

Consideration of Options for Integrating Social Welfare Systems of the North and South Korea*

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Abstract

The main purpose of this paper is to consider options for integrating social welfare systems (the social welfare systems) of North and South Korea in preparation for, and in anticipation of the unified Korea. The focus is upon the social welfare systems since the 'social' aspects of unification will be as critical as economic or political spheres and perhaps the most challenging area for a broader national integration. The major problem the integrated social welfare systems will be expected to deal with, among many other pressing problems, will be the 'problems of inequality' as expressed by the wide gap in the living standards of the people of the two Koreas. With this view in mind, the paper discusses the principles, strategies and some of the critical issues that should be considered for integrating the two different welfare systems in the event of national unification. Some references will be made to the unification experiences of Germany, although references are also drawn from the broad contexts of burgeoning comparative studies on the experiences and problems of transitions from socialism to market economies. Competing options for integration that are considered in this paper include *normative*, *pragmatic* and *the third way positions*. Discussions around normative issues are important since very seldom does social policy debate take place in an ideological vacuum, and the task to integrate the two social welfare systems becomes an ideological as much as a pragmatic one because each social welfare systems represents a product of the competing ideologies of socialism and capitalism. In this sense, the two Koreas provide a unique case study of its own. The consideration of options for integration should also satisfy the requirements of political, technical and financial feasibilities. Conservative elements, especially from the South, may argue for the absorption scenario, but will confront the issues of economic burden (unification costs) and ideological stalemate. For this reason, the third way position might force one to accept a compromised option. Keeping in mind the possibility that the economic burden argument will dictate the choice of the options for integration, post-unification in the era of post-modernism may encourage Korea to adopt flexible and diversified options of integration often reversing or consolidating the roles of statutory bodies and the private sector. In other words, in the end, the reality of the situation, not necessarily the ideological position, will dictate the choice of options. This might accompany unintended negative consequences and to deal with such negative impact of the integration, this paper from the outset articulates the idea of prerequisites for integrating the social welfare systems in North and South Korea.

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Convergence theories of the sixties and seventies predicted that the two rival political and economic systems would more or less rapidly assimilate each other and inevitably move towards each other. The Western capitalism had already adopted elements of state intervention in production and distribution process. The problem with this theory, as is now becoming apparent, was that only the West was capable of 'mixing', whereas the socialist societies were constantly on the verge of 'capsizing' through concessions made to political liberalization... (Offe, 1996, 29)

Introduction

The main purpose of this comparative study is to explore the principles and options for integrating the North and South Korean social welfare systems (herein-after the social welfare systems) in the face of impending unification. At the same time, this paper will deal with some of the issues which confront the task of integration such as (1) how best to integrate the two social welfare systems; (2) the issue of managing the speed of integration in the light of different and often conflicting public expectations as evidenced by conservative and progressive elements in North and South Korean societies, and different resource bases and thus different capacities to contribute to the process of integration, and (3) the sensitive issue of "trust and mistrust" which arises from the suspicion of each others "hidden agenda", such as, for example, the South absorbing the Northern system which will impose ideological problem to the North and financial burden to the South, respectively. In undertaking a discussion of this kind, one can no longer comfortably sit around drafting scenarios for Korean unification. There still remain considerable ideological stumbling blocks to unification, but in one sense it has already become a reality in many aspects of peoples' life situations as evidenced by the growing contacts between North and South Korea in the areas of economic co-operations, sight seeing, inter-governmental dialogues, and the periodic reunions of separated families in recent years. However, the issue of unification is a far more sensitive for social welfare due to the wide spread revelations about hundred thousands of starving North Koreans, the suppression of human rights and the growing disparities between the people of the "two nations" as South Korea's per capita income which is about 10 times higher than the North clearly shows (Park & Kim, *et al.* 1997; Eberstdt,1995). Yet, the failure of the South Korean society to embrace not more than a mere 2000 political refugees who had to overcome enormous odds to reach the South raises the question of whether South Korea is prepared to cope with the multitudes of social problems and the financial burdens which would follow the unification.

The process of integrating the two different social welfare systems will demand bringing together of many sub-systems, and the task will have further significance in that it will play a vital role in the process of national reconciliation and social integration. The attempts to date to learn from the lessons of the unified Germany show that the task of social integration appeared to be the most challenging one despite the fact that it had a strong tradition of "social market economy" with strong built-in integrative mechanisms and a far superior social welfare system to that of the South Korea. The East Germany also had a well-maintained social welfare system as a communist nation, presumably superior to that of the North Korea. Yet the Germans admitted that they have "failed" in this very area of social integration (Zanetti, 1991; Jaraus, 1994; Offe, 1996).¹ It appears appropriate to stress the significance of the study in broad contexts of burgeoning comparative studies on the experiences and problems of transitions from socialism to market economies or liberal democracies as pioneered by Deacon (1992), Offe (1996) and Holmes(1997). The present

study is significant in that it focuses more upon social policies of non-European entities and it deserves some attention as a neglected area of study.

