform following the colonial experience and the subsequent Korean war demolished most of the valuable physical assets and narrowed the unequal distribution of income and wealth even at the initial stage of economic development. However, as the economy progressed over the past three decades, concerns about the unequal distribution of economic benefits from development have been growing, particularly regarding wealth. This is partly due to the government's strategy of nurturing a small number of huge conglomerates as the key agents of economic development. Since most industrial facilities have been located around the capital city and the southeast regions, the southwest area has lagged far behind in the development process. As a result, the people's concerns of marked disparities between the different income classes and between different regions has increased along with economic growth. Korea has come to realise that

the average growth of income and wealth no longer guarantees the enhancement of its people's well-being.

While the Confucian cultural tradition has contributed positively to economic development by emphasising educational achievement and other significant values such as industriousness and conformity to authority, it has also had a negative impact on human development. The Confucian tradition upholds the patriarchal family system and extends such family values toward other areas of social lives. As a result, the status of women in social, economic, and political life has always been inferior to that of men. In spite of increased economic participation by women in keeping with economic development, discrimination against women is

prevalent in every aspect of their working lives. Women's participation in political activities is also negligible.

This inequality between income class, regions, and sexes should be highlighted for further development with respect to the quality of people's lives. As the 1990s began, the Korean people and government realised the need to change the development strategy, gearing more towards a people-centered and quality-oriented one rather than the previous economy-centered and quantity-oriented one. In this context, the holistic approach of human development is highly relevant when it comes to evaluating the state of development and planning further development.

# Status of Human Development

## 3.1 General Status

The 1994 Human Development Report cited Korea as one of the top ten performers among countries that have achieved human development. This success is attributed to the successful economic development. With Korea's history of the complete demolition of industrial facilities and assets during the Korean War, it is remarkable that the nation has surpassed social and political turmoil to reap economic success. Since the 1960s, the Korean government has striven for economic development. The government's primary objective for national development was to eliminate absolute poverty through sustained and rapid economic growth. In the thirty-five years between 1960 and 1995, the economy grew at an average annual rate of nearly 9 percent (Table 3.1). Nominal per capita GNP during this period jumped from \$82 dollars in 1962 to \$10,548 dollars in 1995, while real per capita GNP increased nearly 8.9 times. The Korean economy has grown to be an advanced developing economy and the focal point of industrial structure has shifted from agriculture to manufacturing to

service sectors over the period.

During the rapid transition involving the industrial structure, urbanisation also underwent a boom. While only 28 percent of the population lived in urban areas in 1960, it jumped to 78.5 percent in 1995. The unemployment rate has remained low, at less than 5 percent, throughout most of the past three decades. A fact of note is that the unemployment rate in the non-agricultural sector remained at a lower level, and has fallen despite the fast pace of urbanisation. In retrospect, rapid economic growth did not lead to a deterioration of the pattern of income distribution in Korea. In fact, Korean income distribution has been quite equitable, being nearly comparable to or even better than some of today's developed nations.

National Statistical Office, Major Statistics of Korea Economy, annual.

Korea's economic success owes a great deal to foreign capital, foreign markets, and imported technology. The outward-looking growth strategy adopted in the early 1960s relied heavily on foreign capital. Outside borrowing was necessary to finance investments in export industries and build social overhead capital, and thus foreign borrowing began to play a critical role in the course of economic development. Vigorous private investments, an abundant supply of an educated labour force, combined with the outward-looking development strategy, were the principal engines of economic growth. Among these elements, what has distinguished Korea from other developing countries has been the high priority assigned to exports. For example, Korea has implement-

Table 3.1  
Korea's Economic Indicators: 1963-1995

	1963	1970	1980	1990	1995
GNP (bns. of current dollars)	2.7	8.1	62.8	253.6	352.0
Per capita GNP (current dollars)	100	253	1,597	5,883	10,548
Employment structure (%)					
Agriculture, forestry and fishery	63.1	50.4	34.0	17.9	12.5
Mining and manufacturing	8.7	14.4	22.5	27.6	23.5
Others	28.2	35.2	43.5	54.5	64.0
Unemployment rate (%)	8.2	4.4	5.2	2.4	2.0
Non-agricultural unemployment (%)	16.3	7.4	7.5	2.9	2.2

Source: The Bank of Korea, *National Account*, annual  
National Statistical Office, *Major Statistics of Korea Economy*, annual.



Table 3.2  
Changes in Social Development Indicators

	Present (1990s)	Previous (1960s)
Human development index (HDI)	.890 (1997)	.398 (1960)
〈Population〉		
Total population (1,000 persons)	45,991(1997)	24,954 (1960)
Crude birth rate (per 1,000 persons)	15.2 (1996)	40.4 (1961)
Crude death rate (per 1,000 persons)	5.3 (1996)	10.7 (1961)
Dependency ratio	40.3 (1997)	85.8 (1960)
Total fertility rate	1.6 (1996)	6.0 (1960)
〈Health & Nutrition〉		
Life expectancy at birth (years): Males	69.5 (1995)	51.1 (1960)
Females	77.4 (1995)	53.7 (1960)
Infant mortality rate (per 1,000 live births)	9.9 (1993)	60.0 (1961)
Maternal mortality rate (per 100,000 live births)	20 (1996)	88 (1965)
Doctors per 1,000 persons	1.30 (1996)	0.33 (1961)
Daily calorie intake per capita (kcal)	2,957 (1996)	1,943 (1962)
Population with piped water services (%)	83.6 (1995)	17.2 (1961)
〈Education〉		
Average years of schooling (in years): Males	11.18 (1995)	4.78 (1960)
Females	9.37 (1995)	2.92 (1960)
Primary school enrolment ratio (%): Males	98.4 (1997)	98.0 (1966)
Females	98.9 (1997)	95.0 (1966)
Tertiary education enrolment ratio (%): Males	77.6 (1996)	14.0 (1966)
Females	45.1 (1996)	5.1 (1966)
〈Employment and Social Security〉		
Labour Participation rate (% of pop. 15 & over): Males	76.1 (1996)	76.4 (1963)
Females	48.7 (1996)	36.3 (1963)
Employment (%): Agriculture	11.6 (1996)	63.1 (1963)
Manufacturing	22.5 (1996)	7.9 (1963)
Population coverage of national health insurance Programme	100.0 (1997)	29.8 (1980)
〈Wealth〉		
GNP per capita (current dollars)	10,548 (1996)	87 (1962)
Motor vehicles (per 1,000 persons)	210 (1996)	1.2 (1962)
Telephones (per 1,000 persons)	430 (1996)	4 (1961)

Sources: Various sources from the National Statistical Office; Ministry of Education; Bank of Korea; Ministry of Construction & Transportation; Korea Telecom, Population Research Council. Ministry of Health & Welfare, *Infant mortality rate and its causes 1993 both cohorts in Korea*. *Maternal mortality ratio and its causes between 1995-1996 in Korea*.

ed trade policies to encourage manufacturing exports. At the same time, the government has not only introduced various non-financial incentives to exporters but has also participated actively in the allocation of exports, for example, setting export targets for individual firms by product and regional distribution.

Based on this economic progress, the standard of living has improved. This fact is particularly evident in the instance of certain indicators, such as life expectancy at birth, infant mortality rate, nutritional intake,

piped water supply, and middle school enrolment. (Table 3.2). The improved quality of life has benefited from economic development, while in the opposite direction, the rapid improvement of people's general educational level as well as their health status have also greatly contributed to economic development.

The same as in many developing countries, one of the most outstanding benefits of development is the improvement in health. In 1960, life expectancy at birth increased from 53.7 years for women and 51.1 years for men to 77.4 years and 69.5 years, respectively, in 1995 (See Table 3.2). It is remarkable that the gap in life expectancy at birth between males and females was as large as 7.9 years in 1995 while in 1960 it was only 2.6 years. The reason for the shorter lifespan for men is due to their poor economic and social conditions, and unhealthy practices. Long working hours, high risk of death from industrial accidents, the highest rate of traffic accident deaths, and the high level of smoking and the drinking rate are just some of the factors contributing to the high death risk among men. All these factors indicate that Korean males are living and working under a stressful social environment. These are the costs being paid by men as a result of rapid and drastic socio-economic development.

Ministry of Construction & Transportation; Korea Telecom, Population Research Council.

Ministry of Health & Welfare, *Infant mortality rate and its causes 1993 both cohorts in Korea*, *Maternal mortality ratio and its causes between 1995-1996 in Korea*.

### 3.2 Two Driving Forces of Socio-economic Development

The enormous success of population control and educational development have been the two main factors behind economic development. Since Korea is one of the most densely populated countries in the world, a drastic curtailment of population growth has been a high priority in obtaining high

growth in per capita income. It has also been essential for social development, especially during the primary stages. It has not only accelerated improvements in living conditions, but also has a disproportionately beneficial effect on the poor. Accordingly, a series of Five-year Economic Development Plans along with population policies has been implemented, producing a remarkable reduction in population growth and the fertility rate since 1962. For example, the total fertility rate fell from 6.0 in 1960 to 1.6 in 1996 (Table 3.2). Other associated factors have been the vigorous implementation of national family planning programmes, marriages at a later age, widespread use abortion, and changing attitudes and norms tending toward smaller families, all the result of rapid socio-economic development. Moreover, with strong government population control measures and improved health conditions, Korea was able to achieve its demographic transition within a relatively short period of time to reach the below-replacement level of fertility and lower mortality. Nowadays, the low level of fertility shows little disparity between urban and rural areas, nor between high and low income families.

In spite of the great success, the rapid decline in population generated adverse side effects. Two major problems arose: widespread abortion, and an unbalanced sex ratio among the newborn. According to the 1994 National Fertility Survey conducted by the Korea Institute for Health and Social Affairs, almost half of married women aged 20-29 have undergone an abortion. The high rate was partly due to the fact that the government did not restrict accessibility to abortion due to its strong drive for a successful population control policy. Another reason for the high abortion rate was society's conventional attitude of preferring sons. The rise in selective abortions, arising from male-offspring preference, resulted in 117 male births for every 100 female births in 1990. The unbalanced male sex ratio at birth may bring about a marriage squeeze in the future, a situation where males are unable to find suffi-

cient females in the customary age range for marriage. The government has sought to deal with this problem by prohibiting prenatal sex identification and abortion. In spite of the government's action to solve and prevent such problems, changes in the rate of abortions and in the sex ratio imbalance at birth have been insignificant in recent years.

Another factor contributing to rapid economic development was the available pool of low-cost but well-educated workers. In this respect, Korea seemed to be in a relatively good condition, even at the beginning stages of development and despite its meager natural resources. On the threshold of economic development in the 1960s, Korea had an educational level far above the then-developing countries with similar income, such as Hungary and Italy. The nation's illiteracy rate was only 27.9 percent and the enrolment rate for primary school had gone as high as 98.1 percent. In the past three decades, enormous improvements have been made in the enrolment of secondary and tertiary schools. The government placed top priority on education policy to provide primary and secondary education for all people. As a result, universal education in primary schools was achieved as early as the mid-1960s. As far as the secondary education is concerned, universal education was attained in middle school in the late 1970s and in high school in the mid-1990s.

In many developing countries, expansion of the educational system did not necessarily bring about economic growth, but rather increased the number of educated unemployed, causing greater social problems. In contrast to those countries, the reason why educational expansion has been a positive benefit for economic development in Korea has been examined in terms of two closely interrelated factors: low educational cost per student, and a reduced government share of spending on education. The unit cost of education has remained relatively low in Korea because of single classrooms of 60 students or more and low wages earned by teachers. The long cultural tradition of

respect for teachers and learning, which stems from the Confucian background, has made it possible to have strict discipline in over-crowded classrooms of 60 or more students, while employing teachers of good quality at relatively low wages.

