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**Emerging Patterns of Co-Production in South Korea:
Strengthening Democracy and Constructing (Not Complementing) a Welfare State**

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Abstract

In recent years, various arrangements of co-management, co-production, and co-governance between the state sector and the third sector have been introduced and developed in South Korea. They play an increasingly important role in producing and delivering public services such as childcare, healthcare, care for the aged, library service, waste management, education, and community development. On the surface, the objective and the impact of these co-production arrangements in South Korea appear similar to those of European countries, i.e., redressing the deficiencies of representative democracy and complementing the overburdened welfare state. Upon a closer look, however, the case of South Korea reveals important differences. Co-management, co-production, and co-governance are being demanded by the public and used by the government to increase the legitimacy of and popular support for a nascent democracy in the country. Furthermore, since South Korea has never had a “welfare state,” increasing uses of co-management and co-production are fundamentally transforming the role of the state, removing the lingering legacies of the old developmental state and facilitating a belated transition to a welfare state.

Emerging Patterns of Co-Production in South Korea: Strengthening Democracy and Constructing (Not Complementing) a Welfare State

I. Introduction

In the 1970s and 1980s, South Korea presented an embarrassing anomaly to the supporters of the then popular “world systems” theory and the dependency theory. The case of South Korea seemed to defy the impossibility of moving from the “periphery” to the “core,” which was presumed by those theories. South Korea not only recovered from the devastations of the Korean War (1950-53) but also rapidly soared to become one of the most dynamic market economies in the world, often recording double-digit growth rates in the 1960s-80s. As a result, scholars overseas competitively included South Korea in the honorable list of East Asian NICs (Newly Industrializing Countries). One eminent sociologist acclaimed South Korea as one of the “four little dragons” in East Asia (Vogel 1991).

However, what was clearly absent in South Korea’s “miraculous” industrialization during the 1960s-80s was due attention to welfare. Throughout the rapid economic development, South Korea’s developmental state consistently adhered to the official policy of “growth-first, distribution/welfare later,” and thus neglected, suppressed, and procrastinated welfare issues. Welfare was largely left to individual citizens and their family networks. Only after South Korea underwent a cataclysmic political change, i.e., democratic transition in 1987, could welfare surfaced as a critical national policy issue. With the polity democratized, electoral candidates vied to highlight welfare issues to appeal to their constituencies. As well, the successive democratic governments since the 1987 transition have responded positively to the distributional and welfare pressures from the population.

South Korea’s economic crisis in 1997-98 provided another strong push for increased attention to welfare. In 1997, a number of major companies in the country filed for bankruptcies, foreign investors withdrew their investment, and the level of foreign reserves fell dangerously low. South Korea plunged into a profound and unprecedented economic crisis and in the end requested a rescue loan package from the International Monetary Fund (IMF). The conditions attached to the IMF loan required rigorous and continuous restructuring of the economy. The Kim Dae Jung government (1999-2003) designed and carried out reforms in four major sectors of the economy—corporate, financial, labor, and public sectors. The consequences of the Kim government’s neoliberal “flexibilization” of the labor market—e.g., increased unemployment and reduced job security—prompted the state to realize how weak South Korea’s welfare system and social safety-net had been during the developmentalist era of the past decades. Thus, it was during the Kim Dae Jung government that a welfare state finally emerged in earnest in South Korea. Although the economic crisis was officially over with the payback of the IMF loan in 1999-2000, emphasis on welfare has become an enduring feature of the South Korean economy.

Such a checkered history of economic development, political democratization, economic crisis and recovery holds serious implications for the emerging patterns of state-third sector collaboration in South Korea. Differing pressures and divergent causes, resulting from various political and economic environments, shape the types and

characteristics of state-third sector collaboration. In this paper, we attempt to explain the emerging patterns of state-third sector collaboration in South Korea in terms of the two structural changes, namely political democratization and economic crisis/reform. The “equifinality” of increased state-third sector collaboration we observe both in South Korea and in Western Europe has substantially different causes: it is misleading to accentuate only those superficial similarities. We first provide a general overview of the emergence and development of a welfare state in South Korea. Next, we elaborate and explain the emerging patterns of co-production in South Korea in recent years. We then put South Korea in comparative perspective, comparing it with Western Europe and Japan. In the last section, we reflect on the causes and outcomes of the cross-regional “equifinality” of increased bisectoral collaboration.

