九州大学学術情報リポジトリ
Kyushu University Institutional Repository

Between Protection and Resilience: Korean Experiences of the Financial Crises

Chung, Chin-Sung
Seoul National University

Yee, Jaeyeol
Seoul National University

https://doi.org/10.15017/2004992

出版情報：韓国研究センター年報. 17, pp.43-64, 2017-03-31. Research Center for Korean Studies, Kyushu University
バージョン：
権利関係：

KYUSHU UNIVERSITY

Between Protection and Resilience: Korean Experiences of the Financial Crises

Chin-Sung Chung, Jaeyeol Yee（Seoul National University）

The Global Financial Crisis triggered by the subprime mortgage loans in the United States has left widespread effects on the global economy, leaving a serious question and discussion about the relevance of the current capitalist system which is quite different from the original model discussed by neo-classical economics. The financial crisis was not only an economic challenge to each country, but also a trigger for many social problems and conflicts in many aspects. The Korean economy was not an exception in the widespread impact of the global crisis.

Contrary to the widespread pessimism about the ability to respond to the financial crisis, Korea was very successful in the economic aspects of crisis management. The prompt and brave policy initiatives of the newly installed government were very successful in enhancing the resilience of the economy against the external economic shock. Parts of the success cannot be explained without mentioning the bitter experience of previous economic crisis in 1997, when Korea was one of the most seriously hit economies. Yet it seems obvious that the crisis has left a widespread and lasting impact in social aspects. In this paper, we will focus on the economic and social impacts of the financial crisis, and describe the governmental initiatives to deal with the social problems caused by this economic crisis.

1. The Global Financial Crisis and Korea

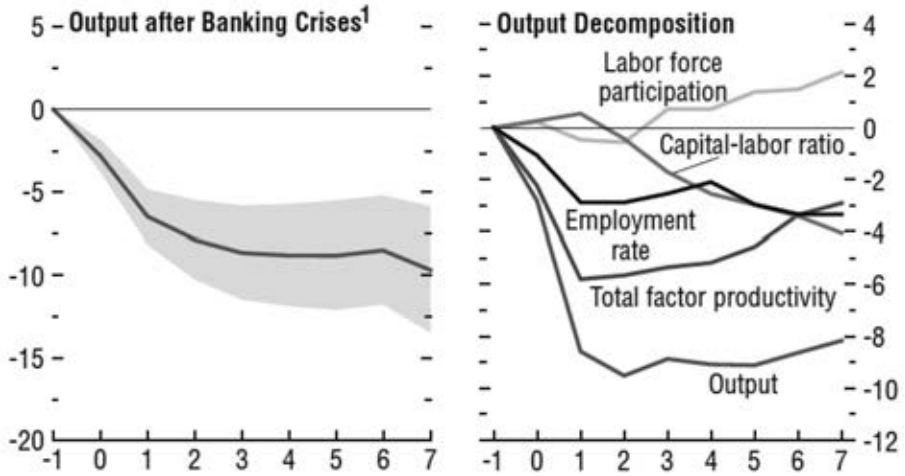
The potential growth rate of Korea fell from 8.6 per cent in the 1980s to 6.3 per cent in the 1990s and again to4 per cent range in recent years, and finally it showed growth of a mere.02 per cent in 2009. Within a few months after the shock, the KRW-USD exchange rate skyrocketed from 1,100 to 1,400, and the KOSPI Index dropped from 1,400 to 1,100 points.. Many news agencies, such as Reuters and the Wall Street Journal, reported that Korea was next to Iceland in its risk of default (October 10,

2008). But the negative evaluation soon turned around after the first quarter of 2009, when the GDP of Korea turned out to have grown by 0.1 per cent compared to the previous year, jumping from -5.1 per cent in the fourth quarter of 2008. (Reuters and Bloomberg, April 13~14, 2009)

Economic Impact of the Financial Crisis

The IMF reports that the financial crisis produced a long-lasting impact to the working of the global economy, especially by reducing output and employment that will last for at least seven years. Due to the widespread layoffs and firing of employees, the unemployment rate grows very fast.

<Figure 1> IMF Model of the Impact of Financial Crisis



It is estimated that the impact of the crisis is more severe to the advanced economies which are already experiencing slow growth. After the 2008 global crisis, most countries have experienced a large fall in output. The decline from the pre-crisis peak was almost -5 per cent in OECD countries, and Korea experienced a harsher decline than most other OECD countries.

Korea also experienced one of the largest exchange rate depreciations. When we compare the change in effective exchange rate between the first quarter of 2008 and 2009, the drop in the exchange rate, which is weighted by trading shares with forty-one trade partners, was more than -30 per cent and it was next to only Iceland (OECD, *Analytical Database*, cited from Jones, 2010).

But it is noteworthy that the crisis in Korea ended earlier than in most OECD countries. In the last

quarter of 2008, Korea, along with Australia and Poland, already ended negative growth. It took only a couple of months to escape from the impact of the economic crisis. Many other countries, such as Greece, Hungary, Iceland, Spain, and the United Kingdom, are still experiencing falling output.

<Table 1> The last quarter of negative growth

Q4, 2008	Q1, 2009	Q2, 2009	Q3, 2009 (Output still falling)
Australia Korea Poland	Czech Republic France Germany Japan New Zealand Portugal Slovakia Sweden Turkey	Austria Belgium Canada Denmark Finland Ireland Italy Luxembourg Mexico Netherlands Norway Switzerland United States	Greece Hungary Iceland Spain United Kingdom

Source:OECD, Analytical Database. (cited in Jones, 2010)

