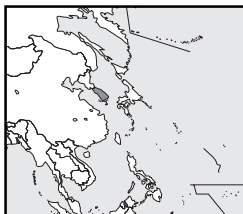


## Vigilant civil society

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Since the economic crisis, the government has been striving to reform Korea's high cost, inefficient economy. There have been attempts to promote a functioning market policy to make the economy more democratic. However, debate and criticism regarding the government's role and use of national funds have increased. Issues have also been raised about the efficiency of government involvement in the national sectors of society and economy and about the transparency of its management.

Civil society organisations have taken an active oversight role in monitoring and assessing the activities of government and companies. These organisations continue their ceaseless efforts for the introduction of necessary laws and systems, including those for the protection and expansion of the rights of women; for economically and socially marginalised people; for equality between men and women; and for the establishment of a national human rights commission for the realisation of democracy and human rights. They are seeking enactment of an anti-corruption law for a just society and introduction of class-action lawsuits to support the small shareholders movement. The government and National Assembly have made some progress, but it is far from satisfactory. Policies to eliminate the digital divide and the disparity between the rich and the poor, which has deepened with economic recovery, are demanded.

### The widening income differential and anti-poverty measures

Income disparity is greater now than before the economic crisis. The Gini Index, which is used as an index of the income differential, was 0.26 before the economic crisis. It increased to 0.32 in 1999 and was 0.317 in 2000. Since it excludes independent businessmen, single-person households, agriculture and fishery households, and jobless households, such Gini Index numbers are questionable. The income ratio of the highest 20% to the lowest 20% improved from 5.85 in the first quarter of 1999 to 5.32 in the first quarter of 2000, but dropped to 5.76 in the first quarter of 2001. The growth in income differential was caused by high interest rates adopted during the 1997 economic crisis; massive business bankruptcies caused by a serious depression; and increased unemployment caused by financial reform mandated under the IMF restructuring programme. This latter programme resulted in significant income losses, not only for low-income families, but also for the middle class. Meanwhile, people with high incomes and property earned large sums of income as a result of high interest rates and the increase after 1998 of asset margin profits in relation to stocks.

The digital divide also plays a role in the widening of income differentials. The government has made policies and enforced a job-training programme in information technology for people seeking such jobs and also for the jobless. The goals are to reduce income differentials caused by the digital divide and to create new jobs.

### Tax reform to reduce disparity

The following tax reforms are necessary to reduce income and wealth disparities:

- Normalisation of the business income tax to resolve tax inequities between labour income and business income;
- Strengthening the financial income composite taxation system;
- Taxation of marginal profits from stock transfers;
- Improvement of value added tax;
- Emphasis on inheritance taxes and charitable contributions;
- Realisation of a tax table of composite land tax and property tax.

The share of total taxes collected through indirect taxes is 50.2%. The share collected through direct taxes should be raised. Taxation is an important tool of distributive policy, and decisions regarding taxation should be based on medium or long-term policy. In the short term, many specialists claim that indirect taxes should be decreased and direct tax rates should be increased.

### Not ready for a system of income investigation

For general workers, it is not easy to obtain information about income supplemental to their regular wages. It is also difficult to ascertain the correct income for independent workers, farmers and fisher people. So there is an equity problem relative to paid workers whose income is clearly known. Urgent solution of this problem is needed for sound management of social insurance and official assistance systems.

### Increasing numbers of temporary workers

According to National Statistical Office information analysed by the Korea Labour and Society Research Institute, the total number of temporary workers, which greatly increased after the IMF economic crisis, is 7,580,000. Temporary workers comprise 58.4% of the total paid workers. The average salary of a temporary worker is only 53.7% of that of a regular worker. Their working hours (47.5 hours/week) are slightly longer than for regular workers (47.1 hours/week). With regard to social insurance, temporary workers are much worse off than regular workers. For the National Pension, which is the typical social insurance plan, the temporary workers' buying rate is 22.1% compared with the regular workers' rate of 88%. For health insurance, the temporary workers' rate is 24.6% compared with the regular workers' rate of 90.7%.

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Temporary workers suffer low wages and employment instability, and most are not covered by the four types of insurances, *ie*, medical insurance, unemployment insurance, workers compensation, and the national pension plan. So they are caught in the double hardship of pain and insecurity. Civil society organisations insist that long-time temporary workers be upgraded to regular workers and that social insurance coverage for temporary workers be strengthened.