The government's share of spending on education is less than that of other developing countries. Total private educational expenditures are 1.04 times greater than for public education. The GDP share of public expenditures has been a mere 5 percent, and with the ratio to total government spending at less than 15 percent over the past three decades. The government's low spending on education has been possible due to the strong willingness of parents to make financial sacrifices for their children's education. It is remarkable that as much as 10 percent of household consumption spending on the average has been earmarked for their children's education, in both urban and rural areas. The reason for this can be seen in the cultural and social environment to which Koreans have been exposed for so long. The cultural background based largely on Confucian teachings has had an impact on the extreme value that people place on the importance of schooling. However, the most important factor lies beneath the nation's society and historical background. Korean society is unusually homogeneous in terms of language and culture. Its traditional system of social class was all but destroyed in the upheaval created by foreign military occupation, war, and national partition. These events have weakened many of the influences that strongly condition social mobility in other countries, with education emerging as a uniquely important means of individual advancement. This explains the evident fierce competition for higher education.

Consequently, the enrolment rate for college-level as well as primary and secondary education in Korea is one of the highest in the world, with the rate for college education reaching 61.8 percent in 1996. Virtually universal education has been achieved at the sec-

ondary as well as primary level. On the other hand, the negative aspects of such educational expansion are the relatively poor quality of physical resources and learning content. Korea remains deficient in terms of the ratio of students per class or students per teacher, the utilisation of double-shift classes, and school facilities. With respect to the education system, cramming to prepare for entrance exams is emphasised in the educational system rather than diversifying student's learning ability and nurturing creativity. Furthermore, the enormous financial burden shared by the private sector, including the families of students, needs to be alleviated.

### 3.3 A Neglected Area of Human Development: Gender Equality

The Human Development Report 1997 ranked Korea 73rd regarding the Gender Empowerment Measure, which stands in blatant contrast to the rank of 32nd for the Human Development Index. Despite Korea's remarkable economic growth during the past three years, the social status of women has been progressing very slowly. Although women have improved their status fairly rapidly in view of their progress in the areas of health and education, their social, economic, and political participation has remained at a standstill. Educational opportunities for women have expanded; however, a gender gap still persists in the enrolment rate of colleges and universities. In 1996, the enrolment for women in colleges stood at 45.1 percent, in comparison to 77.6 percent for men (Table 3.2). Moreover, schools continue to teach children that girls must be obedient, passive and good homemakers while boys must be independent and become active participants in economic and social affairs. This reflects the low number of women in areas of social and natural science and engineering. Women end up with relatively low-paying jobs or as fulltime homemakers after they graduate from school or college.

Women's economic participation has increased to a greater extent. The economically active female population of age 15 and above quadrupled from 2,156,000 in 1960 to 8,568,000 in 1996. By 1996, almost half of all women aged 15 and over participated in some sort of economic activity, with women comprising 40.2 percent of the economically active population. During the early stage of economic development, a large number of young female workers were primarily unskilled and involved in export-oriented, labour-intensive manufacturing industries. Of note is the fact that the economic participation of childbearing and child-rearing women did not increase in spite of increased women's participation in general. This is due to two main reasons. The first is discriminatory practices against married women in the workplace, and the conventional perception that women generally leave their jobs once they are married. The second factor is the lack of institutional preparation for substitute child caring. Therefore, working women in Korea are more likely to be less educated and come from families undergoing economic hardships.

In comparison with working men, working women are relegated to the lowest paying jobs, limited in their job tenure and mobility, and paid lower wages. Like other countries, the inferior status of women in the workplace is in large part due to occupational segregation characterised by a heavy concentration of women in low-level manual labour, sales, and service jobs. The proportion of women with jobs as legislators, senior government officials, managers, professionals, technicians and associate professionals was only 11.2 percent in 1995. For the first time, in 1987 women's wages exceeded one-half of those for men and reached 59.9 percent in 1995. In contrast to the lower wages paid to women, their working hours were equal to or longer than men's. In the labour markets, female workers face sexual discrimination such as restrictive recruitment practices, limited opportunities for promotion and unstable employment, as well as a considerable

Table 3.3  
Comparison of Socio-economic Indicators by Sex

Years	Life expectancy		Labour force participation rate		Wage ratio of female to male (male=100)	Tertiary education enrolment rate	
	Male	Female	Male	Female	Wage	Male	Female
1960	51.1	53.7	73.5	26.8	-	-	-
1965	59.7 <sup>1)</sup>	64.1 <sup>1)</sup>	76.6	36.5	-	14.0 <sup>1)</sup>	5.1 <sup>1)</sup>
1970	59.8	66.7	77.9	39.3	-	14.6	5.5
1975	-	-	77.4	40.4	42.2	17.5	6.7
1980	62.7	69.1	76.4	42.8	44.5	24.3	8.4
1985	64.9	73.3	72.3	41.9	48.3	50.2	22.9
1990	67.7	75.7	74.0	47.0	55.0	50.0	23.9
1995	69.6	77.4	76.5	48.3	59.9	69.7	38.6

Note: 1) 1966 data  
Sources: Korean Women's Development Institute, *Statistical Yearbook on Women*, annual.  
National Statistical Office, *Social Indicators in Korea*, annual.  
Yearbook of Health and Welfare Statistics, annual.

wage gap between the sexes.

### 3.4 Regional Disparities in Human Development

Unlike other developing countries, regional disparities in human development are not outstanding. Such disparities can be addressed in two different albeit related respects. One is the gap between urban and rural areas. The other is disparities among different provinces. In general, urban areas undergo progressive economic development and therefore receive a larger share of development benefits than do rural areas. The case is not different in Korea, where there is a substantial gap in the standard of living between rural and urban areas. In 1993, urban households earned on the average 19,679,000 won per year, while rural households earned 16,026,000 won per year, which amounts to only 81.4 percent of urban household income. As shown in Table 3.4, a larger share of rural residents are in a low income bracket than urban residents. On the other hand, the percentage of urban residents in a higher income bracket is much larger than that of rural residents.

A substantial degree of regional disparities exists among different provinces. As seen in Table 3.5, the capital city, Seoul, displays the highest level of Regional Gross Domestic

Table 3.4  
Monthly Income Distribution by Household (1993)  
(Unit: %)

	Entire Country	Urban Areas	Rural Area
Less than 200 (in thousand won)	0.7	0.4	1.6
200~400	2.7	2.1	4.5
400~600	5.7	5.1	8.0
600~800	8.0	7.2	10.9
800~1,000	11.0	10.2	13.6
1,000~1,200	12.3	12.1	12.7
1,200~1,500	16.5	16.7	15.9
1,500~2,000	19.5	20.5	16.2
2,000~2,500	10.9	11.6	8.8
2,500~3,000	5.6	6.1	4.2
3,000 or More	7.0	8.1	3.6
Total	100.0	100.0	100.0

Source: National Statistical Office, *Social Indicators in Korea*, 1996.

Table 3.5  
Regional Gross Domestic Product and Production Structure (1994)

	RGDP per capita (In 1,000 won)	Economic Growth rate (at 1990 Constant Prices)	Production Structure			
			Agri., Forestry & Fishing	Mining, Quarrying & Manufacturing	Elec., Gas, Water & Construction	Services & Others
Seoul	7,160	3.2	0.5	11.5	9.5	78.5
Pusan	5,505	6.1	2.5	23.0	14.2	60.3
Taegu	5,244	9.1	0.5	23.2	16.0	60.3
Inchon	6,963	8.9	1.0	47.6	14.6	36.7
Kwangju	5,719	7.5	3.0	26.8	15.6	54.6
Taejon	6,003	2.9	1.0	23.3	15.7	60.0
Kyonggi	6,854	11.4	5.0	46.1	17.4	31.6
Kangwon	5,635	6.0	12.4	19.8	19.8	48.0
Chungbuk	7,220	11.1	12.3	38.3	15.3	34.1
Chungnam	6,676	13.8	20.9	24.9	22.3	31.9
Chonbuk	5,812	8.5	18.6	24.4	15.3	41.7
Chonnam	7,057	12.4	23.0	28.0	16.5	32.5
Kyongbuk	7,589	14.5	15.3	37.6	16.7	30.0
Kyongnam	9,601	13.1	7.5	53.6	14.5	24.4
Cheju	6,042	4.2	29.6	4.2	14.3	52.0

Source: National Statistical Office, *Social Indicators in Korea*, 1996.

Table 3.6  
Urban-Rural Gap in Health Status

	Morbidity rate (%)	Days of Reduced activity (days)	Days bedridden (days)	Percentage of drinkers (%)	Percentage of Smokers (%)
Entire Country	19.0	5.8	0.8	63.1	38.4
Urban Areas	19.5	5.7	0.7	65.6	37.8
Rural Areas	17.0	6.2	1.0	54.2	40.5

Source: National Statistical Office, *Social Indicators in Korea*, 1996.

Product (RGDP) per capita among the six metropolitan areas. This is because the headquarters of most companies are concentrated in the city. Since most financing and admin-

istrative functions are to be found in Seoul, its income is the highest of any city. Of the 9 provinces, Kyongnam boasts the highest level of RGDP per capita, while Kangwon has the lowest level. Per capita RGDP for the poorest province amounts to only 60.5 percent of the wealthiest province's per capita RGDP. This is because Kyongnam contains a large share of manufacturing industries while industry in Kangwon is relatively meager due to its large mountainous area. The next poorest province in terms of RGDP, Chonbuk, owes its status to its relatively large share of agricultural industries.

Besides the income gap, urban and rural areas display substantial disparities among many aspects of human development. There are more hospitals and medical facilities in urban areas. For example, the ratio of persons per hospital bed is the lowest in the two metropolitan areas of Seoul and Pusan, at 256 and 242, respectively, while the ratios for rural provinces such as Chonbuk and Chonnam are 355 and 323. Due to the stressful life style in the cities, urban dwellers have worse health practices and are more prone to illness. The proportion of drinkers and smokers is larger among urban dwellers and their morbidity rate is higher than for rural residents. However, when rural people become ill, they must reduce their activities over a longer period of time, and tend to stay bedridden longer.

As far as the quantity of education is concerned, there is less disparity between rural and urban areas. The willingness of parents to sacrifice themselves for their children's education is the same for both areas. For example, relative to the number of college students per 10,000 population, Seoul and Pusan reflect lower figures than rural or mountainous provinces such as Kangwon or Chonbuk. Also, due to the high degree of rural flight, class sizes and the ratio of students per teacher are more favourable in rural areas. However, since the majority of the prestigious colleges and universities are concentrated in large cities such as Seoul or Pusan, most rural parents tend either to send

their children to these cities if they can obtain admittance to such prestigious institutions, or else move to those cities.

### 3.5 Poverty

Korea's rapid decrease in absolute poverty was mainly the result of fast economic growth. The absolute poverty ratio of 20.04 percent in 1975 had fallen to 7.36 percent by 1995 (See Chapt. 5). Without a doubt the main factor behind poverty alleviation was the expansion of employment opportunities boosted by rapid economic growth.

On the other hand, no substantial improvement has been observed in terms of relative poverty during the past two decades. When the relative poverty threshold is defined at the level of 40 percent of average household income, the relative poverty ratio has increased rather than decreased over the past two decades. Income inequality has also widened during the same period. The relative poverty ratio of 9.73 percent in 1975 increased to 13.09 percent in 1995, and the Gini coefficient for urban household income also increased from 0.340 in 1975 to 0.370 in 1995.