It is important to explain how the concepts of “unification” and “integration” will be used in this paper. The term “reunification” is deliberately avoided in this paper since unification should be understood not so much to “restore” the past as an opportunity and process to reform South Korean capitalism and North Korean socialism. In a strict sense, integration may be divided into system and social integrations. The former refers to “hardware” elements such as economy, law, and social systems and the latter refers to “software” elements that include values, norms ideology, consciousness and culture. Viewed in this way, the concept of unification should refer to systems’ integration, including “hardware” and “software” elements (Lockwood, 1969; Lee, 2000). It is not easy to clearly distinguish between two elements since one can be the product of the other. Accordingly, the discussion on integration of the social welfare systems will inevitably touch upon the “hardware” and “software” elements and as the ensuing discussion will show and it cannot escape normative discussions for two reasons: the first has to do with the fact that very seldom social policy debate takes place in an ideological vacuum (George & Wilding; 1985) and the second is that the task to integrate the two social welfare systems which are essentially the products of competing ideologies of socialism and capitalism becomes an ideological as much as a pragmatic one.

One must approach the topic with some ideas of what might be the prerequisites for such integration, that is, a minimum expectation from the integrated system. Yet, an over emphasis upon the normative element or the “convergence theory”, as Offe has already alluded to us in the quotation at the beginning of this paper (1996), might be seen as approaching the task with a “hidden agenda” such as the plot to “absorb” the North Korean system into the capitalist Southern system. Despite such danger, one can argue that an integrated social welfare systems should be geared to meeting common human needs in the contexts of basic civil and political rights, and be able to deal with specific social risks such as old age, disability, sickness and unemployment, including problems associated with the influx of people from the North. As Sunstein (1999) argues in *The Costs of Rights*, meeting common human needs in the context of civil and political rights is not only incompatible with an ideology of individualism and minimal government spending but also implies committing substantial investment in legal and administrative structures.

One can speculate on the two major sources of immediate demands for social welfare upon unification. The first one would be the potential crisis of mass unemployment of the North Koreans. Various studies indicate the unemployment rate to reach between 20-60% (Hwang, 1992) which would be much higher than the East Europeans’ 10-15% during the transition periods (Meinardus, 2000). One should also add the real possibility of mass migration of people from the North to the South and the chronic problem of poverty due to famine in North Korea, which depressed grain production capacity as well as lowering living standards and the maintenance of nominal social security payments. The problems stipulated above will further intensify dependency upon the fragile South Korean welfare system and this certainly points to the need to expand the public assistance programme since many North Koreans are used to living off many forms of subsidized statutory system for a long time (Kim, 1986). Others may suggest different expectations of the integrated system on the basis of their idiosyncratic interpretations of the situation by drawing attention to the large-scale problems of inequality confronting the North and South Korea. The major causes of inequalities may arise from; (1) the economic realities of the North and the South; (2) the

polarization of the wealth between the two societies; (3) technological-gaps between two countries; (4) the inequalities of opportunities arising from the population characteristics, including age, gender, family structure, number of children, levels of education and qualification and so forth (Kim,1995). It seems pertinent to point out that the East Germans had to come to grips with the “inequalities of opportunities” for the first time whilst unification progressed, which proved to be one of the major stumbling blocks for integration (Jun, 1997, 25).

The focus upon the issues of inequality forces this paper to contend that it will be the central task which the integrated social welfare systems will have to deal with. Accordingly, while the integrated social welfare systems would adopt the general strategy to narrow the gap in living conditions of the people in its approach to meeting basic social and human needs on a long term basis, it will have to provide basic safety-nets to deal with the immediate social risks arising from the rapid transition. To the extent that the integration of the social welfare systems would be geared to solidarity, cooperation and collective social values, it differs from the market that pursues maximization of profit, growth and competition. Essentially, the integration of the social welfare systems has to be seen as a task for consolidating elements of civil society and citizenship rights. The foregoing brief observations force the author to approach the discussion on integration with the following “prerequisites” in mind. It should be noted that they are not forwarded as absolute prerequisites as such, but they can be used at least as broad guidelines around which the task of integration might be approached.