II. The Historical Evolution of a Welfare State in South Korea

In the 1950s, the South Korean state concentrated its efforts on recovering from war damages and accelerating postwar reconstruction. Public welfare was not one of its main concerns. Instead, welfare of the South Korean population was left to and taken care of by many foreign philanthropic and humanitarian organizations. Already during the war, in July 1952, representatives of seven major foreign organizations created Korean Association of Voluntary Agencies to coordinate aid projects and promote information sharing. Foreign organizations built and operated facilities such as homes for orphans, the aged, and the disabled; distributed relief goods; provided medical services; established schools and hospitals; and advised agricultural development plans (Ryu 2002). The heavy dependency of South Korean welfare on foreign organizations and aids continued through the 1960s.

During the 1960s, a number of welfare-related bills were legislated by the military and semi-military governments in the wake of the military coup in 1961. Examples include the Civil Servants Pension Law (1961), the Public Livelihood Protection Law (1961), Korean Social Security Law (1963), the Industrial Accident Insurance Law (1963), the Health Insurance Law (1963), the Military Pension Law (1963), and the Medical Assistance Law (1963). However, most of these legislations were intended to mollify political opposition and augment electoral support for the legitimacy-deficient military regime. In essence, welfare legislations at the time were used as a political instrument of the authoritarian regime to boost its popularity and to undermine dissidence (Fiori 2007). Selected segments of the South Korean population—for example, those employed by major firms—benefited from these welfare programs introduced by the state. Yet, to the population at large, the state only reiterated the official slogan of “growth first, distribution/welfare later.”

After the South Korean economy had recorded impressive growth in the 1960s thanks to a row of successful 5-year economic development plans, foreign aid organizations decided to leave Korea. As foreign organizations departed in the 1970s, some form of “internalization,” i.e., the state’s takeover, of the welfare programs and services formerly provided by foreign welfare entities was to occur. Yet, this did not take place during the 1970s. Instead, the South Korean state persistently adhered to and continued its now well-entrenched “growth at whatever cost” policy.

It was only in the 1980s, especially after the democratic transition in 1987, that social and welfare policy emerged as a public topic worthy of policymakers' attention. In response to the increasing popular demand for distribution and welfare, the South Korean state built numerous social welfare institutions and facilities across the nation during the 1980s. However, the state ensured that it was clearly the private sector—e.g., NPOs, religious groups, and educational organizations—that was in charge of operating those newly built institutions and facilities. Taking into account the global wave of retrenchment, if not dismantlement, of the welfare state, the South Korean state had no reason to acknowledge the state's commitment to welfare (Ryu 2002). Hence, the South Korean government's policy during the 1980s did not represent any noticeable break with the past. Through the 1960s and the 1970s, welfare had always been handled by private citizens, families, firms, voluntary organizations, and foreign groups. The state's "renewed" emphasis on private initiatives, in this context, merely confirmed that the state was not yet ready to take welfare policy seriously. The state still tried to distance itself from an image of welfare state.

The government instead focused on funding, monitoring, and supervising welfare facilities and institutions (Lee, et al. 2003). "Built by the state, operated by social groups" was the main mode of operation for most welfare organizations in charge of providing and delivering welfare services during the 1980s. As a result, co-production and co-governance did not exist in South Korea in the 1980s. Only rudimentary and limited forms of co-management, in which the state provided buildings and hardware and social groups produced welfare services under the aegis of state sponsorship and guidance, existed. The government directly supported welfare facilities via paying wages and other operational costs.

The 1997-98 economic crisis drastically changed South Korean state's traditional reluctance, if not escapism, toward social welfare. The economic crisis entailed extensive restructuring of the economy, which resulted in massive layoffs, a higher level of unemployment, disintegration of the middle class, worsened income inequality, and serious social polarization. The private sector-dependent welfare system was simply inadequate to support the South Korean population in crisis. The South Korean state could no longer turn a blind eye to the public uproar for better welfare and distribution. As a result, the Kim Dae Jung government developed and advocated "productive welfare," expanding welfare services and revamping health/medical policies. The modifier, "productive," was to rebut the neoliberal critics within South Korea who argued that the "anachronistic" emphasis on welfare was totally against the global wave of reducing welfare and would negatively affect national production and competitiveness.

Under the slogan of "productive welfare," a series of welfare reforms were implemented. For example, the National Basic Livelihood Security (NBLs) Act, an unprecedentedly extensive and systematic social assistance program, was passed in October 2000. The National Health Insurance reform was accomplished through consolidating all health funds into a global national fund. As well, the National Pension System was significantly extended to include the urban self-unemployed, the last group excluded from the pension program in South Korea at the time (Fiori 2007).