Since reliable time series data on the poverty ratio and income inequality do not exist, it is difficult to infer whether economic growth produces a more or a less equitable society. We can nevertheless rightly deduce that economic growth generates both positive and negative effects on poverty and income distribution. The positive outcome of economic growth has been a decrease in absolute poverty, with a negative outcome being an increase in relative poverty and income inequality.

The 7.36 percent of population living below the absolute poverty threshold cannot be neglected. According to an analysis of the

characteristics of the poor, the proportion of working poor among the absolutely poor is diminutive. Most of them lack or do not have marketable job skills due to old age, illness, or disability.

Statistics indicate that the livelihood protection programme administered by the government covers only a portion of the absolutely poor. In 1995, 4.64 percent of total households were protected under this programme. Since the average household size of the absolutely poor is much smaller than that of non-poor households, more than 2.7 percent (7.36 - 4.64 percent) of the population is not covered by the government's welfare programme.

In terms of poverty level, Korea exhibits a significant amount of regional disparities. The regional distribution of the poverty ratio was measured indirectly by examining the proportion of recipients of livelihood protection programmes. Like the regional disparity of average income, agricultural areas such as Chonnam and Chonbuk show high poverty rates of 8 to 10 percent. Metropolitan areas such as Seoul, Pusan, Taegu and Incheon, on the other hand, reveal a poverty rate lower than 2 percent.

Various kinds of support programmes for the absolutely poor are being implemented by the government. Support programmes are classified into two kinds: those that secure the minimum livelihood of recipients and those that help them emerge from poverty. Livelihood aid and medical aid are representative of the former, while educational aid, job training, and financing for small businesses pertain to the latter. Although the amount and content of support are comparatively insufficient based on the needs of the present recipients, the outlook is that more realistic and effective programmes will gradually be introduced.

# Economic Growth and Social Development

## 4.1 Economic Growth

### *Rapid Economic Growth*

After the Korean war (1950-1953), the Korean economy was able to recover with foreign assistance even though the rate of economic growth was relatively low. Since the early 1960s, the economy has experienced exceptional growth, which stalled only once in 1980 when output temporarily declined. Even during the 1974-1975 worldwide recession after the first oil crisis, Korea managed to sustain a relatively high rate of 6 to 8 percent real GNP growth.

Over three decades (1962-1995), Korea's real GNP escalated to an average annual rate of 8.5 percent, much higher than the average growth rate of about 4 percent in the preceding years (1953-1962). Real GNP growth during the Park regime (1962-1979) was 8.6 percent a year, slightly higher than the rate for the following period.

The country's per capita GNP, which had grown only 1 percent a year prior to 1962, also soared. Per capita GNP in 1990 constant prices rose by a factor of around 8.9, going from US \$938 in 1962 to \$8,354 in 1996, as shown in Table 4.1.

Although this rapid growth of per capita GNP was attributed to the sharp rise in out-

put, it had also been fueled by the gradual decline in the population growth rate, from about 2.5 percent in the 1960s to less than 1 percent in recent years.

As a result of timely adjustments in Korean economic policy, the country began to experience a high rate of economic growth. During the post-war period (1953-1960), economic policy was based on inward-looking industrialisation similar to many other developing countries. The government encouraged import substitution industries to reduce the amount of imports. As of the early 1960s, the government began to shift its import substitution policy to an export-promotion strategy. As a result of this strategy, Korean exports rapidly increased from a mere 2 percent of GNP in 1960 to 5.8 percent in 1965, and 14.5 percent in 1979. Thus the average annual rate of increase in the nominal value of exports amounted to 37.5 percent between 1965 and 1979.

In addition to this rapid growth of exports, the commodity structure of exports and export markets was significantly diversified. In the early 1960s, the export of primary products constituted nearly 85 percent of total exports and the export market was concentrated in the U.S. and Japan. Later, manufactured exports rose to nearly 90 percent in 1979, and the export market expanded to the Middle East, Europe and other Asian regions.

As the result of export expansion, the manufacturing sector grew by an average annual rate of some 19 percent between 1965 and 1979, accelerating the growth of the overall economy.

With the Korean economy focusing on the import substitution industry (especially light industry) in the 1960s, imports of both capital and intermediate goods tended to increase. That is, the rapid growth of imports mainly resulted from the demand for expansion as a means to promote rapid industrialisation. As the growth of imports increased rapidly during this period, the current-account balance could not be improved. In addition to this problem, the Korean economy experienced a sudden hike in wage and trade barriers against labour-intensive exports. To overcome these kinds of economic problems, the government began to place emphasis on heavy and chemical industries as of the mid-1970s. A substantial portion of resource investments was allocated to heavy and chemical industries, while investments in light industry were reduced. In the short run, heavy and chemical industrial plants operated at low capacity until the early 1980s, producing a negative effect on the Korean economy because of less investment in light industry, which weakened the international competitiveness of this industry. In the long run, nevertheless, the emphasis on heavy and chemical industries was successful in bringing about structural improvements in both manufacturing output and the country's exports.

Until the 1970s, the Korean economy enjoyed rapid growth but suffered from high inflation, mainly due to the two oil shocks of the 1970s. Government efforts to control high inflation in the early 1980s were successful, with the rate dropping from an annual average of 25 percent in for 1980 and 1981 to between 2 and 3 percent for the period 1983-1987. However, controls placed on rising public expenditures resulted in a shortage of social overhead facilities that blocked economic growth during the late 1980s. Despite this though, the rapid growth of exports and the success in controlling inflation enabled the Korean economy to grow by more than 12 percent annually in terms of GDP, while the current account recorded a surplus during 1986-1988 for the

first time.

Through the government's preferential and protective treatment in favour of large-scale enterprises in order to increase exports from the 1960s to the 1980s, chaebols (large-scale enterprise) seized a large share of economic power. To put it another way, the share of "non-competitive" markets was 64 percent in 1990. Since the early 1990s, the government has been requesting that they specialise (i.e., with the selection of two or three "core companies") in the business area. Despite such government policies, the average number of industrial subsidiary companies run by the top 30 chaebols increased from 18 in 1991 to 20 in 1994.

Even though problems existed within the Korean economy, rapid economic growth lasted until the first half of the 1990s. The nominal value of exports totaled \$ 125.1 billion in 1995, with export products becoming increasingly diversified. The rapid growth of exports contributed to the change in the industrial sector's share of GDP. The primary sector's GDP share decreased from 44 percent in 1962 to 7 percent by the mid-1990s, while the manufacturing sector's share increased from 12 percent in 1962 to 27 percent by the mid-1990s. During the same period, a combined share of the social overhead, construction and other service sectors in GDP increased from around 44 percent to approximately 66 percent.

### *Employment Growth*

Although Korea is one of the most densely populated countries in the world, it lacks economically essential natural resources. Such limited conditions underline the significant role of the nation's abundant human resources in economic development over the last three decades.

The massive pool of unemployed in the early 1960s and the subsequent rapid growth of the working age population of 15 years old and over further expanded the labour force. Although the annual growth rate of the total population gradually decelerated from 2.4 percent between 1963 and 1970 to

Table 4.1  
Major Indicators of Korea's Economic Growth, 1962-1995

	1962	1979	1996
1. Mid-year population (in millions)	26.5	37.5	45.5
2. GNP and per capita GNP (in 1990 constant prices)			
GNP (bn. won)	17,583	71,590	272,324
Per capita GNP (1000 won)	664	1,909	5,914
Per capita GNP (US\$)	938	2,697	8,354

less than 1 percent in the first half of the 1990s, the working age population increased at a much higher rate than the total population over the entire period.

The growth rate of the working age population, which jumped from 2.6 percent a year between 1963 and 1970 to 3.7 percent in the 1970s, gradually declined to 1.7 percent by the first half of the 1990s. This reflects the fact that most of the children born during the post-Korean war baby boom joined the working age population in the 1970s. The economically active population increased slightly more rapidly than the working age population during the last three decades, except for the first half of the 1980s when there was a gradual increase of women in the labour force.

Consequent to the labour surplus, the Korean government began to focus on expanding its labour-intensive exports because of the comparative advantage in view of its factor endowments. This strategy had a striking effect on creating jobs. During the period of rapid industrialisation (1963-1979), annual average growth of total employment climbed to 3.7 percent, and to 7.2 percent in non-agricultural employment. Thus, the national unemployment rate declined from 8.1 percent in 1963 to 3.8 percent in 1979.

Two critical changes occurred in the labour market during the latter half of the 1980s. First, the Korean labour market experienced a serious shortage in production jobs during the 1980s, as it underwent a transition from a labour surplus to a labour scarcity in the latter part of the decade, as reflected in the low unemployment rate of 2 to 3 percent. The other change was the introduction of labour union activities. The labour-union law was enacted in 1953 and even though there were considerable changes in the labour market, three core labour rights (the right of organisation, the right of collective bargaining, and the right to engage in collective labour disputes) were restricted. This restriction persisted until democratisation was proclaimed in 1987. Following the 1987

proclamation, the activated labour union movements brought about a drastic increase in real wages, during some years even exceeding the increase in labour productivity. In retrospect, it is evident that the economy can not easily achieve a high rate of output growth by utilising available human resources alone.

#### 4.2 Social Development along with Economic Growth

Social development is crucial in improving the well-being of the people. The core issues of social development are alleviation of poverty and social integration. These problems have been tackled by overall economic growth and programmes aimed at alleviating poverty. The primary objective of Korea's national development has been to eradicate absolute poverty through sustained and rapid economic growth.

The Korean economy has advanced to where it is now a developing economy and has achieved remarkable progress in social development. Furthermore, it is notable that economic growth has not worsened the pattern of income distribution in Korea but has in fact improved the standard of living. This is particularly evident in certain indicators such as life expectancy at birth, infant mortality rate, nutritional intake, extended piped water supply, and secondary school enrolment rate.

Korea's national development strategy, in the course of the industrialisation drive of the 1960s and early 1970s, focused on economic efficiency rather than social equity. The government effectively pursued economic goals, and as a result of the national economic drive based on exports, real wages increased and the unemployment rate reduced substantially.

At the beginning of the late 1970s, the Korean government initiated a comprehensive structural adjustment policy designed to revitalise the economy and bolster the competitiveness of Korean industry. In addition, the government began to heighten its efforts

aimed at social development.

In the 1980s, social welfare issues received increasing attention as the discontent of the underprivileged grew with accelerated urban-rural, interclass and regional income disparities accompanied by rapid industrialisation, which exacerbated social conflict and emerged as a major bottleneck to further development.

Accordingly, the government's commitment toward social development was reflected in the Fifth Five-Year Plan (1982-1986), labeled the 'Fifth Five-Year Economic and Social Development Plan'. The Fifth Plan clearly outlined the concept of social development by stating its objectives as 'to mitigate undesired effects which accumulated as a result of the past economic growth process' and 'to cope efficiently with the rising demands among Korean citizens for social welfare'.

Beginning with the Sixth Republic (1987-1991), welfare policy issues came to the forefront of national politics. Following a reassessment of national priorities, the government adopted a strategy to pursue social welfare policies in conjunction with stabilisation, liberalisation and structural adjustment measures, which were deemed to be of greater short-term significance for the nation's growth. Thus the government carried out various projects to improve social welfare. Significant institutional groundwork boosted economic capabilities. However, because of this prioritisation of growth over welfare, and owing to the government's desire to avoid negative effects on the incentive to work caused by the over-emphasis on social welfare provisions, the government to date has not been very aggressive in fostering the 'welfare state'. Nevertheless, it has initiated and expanded several important welfare programmes.