Some Prerequisites for Integration: (1) The integration of the North and South's social welfare systems should be regarded as a gradual-long term national social experiments requiring co-ordination at varying levels of the two systems; (2) The North should not be allowed to become the "poor house" of the Korean peninsula; (3) The task of integration should be guided by the principle of the equality of the citizenship and social solidarity; (4) The process of integration should be aimed at bringing out the best elements from the two systems rather than being dragged by the issues of polarity, such as absorption by the capitalist South and vice versa;(5) The long-term structural integration of the two systems should be underpinned by the short-term “emergency/contingency measures” to deal with the problems of transitional nature and accordingly calls for partnership with the statutory, voluntary, private and even market sectors; (6) Integration of economic and social policy should be sought at the national level; and (7) The integrated system should be released from the burdens of past practices to be able to accommodate new realities following the unification.

The first part of the paper will be devoted mainly to presenting comparative data on the two social welfare systems as it seems necessary to understand the respective systems before considering any strategies or models for integration. For purposes of comparative discussion, the paper will deal with the sub-systems of social security, social insurance, public assistance, welfare services, and health services.

North and South Korea's Social Welfare Systems

An Overview

Numerous studies to date show that North Korea has developed social security provisions in the four major risk areas such as Sickness and Maternity Benefits, Unemployment Benefits, Industrial Accidents and Old Age Pension during past 50 years of national division. The only exception is the Family Allowances (Kim, Y.M, and Kim, H.S., 1995). Even without any ideological bias, it may be useful to make a general observation that one of the noteworthy features of communist states was their achievement in the field of social policy. It is true that "while citizens often had only very limited freedoms of the kind most westerners take for granted (of speech, travel, religious belief, etc), they did in general enjoy free health care, free education, virtually guaranteed employment, inexpensive housing, state retirement pensions and cheap child care facilities." (Holmes, 1997, 234) It is not farfetched to regard social welfare as the forerunner of communist distribution of "surplus values", and hence it is to be expected that the North Korea would show records of early achievements in social welfare like other communist countries. There are some indications that North Korea set out to build its welfare system from the outset of its nation building with the principle "from each according to his ability, to each according to his needs" (DPRK, 1978; Kim, 1986). It might be that the principle may have been a mere policy intention, although it had to be modified to deal with the reality of the structure of differential rewards or a managed inequality. It is important to note that the system, it appears, had always maintained two principles, despite the manifested intentions, in determining the level of benefits: one which did not take into account work contributions and the other which recognized contributions to economic activities (Kim, 1986:130-135). In other words, the North Korean welfare system was guided by the principle of "no rights without responsibilities" from its inception, whilst allowing rooms for residual elements in the system. In so far as the system tried to maintain the principle of "distribution according to needs" in redistributing surplus values as a form of universal social benefit, it can be suggested that North Korean citizens were subject to the paternalism of the state. The other principle, "distribution in accordance with work-contribution" as a form of remuneration for work, is different from social benefits as it operated to cover the working populations.

In contrast, the Southern system is a residual welfare system, which incorporates private insurances designed to provide safety nets against the shortcomings of an essentially free market economy and hence left many people unsecured against the major social risks before the development of new social legislations in recent years. If North Korea's social welfare developments had been driven ideologically, economic growth played a critical role as a determinant in the development of the social welfare systems in South Korea. This observation foreshadows the difficult task of joining social and economic principles, which distinguish the two welfare systems, respectively.

In terms of the adequacy of the provision, the South's cash benefits for unemployment due to illness, industrial injuries, sickness and deaths are well below the standards internationally recognized by the ILO. North Korea's income security for the survivors of the industrial fatality fails to meet the international standards, too (Kim & Kim 1995).

It may be useful to provide a summative discussion around legislative developments, funding, the structure, and administration and draw five observations about the comparative data below. The information contained in Table 1 does facilitate some interesting discussions. It should be noted that the date of enactment of a particular legislation does not necessarily

imply actual implementation. In fact, one can note a significant time gap between legislative intentions and actual implementations (Kim, 1986).

Table 1. North and South Korea's Social Security Against Major Social Risks (2000)

Social Risks	South Korea	North Korea
Sickness and Maternity	Health Insurance Act (1963). Implementation of Health Insurance (1977), National Health Insurance (1989)	Social Insurance Act (1946), Free Health Care Act (1953)
Unemployment	Unemployment Benefit (1995), Expansion of Unemployment Benefit to All Workers (1999.10), Retirement Pension (1961)	Social Insurance Act (1946). Abolition of Unemployment Benefits (1978) ⁽¹⁾
Aged, Disability and Death	Retirement Pension (1961), Enactment of National Pension (1988), Public Servant Pension (1960), Military Pension Act (1963). Implementation of National Pension (1999.3)	Social Insurance Act 1946), National Social Security Act (1951), Socialist Labor Law (1978), Farmers' Social Security Act (1985)
Industrial Injuries	Industrial Injuries Insurance (1961), Implementation to All Workers (2000.7)	Social Insurance Act (1946), National Social Security Act (1951), Socialist Labor Law (1978). Farmers' Social security Act (1985)
Family Allowance	No Provision	No Provision

Source: Kim & Kim (1995), revised from Table 1 in p. 159.