The current Roh Moo Hyun government (2003-present) has continued building a welfare state in South Korea, with a new slogan of "participatory welfare." "Participatory welfare" has emphasized increasing citizens' and NPO's participation and involvement in

the production and delivery of social welfare services to increase their quantity and improve their quality (Kim, et al. 2006). This has obviously increased the incidences of co-management, co-production, and co-governance, as will be elaborated in the next section of this paper. In September 2005, the Roh government announced “Hope Korea 21: Collaborative Welfare,” which aimed at building an integrative and customized welfare service delivery system primarily based on public-private partnership. The tragic death of a 4-year old disabled boy in Daegu in December 2004, which graphically betrayed the weaknesses and inadequacies of the welfare system in South Korea, greatly shocked the South Korean society and compelled the government to strengthen its commitment to build a welfare state to protect particularly poor and vulnerable families (*Yonhap News*, December 18, 2004; *The Kyunghyang Daily*, December 19, 2004).

III. Emerging Patterns of Co-Production

As was pointed out above, the previous Kim Dae Jung government (1998-2003) and the current Roh Moo Hyun government (2003-present) have commonly tried to create and develop a welfare state in South Korea. These two successive governments have employed several methods to build and strengthen a welfare state, such as subsidizing the provision of welfare services by social groups, institutionalizing unstable programs by third-sector organizations, and incorporating private programs into state policies.

However, South Korea’s newly emerging welfare state still lags far behind its European and Japanese counterparts. According to *OECD Social Expenditure Data 2003*, South Korea’s public social expenditure as of 2003 is 5.69% of its GDP, which is the lowest among 30 OECD countries compared (Table 1). This demonstrates how distant South Korea’s embryonic “welfare state” stands in comparison with old (and considerably retrenched) West European, Japanese, and American welfare states.

On the other hand, South Korea’s mandatory private social expenditure is 2.18% of its GDP, which is the 6th of OECD countries (OECD 2007). This shows that South Korea’s social welfare still heavily depends on the private sector. Despite the efforts by the latest two administrations, the state does not yet play a dominant role in providing and delivering welfare services to South Korean citizens. The private sector-based welfarism of South Korea has not yet converted into a form of state welfarism, and a lot of welfare services are still handled by private sector entities.

Table 1: South Korea’s Public and Private Social Expenditures in Comparison with Other OECD Countries

	Public Social Expenditure as a Percentage of GDP	Mandatory Private Social Expenditure as a Percentage of GDP
Sweden	31.28	0.58
France	28.72	0.36
Germany	27.60	1.15

Denmark	27.58	0.23
Belgium	26.48	0.00
Austria	26.05	0.92
Norway	25.07	1.64
UK	20.14	0.80
Japan	17.73	0.66
US	16.20	0.39
S. Korea	5.69	2.18

Source: OECD 2007

A closer analysis further confirms that South Korea's welfare state is still very weak and unstable. Welfare programs in South Korea are currently managed by two governmental ministries, i.e., the Ministry of Health and Welfare (MoHW) and the Ministry of Gender Equality and Family (MoGEF). Of the two, MoHW funds most of the welfare programs. If we look at MoHW's budget in 2006, the budget for the implementation of the National Basic Livelihood Security (NBLs) Act, a public assistance program, and Social Insurance occupies 86.7% of MOHW's total budget. NBLs and Social Insurance involves direct cash payment, thus unrelated to welfare service production and delivery. The actual social service budget (without direct cash payment) amounted to only 8.5% of the total general accounts budget (Table 2). These statistics reaffirm that the South Korean state, relative to the voluntary sector, still manages a very small portion of welfare service provision and delivery.

Despite South Korea's small proportion of welfare spending as compared with other advanced economies, it is undeniable that new forms of state-third sector collaboration have been increasing since the emergence of a welfare state in the aftermath of the economic crisis in 1997-98. Of the three types of state-third sector collaboration, i.e., co-management, co-production, and co-governance, South Korea is currently dominated by co-management.

Co-management, in turn, is broken down into two sub-types: one in which the government gives financial assistance to NPOs for their wages, operational costs, and other nonspecified fees, and the other in which the government helps NPOs institutionalize and regularize programs. Co-production includes a range of citizen participation programs. Co-governance involves numerous Local Councils on Social Welfare, in which both public officials in charge of welfare and NPO/NGO leaders participate and collaborate with each other.