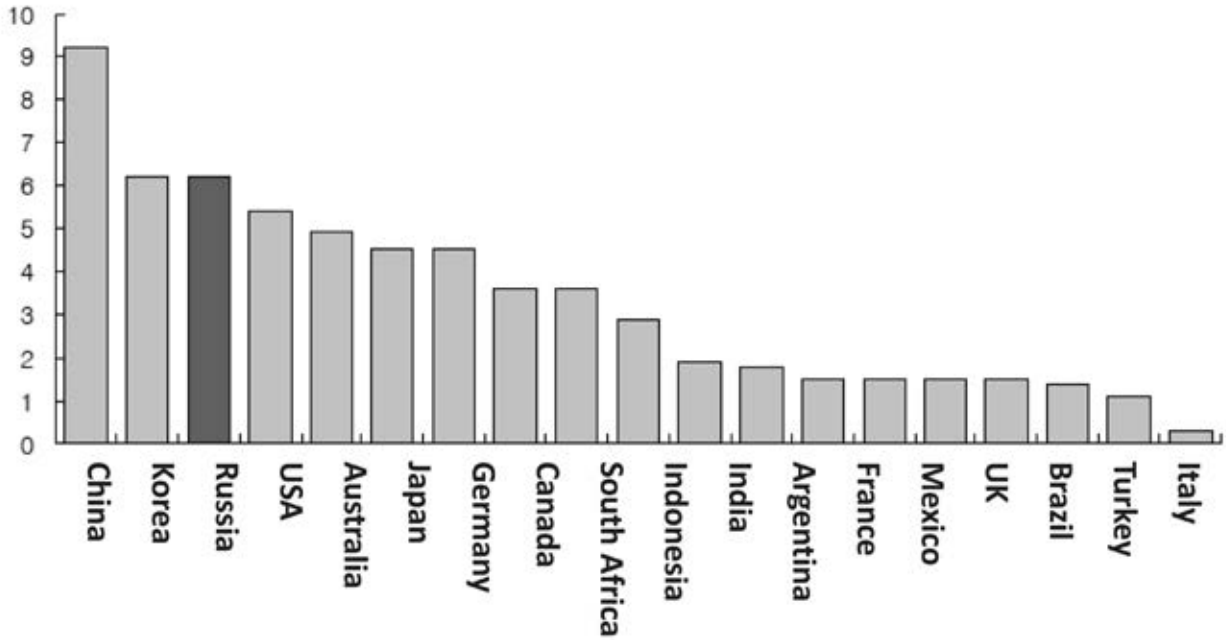
Korea's strong economic recovery, measured as the change in real GDP between the fourth quarter of 2008 and the third quarter of 2009 is almost 6 per cent, and it is followed by Poland and Austria. Compared to the OECD average of -2 per cent, it is really an impressive achievement. Only China showed higher real GDP growth of 7 per cent during this period.

Korea's export rebound was also the strongest in the world. Change in real exports between the fourth quarter of 2008 and the third quarter of 2009 is more than 10 per cent, while most other countries experienced serious decline. Such rapid growth of export performance resulted in the largest gain in export market share among the OECD countries during the same period. Here the export market share is defined as the ratio between a country's export growth and the growth in its export markets for total goods and services, and it is based on a weighted average of import volumes in each exporting country's markets (Source: OECD, Economic Outlook No. 86, OECD, Paris, 2009).

What factors contributed to buoyant growth of domestic demand in Korea? First of all, the

launching of the Economic Emergency Government on January 2, 2009 is symbolic evidence of the dedication and initiative of the Korean government. More than forty regular Emergency Economic Policy Meetings were chaired by President Lee Myung-Bak. Second, strong export growth boosted fixed investment and supported employment, thereby sustaining private consumption. Third, the relatively large and early fiscal stimulus was very effective. Huge tax cuts and early implementation of the government budget contributed to the maintenance and expansion of the domestic market. Finally, diverse monetary policies eased to lower borrowing costs and eased debt burdens, thereby promoting fixed investment and private consumption (KDI Economic Information and Education Center, 2009).

<Figure 2> Size of fiscal stimulus, 2008-2010 (per cent of nominal GDP in 2007)



Source:IMF

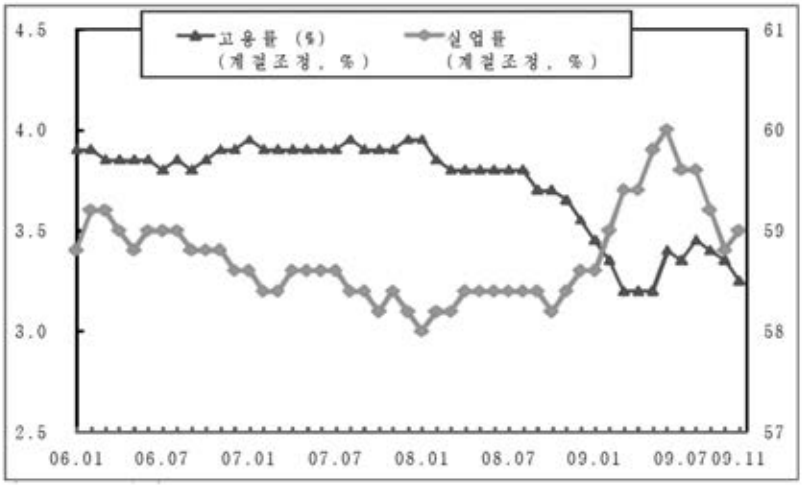
The 2008 global crisis had a severe impact on Korea, given its heavy dependence on trade. The fall in output was accompanied by a large decline in the Korean Won of more than 30 per cent in effective terms, which increased Korea's competitiveness in world trade, leading to large export market share gains. The rebound in exports contributed to an economic recovery beginning in early 2009, making Korea one of only three OECD countries where output has already surpassed its pre-crisis level. Domestic demand has also recovered, thanks in part to large-scale fiscal stimulus amounting to 6 per cent of GDP, the largest in the OECD area. Stimulus was almost equally split

between tax cuts and increased outlays. Fiscal stimulus is estimated to have boosted employment by 200 thousand in 2009, limiting the rise in unemployment and helping to sustain private consumption. The easing of monetary policy pushed real short-term interest rates into negative territory in early 2009, encouraging investment and easing the debt burden.

2. Financial Crisis and Its Main Social Impacts

The financial crisis has left a deep impact in the labour markets and society. First of all, the employment rate, after adjusting for seasonal fluctuations, has dropped sharply after the outbreak of the financial crisis, while the unemployment rate increased during the same period. But the number of employed people soon recovered after the aggressive government actions (Seo, 2010).