Years in parentheses denote the enactment of legislation and subsequent expansion or implementation.

1. North Korea claims that unemployment was completely abolished in 1978.

1. Legislative Developments

Table 1 shows that North Korea had made earlier policy initiatives in the enactment of relevant social legislations between late 1940s, early 1950 and 60s. In South Korea, the initial legislative developments began from the mid 60s and expanded further towards the end of 80s and early 90s. The two systems reach some parity in their legislative developments only around mid 1990s, despite the fact that their respective economic capacity to launch welfare developments would have been about the same at the time the national division. This observation in turn affirms the argument that the northern system was ideologically driven (Kim, 1986).

2. Structures

South Korea's initial developments of several complex insurance schemes for income maintenance was predominantly built around a few categories of selective social risks and the occupational groupings such as Private Teachers, Military and Public Servants. It was often alleged that the then Government had to engineer such developments to appease the supporters of the system, namely teachers, police, public servants and military personnel,

although it may also have been necessary for the government at the time to take into account the ability to contribute to the system (Lee, 1998, 21). In North Korea, the dual system of Social Insurance and Social Security cover major social risks and occupational pensions, on which complimentary comments are often made for their simplicity of administration.

3. Administration

The Southern program is one of pluralistic, diversified and administered separately in accordance with the respective risk areas covered. For example, Unemployment Insurance and the Military Pension are administered by the central government, the National Pension and Public Servants Pensions by the pseudo-statutory bodies (up to 1999 and transferred to the central government as of April 2000), and the retirement pensions and the maternity benefits by the employers. In contrast, the system tends to be centrally administered in North Korea as the government assumes sole responsibility of administration through delegation of administrative authorities to the Office of Social Insurance and the Ministry of Labor's local offices.

4. Funding

In South Korea, the funding for social insurance and security is secured by the contributions by the insured, employers, and the government, but employers are expected to shoulder the severance payment, retirement pensions and maternity benefits. In North Korea, the government and the insured assume the bulk of the funding and the employers are expected to make minimum contributions. Social Insurance refers to short-term benefits of less than 6 months duration for temporary sickness, unemployment and maternity leave. Social Security refers to long-term benefits of more than six months duration. For funding social insurance, workers contribute 1% and the government and the industry contribute further 5-8% of the fund.

Evaluation

Kim & Kim (1995) have undertaken an extensive comparative analysis of the two systems by applying the following criteria: completeness, scope of the target populations, and the adequacy of the services in-kind and cash. Park (1997) undertook a similar study by using the scope of the target populations, standard, equity, efficiency, the stability of funding structure, efficiency and even the element of "democratic due process in the delivery of the system" as evaluation criteria. Given the limited scope of this paper one can only refer to the above studies and can only point out that despite the value-laden aspect of evaluative activity, the criteria used in previous studies should not underestimate their significance in understanding the characteristics of the two different systems. It also seems pertinent to point out that any evaluative aspects of North Korea's system has to remain speculative and even hypothetical due to the difficulty of collecting quality data which would be so critical for a study of this kind.

Given the paucity of reliable data on North Korean welfare system, it seems justifiable to draw some observations on studies of other communist states in order to throw some lights on it. In *Post-Communism* Holmes (1997) questions many claims of the achievements of former communist countries in the area of social policy by pointing out the "inadequacy of the socially provided services." With regard to the health care, he states that "they were caring so little for their citizens that average life expectancy was declining" (Holmes 1997, 235). It appears that retirement pensions were introduced early, but were limited only to the disabled elderly and in any case often not paid in practice. He also notes that unemployment benefits were rare in communist world until well into the 1980s. For example, Poland and

Hungry recognized the need to have a formalized benefits for those for whom the state could not guarantee employment (Holmes 1997, 235-237). Holmes also points out (Holmes 1997, 267) the tendencies of the post-communist countries to encourage the development of individual responsibility, initiative and risk-taking as a way of minimizing the role of the state in social welfare. It may well be a dilemma, rather than deliberate policy choice, which North Korea may have to face as the result of deteriorating economic problems. North Korea may even face a crisis of legitimacy due to its inability to provide for its people in times of economic turmoil, as it is being reported lately (*Korea Herald*, 2002). A meaningful and systematic comparative evaluation of the two systems will have to be delayed until such time more reliable data are available, and renders support for the inevitability of establishing more comprehensive emergency service strategies as interim measures.

Competing Options for Integration

Given the issues which may confront the integration of the social welfare systems as indicated earlier in this paper, any consideration of approaches to integrate the two systems of North and South Korea cannot be done without seriously considering the following, often conflicting, positions as stipulated below.