Under the Seventh Five-year Plan period (1992-1996), the government enacted various policy measures and programmes to improve social welfare and the quality of life. This approach emphasises economic efficiency and qualitative development rather than

focusing on economic expansion, as was the case in the past. Such programmes were expected to enhance national harmony while enabling sustained economic growth.

The Seventh Plan outlined major policy objectives, such as strengthening the international competitiveness of various industrial sectors, promoting balanced development, liberalising and globalising the economy, and laying the foundations for national unification. In addition, to improve social welfare, the Korean government provided four major social insurance programmes: medical insurance, the national pension system, industrial accident insurance, and employment insurance.

#### 4.3 Social Insurance Programmes

##### *Medical Insurance Scheme*

In 1977, the Korean government established a new medical insurance scheme in order to improve national health and bolster social security by facilitating access to medical care. In the beginning, this scheme was offered to employers with 500 or more workers. It provided specified medical insurance benefits for employees and their dependents and a voluntary community-based plan providing medical insurance for all others. On a voluntary basis, this scheme was also made available to firms employing less than 500 workers. In 1988, this medical insurance system was extended to self-employed farmers and fishermen who were not covered before, and opened up to everyone in 1989. Thus, while only 10.5 percent of the population had medical insurance in 1978, over 97.9 percent of the population was covered in 1996 (see Table 4.2).

##### *Medical Assistance Programme*

In addition to the medical insurance scheme, the Medical Assistance Programme was established in 1977, which provided medical services to those belonging to the poverty class and who could not afford medical care (Table 4.3).

This programme covers medical costs

Table 4.2  
Beneficiaries of National Medical Security Scheme  
(Unit: 1,000 persons, %)

Year	1978	1980	1985	1990	1996
Total population <sup>1)</sup> : (A)	36,969	38,124	40,806	42,869	45,545
Beneficiaries of Medical Security: B <sup>2)</sup> (B/A × 100) <sup>3)</sup>	5,965 (16.1)	11,368 (29.8)	21,254 (52.0)	44,110 (102.9)	46,344 (101.8)
Medical Insurance Total: (C) (C/A × 100)	3,870 (10.5)	9,226 (24.2)	17,994 (44.1)	40,180 (93.7)	44,603 (97.9)
- Industrial workers	3,812	5,381	12,215	16,155	17,035
- Government employees & private school teachers	-	3,780	4,210	4,603	4,881
- Self-employed & others	58	65	1,570	19,421	22,687

Notes: 1) Mid-year population  
2) Sum of medical assistance beneficiaries and medical insurance beneficiaries 'C'  
3) The difference between total population and medical security beneficiaries is due to dual qualification.  
Sources: 1) KMIC, 1996 Medical Insurance Statistical Yearbook, 1997.  
2) NFMI, 1989 Medical Insurance Statistical Yearbook, 1990.  
3) MOHW, Medical Insurance Statistical Yearbook.

according to the level of income. Those below the poverty line and unable to work (Class I) receive free medical care. Class II receives 80 percent of hospital costs. In addition, it gets low-interest loans for the remaining 20 percent of medical costs exceeding 100 thousand won.

Table 4.3  
National Medical Assistance Programme

Year	Expenditures (millions of won)	Beneficiaries of Medical Assistance Programme (in thousands)				
		Total	Class I <sup>1)</sup>	Class II <sup>2)</sup>	Class III <sup>3)</sup>	Population coverage (%)
1978	5,661	2,095	440	1,655	-	5.7
1980	8,171	2,142	642	1,500	-	5.6
1985	44,617	3,259	642	2,616	-	8.0
1990	151,285	3,930	695	1,959	1,276	9.2
1992	193,365	2,687	692	1,755	240	6.2
1996		1,990	620	1,370	-	4.3

Notes: 1) Includes all poverty-level persons who are unable to work.  
2) Includes poverty-level low-income persons.  
3) Includes poverty-level quasi-low-income persons.  
Source: MOHW, Medical Assistance Statistical Yearbook.

#### National Pension Plans

Korea has four different types of public pension schemes: the Civil Servants Pension (1960) and Military Personnel Pension (1963) are financed by the government and by the insured. The Private School Teachers Pension (1975) is financed by government, employer and the insured. They contribute 2.5 percent, 4 percent, and 6.5 percent of the insured's covered earnings respectively.

The National Pension Plan was enacted in 1988 for workers in companies with 10 or more employees, to support their post-retirement livelihood. While the first three are occupational pensions, the National Pension Plan is the only universal social security system.

The number of insured covered by all pension programmes was about 9.1 million in 1996 (specifically, 7.8 million people were covered by the National Pension System).

For the initial stage, between 1988 and 1992, contributions for financing the National Pension Plan were 3 percent of standard monthly remuneration equally shared by employees and employers. In the second stage of 1993~1997, the contribution rate was raised to 6 percent, collecting 2 percent each from the employees, employers and transfers from the retirement reserve fund. The contribution rate was to have been raised to 9 percent by 1998.

So far, the National Pension System does not cover the self-employed in urban areas and employees in companies with less than five workers. However, its coverage is to be extended to those people in 1998, and subsequently it will be available nationwide.

#### Industrial Accident Insurance and Unemployment Insurance

The Korean government introduced the industrial accident insurance programme for workers in companies with 500 or more employees in 1964. Since then, coverage by this programme has continued to expand. In 1986, it grew to include workers in companies with 10 or more employees. During the sixth Five-Year Economic and Social Development Plan (1987-1991), coverage began to include workers in companies with five or more employees. The number of insured covered by the industrial accident insurance programme was about 8.2 million in 1996.

In addition, the Korean government enacted the minimum wage system. Initially applied only to the manufacturing sector (1988), it was later extended to all industries

(1990). The government also enacted the employment insurance programme in 1995, which covered approximately 4.3 million employees in 1997.

#### 4.4 Economic Growth and Social Welfare Expenditures

The central government's social welfare budget for 1994 was equal to 1.9 percent of the nation's GNP. Approximately three-fourths of spending on social security is appropriated under the social insurance budget, including the pensions of public officials and the military, along with medical insurance. Moreover, inasmuch as public assistance and welfare service budgets amount to only 0.1 percent and 0.3 percent of the GNP, respectively, it is obvious that public finance investment on the part of the government in the area of social welfare is simply not sufficient for the proper administration of social security.

In addition, the structure of social security policy has been concentrated on the contributory social insurance system rather than on supporting underprivileged or vulnerable social groups. Insurance contributions by individuals and businesses to the social insurance system totalled 3.0 percent of GNP in 1994, with total contributions to the nation's social security system, including to the social insurance system, stood at 5.1 percent of GNP.

Regression results from international data indicate that this nation's social welfare

Table 4.4  
Current Social Security Contributions (1994)

Public Sector	General (Net Total)	Total Central Government Local Government <sup>1)</sup>	Expenses (in billions of won)	Proportion of GNP (%)
			6,288	2.1
			5,624	1.9
			664	0.2
Private Sector	Contributions to Social Security	Total Pensions Medical Insurance Workers' Compensation Insurance	8,956 4,406 3,177 1,406	3.0 1.5 1.1 0.4
		Total	15,244	5.1

Note: 1) Social security costs for local governments involve deducting central government expenditures from overall governmental expenditures  
Source: Hacheong Yeon, A New Vision of National Welfare Toward the 21st Century, 1996.

expenditures are comparatively lower than the average of other countries. When comparing social welfare spending to that of countries whose national average wage is similar to that of Korea, average per-item spending on social security by the central government is 29 percent less than the average calculated for the other countries.

Statistics further indicate that central and local government welfare expenditures and the private-sector share of social welfare are relatively lower than in advanced countries. Hence, the need for social and cultural welfare funding is growing as average national income increases. Future changes in the nation's social and economic conditions may stimulate welfare needs. In order to eliminate the disparity in expenditures on social security, additional investments in social welfare will be necessary.

# Poverty and Income Distribution

## 5.1 Poverty and Income Inequality Profile

The UN and other international organisations have recognised Korea's successful alleviation of absolute poverty through average income augmentation led by rapid economic growth. According to a recent study on poverty in Korea, the absolute poverty ratio decreased from 20.04 percent in 1975 to 7.36 percent in 1995 (Table 5.1).

Table 5.1  
Absolute Poverty Ratio and Minimum Cost of Living  
(Unit: %, won)

Year	Poverty Ratio	Minimum Cost of Living
1975	20.04	11,581
1980	14.45	38,380
1985	14.22	59,662
1990	10.48	128,087
1995	7.36	239,059

Source: Park, Ch. and Kim, M., *Current Poverty Issues and Counter Policies in Korea*, KIHASA-UNDP, 1998 (forthcoming).

The main determinant of the reduction in absolute poverty was the expansion of employment opportunities boosted by rapid economic growth. Here is evidence that

Table 5.2  
Relative Poverty Ratio and Gini Coefficients

Year	40%		50%		60%		Gini Coefficient
	Poverty Line (Won)	Poverty Ratio (%)	Poverty Line (Won)	Poverty Ratio (%)	Poverty Line (Won)	Poverty Ratio (%)	
1975	8,768	9.73	10,961	18.68	13,153	28.93	0.340
1980	36,672	13.82	45,840	21.88	55,008	31.80	0.354
1985	57,771	17.51	72,214	25.35	86,657	33.63	0.384
1990	135,672	17.22	169,590	24.44	203,507	33.29	0.395
1995	282,397	13.09	352,996	22.22	423,595	32.12	0.370

Sources: Park, Ch. and Kim, M. *Current poverty issues and counter policies in Korea*, KIHASA-UNDP 1998.

rapid economic growth is the driving force behind alleviating absolute poverty. Therefore, the government must continue to stabilise the employment rate by maintaining optimal economic growth in order to avoid absolute poverty. In fact, this is one of the most important anti-poverty policies.

The state of poverty can be a relative term. Relative poverty is considered to be closely related to income inequality. Table 5.2 shows the relative poverty ratio and the relative poverty lines for 40 percent, 50 percent, and 60 percent of average household income in urban areas, and Gini coefficients for the period between 1975 and 1995.

As shown in Table 5.2, relative poverty in Korea did not improve for the period in question. Between 1975 and 1985, the relative poverty ratio increased from 9.7 percent to 17.5 percent for the 40 percent-poverty line, from 18.7 percent to 25.4 percent for the 50 percent-poverty line, and from 28.9 percent to 33.6 percent for the 60 percent-poverty line. Although all three poverty ratios declined until 1995, the poverty ratio in 1995 was higher than in 1975. The relative poverty ratio is closely related to income distribution. Table 5.2 shows that between 1975 and 1990, income distribution inequality increased from 0.340 to 0.395, then decreased to 0.370 in 1995. However, the Gini coefficient for 1995 is still higher than that for 1975. The fluctuation of the relative poverty ratios and Gini coefficients are shown in Figure 5.1.

In Figure 5.1, fluctuations in the poverty ratio and Gini coefficients imply that there is a high correlation between them. Both the relative poverty ratio and income inequality

increased during 1975 to 1977, then stabilised or slightly decreased until 1981. All three poverty ratios rose sharply with an increase in income inequality in 1982: poverty ratios based on 40 percent, 50 percent and 60 percent of average urban household income were characterised by different increases: The poverty ratio increased by 6 percent point for the 40 percent-poverty line, 5 percent point for the 50 percent-poverty line, and the narrowest increase was 4 percent point for the 60 percent-poverty line.