<Figure 3> Employment and unemployment rate (blue)

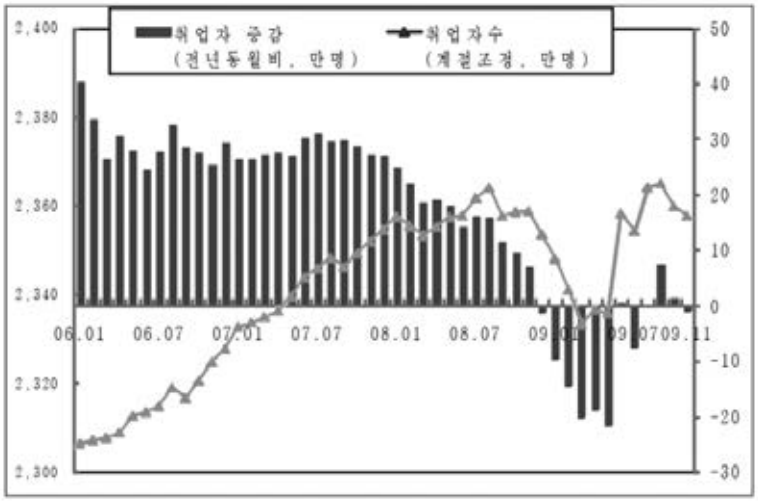


Source:Statistics Korea

The Korean government has focused on several policies to maintain employment. Job-sharing was the first priority. Instead of layoffs, companies were encouraged to maintain new recruitment and internships. The Federation of Korean Industries (FKI) reported that twenty-nine out of thirty large conglomerates participated in job-sharing. The Korean government also introduced youth internships for college graduates, and temporary job-producing projects for marginal groups such as the urban and rural poor classes. There are certain limits to this policy, but it is undeniable that the numbers

of employed people rebounded to pre-crisis levels, and Korea became the only country to record an increase in employment since late 2008. For Korea, the percentage change in dependent employment between the fourth quarter of 2008: and the third quarter of 2009 was 2 per cent. This includes regular and temporary employees and daily workers. Without the impact of fiscal stimulus, employment would have risen only 0.6 per cent, according to government estimates.

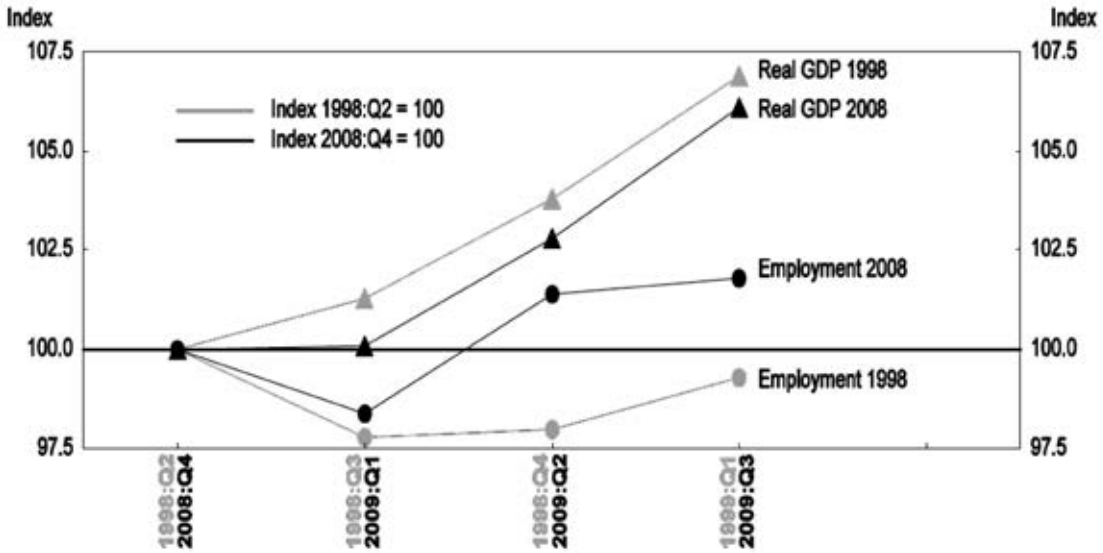
<Figure 4> Numbers and change of Employed People



Source:Statistics Korea

When we compare the recovery from the 1997 crisis with the 2008 crisis, we find that the employment pattern in the recent crisis is much more resilient to the shock than the previous 1997 crisis. It reflects the different nature of the two crises. The 1997 crisis was mainly caused by the increasing moral hazards of Korean banks and large *chaebol* firms, and left a deep impact on Korean society especially by the strict restructuring package prescribed by the IMF. It was composed of the profound restructuring of the financial sector, and massive lay-offs to maximize the flexibility of the labour markets. On the contrary, in the 2008 financial crisis, the major cause was from the U.S. economy, and the Korean economy has been regarded as having maintained sustained growth (Jones, 2010).

<Figure 5> Change in real GDP and dependent employment in two economic crises in Korea



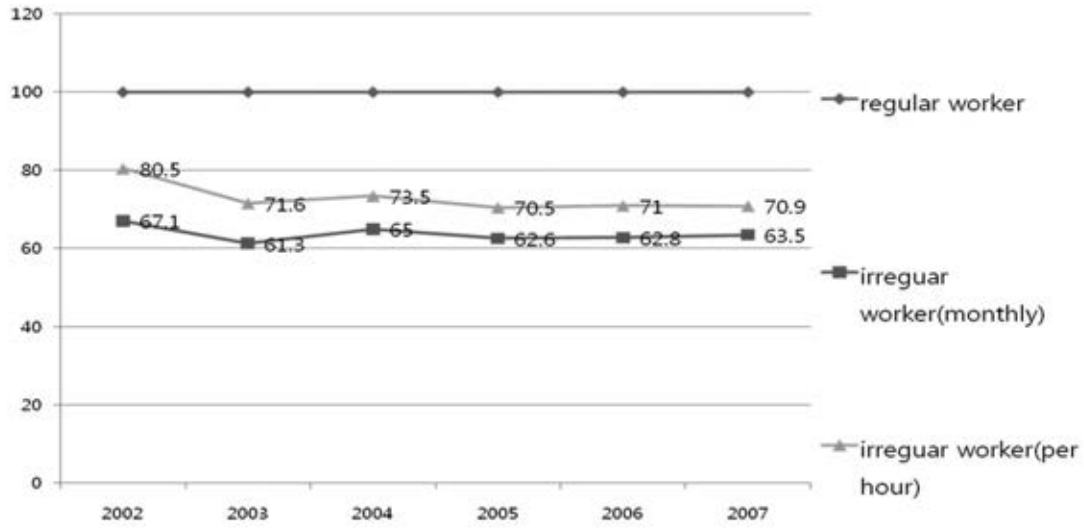
Source:OECD,Analytical Database

Irregular Workers

Although the quantitative aspects of employment are not so bad, employment conditions have suffered from several negative qualitative aspects. A decade ago, regular workers in the primary labour market such as public firms, large conglomerates and financial institutions were the main victims of restructuring. Companies could afford to pay sizable retirement bonuses and the laid-off workers could seek to change their career with that money. But it is different this time. In the 2008 crisis, mass layoffs at large corporations were not materialized: They do not have as big a redundant workforce as they used to, and they have diversified the type of employment contracts so as to minimize the impact of economic crises.