Normative Position

This paper has earlier stipulated the “prerequisites” for the integration of the social welfare systems by singling out the problems of inequality between North and South Korea. Hence, the normative position can be effectively summed up as “a strategy to narrow the gap in the living conditions of the people”. It is interesting to note that the Germans used the concept of “equalization of prosperity levels” (Offe, 1996,14), which can be equated with the above options. This researcher has once advocated the concept of citizenship right as a mechanism to bring about social integration of the people of the North and South Korea (Kim, 1995; 1998), and there are others who support the view (Giddens; 1996). The inspiration is drawn, of course, from Marshall’s original writing on the same theme (1963). There are two reasons in stipulating that the concept of “citizenship” could become a focal point of integration strategy: firstly, one of the prerequisites for integration is that the people of the North and South should be expected to participate in the process of unification as equal partners. It also stipulates a “society held together by mutual respect for the human rights of all citizens and based on notions of interdependence, mutual support and collective well-being” (Ife, 2001, 98). Secondly, because “inequality” will most effectively sum up the complex social phenomena of post-unification Korea, and this situation will also call for intervention in the market on the basis of citizenship right as an integrative mechanism (Kim, 1995. Offe, 1994). Accordingly, it recognizes the importance of government’s interventional role in managing the integrated social welfare systems by incorporating the principles of market economy and social solidarity.

The concepts of “citizenship” and “government intervention” are advocated as countervailing forces since there is every possibility that the power of individualism and consumerism, which are the inevitable products of South’s free-enterprise system will have a major impact upon the North. Even if one does not advocate "unification-by-absorption", or the South dominating the unification strategies, the unified peninsula will have to be socio-politically regulated to accommodate the ideological differences for a considerable period of time and due to the fact that the initial stage of unification will be essentially a project for rehabilitating North Korean economy. For this very reason, the above combined concepts of “citizenship” and “government intervention” will render support to what Gough

(1993) has once argued, “socially regulated forms of capitalism do best in meeting human needs”.

The focus upon the issue of inequality is inadvertently further supported by the ILO’s Four Principles regarding settlers, and have bearing upon the strategies for integration of the social welfare systems if it has to absorb North Koreans who choose to move to the South. The Principles are: First, if the settlers are eligible for the South’s social security and they are entitled to receive equal treatment; Second, eligibility for retirement, sickness, industrial injuries, unemployment and so forth are determined by the law of the land where the settlers are employed; except residential requirement is applied to unemployment benefits; Third, the social security entitlements acquired from the North are maintained in the South; and Four, the North Korean social insurance contributions are carried over to the South after resettlement (Lee, Y.S., 1994,115).

Obviously, the above principles were articulated with a minority of “settlers” in mind rather than a situation involving masses of people as the result of North and South Korean unification. There may also be many outstanding issues that may need further clarifications for the full adoption of the principles. Also, the efforts to uphold the them, which are laid down by the ILO, should also be bolstered by other related measures such as: a) Guarantees for basic livelihood and employment opportunities for basic income; b) Strategies to narrow the gaps in income and wages; c) Investments in education, job training and health to remove the impediments to economic growth and to reduce the dependency upon the social welfare systems, and d) Development of interventional/therapeutic measures to deal with the psychosocial traumas arising from the unification (Kim, 1995; Jarausch & Granson, 1994). The last one is as critical as the issues of system integration, which is often neglected, in the general discussions on “systemic” issues.

Pragmatic Position

The normative position may be challenged for its failure to consider the pragmatic requirements for integration. For the pragmatists, the task of unification might be interpreted as nothing less than “transforming and modernizing a defunct apparatus of production” (Offe, 1996, 12), and hence the task of integrating the social welfare systems may be regarded essentially an economic problem rather than social as such. They may well argue that at least three basic conditions should be met for integration: political, economic, and technological feasibilities (Nagel, 1982). Now that even the most conservative element in South Korean society are accepting the real possibility of unification, the political feasibility, of the above three as expressed in terms of public support, looms as the most critical element for unification (Saunders, 2000; Taylor-Gooby, 1985). However, the integration of the social welfare systems can be a costly undertaking and hence cannot be separated from the issue of economic feasibility. The pragmatists do not link welfare to the economic priorities of investments, production and consumption and at best a few might see it as an investment in the future, which can bolster the basis for social integration in the long run. The pragmatists may also find support from the German experience in that the “Bundesbank explicitly pleaded for a slower process of gradual integration of the two German states via a confederation in the first half of the 1990s (Offe, 1996, 16) in order to minimize the burden of financial impact. How, then, real is the financial burden argument? No one seems to have a clear answer for this since one source claims as high as 4000 trillion Won (*Kukmin Ilbo*, 21 April, 2002) and the other 400 trillion Won (*Hankuk Ilbo*, 28 Feb, 2002). Goldman Sachs once reported that the unification of South and North Korea will cost from \$ 770 billion to \$3.55 trillion over a ten-year period. Furthermore, reunifying the peninsula in 2005 and raising the