Table 2: Health and Welfare Budget in South Korea, 2003-07 (General Accounts)

(in 100 million won, %)

Breakdown	2003		2004		2005		2006		2007 (planned)	
	Budget	Proportion	Budget	Proportion	Budget	Proportion	Budget	Proportion	Budget	Proportion
Total Budget Welfare Budget	1,181,323	7.2%	1,201,394	7.7%	1,355,156	6.6%	1,469,625	6.6%	1,579,873	7.3%
General Accounts	85,022	100	92,322	100	89,067	100	97,063	100	115,783	100
Social Welfare										
- Basic Livelihood Security (Public Assistance Program)	47,322 35,228	55.7 41.1	53,186 39,126	57.6 42.4	51,676 46,149	58.0 51.8	61,562 53,338	63.4 55.0	80,703 65,835	69.7 56.9
- Social Welfare Services	12,094	14.2	14,060	15.2	5,527	6.2	8,224	8.5	14,868	12.8
Health/Medical	4,282	5.0	4,639	5.0	3,179	3.6	2,200	2.3	2,594	2.2
Social Insurance	31,552	37.1	32,464	35.2	32,105	36.0	33,301	34.3	32,486	28.1

Source: MoHW 2006, p.13

These three forms of state-third sector collaboration has different causes. Co-management, the most dominant form, represents the state's greater commitment to and involvement in the production and delivery of welfare services. It has been driven by the increased popular demand for welfare since the outbreak of the economic crisis in 1997. On the other hand, co-production and co-governance have been promoted by the government's emphasis on transparency, responsiveness, and accessibility of the policymaking process. They are more related with the democratic transition in 1987 and the increased demand for democratic reform and government innovation. Below, we discuss these three types of collaboration available in South Korea.

1. Co-Management

Co-management, the most dominant form of collaboration between the state and the voluntary sector in South Korea, mainly takes two different forms. The first is direct financial assistance the government offers NPOs to cover their operational costs and wages. The second is to institutionalize NPOs' successful programs by incorporating them into government policies.

1) Financial Assistance to NPOs: Support for Daycare Facilities

As of 2005, the South Korean government spent 3.2 billion won to help daycare facilities cover wages, operational costs, and purchases of teaching materials and tools. The government uses different rates and methods of support according to the kinds of facilities and teachers. For example, in terms of state/public facilities, 80% of directors' wages are covered by the state support. Also the state pays 30% of the wages for the teachers in charge of small children (age: 3-5). If a facility has more than two infant classes (age: 0-2), the teachers receive 80% of their salary from the state. Countryside/rural facilities receive 80% of their teachers' salary from the state, irrespective of the number of classes opened. They also receive state support for operating their mini-buses because children in the rural area are usually scattered (Lee, et al. 2006)

Private childcare facilities also receive 400-1,200 thousand won (varying according to the size of the facility) for purchasing teaching tools and materials. This assistance reimburses expenses on books and toys, but not on furniture or other hardware goods. Overall, the state spends 68.6 billion won to support 180,000 infants (31,000 classes) (MoGEF 2006).

2) Institutionalizing NPO's Programs

(1) Food Bank

Food Bank is a program that delivers surplus food to low-income families. In South Korea, the program started as a pilot program in January 1998 and was expanded to 58 areas in July 1998. As of December 2006, 278 Food Bank facilities are active in South Korea.

The program was originally initiated by private organizations such as the Anglican Church of Korea as a way to share food with the poor. But beginning in 1998, the government helped the program by providing facilities and equipments and funding operating costs. The government began supporting the Food Bank program primarily for

two reasons. First, South Korea was in the middle of an unprecedented economic crisis in 1998. South Korea received a rescue loan package from the IMF. The middle class began to disintegrate and rapidly turned into low-income and poor classes. The public uproar for state intervention to ameliorate social problems was immense and intense. Welfare could no longer be left to the private sector. Second, the previous Food Bank program had had clear problems in being sporadic, limited, and most of all affiliated with religious organizations. Most of the program had been operated by religious groups such as the Anglican Church of Korea and YMCA and needed to be broadened and institutionalized (Seoul Council on Social Welfare, 2006).

The Welfare Resources Team in the MoHW is currently in charge of the Food Bank program. In cities and provinces, the Department of Social Welfare or the Department of Gender Policies are usually in charge. Implementing organizations include Korea Social Welfare Council (in charge of the national Food Bank program), City/Province Social Welfare Council (in charge of the Food Bank program in large-unit areas), and other social welfare facilities (in charge of basic Food Bank in small towns). The beneficiaries of Food Bank at the basic level include children without parents, the handicapped, the aged, the homeless, the unemployed, and the people hit by natural disasters. In 2006, the “Bill to Promote Food Donations” containing the basic principles and establishment criteria of Food Bank was passed.