The percentage of regular workers has sharply decreased after the 1997 economic crisis. Management has limited recruitment of regular employees to core tasks and utilized non-standard workers by hiring temporary, subcontract or dispatched workers for peripheral tasks. Although the trend has been reversed after the year 2000, the proportion of irregular workers is still very high.

<Figure 6> Income change of irregular workers (Monthly, per hour) 2002-2007



Source:Statistics Korea

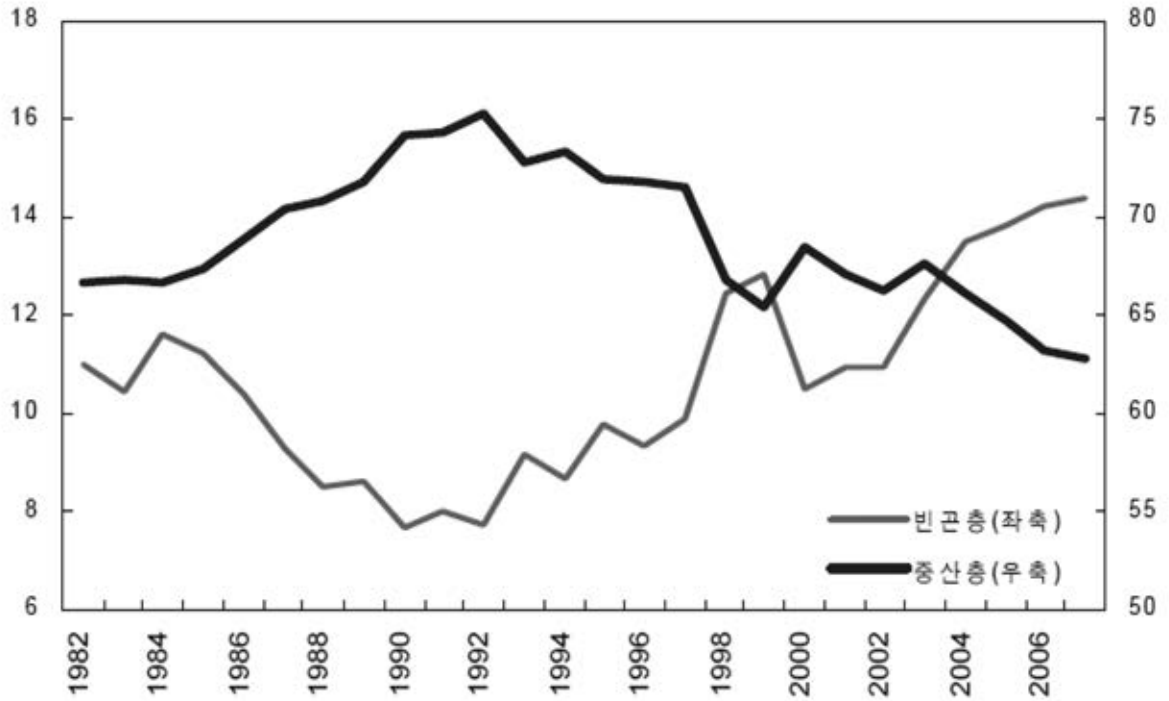
New Poor and Growing Inequality

Korean society learned for the first time that the market was an inherently risky place as it went though the mass layoffs during the financial crisis in the late 1990s. For the last ten years, the nation's "new poor" class has expanded exponentially, accelerating the separation of the rich and poor. The working poor has expanded, and income inequality and employment insecurity have increased. This is reflected in the widespread use of the Japan-originated term '*freeter,*' a combination of the words 'freelance' and 'arbiter.' Without regular work, many people in their thirties and forties maintain their lives with minimum economic remuneration. Declining demand for low-skilled workers and growth of irregular employment are oft-cited causes for the increasing new poor.

Growing inequality is well evidenced by the increasing Gini coefficient. After arriving at the lowest level in 1992, inequality has constantly increased up in recent years, and the shape has been deteriorated after the recent economic crisis. Among the national economic resources, the share of the middle income class has also decreased. The percentage of the middle income class, defined as households earning between 50 and 150 per cent of median income, has decreased from 75 to 60 per cent between 1992 and 2008. During the same period, the percentage of the low income class, defined as earning less than 50 per cent of median income, has almost doubled from 7 to 14 per cent (Ryu and Choi, 2008; Ryu, 2009). As soon as the economy recovered from the 1997-98 financial crisies, housing

price hikes followed. Outstanding household loans totalled 698 trillion won in 2009.

<Figure 7> Declining middle income class



Lagging Social Welfare Spending

The government, businesses and individuals spent a combined 112.2 trillion won on various welfare-related programs in 2008, accounting for 10.95 per cent of the nation's gross domestic product (GDP). The 10.95 per cent ratio is much lower than the OECD average of 23.7 per cent. Korea lags far behind other advanced economies, with only Mexico spending less on various social welfare programmes and services in proportion to its GDP among OECD member countries.

Increasing Social Conflict

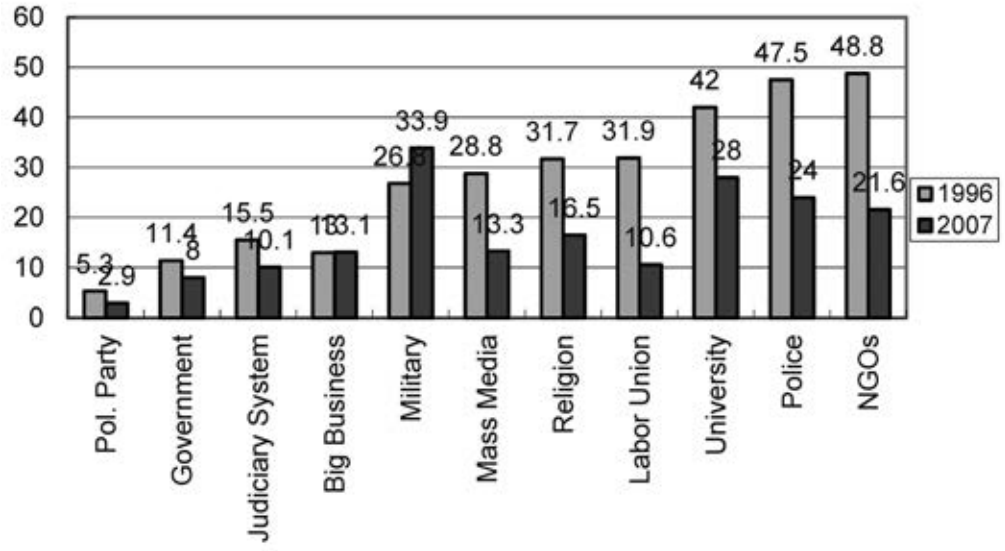
Samuel Huntington mentioned that there should be a balance between social issues and political (institutional) arrangements. He proposed the way to measure the institutional carrying capacity by dividing the social problems by institutional modernization. Huntington argued that social