In observing these changes, we can infer that the increase of income inequality and poverty were becoming serious problems for lower income households. Since 1982, the poverty ratios and Gini coefficients have fluctuated within a relatively narrow range, falling in 1992, and holding relatively steady, with slight changes until 1995. We discovered no considerable improvement in relative poverty and equitable income distribution. This trend is contrasted with absolute poverty which was drastically reduced during the period. The relative poverty ratio remained stagnant for two decades. It is empirically evident that the poverty issues in a relative sense are becoming more important as society advances, and that equitable income redistribution is one of the best ways to reduce relative poverty.

## 5.2 Anti-Poverty System

The livelihood Protection system is representative of the anti-poverty systems in Korea. The system was launched in the early 1960s and underwent partial changes in terms of its contents. Livelihood Protection consists of Home Care, Institutional Care and Self-support Care; benefits for recipients vary according to the type of support. Home Care recipients and Institutional Care recipients receive the same type of benefits, while Self-support Care recipients receive a relatively lesser amount of support than the other two types of recipients. The types of protection are shown in Table 5.3.

Figure 5.1  
Relative Poverty Ratio and Gini Coefficients

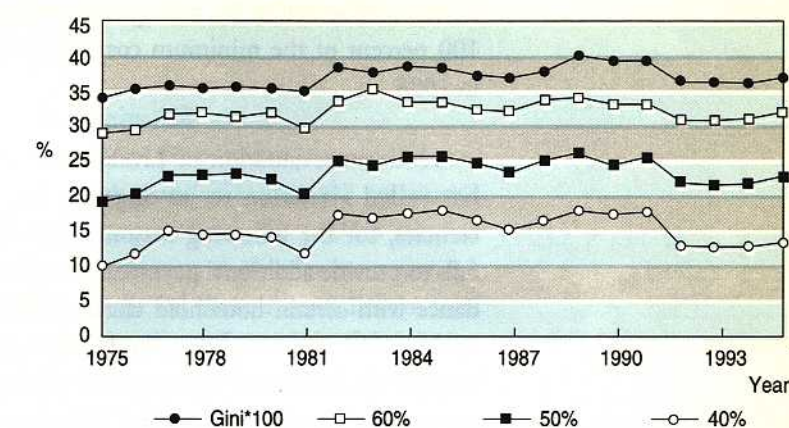


Table 5.3  
Types of Livelihood Protection

Recipients	Types of Aid	
Home Care and Institutional Care	- Livelihood Aid	- Self-support Aid
	- Maternity Aid	- Funeral Aid
	- Education Aid	- Medical Aid
Self-support Care	- Educational Aid	- Medical Aid
	- Self-support Aid	

### Livelihood Aid

Livelihood aid is provided to Home Care and Institutional Care recipients. In 1997, this assistance was provided to 297,000 Home Care recipients with an average of ₩133,000 per person per month. This cash grant is provided for the basic diet, a subsidiary dish, clothing, and other necessities of life. The benefit level varies according to the recipient's family income and the number of household members.

The amount of Livelihood Aid, excluding medical costs and educational fees, is ₩104,000 per person per month. In addition to this, Home Care recipients receive special payments for the preparation of winter (₩80,000) and for the celebration of the two national holidays, Full Moon Day and New Year's Day. The total number of recipients, including the 77,000 recipients of Institutional Care, is 1,410,000, comprising 3.1 percent of the country's population. The benefit level for recipients whose average

income is ₩58,000 reached 90 percent of the minimum cost of living in 1997. According to the government plan, the deficiency will be solved by raising the level to 100 percent of the minimum cost of living in 1998.

However, evaluation of Livelihood Aid has called attention to its ongoing deficiencies, for the following reasons. First, it fails to provide additional payments in accordance with certain household characteristics such as old age, disability, and sickness. Second, the livelihood payment level was set up without considering regional differences in price levels and housing costs. All recipients are given the same amount of Livelihood payments. It provokes the problem of inequity, because it disregards the differences of living and housing costs among various areas.

Therefore, to meet the needs of the poor, the Livelihood Protection system must provide supplementary payments depending on household characteristics, and revise the payment criteria by tailoring it to regional prices and housing costs.

### Self-support Aid

#### Job Training

The Korean government provides low

income people with job training to help them rise above their poverty. Job trainees receive allowances for job training, grants for family living and food, training preparation fees, and other miscellaneous expenses. More detailed contents are introduced in the following Table.

#### Self-reliance Fund

The purpose of the self-reliance fund is to help people become self-supportive. It is available for Home Care and Self-support Care recipients, with money also given to those who are recommended by the head of self-reliance aid centres designated by the Minister of Health and Welfare.

The budget set up for the self-reliance aid fund in 1996 was ₩49 billion; approximately 7,000 households were able to borrow up to ₩10 million per household with a low interest rate on a long-term basis. The loan requires pay back at 6.5 percent yearly interest within five years and a five-year grace period.

#### Self-reliance Aid Centre

The self-reliance aid centres were established in 1996 to support Livelihood Protection recipients as well as the lower-class employed who are not covered by Livelihood Protection. The main activities of the centre are to provide information on available jobs, to offer job counselling and career placement services, to support community based businesses and self-employment, to mediate self-reliance funds, and to teach skills and management techniques. The centre focuses on equipping low-income people with the ability to become self-supportive.

Furthermore, the centre supports 312 social welfare centres in developing the ability of low-income people to become self-supportive and to satisfy the needs of community residents. As of 1997, there are 10 self-reliance aid centres nationwide, with annexes known as 'Aid Centres for Adolescent Self-Reliance.' The purpose of these annexes is to educate teen-agers from low-income families

who have a high chance of becoming delinquents because of working parents who can not spend time with them. They are also intended to provide a healthy environment for teen-agers in low-income areas.

Only two-thirds of all household members of Livelihood Protection recipients are employed. Many of them are employed on a day-to-day basis, or are agricultural workers, fishermen, or part-time workers. Those who are employed full-time comprise only 10 percent of the total. In other words, only one out of ten recipients has a stable job, and the occupational conditions for the rest are very unstable. More importantly, increase of employment is directly related to reduction of poverty. Poverty can be reduced, especially when the employment rate of low-income earners is raised.

The problem lies in the fact that there are not enough self-reliance centres in Korea. In 1996, five model centres were established in major cities (3 in Seoul, 1 in Incheon, and 1 in Taejeon), increasing to 10 by the year 1997. Since the increase in employment is directly related to reduction of poverty, more Self-Reliance Centres must be created and their roles must be intensified to increase employment among low-income earners.

In Korea the low employment rate also continues to prevail among the disabled and women. The government must gradually expand the number of companies which obligatorily employ the disabled, and support more industries with installation fees for convenience facilities. Moreover, to increase the employment of low-income women, day-care facilities must be expanded, and a flexible employment system (flexible working hours, home office system, etc.) must be developed to render work and family compatible.

#### Educational Aid

To prevent the next generation from inheriting poverty, the government offers educational fee assistance to school-aged children of families under Livelihood Protection. Payment covers entrance fees and

tuition up to high school and is being gradually expanded to cover school meals and textbooks as well. The number of students from families receiving protection in 1996 was 169,000.

#### Maternity Aid

Maternity aid provides pregnant women with a cash grant of ₩100,000 per person when they give birth. In 1997 a total of 7,700 women were eligible for maternity aid. To receive the aid, women must inform local government offices of the birth of their baby.

#### Burial Aid

Burial aid covers the cost of a funeral service upon the death of Home Care and Institutional Care recipients. The aid is given to the person who manages the funeral service.

#### Medical Aid

Medical aid is provided for Livelihood Protection recipients who are unable to receive medical treatment within their own budgets. Medical aid recipients are divided into two groups: Class I and Class II. Class I includes recipients of Home Care and Institutional Care, victims of casualties according to the victim salvation act, who earn less than ₩200,000 a month per person, and whose household property was worth less than ₩25 million as of 1996. Class II includes recipients of Self-support Care.

The total number of medical aid recipients in 1996 was 1,740,000, comprising 3.8 percent of the entire population. The number of recipients is diminishing, whereas the treatment rate and the length of days per treatment have extended, indicating that the quality of treatment is improving.

### 5.3 Characteristics of the Poor

A distinct characteristic of the poor in Korea can be seen in terms of demographics and socio-economic status. By examining the recipients of Livelihood Protection benefits

Table 5.4  
Support for Job Training Recipients

Types	Eligible Recipients	Amount (person)
Family Supplement Allowance	▶ Household heads or major supporter of a family	- ₩100,000
Family Allowance	▶ Those who are eligible for family supplement allowance up to 5 dependents.	- ₩30,000 for one dependent family
Transportation	▶ People receiving job training except junior and high school students (benefits provided only during job training).	- ₩30,000
Food	▶ Those who have registered at a public job training centre and live in its dormitory.	- ₩50,000
Employment Support Allowance	▶ Those who have found a job associated with training and worked for the job over 3 months, or those who have earned a certificate of at least grade-two technician.	- ₩200,000 (one time payment)

Source : Ministry of Labour, *White Paper on Labour*, 1997

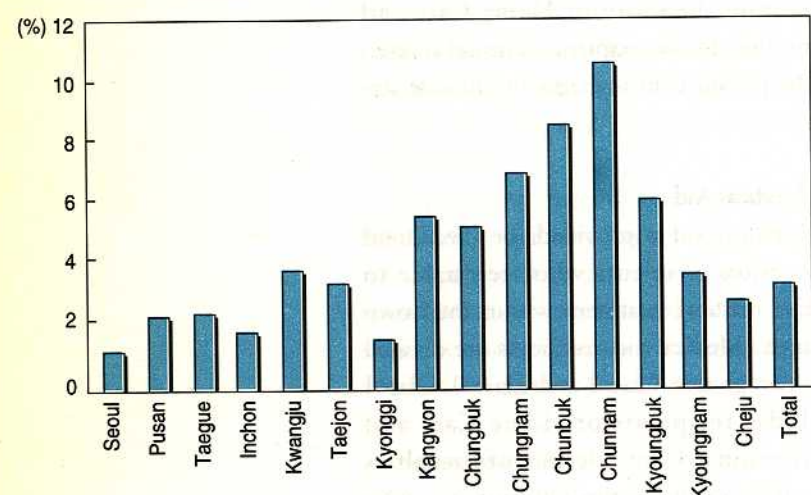


Table 5.5  
**Recipients of Benefits under the Livelihood Protection Programme in Korea, 1990-1996**  
 (Unit: households, %)

Year	Total Households	Recipient Households	Rate of Recipients
1990	11,355,000	904,914	7.97
1991	11,510,000	750,535	6.52
1992	11,807,000	726,479	6.15
1993	12,112,000	645,087	5.33
1994	12,427,000	586,266	4.72
1995	12,961,000	600,983	4.64
1996	13,067,000	521,739	3.99

Note: The number of recipient households does not constitute those who actually receive protection, but rather those who are entitled to protection.  
 Source: Ministry of Health and Welfare, *Analysis of Livelihood Protection Recipients, 1990-1996*.

Figure 5.2  
**Proportion of Livelihood Protection Benefit Recipients by Area**



Note: Proportion = Recipients in each region/Population in each area  
 Source: Ministry of Health and Welfare, *Analysis of Livelihood Protection Recipients, 1996*.