(2) “Hope Start”

The basic assumption of “Hope Start” is that direct or indirect financial assistance from state alone cannot resolve the problem of child poverty. The MoHW in 2007 launched the program as a pilot program in 16 areas and now plans to incrementally expand the program. Previously, a number of private organizations, such as the *Joongang Daily*, Korea Welfare Foundation, the Community Chest of Korea, collaborated to initiate “We Start” to help the children of poor families. The “We Start” movement aims to prevent inter-generational perpetuation of poverty. In particular, the movement built “We Start Villages” in numerous cities and towns of South Korea. These special villages are being funded by local firms, citizen donations, and support from local governments. In these villages, local governments, schools, welfare facilities, hospitals, NGOs, and ordinary residents cooperate with one another to help children of ages ranging 0-12. The “Hope Start” program is, in some respect, incorporation and expansion of the existing “We Start” movement into government programs. The principal purpose is to provide educational and welfare services to the children of poor families so that they enjoy a “fair start line” compared with the children of better-income families.

In terms of the implementation mechanism of “Hope Start,” the MoHW is in charge. The Support Team for Planning and Educational Programs include specialists in welfare issues who advise in selecting locations and developing various specific programs. In selected locations, the “Hope Start” teams develop and provide an integrative welfare service program, making a package of health, welfare, and education available to the children of poor families. The “Hope Start” teams can also request uses of social welfare facilities, nurseries, hospitals and health clinics, and NGOs in the region.

The beneficiaries of “Hope Start” include pregnant women of low-income households and children under the age of 12 in vulnerable areas. Teams of social welfare

specialists and nurses regularly visit families and provide medical checkups, educational programs, and so on. The program provides the children with a service integrating health, welfare, and nurture, and provides their parents with job training and employment opportunities. In contrast to the previous and existing programs focused on solving problems after they occur, this program emphasizes prevention of possible problems in nutrition, emotional development, and social skills of the children of poor families, using an integrated packet of different methods.

(3) Project-Based Budget Support

A. MoGEF Projects in Collaboration with Women's Organizations

MoGEF runs collaborative projects with women's organizations to promote public-private partnership and to increase the efficacy of gender policies. The purpose is to promote gender equality, increase women's social participation and the quality of welfare, implement and publicize gender policies, and activate citizens' movement for women's rights, and support women/family-related social organizations (Kim, Han, & Kim 2006).

MoGEF projects are divided into "planned" and "general" projects. Planned projects are those on which MoGEF strategically focuses, such as promoting women's rights; increasing women's political and social participation; protecting maternity; supporting vulnerable women such as the elderly, handicapped, and alien women; and augmenting childcare facilities and programs. The general projects are women's organizations' own projects that fit well with MoGEF's general purposes and missions.

Projects are selected through open competition. Most of the applying organizations very heavily depend on government support. Sometimes government assistance exceeds 70% of their program budget (Kim, Han, & Kim 2006). Project-based budget support is exclusively for the expenses directly related to the project proposed. If the support is spent on wages, operational costs of the offices, meals, and other inappropriate items, the selection is cancelled and the money forfeited. So far, projects competitively selected have included running parents-participating childcare centers, childcare programs for working parents, building playrooms for poor children, increasing teachers' sensitivities to children's rights, promoting safety in childcare facilities, and helping mid- and old-aged women enhance self-supporting capacity.

B. Seoul Metropolitan City's Project Competition

Seoul City regularly receives applications for original and creative welfare projects and then financially supports the selected programs. All projects are supposed to increase the quality of welfare Seoul residents enjoy. In general, projects are mostly focused in the areas of elderly and disabled welfare.

The "welfare for the aged" field selects projects focused on creating and increasing job opportunities for the elderly, helping the elderly increase social participation, providing educational opportunities for the elderly, and so on. The funded projects in recent years include projects for free dentures, helping the aged with hearing difficulties, planning for the post-retirement life, and helping Alzheimer disease victims of poor families.

The “welfare for the handicapped” field is divided into two categories: “designated” theme projects and “open” theme projects. The former focuses on vocational education, job training, helping handicapped artists and entertainers, free replacement and repair of medical supplementary instruments (such as electric wheelchair), and remodeling the houses of the handicapped. The open theme projects have focused on increasing social participation of the handicapped, visitation of the homes of the severely handicapped low-income persons, prevention of disablement, treatment, and education.