North Korea's productivity to 50% of the South's will require \$1.1 trillion to 1.6 trillion if the North's productivity is 7 percent of the South's, and \$ 1trillion to \$ 1.5 trillion if the North's productivity is 15 percent of the South's (*Korea Herald*, 13 August, 2002). Whatever way one looks at, the unification must be a costly exercise and one might need yet another paper to work out the detailed costing for integrating the social welfare systems. Despite the perplexing way the unification costs are projected, it seems quite clear that the amount involved is daunting. The pragmatic position is not supported arbitrarily to the extent that it is supported by recent findings which point to the GDP growth as a significant predictor of government spending (Castles, 2001). In contrast to this, the importance of relationship between political ideologies and welfare spending which further renders supports to economic growth arguments (Castle, 1998; Schmidt, 1996). The importance of a nation's economic capacity for integration can not be separated from the issue of overall unification costs.

For the pragmatists, the social ideal of the integration still belongs to the future and they are preoccupied with the immediate question of whether we can afford the integration. They would opt for building models based on cost-benefit analysis and could well push for market solution in dealing with the financial burden of integration. There were times when the option of transferring the South Korea's heavy defense budget (and North Korea's for that matter) to social welfare was seriously suggested to counter the financial burden argument of integrating the social welfare systems (Oh, J.S., 2000). However, this seriously underestimates the real financial burden of the integration and points to the critical issue of economic feasibility for integration (Kim, 2000; Baek, 2000).

The technological feasibility has more to do with the question of compatibility for "joining" the two different systems in terms of programs, service deliveries, and organizational structures, and funding structures that are essentially products of competing ideologies. Needless to say, the above three feasibilities are necessarily inter-linked and in turn will be influenced by the competing scenarios for unification under consideration. The pragmatic position may favor the option for "gradual-transitional-integration", which is dictated by the reality of the economic situation. Whilst pursuing the gradual strategy, it will be forced to accommodate emergency/contingency measures to deal with the social of short-term nature.

Another aspect of pragmatic position could also include the "Inevitable Absorption". To openly advocate the inevitability of South Korea's adoption of North Korea is a difficult position to take since it may well imply considerable economic and social burden on the South in the same way it will undermine the ideological foundations of the North Korea-a position that the two parties would find extremely difficult to accept. Nevertheless, it should be pointed out that some do stipulate the "inevitability thesis" assuming the inevitable transformation of northern command economy into the southern market economy. The prediction about the complete collapse of the North Korean social security system further renders support to this thesis (*Kyung Hyang Daily*, April 16, 1999), and the so called "transformation of northern command economy into open market economy" is no longer a speculation as the latest developments show (*Korea Herald*, 1 Feb 2002; *Yeonhap Press*, 21 April 2000). This position is more than plausible if one considers the collective experiences of former socialist countries (Offe, 1996). The present author would argue, nevertheless, that absorption by the South on the basis of its exiting system may not be as easy as one would think since it simply reflects the misunderstanding of the current system. For example, S. Korea's OECD estimate of welfare spending as a percentage of GDP was a mere 4.5% in 1990 and was forced to climb up to 11.1% in 1998 to provide safety nets for those laid down due to the IMF imposed restructuring during the Korean economic crisis. This is well below

international average budgets when compared with Sweden, Denmark and Finland, which allocate more than 30% of GDP for their welfare (Health and Social Welfare Research Institute, 2002). Given the immaturity of the Southern system as shown in term of budget criterion alone seems untenable and problematic to press for “absorption”. No one can argue for this position without presenting a detailed “costing” for such a move in the first place and persuading the Koreans to accept it in the second place. It would seem realistic to suggest that “inevitability thesis” would in the end be forced to accept pragmatic position for no other reason than financial burden.

Third Way Position

The Third Way position is often associated with Korea’s reformative political parties that advocate unification by joining together of the North and South Korean systems and ideologies. They believe that a kind of neutral democratic socialism would best be able to absorb the polarized ideological confrontations, although the position has always failed to command any attention due partly to difficulty of articulating political ideals in the peculiar context of politics in a divided nation. At times, they were exploited as a target for manipulation by the extreme left wing socialist groups or were charged as leftist by the extreme right wing circles. At best, they were regarded as “opportunistic forces” by both left and right wings (Park, 1978).