Table 5.6  
**Livelihood Protection Benefit Recipients**  
 (Unit: Person (Households))

Total	Recipients in 1996					
	Home Care		Institutional Care		Self-support Care	
1,159,206 (464,624)	285,185 (179,484)	24.6%	76,001	6.6%	798,020 (285,140)	68.8%

Note: Numbers in parentheses indicate actual number of persons receiving benefits.  
 Source: Ministry of Health and Welfare, *Analysis of Livelihood Protection Recipients, 1996*.

- 1) Home Care recipients include the aged over 65, children under 18, expectant women, the sick, and the disabled, whose households are composed of members unable to work or with only women aged over 50. Institutional Care recipients are those who are legally qualified as recipients but do not have their own home or are unable to live in their own home. While the contents of benefits for Home Care and Institutional Care recipients are the same, the amount of benefits differs. Self-support Care recipients are households eligible for Livelihood Protection but which do not belong in the category of Home Care or to Institutional Care (i.e., they are able to work).

relative to their numbers, duration of protection, type of household, employment status, health, and education, we can comprehend the overall characteristics of the poor.

### Number of Recipients and Length of Protection

The number of Livelihood Protection recipients has been decreasing in Korea. As shown in Table 5.5, for each year between 1990 and 1996 there have been fewer poor households and a lower poverty rate. The number of recipient households was about 900,000 in 1990, dropping to 645,000 in 1993; however, in 1996, the number decreased even more sharply, to 520,000. The decline in the poverty rate resulted mainly from rapid economic growth. Many jobs were created, thereby lowering the unemployment rate.

Regarding the proportion of recipients to the population in each area, Seoul shows the lowest rate of recipients (1.1 percent), followed by Kyung-Ki (1.4 percent), Incheon (1.7 percent), Pusan (2.2 percent), and Taegu (2.3 percent). In other words, the rate of recipients in metropolitan areas is lower than in rural areas. Chun-Nam shows the highest rate of recipients (10.7 percent), followed by Chun-Buk, Chung-Nam, and Kyung-Buk.

As mentioned earlier, there are three kinds of recipients, based on their qualifications, ability to work and living conditions: Home Care, Institutional Care, and Self-support Care recipients<sup>1)</sup>. Among total Livelihood Protection recipients, 24.6 percent pertained to Home Care, 68.8 percent to Self-support Care, and 6.6 percent to Institutional Care (see Table 5.6).

The length of the protected period is indicative of how long it takes for Livelihood

Protection recipients to become self-sufficient. Two thirds of recipient households obtained long-term protection for over three years, while only one-tenth of recipient households became self-supportive in less than a year (see Table 5.7).

### Recipient Household Types

Elderly households constitute the largest share of household types, as shown in Table 5.8. Thirty-eight percent of household members belong to an elderly household. The next common type of household is the disabled, consisting of 32.0 percent of household members.

In regard to single-parent families, there are over three times as many households with only a mother than households with only a father. This shows that women are economically disadvantaged in Korea, therefore the heads of poor households are mostly women. This pattern can be found in both types of recipients, meaning that poverty is related to gender as well as age and disability.

### Number of Household Members

Unlike popular belief, the poor do not consist of mostly large families. The average number of household members of recipients is 1.59 persons for Home Care recipients and 2.80 persons for Self-support Care recipients. The average number of recipient household members is smaller than that of non-recipients (3.3 persons in 1995).

Most recipients are found in a single family household. Forty-two percent of the recipients live alone and a majority of them receive Home Care rather than Self-support Care. The next largest household type is the 2-person. Nineteen percent of recipients are of this type, while around sixteen percent have three persons per household.

### Employment

Poverty is closely related to employment status, because unemployment and unstable employment have a negative affect on people's financial situation. Most recipients are not economically active, and even when they

Table 5.7  
**Number of Recipients by Length of Protection**  
 (Unit: Households, %)

	Total	Less than 1 year	1 to 3 years	3 to 5 years	over 5 years
Total	100 (464,624)	10.8	23.7	27.2	38.3
Home Care	100 (179,484)	9.5	21.2	24.6	44.7
Self-support Care	100 (285,140)	11.6	25.3	28.7	34.4

Note: Numbers in parentheses indicate number of households.  
 Source: Ministry of Health and Welfare, *Analysis of Livelihood Protection Recipients*.

Table 5.8  
**Household Recipient Types, 1996**  
 (Unit: %)

Type	Children <sup>1)</sup>	Mother-Child	Father-Child	Disabled <sup>2)</sup>	Elderly <sup>3)</sup>
Total	5.0	19.0	5.7	32.0	38.3
Home Care	8.4	10.5	3.2	29.2	48.8
Self-Support Care	2.5	25.4	7.6	34.0	30.4

Notes: 1) Households headed by children  
 2) The disabled household indicate household with at least one disabled person.  
 3) The elderly household consists of only the aged over 65.  
 Source: Ministry of Health and Welfare, *Analysis of Livelihood Protection Recipients, 1996*.

are, their financial situation is neither favourable nor stable. A little more than half of recipients - 54.5 percent of household heads and 57 percent of household members - are economically active. Among the economically active, more than one-third are unemployed. Their jobless rate is much higher than that of the total population, which stood at 2 percent in 1995. The high unemployment rate may cause or aggravate their financial situation.

Working recipients are employed under very unstable conditions or in small businesses, and only a few of them hold a secure job (Table 5.10). The most common type of employment among recipients is part-time, followed in order by employment in small agriculture and fishery, and temporary jobs.

Table 5.9  
**Number of Recipient Household Members**  
 (Unit: Households, %)

	Total	Single	Two	Three	Four	5 or more
Total	100(464,624)	41.8	19.2	15.5	12.9	10.6
Home Care <sup>1)</sup>	100(179,484)	66.1	15.8	8.4	6.2	2.2
Self-Support Care <sup>2)</sup>	100(285,140)	26.5	21.4	19.9	16.7	15.5

Notes: 1) Average number in Home Care recipient households is 1.59 persons.  
 2) Average number in Self-Support Care recipient households is 2.80 persons.  
 Source: Ministry of Health and Welfare, *Analysis of Livelihood Protection Recipients, 1996*.

Table 5.10  
Occupation of Employed Recipients  
(Unit: Households, %)

	Employment Status				
	Small Business	Agriculture and Fishery	Full-Time	Part-Time	Daily Worker
Total					
Head (175,460)	9.3	30.0	8.3	14.2	38.2
Member (398,857)	8.3	30.7	10.2	15.5	35.9
Home Care					
Head (26,434)	10.8	27.1	4.0	13.1	44.9
Member (48,051)	10.9	27.4	4.7	14.1	42.9
Self-Support Care					
Head (149,026)	9.0	30.5	9.1	14.4	37.0
Member (350,806)	7.9	30.4	11.0	15.7	34.9

Source: Ministry of Health and Welfare, *Analysis of Livelihood Protection Recipients*, 1996.

Full-time employment consists of only less than 10 percent<sup>2)</sup>. In short, only one out of ten recipients maintains a stable job.

When comparing the two types of recipients, more Home Care recipients are part-time employees than are Self-support Care recipients, and the former are employed full-time less often than the latter. As for small self-employment and temporary employment, the two types of recipients show similar rates. Accordingly, we can infer that the employment conditions of Home Care recipients are a little more disadvantaged than those of Self-support Care recipients.

Table 5.11  
Health Status of Recipients, 1996  
(Unit: %)

	Healthy	Disabled	Sick (long-term)	Ill (Other types)
Total				
Head	38.6	13.1	15.4	32.9
All	51.4	8.7	10.9	29.0
Home				
Head	36.1	16.9	17.6	29.5
All	43.5	15.0	15.7	25.8
Self-Support Care				
Head	40.2	10.8	14.1	35.0
All	54.2	6.6	9.2	30.5

Source: Ministry of Health and Welfare, *Analysis of Livelihood Protection Recipients*, 1996.

- 2) Small Business: Running one's own business such as agriculture, retailing (stores, outdoor sales, soliciting sales)  
Full Time: Salaried employment by companies or individuals for more than a year.  
Part Time: Salaried employment by companies or individuals between 1 month and a year.  
Daily Basis: Employed on a daily basis by companies or individuals for less than a month (peddler, porter, etc.)

### Health

Health conditions are also highly related to poverty, because they determine one's ability to work, while illness depletes one's resources. In general, the health of recipients is unfavourable. Only 51 percent of them are healthy, around 20 percent are either sick or disabled, and 29 percent have some type of illness, indicating that almost half of the recipients are either disabled or sick. In the case of Home Care recipients, as much as 64 percent of household heads are disabled or sick, and only 36 percent of them are in relatively good health, while in the case of Self-support Care recipients about 60 percent of household heads are disabled, sick, or short-term patients, and 40 percent of them are healthy. Overall, Home Care recipients are in slightly worse health than Self-support Care recipients.

### Education

Education as well as skills are necessary elements in finding a job. However, most recipients have less than ten years of schooling. Seventy-seven percent of heads of household have an elementary school education, and most of them have less than a junior-middle school education. Eighty-five percent of recipients have less than a junior-middle school education. Lack of education is an obstacle that prevents them from finding a well-paid or stable job.

Those with more than a high school education comprise a mere 15.7 percent of total recipients: 8.7 percent of Home Care recipients (heads of household: 5.1 percent), and 18.3 percent of Self-support Care recipients (household heads: 9.3 percent), indicating that the overall educational level of recipients is very low, although the educational level of the latter is slightly higher.

### 5.4 Budget for Anti-poverty Programmes

With the increase in average income on account of economic growth in the past 30 years, Korea now focuses on 'the quality of life'. Recently, budgets set for investing in improvements of the quality of life as well as anti-poverty programmes have drastically increased. Table 5.13 shows the budgeting for anti-poverty programmes.

According to the table, except for a few items the anti-poverty budget increased in the range of 12.9 percent to 38.3 percent between 1996 and 1997. The Livelihood Protection budget increased by 19.7 percent in 1997. The budget increase for anti-poverty has raised the benefit level for Home Care and Institution Care and broadened the range of Institution Care. Nonetheless, there are concerns about the rapid increase in social welfare spending.

These concerns are known as 'Welfare Sickness' among the Western European countries. Let us compare the financial situation of Korea with that of developed countries. The fiscal burden of taxes and social security in Korea was 23.4 percent in 1993 (Table 5.14). Even though the rate is lower than in developed countries, it is expected to gradually increase along with the rise in social security spending caused by the expansion of the social insurance system, such as national pension and employment insurance<sup>3)</sup>. In Table 5.14 a comparison of the Korean fiscal burden ratio with those of other industrial countries is shown.

The fiscal burden ratio in proportion to GDP is considerably lower in Korea than in other countries, indicating that the social security system has not fully matured in Korea. Since spending on social infrastructure and welfare will be increased to improve the nation's competitiveness and living stan-

Table 5.12  
Educational Level of Recipients, 1996  
(Unit: Households, %)

	No Education	6 years	9 years	12 years	14 +
Total					
Head	47.6	29.8	14.8	7.1	0.6
All	35.2	29.1	19.0	14.6	1.1
Home Care					
Head	64.1	21.8	9.1	4.6	0.5
All	54.1	24.4	12.9	8.1	0.6
Self-Support Care					
Head	37.3	34.9	18.5	8.7	0.6
All	29.8	30.8	21.2	16.9	1.4

Source: Ministry of Health and Welfare, *Analysis of Livelihood Protection Recipients*, 1996.