2. Co-Production

Co-management is the most dominant form of state-third sector collaboration in South Korea. However, co-production is also gradually increasing. In recent years, there have been some examples in which citizens and users of the welfare services participated in the production and delivery processes of welfare services.

1) Resident Self-Rule Center in Incheon: Pureunsaem [Blue Fountain] Children’s Library

Gajwa 2-dong Resident Self-Governing Center in Incheon City has installed and operated a children’s library. In addition to various reading-related activities during weekdays, the library provides hands-on activities such as dyeing experiments, field trips to historic palaces and natural sites on weekends. All these activities are organized and operated by a group of volunteers, called “Saem (Fountain).” Volunteer committee members of the Self-Rule Committee actively participate in developing and submitting grant proposals to various governmental ministries for financial support. Residents themselves participate in the production and delivery of welfare service such as educational programs for the residents’ and other children in the area.

2) “New Seongbuk Clean Volunteers” in Seoul

The Seongbuk Ward Office, Seoul, has organized “New Seongbuk Clean Volunteers’ Teams” to clean its neighborhood. Every Wednesday, which is a “Clean Seongbuk Day,” volunteers clean the streets of Seongbuk Ward for a few hours. Each volunteers’ team consists of a leader, usually an aged man widely respected by the residents, and 5-10 other volunteers. The ward office provides garbage collection bags and places “Cleaning Helpers” on participating residents’ home entrances. Currently 7,015 residents are participating in 1,126 volunteer teams. This is another example in which the welfare service, in this case garbage collection and clean environment, is provided by users themselves, minimally supported by the local government office.

3. Co-Governance: Local Councils on Social Welfare

Mainly due to the emphasis of the current Roh Moo Hyun government on citizen participation, co-governance is also increasing in recent years. A good example is Local Councils on Social Welfare (LCSWs). In the past, local governments, NPOs, and hospitals provide welfare services separately, without much coordination or cooperation. There existed no linking or collaborative mechanisms between public and private sectors. A lot of overlaps and omissions inevitably happened in terms of providing necessary welfare services. There were state-created and state-sponsored committees on social

welfare, but they did not function very well. LCSWs is a response to the traditional absence of coordination between the government and NPOs. Experts had repeatedly pointed to the importance of establishing and developing a collaborative forum in which NPO and governmental representatives, welfare experts, and practitioners all participate and discuss welfare matters to provide better and more integrated service to residents.

In 2001-2002, LCSWs were established as a pilot program in 15 cities and towns. Based on the success of these pilot councils, in July 2003, the existing Social Welfare Program Bill was revised: the existing state-dominant Social Welfare Committees were succeeded by LCSWs. By March 2006, all cities and towns in South Korea established LCSWs.

LCSWs are composed of those who are knowledgeable about welfare or health issues, representatives from voluntary organizations or institutions engaged in social service provision, and relevant public officials, thus ensuring representativeness and diversity of participants (Table 3). In 34 cities and towns, local councils employ executive secretaries from the private sector, who are actively nurturing and reinforcing collaboration between the local government and NPOs to explore welfare-related resources in the area. More and more councils are expected to hire staff from the private sector (MoHW 2007).

Table 3: Composition of Local Councils on Social Welfare, December 2006

Experts	NPO Representatives	Hospital Representatives	NPO/NGO recommended	Public Servants	Others	Total
469	1,212	605	713	772	316	4,087
11%	30%	15%	17%	19%	8%	100%

Source: MoHW 2007

The main functions of LCSWs are to discuss and deliberate on major welfare-related issues and plans pertaining to the area, to promote linkage and integration between social welfare and medical service, with a view to enhancing overall welfare in the local region and building a workable “new governance” system between the public and the private. In other words, LCSWs in South Korea, by actively involving and incorporating local NPOs in the policymaking process related to the provision of social welfare services, facilitate and enrich communication channels between NPOs (service providers) and residents (service users). Citizens and NPOs are involved in multiple stages of the decisionmaking process—not only the implementation stage but also in agenda-setting and evaluation stages too. LCSWs are expected to contribute to the establishment and evolution of a “new governance” system and to the augmentation of social capital in South Korea.

IV. South Korea in Comparative Perspective

Various alternative forms of providing welfare services are emerging in South Korea. Co-management, simple collaboration between the government and NPOs in the production and delivery of welfare services, is the most dominant form of cooperation so far. But new forms such as co-production and co-governance are also increasing.