modernization is precipitated by economic growth, urbanization, increased literacy, and social mobilization, etc. Yet in terms of political and institutional modernization, order itself is an important goal of developing countries, independent of the question of whether that order is democratic, authoritarian, or free-market.

As societies modernize, they become more complex and disordered. If the process of social modernization that produces this disorder is not matched by a process of political and institutional modernization, the result may be violence. Praetorian society, according to Huntington, is an example where there is a general politicization of social forces and institutions (Huntington, 1968).

Dani Rodrik also proposes an economic model of social conflict. He defines social conflict as the ratio between latent social conflict and institutions of conflict management. He defines latent social conflict as the sum of inequality, ethnic and linguistic fragmentation, and social distrust. His definition of conflict management is composed of democracy, quality of governance, and public spending on social insurance. (Rodrik, 1998; 1999) .

<Figure 8> Declining Trust Score in Major Institutions [Fully trusted=100]



Source:ISDPR,SNU

It is certain that Korea shows an increasing sign of inequality. But it is more important to note that the institutional capability of handling social conflict is lagging far behind the OECD standard.

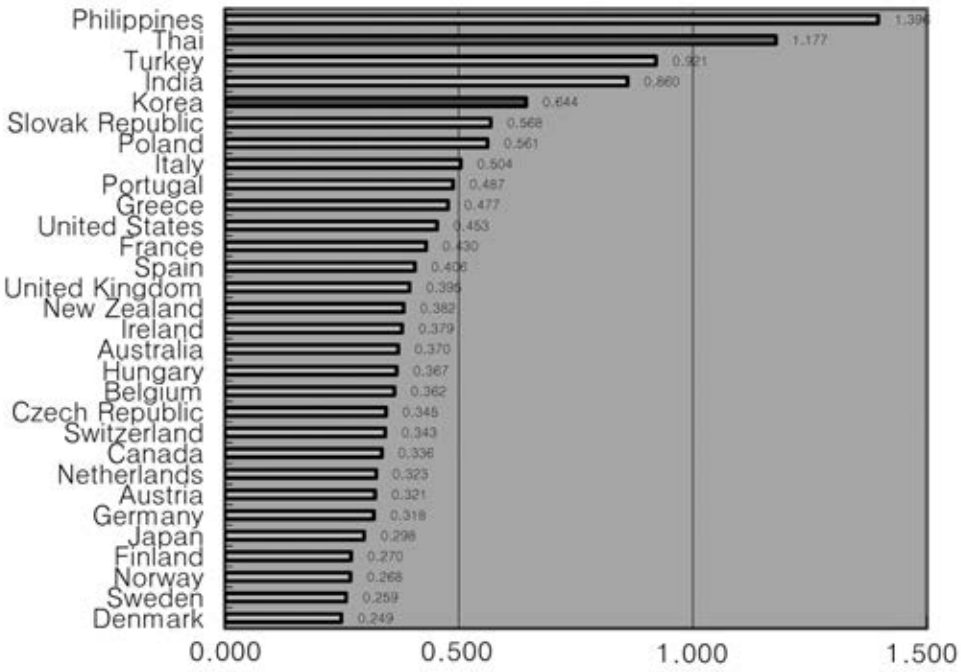
Compared to other countries, the Gini coefficient of Korea is not so serious. But the level of institutional capacity is restricted and shows no signs of improvement. Figure 8 shows the declining

trust in major institutions. When we compare the level of trust in major institutions, we find that most institutions showed a decrease. After the democratization in 1987, public trust in major public sector institutions, such as parliament, government, and the judiciary, was very low. After ten years, public trust in alternative institutions, including religion, labour unions, universities, and NGOs, also lost support. In other words, Korea is suffering not from the magnitude of social problems, but from the lack of moral and institutional resources to deal with the problems.

It is well reflected in a simple comparison of OECD and major Asian countries in terms of the social conflict index, defined as follows.

$$\text{Social Conflict Index} = \frac{\text{Gini coefficient}}{\text{Democracy + governance}}$$

<Figure 9> Social Conflict Index of Major OECD and Asian Countries



Compared to other OECD countries, Korea is next to Turkey in terms of social conflict. All other OECD countries, which show a similar level of economic inequality solves the problem better, as they have well-trusted governments and goon institutional governance.

3. Need for a new paradigm of socio-economic progress

The recent financial crisis has triggered a debate on what real progress is. So far policy makers and economists have been obsessed with economic growth, measured by GDP. But there is a growing scepticism on GDP as a measure of progress, and alternative concepts have been proposed (Stiglitz et al, 2010).

Without mentioning all details of the debate on 'beyond GDP,' we want to emphasize the 'sustainability' of any concept of progress. Sustainable development means a harmony among economic growth, social quality, and the environment, instead of a one-dimensional approach on either economic growth or democratization.

<Table 2> Conceptual Framework of Sustainable Development

Domain	Sub-Domain	Detailed definition
Growth Engine	Stable growth	Income
		Macroeconomic stability
		Financing
		Economic Openness
	Industrial competitiveness	Information
		Science and Technology
		Human capital
Social Quality	Free and safe life	Freedom
		Safety
		Empowerment
		Welfare/distribution
		Fertility/Aging
	Trust and Governance	Social capital
		Tolerance
		Governance
Environment	Sustainability	Natural Resources
		Environmental risk

Source:National Research Council for Economics, Humanities, and Social Sciences,2009

Good Growth Engine combined with Poor Social Quality

The rank of Korea's growth engine estimated by the framework mentioned above was twentieth in 1990, and became fourteenth in 2009 among OECD countries. The rank of Social Quality of Korea, however, remains at the bottom. Such a combination of good economic performance and poor social quality poses a serious challenge to the future of Korean society. To solve the problem, we need a refined concept and measure to enhance the social aspect of development.