Table 5.13  
Anti-poverty Related Government Expenditures  
(Unit: Million Won, %)

Type	1996	1997	Change Rate	
Home Care	247,090	301,079	53,989	(21.8)
Institutional Care	48,418	54,686	6,268	(12.9)
Educational Aid	53,549	66,852	13,303	(24.8)
Self-support Aid	-	617	617	-
Self-reliance Fund	49,000	49,000	-	-
Self-reliance Fund for the Disabled	7,000	8,400	1,400	(20.0)
Low-income Families	4,000	4,000	-	-
Household Headed by children	5,244	7,092	1,848	(35.2)
Free Child Care	21,302	25,841	4,539	(21.3)
Mother-child Families	5,040	6,974	1,934	(38.3)
Homeless Shelters	9,777	13,393	3,616	(37.0)
Total Expenditures	450,420	537,934	87,514	(26.4)

Source: Ministry of Health and Welfare, *Unpublished Data*, 1997.

Table 5.14  
International Comparison of Fiscal Burden Ratio  
(Unit: Proportion to GDP, %)

	US	Japan	Germany	France	Italy	UK	Canada	Korea <sup>1)</sup>
Tax	21.0	19.3	23.9	24.3	30.1	27.6	29.7	21.5
Social Security	8.7	9.8	15.1	19.6	17.7	6.0	5.9	1.9
Burden Ratio	29.7	29.1	39.0	43.9	47.8	33.6	35.6	23.4

Notes: 1) 1997 data have been used for Korea and 1993 data for the advanced countries.  
Source: OECD, *Revenue Statistics of OECD Member Countries 1963-1994, 1995*.

dard, it is expected that the gap of the burden ratio between Korea and the advanced countries will dwindle.

Some people are apprehensive of the fact

- 3) Present social insurance in Korea does not provide benefits to everyone. The coverage rate of social insurance in 1996 was 56.9 percent for national pensions, 61.5 percent for worker's compensation insurance, 32.6 percent for employment insurance, and 100 percent for medical insurance. Social insurance to expand coverage to all Korean people is scheduled as follows: national pensions in 1998, worker's compensation insurance in 1999, and employment insurance in 2000.

that the rapid expansion of the government budget may increase the burden on citizens, sap economic vitality, increase government indebtedness and expand the fiscal burden. Governments of developed countries put great efforts toward cutting spending and balancing revenues and expenditures. Therefore, it is necessary to maintain a balance between revenues and expenditures, and to carefully control any excessive expansion of finances.

### 5.5 Poverty and Social Policies

Poverty-related issues such as social inequality, gender discrimination, problems in urban and rural areas, and environmental threats need to be dealt with multi-dimensionally. Social inequality accompanies poverty, because the disadvantaged lack equal access to social resources by which they can improve their social status. Therefore, to eradicate poverty we need to create an equal society where everyone is given equal access to resources and income. Furthermore, we need to remove political, legal, economic, and social barriers which exacerbate social inequality. Each individual must be able to receive the necessary resources, opportunities, and public services. Additionally, policies that distribute social wealth and income more equally must be executed, and structural obstacles that keep the poor mired in poverty must be discarded.

One of the reasons for the higher incidence of poverty among women in Korea is gender inequality. Therefore, the eradication

of poverty requires gender equality. By encouraging women to participate in politics, the economy, and social and cultural affairs, women can freely exercise their rights. Above all, it is necessary to remove legal, social and cultural barriers that hinder the economic participation of women. Also, through encouraging women to participate in politics, namely decision-taking processes, opportunities for related jobs and involvement with economic activities can be expanded.

The levels of social and economic life must be balanced across regional borders. To achieve this, the legal and institutional support system that ensure improvements in these areas must be given precedence. It is a well-known fact that regional inequality spawns poverty, especially urban poverty. Therefore, related policies must be established.

Unsustainable consumption and production deplete natural resources, destroy the environment, and thus accelerate poverty. Due to the excessive use of fossil fuels and natural resources during rapid industrialisation in Korea, the air is polluted and much of the natural resources have been exhausted. Environmental threats become a more serious problem to low-income people who have no choice but to live in polluted areas. When environmental problems arise, social expenditures that can be used for the poor will go to this purpose. Therefore, the government must consider environmental issues when implementing anti-poverty policies.

The growth rate of per capita GDP, one of the three indicators of the Human Development Index, is simply the mathematical difference between the growth rate of the economy and that of the population. To obtain a high growth rate of per capita income, a decrease in population growth rate accompanied by high economic growth is necessary. Fast demographic changes, particularly a dramatic decrease in fertility, have been the most important aspects of Korea's development process, despite the fact that many family-planning policy measures were undesirable from the perspective of maternal health. Total fertility rates dropped from 6.0 in 1960 to 1.75 in 1993, far below the replacement level.

Health is an end as well as a means of development as an essential part of human capital. Improvement in health status is a necessary condition for continuous development. Korea has shown consistent improvement in its health profile along with its economic development. However, the improvement seen in aggregate statistics on life expectancy and the child mortality rate disguises many problems such as gender and regional disparities. Medical services are highly concentrated in metropolitan areas, making it considerably difficult for rural residents to gain easy access to medical care.

### 6.1 Population

#### *Population Policy and Fertility Decline:*

1) "Saemaul Undong" is the name of the community development movement headed by the government since the 1960's. Main objectives of the movement are to improve residential environments, develop various income attainment programs, and promote family planning, mainly in the rural region.

#### *1962-1993*

Demographic transition has been fast-paced in Korea. As a result of successful family planning programmes, it has taken only a few decades for Korea to achieve what was accomplished over a 150-year period in European countries, namely, going from high to low rates of mortality and fertility.

In 1962, Korea's family planning programme was initiated by the government as part of its Five-Year Economic Development Plan. Since the early 1960s, the family planning programme has been linked to the "Saemaul Undong" (New Community Movement)<sup>1)</sup>. The government has provided contraceptive services in the hope that the availability of contraceptives would help to encourage family planning. In the initial stage of the programme, the main emphasis was placed on the provision of family planning services in rural areas. Owing to the influx of rural population into urban areas in the 1970s, the main focus of the nation's family planning programme shifted as well, particularly emphasising the provision of family planning services for those in the urban low income category and for industrial workers.

Between 1960 and 1975, Korea experienced a sharp decline in population growth (from 3.0 to 1.7 percent). This trend was due to both reduced marital fertility and delayed age of marriage among women. Total fertility rate declined from 6.3 to 3.2 children among women of ages 15 to 44

Table 6.1  
Population Growth Control Policies

Fertility Control Policy	Implementing Agencies	Related Agencies
Strategies: Programmes and Policy Measures		
1. Changes in Individual Attitudes and Social Norms		
a. Intensifying public awareness	MOE <sup>1)</sup>	
b. Strengthening motivation campaigns	MCI <sup>2)</sup>	PPFK <sup>7)</sup>
2. Promotion of Social Support for the Two-Child Family Norm		
a. Legal amendments on male offspring preference and discrimination against females	MOL <sup>3)</sup>	MHSA
b. Application of incentive-disincentive schemes	MOF <sup>4)</sup> EPB <sup>5)</sup>	MOC <sup>8)</sup>
c. Liberalising of abortion laws	MHSA <sup>6)</sup>	MOL
3. Expanding and Strengthening the Family-Planning (F.P.) Programme		
a. Urban low-income programme		PPFK, Municipal Governments (Seoul, Pusan)
b. Programmes for military and homeland reserve army	MHSA	MOD <sup>9)</sup>
c. Integration of F.P. into the New Community Movement	MHSA	NHA <sup>10)</sup>
d. Integration of F.P. into industrial health services	MHSA	MCI <sup>11)</sup>
e. Wide dissemination of effective contraceptives	MHSA	
4. Improvement of the F.P. Programme Organisation and its Information System		
a. Systematic registration of eligible women (proposed but not implemented)	MHSA	MHSA
b. Restructuring, planning and implementing organisations		MHSA

Notes: 1) Ministry of Education  
2) Ministry of Culture and Information  
3) Ministry of Labour  
4) Ministry of Finance  
5) Economic Planning Board  
6) Ministry of Health and Social Affairs  
7) Planned Parenthood Federation of Korea  
8) Ministry of Construction  
9) Ministry of Defence  
10) Ministry of Home Affairs  
11) Ministry of Commerce and Industry

Source: Repetto, Robert, et al., 1981.

during this period. Though the early family planning programme played an important role in reducing the fertility rate, it appears to have reached a plateau in the mid-1970s. Deeply-rooted values concerning preferences for male offspring, and the related social structure were the most important obstacles to further reductions in fertility.

Subsequently, in late 1976, the government announced a new population policy in conjunction with the Fourth-Five Year Development Plan. The policy involved a fundamental reconsideration of the country's population problems, including a broader

definition of population issues as well as searching for novel approaches to old problems. The major strategies of the fertility control policy were: (1) to change social norms and individual attitudes towards small families through education; (2) to generate a proper social atmosphere for family planning through legal amendments and incentive schemes; and (3) to improve and expand the family planning programme so that it could reach more people effectively (Table 6.1).

Attempts to change individual attitudes and social norms in accord with family planning goals have stressed the need for population education programmes for the young, as well as motivation campaigns utilising intensified information and communication programmes. Providing information has been one of the most basic and important elements of the family planning programme in Korea. Various kinds of public information activities are designed to inform people of family planning issues and ultimately to increase their awareness of the family planning programme. Other activities include systematic education on population and motivation campaigns, and additional social supports aimed at a two-child family norm. The strategy employed to generate social support involved the following: institutional and legal changes regarding the family system and employment of women, various incentive and disincentive schemes for heightening the awareness of the need for the small-family norm to the liberalisation of restrictions on induced abortions.

Concomitant with socio-economic development and the successful implementation of the national family planning programme, there has been an enormous decline in the nation's fertility level and population growth rate since 1962. As shown in Table 6.2 and Figure 6.1, the total fertility rate decreased by 71 percent, from 6.0 to 1.75, between 1960 and 1993. Clearly, socio-economic development has contributed to the fertility decline in the form of changes in attitudes toward promoting small-family norms and family planning. Both urban and rural areas display

a consistent decline in the fertility rate. In the initial period of the family planning programme, the total fertility rate in rural areas was 24 percent higher than that in urban areas. However, as the socio-economic gap between urban and rural areas narrowed, the fertility difference between the two regions also grew smaller. In 1993, according to the latest survey period available, the rural-urban gap in the fertility rate disappeared, standing at 1.75 for both areas. Reflecting the fertility decline, the population growth rate decreased from 2.9 percent to 1.0 percent over the period from 1960 to 1993.

Table 6.2 and Figure 6.2 show a decline for all age groups. The decline noted for those in their early and mid-twenties was mainly due to the rise in age at marriage, while for those aged 30 to 34, the 75 percent decline was mostly due to increased contraceptive practices and the abortion rate. The change in fertility level for those in the 25 to 29 age group was relatively slowly paced, representing a 41 percent decline during the same period. Abortion accounted for about one third of fertility reduction in the 1970s and 1980s.

#### Son-Preference and Population Ageing

Two main factors explain the rapid fertility decline in Korea during the period from 1960 to 1993, both of which are deleterious to the nation's population quality. The first factor is the high abortion rate among married women aged 20-29 that has continued up to the present. As shown in Table 6.3, almost half of married women underwent abortions in 1994, with one out of ten married women having a abortion since 1976. A similar pattern was observed for all ages, particularly among married women aged 15 to 24, until the early 1990s.