Now, what can we say if we put the case of South Korea in comparative perspective with Western Europe and Japan? As discussed in the second section of this paper, third-sector organizations in South Korea had long provided essential welfare services the state was either unable or unwilling to supply during the 1960s and 1970s. After the democratization in 1987 and the economic crisis in 1997-98, the South Korean government has helped third-sector organizations consolidate and institutionalize welfare programs and services, through financial support, organizational assistance, and many other policy mechanisms. In this respect, the “crisis” and the subsequent “dismantlement” of welfare state, as happened in many Western European countries in the 1980s, does not have much relevance to South Korea. Rather, South Korea is currently trying to establish and consolidate a welfare state it was not able to build during the fierce rush to industrialization during the 1970s and 1980s.

The state in South Korea is not merely soliciting help from third-sector organizations to lessen its welfare-related overloads. Rather, the state, which had been largely developmentalist in nature and thus had no welfare-related missions to speak of, is now actively incorporating programs run by third-sector organizations to improve their quality and to stabilize their provision. An image of a weary, overburdened, and putatively inefficient welfare state is not pertinent to South Korea. Rather, the state, perhaps guilty of its past neglect of welfare issues in the heat of the rush to growth, is belatedly paying attention to welfare and social safety-net.

The case of Japan provides an interesting comparison with South Korea. South Korea obviously emulated the Japanese model throughout its dramatic economic development in the 1960s and 1970s. There was the developmental state, which successfully accomplished state-sponsored projects to promote economic development. The developmental state, consisting of able bureaucrats and relatively autonomous from the pressure of societal forces such as labor and capital classes, effectively managed the overall process of economic development. On surface, Japan and South Korea ostensibly represent two very similar cases.

However, this seeming similarity is deceiving. What should be noted first of all is the democratic struggles South Korea had to go through, which is critically absent in the postwar political dynamics in Japan. South Korea’s developmental state in the 1970s and the 1980s were closely associated with political authoritarianism at the time. Japan, despite the long reign of the Liberal Democratic Party in the postwar period, was in essence a democratic polity throughout. Via democratic political processes, Japan had long made efforts at institutional and systemic reform, including the reform of the social welfare system. Up to the 1970s, the Japanese welfare state witnessed expansion, with various welfare-related legislations and public policy programs. Welfare programs were extended to include welfare for the aged, government subsidies for medical care, delivery, and funeral. As a result, welfare spending in Japan increased steadily through the 1970s.

However, into the 1980s, the Japanese welfare state experienced a lower level of economic development and had to adjust its social welfare policy, emphasizing implementation of welfare programs at the local level (Jeong 2006). Faced with global oil shocks and domestic economic troubles, specialists suggested Japan develop a welfare state development model that was different from the “Western” path, focused on individual self-help, family, local community, and enterprise cooperation.

Into the 1990s, social welfare policy in Japan faced another challenge. Because of the increased burden of social security and overall economic troubles, the state launched restructuring of the social security system, by revising the medical insurance law and introducing an insurance similar to *Pflegeversicherung* in Germany (Choe & Kim 2004). The old method of giving direct subsidies to welfare programs were replaced by active participation of private firms in the production and delivery of social welfare services. In other words, marketization of social welfare services is actively being explored in Japan (Cho 2002). By March 2003, private firms became fully allowed in all areas of social welfare services.

Japan's traditional welfare system heavily relied on private sector organizations such as social welfare NPOs. However, these NPOs were highly dependent on central and local governments and in fact served as quasi-public organizations (Jeong 2006). It is undeniable, in this sense, that the state played critical roles in providing and delivering social welfare services. This situation has changed considerably, when the Japanese government attempted to "diversify" the supply of social welfare services. As was the case in many West European countries, the third sector received a renewed attention. Third-sector organizations such as foundations and public corporations are closely cooperating with the government to provide and deliver social welfare services.

Comparing the developmental trajectories of South Korea and Japan, differences rather than similarities are more pronounced. There are of course overall similarities such as the high level of economic development, low budget spending on welfare, cultural and ethnic homogeneity, and so on. There are indisputable similarities in welfare management too. The first is the dependence of welfare on the private sector with respect to those services either unattended or ignored by the developmental state. Second, the private organizations were very much dependent, particularly financially, on the state. Third, to avoid problems of West European model, both countries tried to develop an East Asian welfare state. Fourth, as decentralization continues, social welfare services are being devolved and delegated to local governments.