What is social quality?

It is the comprehensive conception of the quality of people's daily lives. Originally it was defined as "the extent to which people are able to participate in the social, economic and cultural life of their communities under conditions which enhance their well-being and individual potential" (Beck *et al*, 1997; Walker, 2009).

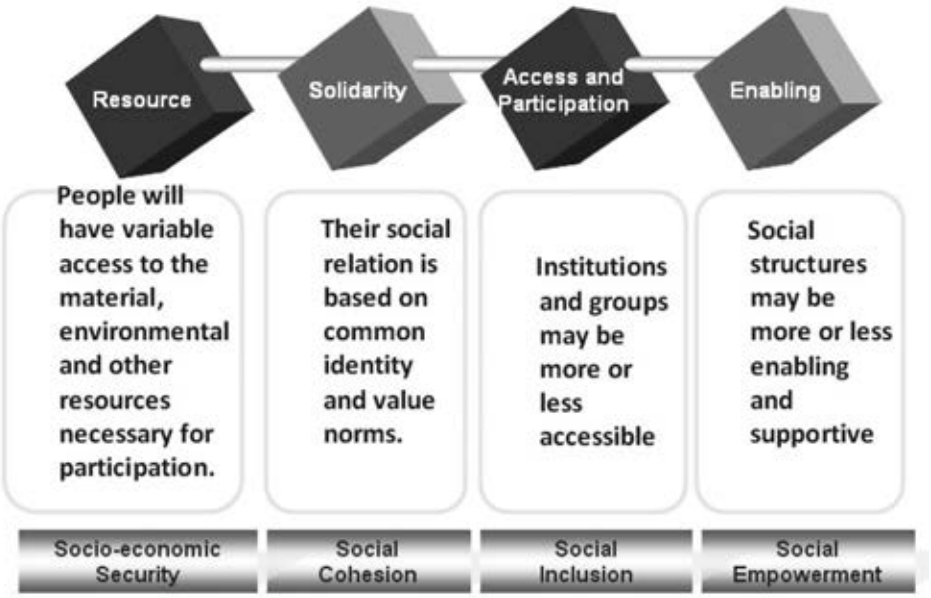
It is a function of the constant tension between individual self-realization and participation in the various collective identities that constitute everyday life, which takes place within a social context comprising two well-known fields of action. On the one hand there is the contrast between biographical and societal development (agency and social structure) and, on the other hand, there is the contrast between the world of organizations and the one comprising informal relationships (system and life world). Social quality is proposed as a goal not only of social policy but of economic, environmental and other relevant policies as well.

Although social quality is a product of social relations and a feature of societies, it is experienced at the individual level and, therefore, must be measured there. Because social quality is rooted in social relations people must be constituted as actors with the capacity for both self-realization and participation in collective identities. How are they so constituted? There are four factors that, in combination, open up the possibility for social quality: social recognition (or respect); the rule of law, respect for human rights and social justice; social responsiveness (the openness of society); and the individual's own capacity to engage.

Once constituted four conditional factors determine the opportunities for the achievement of social quality. Social structures may be more or less enabling and supportive (social empowerment); institutions and groups may be more or less accessible (social inclusion); people will have variable access to the material, environmental and other resources necessary for participation (socio-economic

security); and their society and communities will be characterised by different forms and levels of cohesion (social cohesion). It is assumed that these four 'conditional' factors can be measured by indicators and then combined into a composite index of social quality.

<Figure 10> Social Quality (Constitutional factors)



Socio-economic security measures the safety from outside military threat and material and environmental resources for human life. Poverty levels, health, disasters, unemployment, housing, work security, and industrial accidents are specific indicators for socio-economic security.

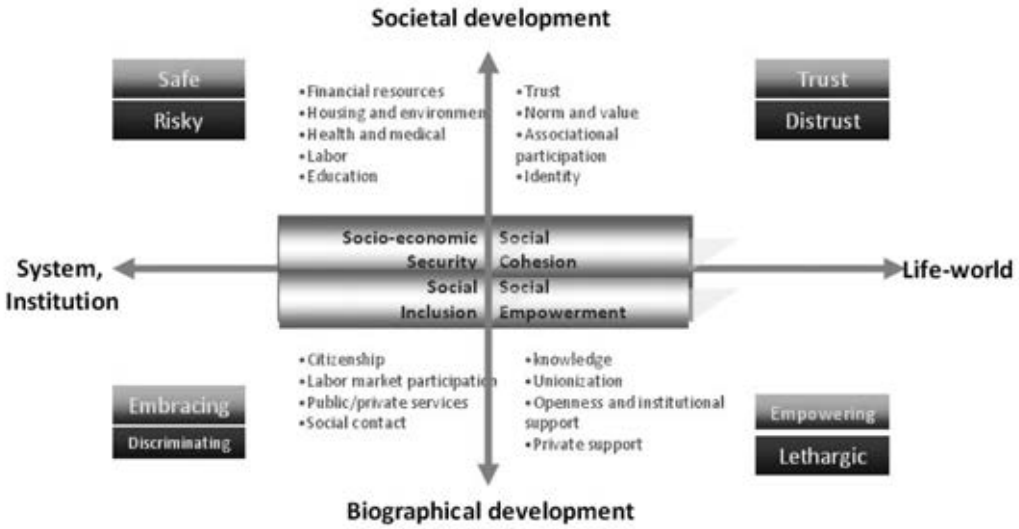
Social cohesion measures the solidarity and shared identity of people. A cohesive society has a high level of general trust, as well as a high level of trust in major institutions and organizations. Altruism, civic participation, pluralism and tolerance toward differences are other indices. In the East Asian context, a special trust based on blood, region, and school may dampen the societal cohesion based on the generality and transparency of social rules.

Social inclusion measures the degree of inclusion and exclusion in social institutions and social relations. Coverage of public pension systems, gender wage gap, proportion of long-term unemployment, ratio of irregular workers, and the number of homeless people, are all good indices.

Social empowerment is measured by adult literacy, newspaper subscriptions, cultural activities, Internet access, turnout of voters, participation of voluntary associations, and union organization rate. Suicide rate and mental disease are other measures of social (dis)empowerment.