The other factor accounting for the rapid fall in the fertility rate has been female sterilisation. Sterilisation accounted for about 10 percent of contraceptive methods used in 1976, but continued to increase in the 1990s, reaching one-third. These two factors, characterising Korea's rapid decline in

Table 6.2  
Trends in Annual Birth Rate by Age Group, Total Fertility Rate by Region, and Population Growth Rate  
(Unit: per 1,000 female, %)

	1960	1966	1974	1976	1982	1984	1987	1990	1993
Annual Birth Rate by Age Group									
15~19	37	15	11	10	12	7	3	3	3
20~24	283	205	159	147	161	162	104	62	71
25~29	330	380	276	275	245	187	168	188	195
30~34	257	242	164	142	94	52	39	50	64
35~39	196	150	74	49	23	8	6	7	15
40~44	80	58	29	18	3	1	3	1	1
45~49	14	7	3	1	-	-	-	-	-
Total Fertility Rate									
Whole Nation	6.0	5.3	3.6	3.2	2.7	2.1	1.6	1.6	1.75
Urban	5.4	3.7	2.9	2.8	2.4	2.0	1.5	1.5	1.75
Rural	6.7	6.5	4.3	3.6	3.3	2.3	2.0	1.9	1.75
Annual Population Growth Rate	2.90	2.51	1.70	1.61	1.56	1.24	0.99	0.99	1.02

Source: KIHASA, 1994 National Fertility and Family Health Survey, 1994, p.65.

Figure 6.1  
Trends in Total Fertility Rate by Region

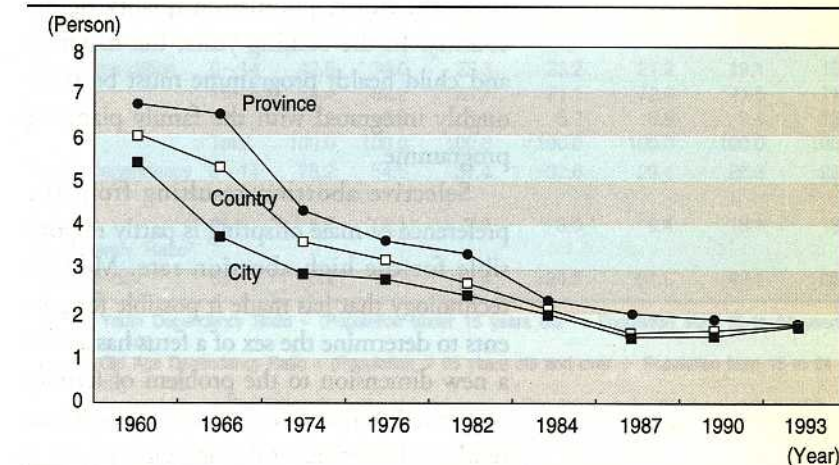


Figure 6.2  
Trends in Annual Birth Rate Among Married Women by Age Group

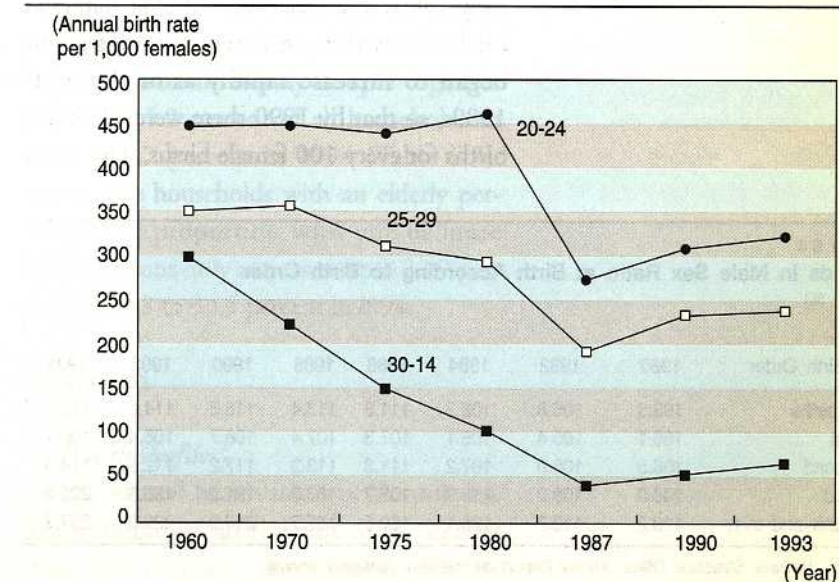


Table 6.3  
Trends in Abortion Rate Among Married Women by Area and Age Group  
(Unit: %)

	1976	1979	1985	1988	1991 <sup>1)</sup>	1994
Area						
Entire Country	39	48	53	52	54	49
City	46	53	55	54	55	49
Province	29	40	48	47	49	49
Age						
15~24	16	19	22	27	29	21
25~29	27	36	42	41	40	36
30~34	46	54	61	57	55	51
35~39	50	59	63	63	60	58
40~44	45	56	67	62	65	60
Average Number of Abortions	0.9	1.1	1.1	1.0	1.1	0.8

Note: 1) Represents married women ages 15 to 49.  
Source: KIHASA, 1994 National Fertility and Family Health Survey, 1994, p.157.

fertility in the past, are detrimental to maternal and child health, which in turn influences the future population quality of the country. In the coming years, the maternal and child health programme must be thoroughly integrated with the family planning programme.

Selective abortion resulting from the preference of male offspring is partly responsible for the high abortion rate. Modern technology that has made it possible for parents to determine the sex of a fetus has added a new dimension to the problem of fertility control. Frequent sex selective abortions result in distortions of the natural sex ratio at birth. The male birth ratio increased dramatically in the 1980s and early 1990s. In the early 1980s, the mean ratio of male babies at birth was within an acceptable range, but began to increase rapidly as of the mid-1980s, so that by 1990 there were 117 male births for every 100 female births. The mean

Table 6.4  
Trends in Male Sex Ratio at Birth According to Birth Order  
(Unit: %)

Birth Order	1980	1982	1984	1986	1988	1990	1992	1994
All births	103.9	106.8	108.3	111.8	113.4	116.8	114.0	115.4
First	106.1	105.4	106.1	107.3	107.4	108.7	106.4	106.1
Second	106.5	106.0	107.2	111.3	113.3	117.2	112.8	114.3
Third	106.3	109.2	116.9	138.7	166.3	191.9	195.6	205.6
Fourth and over	110.2	113.7	128.1	150.6	185.7	218.9	229.0	237.7

Source: National Statistical Office, Annual Report on the Vital Statistics, annual.

ratio at birth conceals markedly differing patterns according to birth order. For first births, the ratio at birth remained stable at 106 throughout the period of 1980 to 1994 (Table 6.4). In contrast, the male sex ratio for second births jumped from 106 in 1980 to 117 in 1990, but then fell back to 114 in 1994. While the proportion of third and higher birth order is not large, the sex ratios at these points are also shown to be markedly distorted. For example, since 1990 there has been about two male births for every female birth for the fourth birth and over. Many Korean women who are about to have a second or later child have prenatal sex detection and then resort to sex selective abortion if they are not going to have a male child. The preference of male offspring is reported to be an important barrier to reducing fertility if parents continue to have children until they have reached their desired number and sex composition.

One implication of the rising male sex ratio at birth could be a marriage squeeze in the future, a situation where males are unable to find sufficient females in the customary age range to marry. According to the official population projection data, after the year 2000, males aged 25 to 29 could face difficulties in finding marriage partners in the age range of 20 to 24 with an increasing shortage of females.

The practice of selective abortion derived from the custom of preferring male offspring has a significantly detrimental effect on social spheres as well as people's health. The government has taken action to forbid prenatal sex identification by revising the medical laws in 1987 and 1994, which led to strengthening of the disciplinary code. Physicians who provide medical services in regard to prenatal gender identification can be punished with imprisonment or a substantial fine, or have their medical licences revoked. Besides these legal measures, various institutional and social support policies should be further strengthened to diminished the high value placed on sons, and to prevent sex-selective abortions. In particular,

Korea has to reform its patriarchal family laws and traditional customs that hinder the achievement of equality of the sexes. Information, education and communication activities need to emphasise the importance of sexual equality, and to make people fully aware of the adverse impact of sex ratio imbalance on society.

In addition, the current family planning management system, with its emphasis on sterilisation, should be reformulated, so that better quality services are rendered and that a wider choice of reversible, safe, convenient and easily affordable methods are made available for birth spacing. The recent situation where young women are practising less contraception while obtaining more abortions is a major concern. The family planning programme needs to target new contraceptive users in their 20s, who should be recruited for birth spacing, and to offer greater choices of contraceptives.

The elderly population is constantly growing, while that of the young keeps declining. In 1970, people aged 65 and over totaled 3.1 percent, a rate that by 2121 is expected to reach 13.1 percent of the total population. In 1995, the figure went up to 5.7 percent. This increase in the proportion of the elderly is largely due to the decrease in the birth rate and the sustained increase in life expectancy promoted by improvements in public health and medical technology. As a result, the ratio of dependent youths and the population of those under 15 is decreasing consistently in contrast to continuous increases in the number of elderly dependants and the elderly over 65. In 1995, the economically active population aged 15 to 64 represented less than two-thirds of the entire population (Table 6.6).

Along with rapid ageing, the fact that a significant and increasing proportion of the Korean elderly live apart from their children indicates the increasing social need for care of the elderly. In both 1988 and 1994, the proportion of households with one or more elderly persons was 22.6 percent of the entire number of households. Two nation-wide

Table 6.5  
Actual and Projected Population at Peak Marriageable Ages  
(Unit: 1,000 persons, %)

Year	Male (25~29 years)	Female (20~24 years)	Male/Female Sex Ratio
1970	1,207	1,254	96.2
1975	1,290	1,504	85.8
1980	1,584	2,015	78.6
1985	2,093	2,089	100.2
1990	2,181	2,083	104.7
1995	2,184	2,155	101.3
2000	2,263	1,896	119.4
2005	2,009	1,823	110.2
2010	1,946	1,513	128.6

Source: National Statistical Office, Future Population Projection, 1991.

Table 6.6  
Age Composition of the Korean Population  
(Unit: %)

		1970	1980	1990	1995	2000	2010	2021
Age Composition	0~14	42.5	34.0	25.8	23.2	21.2	19.1	15.8
	15~64	54.4	62.2	69.2	71.1	72.0	71.5	71.1
	65+	3.1	3.8	5.0	5.7	6.8	9.4	13.1
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Youth Dependency Ratio <sup>1)</sup>	0~14	78.2	54.6	37.4	32.6	29.4	26.8	22.2
	Old Age Dependency Ratio <sup>2)</sup>	65+	5.7	6.1	7.2	8.0	9.4	13.1
Ageing Index <sup>3)</sup>	65+	7.9	11.2	19.4	24.5	31.9	49.1	82.9

Notes: 1) Youth Dependency Ratio = (Population under 15 years old ÷ Population from 15 to 64 years old) × 100

2) Old Age Dependency Ratio = (Population of 65 years old and over ÷ Population from 15 to 64 years old) × 100

3) Ageing Index = (Population 65 years old and over ÷ Population under 14 years old) × 100

Sources: Economic Planning Board, Population and Housing Census Report, 1960-1985.  
National Statistical Office, Population and Housing Census Report, 1990.  
National Statistical Office, Population Projection for 1990-2021, 1991.

surveys of the elderly have shown that the proportion of households with a single elderly person and an elderly couple together grew from 5.2 percent of all households in 1988 to 8.7 percent in 1994 (Table 6.7). Among the households with an elderly person(s), the proportion with one or more elderly persons only increased from 22.9 percent in 1988 to 38.5 percent in 1994.

## 6.2 Health

### Health Profile

The general health status of Koreans has greatly improved in the past three decades along with economic development. The life