### **Financial expansion and the limits of social welfare**

Protection for disabled, the elderly, women and children and support for the livelihood of poor households has increased over past levels. However, this increase in the social insurance budget was a temporary measure designed to cope with the economic crisis and does not constitute a long-term budgetary increase for the structural improvement of social insurance. Social welfare does not cover the entire population, and the budget is small according to absolute standards. Some say that standards are inferior, maintenance and management fees are not covered by government, and national subsidies to retirement and medical insurances need to be increased. Others claim that present welfare expenses are not low if one takes into account the variables that cause the expenses and that Korean responsibility for financing welfare goes beyond what is reasonable. Accordingly, the contradictory claims and assessments of reasonability of the social welfare budget should be harmonised by long-term social agreements and coordination.

### **Eradicating poverty through “productive welfare”**

The government reform of the social insurance system, which goes by the name of “productive welfare”, was introduced in October 2000. The core of the productive welfare policy is expansion of employment opportunities and the mobility of income activity by individuals becoming self-supporting. The reform greatly improved the livelihood protection system and a new national basic livelihood protection system was implemented. In the past, the livelihood protection system was designed exclusively for the poor, whereas the reformed system covers all households with incomes below subsistence levels that need supplementary help to maintain the lowest livelihood standard. Although the official poverty is 9%, however, only 3.2% (less than half of poor people) benefits from the national basic livelihood protection system. It is difficult to register for benefits and the numbers of the beneficiaries is decreasing because of the collective payment system. The system was not sufficiently prepared, as it lacks mechanisms for investigating and acknowledging incomes.

### **Expansion of women’s rights and maternity protection**

The Ministry of Gender Equality was established in January 2001, and a women’s policy was prepared. This policy seeks to develop the human resources of women, prevent domestic and sexual violence, protect the victim, forbid discrimination based on sex and resolve these problems. The Ministry works for the improvement of women’s rights and the realisation of equity between men and women. In November 2001, laws were enacted that strengthen the maternity rights of workingwomen and establish employment equity between the sexes. But as maternity protection is also regulated under employment insurance, it benefits only those who have regular work. It excludes the marginalised class who definitely need the protection.

### **Systematic efforts for the protection of human rights**

On 26 November 2001, the National Human Rights Commission was established for the purposes of protecting the inviolable basic human rights of every human being, realising human dignity and value by achieving higher living standards and bringing about a democratic order. The National Human Rights Commission has received many petitions—evidence of the big expectations for the role and activity of the Commission. According to an official report from the Commission, petitions from socially marginalised people such as the disabled are most numerous.

### **Clean government and anti-corruption efforts by civil society organisations**

The government enacted and implemented “freedom-of-information” laws in 1997, which indicated a process for obtaining the release of official government documents. The government has recently tried to minimise the scope of this information release. Civil society organisations have criticised this and asked for expansion of information to be made available to the public. They have also established a “budget watch” that monitors budgetary waste and the activities of government and other public organisations.

As a result of the civil anti-corruption movement, which began in 1996, an anti-corruption law was enacted in June 2001. It was expected that this law would prevent corruption and effectively regulate corrupt activities, thereby making for a clean government and society. The civil society organisations that asked for the law now see that it is insufficient because there are no rules regarding ethics of government officials, no special prosecutor system and no protection provision for in-house informers. It therefore needs successive revisions.

### **Reform of the international trade and capital structure**

Generally speaking, as the volume of trade increases, the total scale of GDP and the national wealth expands and directly or indirectly affects the creation of financial assistance for development. Trade liberalisation is logically ideal. While there is still a differential for competitiveness (*eg*, the South-North problem), there needs to be a temporary means of protection until the developing countries reach a certain level of competitiveness. Even the United States is criticised for protecting her industries while making strong claims for free trade and requesting developing countries to open their markets. Korean civil society organisations agree with international civil society organisations that the developed countries should treat developing countries as special. Resources for development should be created and the debts of the least developed countries should be eradicated or minimised.

Currently, the Bretton Woods institutions are governed by the developed countries, which support the globalisation of commodity and financial markets but oppose the internationalisation of labour by opening the labour market. Reform and actual democratisation of the international capital structure is required. ■

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