The relationship among the four areas is not always harmonious. For example, social cohesion and social inclusion will often be in conflict. When a society is predominated by strong primary group relationship, people may have difficulty in embracing civic engagement, creativity of minorities, and reformative efforts of ordinary citizens. The rapidly growing economy may provide safer socio-economic protection in general, but there will be more social conflict if some specific group is excluded. Without social cohesion such as trust and transparency, the empowerment of ordinary people may contribute to greater social conflict (Yee and Chang, 2009).

<Figure 11> Social Quality Quadrants



4. Policies for Better Social Quality

The Korean government realized that without enhancing social quality, further social development could not be achieved. In addition to the existing governmental ministries and their policies, there should be new mechanisms which integrate and adjust those policies for more effective achievement of social quality. Two major institutions were created: the Presidential Commission for Future and Vision (PCFV) and Presidential Committee on Social Cohesion (PCSC) are the representative ones.

The social quality theory provides an interesting framework for policy implications. As the social quality framework is based on the important distinction between 'system' versus 'life-world' (Habermas & Lockwood), we can draw two different aspects of social quality, such as system quality, and life-

world quality.

Here we define "system quality" as risk governing capacity, which is closely related with the 'Human New Deal' proposed by the PCFV. "Life-world quality" is defined as matters of societal moral resources and institutional governance capability, represented by the role of the PCSC. In short Human New Deal is a policy tool for risk governance at the system level, and Social cohesion is policy objective for enhancing societal moral resources, thus enhancing life-world quality.

Human New Deal

Socio-economic risks and resilience depend on risk governance mechanisms. A risk governance system is closely related with the institutional arrangement by the government as well as market and informal networks, to provide people with enough resilience to social and economic risks created by the working of the economy and by other causes. The policy package proposed by PCFV is a roadmap for the active role of the government in the welfare provision, especially for the disadvantaged. It is widely argued that early intervention into the poor children will enhance the resilience of the poor in the future, and will contribute to the welfare spending as productive investment at the societal level.

The so-called "Human New Deal" is meant for the 'continued expansion of the social safety net and strengthening the middle class.' Through the Human New Deal, the government intends firstly to prevent those members of the middle class from falling into lower income brackets by diversifying sources of income and lowering residential, education and medical expenses. Secondly, the government pushes low-income earners to advance into the middle class by providing future-oriented vocational training and encouraging the start-up of enterprises. Thirdly, the government intends to help the underprivileged classes terminate poverty inheritance. For that, the government tries to lessen their financial burden for private education by enhancing the standards of public education. It will also raise welfare, child rearing and educational budgets for the lowest income earners. Social policy for fair opportunity of economic and social participation, and thus enhancing social cohesion and future growth potential by supporting resilience on the individual, family, community and national levels.

Traditional models of social welfare have focused on social safety nets as forms of simple protection. After the need for welfare, the limits of individual need-based approach became obvious. The Human New Deal is, on the contrary, aiming to enhance the resilience of individuals and families by early intervention. Such a trampoline-style resilience enhancing approach is composed of three pillars: welfare, learnfare, and workfare. While the Green New Deal is a massive industrial investment

project focused on the environment, the Human New Deal will include policies that invest in human resources and the social safety net.

<Figure 12> Structure of the Human New Deal

Types		welfare	learnfare	workfare
Support of Middle Class	Household Spending	◦ Decreasing burden for household expenditure	◦ Tuition aid	• Expansion of unemployment allowance
	Health, Family	◦ medical care safety-net	◦ counseling for the children of unemployed worker	-
Stimulating to reenter to MC	Job	◦ Job creation (especially in welfare and related services)	◦ Job creation (especially in educational service)	• Job creation •Creation of Self-employed job
	Human Resource Development	-	◦ mid-career training ◦new college graduates	• Job training • Employment Service
Promoting Future MC		◦ Children care for safety and related service ◦Dream start	◦ Reduction of education fee ◦ diversifying school system	• Quality job creation

The principle of the Human New Deal is future-oriented investment to enhance the risk-coping ability of most people. The main contents of the policy is to maintain the size of the middle class, both by supporting the current middle class to be able to maintain their status, and rescuing the poor and helping them to become part of the middle class by strengthening individual capacity and resilience, and by enlarging the future middle class by breaking the inter-generational inheritance of poverty.

Policies for social cohesion

In the spring of 2008, there were massive demonstrations against the import of U.S. beef, which had many implications, including opposition against the United States, against conservative government, against neo-liberalism, and promoted the expression of people's rights to health, etc. This accident signals the advent of new citizen who has post-materialist attitudes on health, environment, and freedom of speech. Increasing post-materialist attitudes among young generation and politically

progressive groups has clashed with more growth-oriented and pro-business attitude of the newly installed regime over the issue of the import of U.S. beef. The candle light vigils which lasted more than four months signifies the increasing importance of value differences among Korean people.

In January 2009, there was a demonstration by persons who rented rooms of the building which was being destroyed for re-development in Yongsan, Seoul. Several people died in the process of confronting with the police. The accident triggered a heated debate over the values of urban redevelopment. Growth-oriented capitalists and mayor of Seoul, who was member of the ruling party, emphasized the economic aspects of the urban reconstruction of physically and economically fell-behind areas. Yet poor tenants and political progressive groups favoured redevelopment, instead of radical eradication of existing neighbourhood and physical relocation. It also signalled the growing importance of neighbourhood friendly values in urban space restructuration.

During the recent two decades, the influx of foreign workers, marriage migrants and North Korean defectors intensively increased, which embarrasses Koreans who take pride in their country's homogeneity. In fact those foreigners and refugees are discriminated against and excluded frommainstream society. Sociologically speaking, the increasing heterogeneity in Korean society poses serious problems for the integration of the culture and identity of the people. For the first time in her history, Korea began to consider the realistic route to multi-culturalism.

The problem of irregular workers has been ever serious, especially among female workers, after the financial crisis. As we have already mentioned above section, the increasing instability of under-privileged workers has posed a significant problem in maintaining the general solidarity among the working class.

Korean people's opinions viewing these phenomena are divided into conservative and progressive groups, which are related to regional and status cleavage. The generational gap is also a serious conflict source.

Societal moral resources refer to the socially constructed elements of social quality. It is composed of social capital and perceived democratic process that empowers people and thus harbours active participation. Confronting series of critical social conflicts and grass-root protest against government policies, such as trade liberalization or urban redevelopment policy, Korean government has responded with organizing a committee dedicated to social conflict management.