Nonetheless, it is grossly misleading to put together South Korea and Japan in the same basket of "East Asian welfare states." First, in Japan welfare reform basically took the neoliberal path, devolving tasks to the private sector, involving both nonprofit and for-profit organizations, marketizing social welfare services, commodifying social welfare service programs, and switching from the method of funding the suppliers to subsidizing the users of welfare services. In contrast, the South Korean state, although the economic crisis spurred a certain degree of neoliberal restructuring of the economy in general, has not concentrated on privatizing or marketizing welfare services. Rather, the South Korean state has incrementally increased its role in producing and delivering welfare services. Delivery of the services is still mostly handled by private social groups. Yet, the government is increasingly institutionalizing and systematizing social welfare services that had been scattered among different social groups and implemented in diverse ways. South Korea still heavily subsidizes the providers of the welfare services. In sum, welfare management in South Korea, unlike Japan, has been more governmentalized in recent years.

Second, while Japan tends to empower wide regional coalitions, composed of various local welfare delivery system organizations, to play important roles, in South Korea, welfare is being provided by small local governments. Welfare delivery, in other

words, is segmented and organized on a small scale. While Japan tries to decrease cost and increase specialization and efficiency by promoting coalitions of local governments and pooling their resources, South Korea emphasizes decentralized production and delivery of welfare services. This situation in South Korea is related to the fact that the previous welfare delivery system had constantly been criticized for its inefficiency, lack of expertise, rigid uniformity, and unresponsiveness. This is the reason why South Korean government today emphasizes customized and tailored welfare planning to increase maximum accessibility and relevance, based on the specific characteristics and needs of local areas.

V. Conclusion

In this paper, we first reviewed the historical evolution of the welfare state in South Korea. Unlike in most Western European countries in which overburdened welfare state invited and utilized third-sector organizations in providing and delivering welfare services, the South Korean state recently began incorporating and institutionalizing those tasks previously performed by third-sector organizations. Co-management has become a major form of collaboration between the government and NPOs.

Meanwhile, the democratic transition in 1987 has also had great impact on public-private partnership. The democratic transition and the subsequent popular demand for participation in and access to the policymaking process resulted in new forms of collaboration between the state and third-sector organizations. Thus, co-production and co-governance are also increasing in South Korea today.

The seeming equifinality between South Korea, Japan, and European countries—namely, the increasing collaboration between the state and NPOs—has different causes. In European countries and, to some extent, Japan, co-management, co-production, and co-governance all came about as a way of renewing the welfare state and revitalizing the democratic effectiveness of the political system. The overburdened and financially unsustainable welfare state desperately needed help to maintain a high level of welfare. Due to such factors as the increasing voter apathy/indifference, malfunctioning of political parties, and doubts about the efficacy of “representative” democracy, the democratic process also witnessed decay. The purpose of third-sector involvement was to reinvigorate the welfare state and to revitalize the democratic state.

By contrast, in South Korea, co-management emerged as the state belatedly realized the serious consequences of the absence of the welfare state to the actual lives of ordinary citizens. This realization came in the aftermath of the unprecedented economic crisis during 1997-98. Meanwhile, the push for co-production and co-governance emerged separately from the high tide of democratization and the resultant public awareness about political participation and governmental responsiveness and accountability. Co-management has been used to create a welfare state. Co-production and co-governance have been used to increase the legitimacy of the democratic government. In sum, these three new forms of bisectoral collaboration have *not* resulted from the crisis of the welfare state and the failure of the democratic state. Rather, they have resulted from the absence of a welfare state and the success of a democratic transition.

In this regard, the emerging patterns of state-third sector collaboration in South Korea will serve as an important mechanism of “normalizing” the South Korean state. Shedding the past (economically) developmental and (politically) authoritarian legacies, the South Korean state is gradually learning to collaborate and cooperate with third sector organizations to strengthen the nascent welfare state and new democracy in the country.

Although the causes for the equifinality of state-third sector collaboration in South Korea and other countries are different, the outcomes or the results of such equifinality should be similar. Increasing and gradually evolving (to other more novel forms) patterns of state-third sector collaboration, whether they are co-management, co-production, or co-governance, will certainly make our democracies stronger. By participating in the increasingly tighter web of state-civil society interaction and cooperation, citizens and their voluntary organizations will contribute to increasing the transparency, responsiveness, accountability of their government and improve the quality of the state’s policymaking process. The resulting democracy, with boosted public participation in one of the most important realms of the modern state—i.e., welfare—will become far stronger (Barber 2003). In this regard, South Koreans have a long way to go to nurture their welfare state and to deepen their fledgling democracy.

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