When the position is applied to social policy, it recognizes the achievements that two Koreas have made in the development of social welfare since the division and stresses the desirability of choosing the best from the respective systems. The superior components of one system may compensate for, or supplement the shortcomings of the other system. For example, North Korea had laid down the foundation of a universal free health care system by promulgating the Public Health Decree in 1951 and made the principle of preventive medicine as the hallmark of the system. This contrasts with South Korea’s market driven treatment-oriented medical services where more than 86% of medical practitioners are concentrated in the urban areas (Kim, 1986). Obviously, this is not a place to provide a critical appraisal of the two contrasting health systems as each represent different polarity. It is suffice to argue that a reasoned neutral system could be worked out in the process of integration. North Korea may be experiencing economic difficulty at the moment and yet to the extent that it has not collapsed like many other socialist countries should allow the possibility for the exploration of the Third Way option which is geared to establishing the most appropriate social welfare systems in the unified Korea.

The Third Way option is not flagged here for the first time (Kim 1996), and it received some attention during the process of German unification as well (Jun 1997). This consideration deserves some serious attention as it frees the integration debate from the ideological burden and the preoccupation with the sensitive issue of “absorption”, but enables us to concentrate more on the paths of integration.

Some Principles and Options for Integration

The three positions, which have been examined above, are characterized by relative strengths and weaknesses and at the same time emphatically describe the dilemmas confronting the task for integrating the social welfare systems. This observation forces one to come up with some approaches, which might be feasible on a long-term and short-term basis and reflect social policy’s pre-eminent commitment to egalitarian values and social integration. The

challenge, which confronts the task of integration, is not so much the choice between long and short-term options as devising a particular infrastructure which allows long-term integration that simultaneously provides a framework for providing short-term emergency services. The integration should be based on principles, which do not involve an assault on human dignity, not socially divisive and do not result in the development of two different standards of services for North and South Korean citizens. The consideration of three different positions for integrating the social welfare systems that recognizes the relative merits and weaknesses of each system points to the combination of following approaches. Essentially, they should be regarded as an attempt to build an infrastructure for equalizing people's living conditions between the people of North and Social Korea.

Macro Strategy—Integration of the existing four social security systems (Old Age, Sickness, Industrial Injuries and Unemployment) as recognized by international organizations.

Mezzo Strategy—Development of policy to deal with the needs of specific regions and locality and narrow the differences between the regions. The topic of integration is very often confined to the role of the central government at the expense of local government initiative (Meinnardus, 2000).

Micro Strategy—Essentially a strategy designed to integrate welfare services and public assistance in kind and cash and covers services for children, aged, family, people with disabilities, and problems of psycho-social nature.

Emergency Strategy—A contingent approach to deal with the sudden influx of people from the North and immediate problems arising from the limitations of the structured responses.

Each strategy may be further broken into to indicate different elements it encompasses, as shown in Table 2. Essentially, the foregoing four strategies might be understood as options available to support the normative position on a combination of short and long term-term bases and should never be seen as absolute positions. For example, the respective roles assigned to government and private sectors and so forth take into account dominant pattern of approaches to welfare both in North and South Korea as well as endeavoring to recognize the possibility that the post-unification in the era of post-modernism may dictate very flexible and diversified strategies of integration often reversing the roles of the statutory bodies and private sectors (Kim, 2000).

Table 2. Integration Strategies

Key Strategies	Areas for Integration	Policy Objectives	Time-Scale	Major Players	Minor Players
Macro	-Social Security/Insurance -Public Assistance -Primary Health Services	-To guarantee minimum income -Income security for individualized social risks	Long-term	Government	Private Sector
Mezzo	Regional/Community/Local ity Development	-To narrow regional disparities for meeting basic needs	Long/ Mid-term.	Regional Government, NGO, Private Sector	Central Government
Micro	-Welfare Services for Children, Aged, Disabled & Vulnerable Groups	-Services in kind to supplement public assistance	Short-term	Government	Voluntary Sectors, NGO, Families, Relatives and Other Informal Support
Emergency/Contingent	-In Kind Basic Services of food, shelter and clothing.	-To respond to the urgent needs arising from mass transition from N.K.	Short-term	Voluntary, NGOs Civil Society Project	Government/ Public Assistance

Here, the postmodern thinking implies that there may not be one *best* way to integrate the social welfare systems of both Koreas. As Ife points out, “from a postmodernist perspective such a quest is doomed to eternal failure, since postmodernism would allow for a multiplicity of “right” ways to do things... depending on the continually changing construction and reconstruction of reality” (2001, 106). One does not have to be a postmodernist to see the point that even the process of Korean unification may not be immune from the global trend towards privatization and the increased power of the private sector of the economy. It is important to keep in mind that not only the integration would call for different strategies but important to be reminded that it was assumed that at least a generation might have been needed for full economic and equalization for the unified Germany (Offe, 1996, 14). To that extent, each strategy introduced above takes into account the political, economic and technological aspects of feasibilities for integration and the extent to which choices are made on different strategies will once again depend upon the “construction of realities” during the whole process of unification.