To deal with these problems, Presidential Committee for Social Cohesion intends to enhance the social cohesion by introducing societal level conflict management strategies, such as social consensus building, policy coordination, analysis and monitoring of the policies

Major areas of conflict and corresponding policies are as follows:

- Ideological conflicts: Enhancing understanding toward North Korea, creating a new consensus mechanism encompassing both conservative and progressive political groups.
- Class conflicts: Solving the issues of irregular workers, enhancing social responsibilities of the ruling class (*nobles oblige*).
- Regional conflicts: conflicts between Youngnam and Honam.
- Generational conflict in job placement.
- Work-family conflict: Family-friendly management.
- Discrimination against North Korean defectors.
- Rearrangement of the law on international marriage brokers.

5. Conclusion

The Global Financial Crisis has left a deep impact on most Asian societies. In terms of economic resilience, Korea has been quite successful in the recent financial crisis. The enhanced resilience may reflect the immunization effect of the previous economic crisis in 1997. But the social aspects of the response are still controversial as the social quality in Korea is lagging behind most OECD countries. The Korean model has been quite successful under the strong leadership of authoritarian governments. The impressive growth period in the 1970 was followed by democratization in the 1980s. Successive democratic governments after the 1990s are, however, confronting newly emerging issues, such as the declining trust in public institutions and increasing burden of the safety net.

Enhancing social quality is the prime target in this respect, as it is major political-economic factor in spurring continuous development and essential in coping with new social risks and conflicts, ultimately overcoming economic recession. Social quality means creating a social environment where understanding and cooperation transcends class and generation gap. Social cohesion is crucial to ensuring the well-being of citizens as well as economic growth.

Korea has adopted active welfare as one of the national initiatives for achieving both economic growth and social integration. The Human New Deal, a case of active welfare, is defined as a concept to provide framework to address ineffectiveness of policy outcomes and inefficient allocation of resources and to proactively respond to socioeconomic conditions, ultimately establishing a virtuous

cycle of economic growth and expansion of welfare benefits for a sustainable welfare system in the future. However, since this global economic crisis threatens both economic growth and social integration of countries around the world, Korea is going the extra mile to build an appropriate social safety net.

This paper has reviewed the major challenges and directions of government reactions. It is too early to evaluate the success or failure of the policy effort, but the authors believe that the direction is right. The success of the policy depends on the smart allocation of resources as well as the active participation and support of the citizens.

Reference

In Korean

Choi, Kyung-Soo, "Social Integration and Income Policy for the Poor," *KDI Policy Forum*, No 191, 2008

Institute for Social Development and Policy Research (ISDPR), Seoul National University, *Survey on the Consciousness and Value in the Changing Korean Society*, 1996

_____, *Survey on the Consciousness and Practices of Contemporary Koreans*, 1998

_____, *Survey on the Consciousness and Value of Koreans*, 2003

KDI Economic Information and Education Center, *Financial Crisis + 1*: *Evaluation of the Accomplishment of Emergency Economic Government and Future Tasks*, 2009. 12

Moon, Hyungpyo et al., *Basic Direction and Policy Issues of Human New Deal*, Korea Development Institute, 2009

Presidential Commission for Future and Vision, Republic of Korea, *Human New Deal for the Protection of Middle Class*, 2009

Ryu, Kyungjoon and Choi, Paul, "Definition and Estimation of Middle Class," *KDI Fiscal and Social Policy Trend*, 2008

Ryu, Kyungjoon, Trends of Poverty and Its Factors, *KDI Policy Forum*, Vol. 215, 2009. 7. 13

Seo, Keun-Woo, "Vulnerabilities of Korean Economy Exposed by the Global Financial Crisis, and Policy Response," Paper presented at the Seminar "One Year after the Global Financial Crisis: Policy Evaluation after the Global Financial Crisis, Organized by KDI, 2010. 1. 18

Rho, Dae Myung, "Current Issues and Future Tasks of Social Integration," *Issue and Focus*, *Vol. 15.* Korea Institute for Health and Social Affairs, 2009. 12. 18

Yee, Jaeyeol. "Social Development and Conflict Resolving Capacity," in Kim K O et al, *The Competitiveness of Korean Enterprises and Society*, Seoul National University Press, 2010

In English

Byun, Yong-Chan, "Policy Tasks for Social Integration in Times of the Economic Crisis: the Case of Korea," Paper presented at the international symposium on 'Beyond the Economic Crisis: Social Integration and Shared Prosperity,' Organized by KIHASA, May 27-28, 2009

Huntington, Samuel. *Political Order in Changing Societies*, Yale University Press, 1968

International Monetary Fund, *World Economic Outlook: Sustaining the Recovery*, October 2009.

Jones, Randall S., "How has Korea Performed Better than Expected?: A Comparison Among OECD Countries," Paper presented at the Seminar "One Year after the Global Financial Crisis: Policy Evaluation after the Global Financial Crisis, Organized by KDI, 2010. 1. 18

Lee, Jong-Wha, "Will East Asia's recovery lead the way?," *Korea Herald*., 2009.07.24

Lee, Sang-Hyup, "Economic Crisis and Intergenerational Economy: Lessons from Korea's 1997-98 Economic Crisis. Paper presented to the International Conference on "Financial Crisis, Recovery and Sustainable Growth," Hosted by Korea Development Institute, August 7, 2009

Rodrik, Dani, "Globalization, social conflict and economic growth," *The World Economy*, 21 (2): 143-158

Rodrik, Dani, "Where did all the growth go?: External shocks, social conflict, and growth collapses," *Journal of Economic Growth*, 4 (December 1999)

Shinn, Henry, Korea needs to move toward cohesive society, *Korea Herald*, 2009. 7. 30

Sohn, Byoung-kwon Social conflict in Korea: finding middle ground, *Korea Herald* 2009.08.04

Stiglitz Joseph E., Amartya Sen, and Jean-Paul Fitoussi, *Measuring Our Lives: Why GDP Doesn't Add Up*, Report by the Commission on Measurement of Economic Performance and Social Progress, The New Press, 2010

Walker, Alan, "The Social Quality Approach: Bridging Asia and Europe," *Development and Society*, Vol. 38, No. 2, 2009: 209-235

Yee, Jaeyeol and Dukjin Chang, Transparency, a Key Factor to Improve Social Cohesion: A Review of the Korean Experience in the context of Social Quality Research, *Development and Society*, Vol. 38, No. 2, December, 2011: 259-275

_____, "Social Quality as a Measure for Social Progress" *Development and Society*, Vol. 40, No. 1, 2011: 153-172