Conclusions

In this paper, an attempt has been made to consider principles and instrumental prerequisites for integrating the socialist North and capitalist South Korean social welfare systems in anticipation of eventual unification. The paper approached the task with the view that the issue of integrating social welfare systems, of all the pressing priorities confronting the nation, is one of the most critical issues since it touches upon the real life situations of people more directly than any other spheres. The diversified nature of human problems defies any single dominant approach for the solution. Yet, this paper identified the issue of

inequality in the living conditions of the people the single most important task for integration and began the discussion by spelling out seven prerequisites for integration. An attempt has also been made to discuss the issues of integration in the broad context of emerging studies on the problems of transition from command economies to open market democracies. In particular, comparative references were drawn from the experiences of German unifications when deemed appropriate.

As a comparative overview of the two social welfare systems, which are the products of competing ideologies, the paper discussed the developments and the structure of the social security, public assistance, welfare and health services with a focus upon the system compatibilities for integration. The task of establishing system compatibilities in accordance with, for example, ILO's framework, is one thing that is quite different from the task of putting the two systems together which are the products of both ideological and funding arrangements. Despite such difficulties, the paper advocated that one should look for and acknowledge relative strengths from each system rather than polarizing the differences or weaknesses as a point of integration. The superiority of one system may well compensate for the shortcomings of the other system. There are inevitable ideological clashes in the assessment and interpretation of the systems in question, and this forces one to consider the most feasible options for integration.

The ensuing discussion has dealt with the on-going ideological conflicts, which may be evident in exploring the options for integration. The discussion centered around three major competing positions namely, Normative, Pragmatic and the Third Way options. In effect, the conflicts are of economics over social nature, which confront the unification process as a whole, rather than peculiar to social welfare per se. In dealing with the issues of integrating social welfare systems, the paper dealt with a number of structural causes of inequalities which would emerge as the prime task for the system integration. As the causes of inequalities are varied, the approaches to integration would also face formidable ideological and economic battles. In the final analysis, there will have to be a compromise between idealism and pragmatism in consideration of the "economic burden" argument from the South, and the "ideological" one from the North for its own legitimacy sake. Such a compromise might suit the two political systems for the time being, although the chances are that North Korea's position will be gradually weakened due to worsening economic situation. This may in fact strengthen the pragmatists' position and perhaps because of this position, this paper hinted at the desirability of adopting a paradigm shift which goes beyond the ideological stance in acknowledging the advantages of diversity of strategies. The "diversity of strategies" will certainly be able to deal with economic, political, technical and other policy related variables with more flexibility. The only concern here is the fact that the growth of economy, or the GDP factor, is being recognized at the single most important factor in determining the size of government spending on social welfare. This would have implications for the options for integrating the social welfare systems, the discussion pointed out..

While keeping in mind the clash of perspectives, this paper advocated set of options which would facilitate development of infrastructure for "long-term" and "short-term" integration, which in turn would accommodate the prerequisites stipulated in this paper. The long-term option is geared more for structural integration at the systemic levels and this should, ideally, take into account the desirable course of actions suggested by the Third Way Track. The central purpose of the "short-term" option is to respond to emergency situations by co-coordinating services to deal with the problems of people in transition. It calls for close collaboration with public assistance program as well as NGOs and private sectors in pulling

the resources together. The options discussed in this paper may be regarded as guidelines or blue prints at best and to that extent, in the end, it is to be anticipated that the economic capability of the unified Korea will dictate the choice of the options for integrating the social welfare systems. One does not have to be a liberal and all open-minded postmodernist to acknowledge that the “reality” of the post-unification Korea could also dictate diversified paths for integration. For the same reason, the economic burden argument cannot be dismissed lightly and should be examined seriously given the real possibility that the “claimed social welfare achievements” of North Korea may well turn out to be, like many other economically more advanced nations than North Korea and the daily revelations of current North Korean society show, merely social policies *in intent* rather than *in practice*. This will again dictate the options for integration, too.

It should be noted that only a handful of scholars have been involved or rather “permitted” to undertake research in this area in the past due to national security regulations. This inevitably would have influenced the “tone and the color” of interpretations, and accordingly one can only make a plea to broaden the horizon for interpretations of the systems as objectively and as intuitively one can do. Making any definite statements about the two systems, especially on North Korea, still remains a formidable task both in research and practical terms due to the difficulty of accessing workable data. For this reason, more efforts should be made in the future for improved knowledge building in this area of study and this will, in turn, contribute to articulating more feasible options for integrating the social welfare systems than what has been attempted so far.

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