

## *Korean and Mexican welfare regimes: a historical comparison*

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Comparative research on welfare regimes has developed belatedly in Latin America and in East Asia, with the exception of the Japanese Case already included in the classic Esping-Andersen study (1990). Especially in Latin America, studies on social policy and the creation of social institutions have predominated, and since the 90's the study of public policy toward poverty has been increasingly prominent. Some authors have justifiably criticized the reductionist trend of the public policies and the research on them in many Latin American countries which mainly focuses its actions on programs facing poverty and dilute a more global vision of politics and social institutions (Filgueira, 2006).

Esping-Andersen's focus (1990: 26) goes further than governmental policies and practices and incorporates a feature we can denominate societal, as it is directed at investigating how societies find different arrangements or accommodations to produce welfare. From this complex vision arises the proposal of the concept of a welfare regime, which refers to "the ways in which the production of welfare is divided between the state, the market and the families" (2000: 102). The *Espingian* conceptualization proposes to analyze how societies have historically constructed welfare in a specific partnership between the state, the market and the family. To do this, this author constructs interpretive patterns which ideally connect various degrees of commodification/de-commodification, familialization/de-familialization and state-centric/residualism (public).

Esping-Andersen's differentiated analyses were converted into an instrument for questioning the suppositions of convergence in a single residualized model of welfare<sup>2</sup>. However, in contexts of a strong hegemony of market rhetoric the temptation of mono-interpretation easily arises. To confront this, Barba (2005: 14-15) proposes a useful distinction between welfare regimes and paradigms. The first are related to the systemic production of welfare starting with the specific articulation of the welfare producers in a given society; the second, with a group of values, selection criteria and rules of interpretation shared by communities of social scientists and other social agents, and also with parameters for decision making shared by functionaries, representatives of multi-lateral financial organizations and various other agents. If the ideal types (or welfare regimes) and the group of values and shared rules (welfare paradigms) are confused, the analytical conclusions that are arrived at will be weak. The residual hegemonic paradigm in the social field (or dominance of the ideas of the market in the field of welfare) is often confused with the real convergence of the regimes in a single liberal model. In this way the rhetoric and common logic shared by communities of scientists and other agents (of special relevance in this case, the public and international financial institutions functionaries) can be confused with real transformations in the social institutions. This methodical precaution is of special relevance in societies strongly influenced by widely disseminated adjustment policies originating from financial organisms, especially in the last three decades of the 20th century.

On the other hand, Esping-Andersen's theorization provoked a strong discussion of the welfare systems in industrialized nations, proposals by new welfare creators to be incorporated into the model<sup>3</sup>, critiques on the undervaluation of gender relations or of the lack of understanding of new

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2 Adelantado, 2000, Walter, 2005. See also Barba, 2005.

3 For example, Adelantado et alii (2000: 52) point out that it is necessary to take Esping Andersen's point even further, and that it can be incorporated into the formal associations and informal community groups, or volunteer sector, as a

regimes under construction, even in Eastern Europe, as in the case of the Mediterranean<sup>4</sup> countries or those of East Asia, especially Japan. On occasions the problem is not the categorization itself, rather its mechanical application aimed to mold societies into Esping-Andersen's three worlds of welfare and thereby falling into the methodical error of considering them as universal fixed patterns and not simply as heuristic and approximative tools and for comparative analysis. The comparative work we undertake (Korean and Mexican welfare regimes) aims to incorporate these heuristic instruments into the debate on societies that have belatedly or slowly begun the task of constructing welfare institutions.

### **Debates on the Welfare Systems of Latin America and East Asia**

In the case of East Asia<sup>5</sup> the belated access to discussions on welfare systems generated convergent and divergent polemics and characterizations of the systems or welfare regimes of East Asia (Walker y Wong, 2005). For example, it is useful to mention researchers such as Ian Holliday (2005) who aim to identify a fourth model of welfare (opposite the Liberal, Conservative and Social-Democratic) called productivist ("Productive Welfare Capitalist"), in the societies of South Korea, Hong Kong, Singapore and Taiwan. Also worth mentioning are Catherine Jones, who speaks of the Confucian model and Huck-Ju Kwon who talks of the development welfare state. Others are skeptical of the possibility of defining an East Asian model, due to the institutional and historical diversity (Kamimura, 2005; Kim, 2005; Walker y Wong, 2005) of the countries involved (South Korea, Hong Kong, Singapore and Taiwan).

Even Esping-Andersen (2000: 122-124) proposes the possibility of a hybrid of the conservative and liberal systems for the case of Japan, although the characterizations he uses could be also applied to some periods of the trajectory of the Korean case:

- Segmented social security in function of the professional categories (applicable above all in Korea before the unification of the health system);
- Modest social subsidies in what is referred to as systems of unemployment and pensions;
- Supposition that the masculine nucleus of the active population will obtain private subsidies through a job (applicable in Korea for the contractual benefits achieved especially in the *chaebols*) and from family support;
- Predominant strength subjacent to welfare policy: Confucian tradition of family piety and loyalty (applicable in Korea in the growth period until the beginning of the democratic transition in 1987);
- System of social assistance strictly based on the means test (applicable in Korea with the old Livelihood Protection Act of 1961).

Although he refers to the Japanese welfare specifications, for Esping-Andersen (2000: 124), it is a type of conservative system- above all because of the corporatism and familialism of the social security regime. For "economy of analytical means" he prefers to maintain a tricotomy of welfare systems, although he accepts that other typologies could obtain results of "a greater fineness of

fourth generator of welfare. These academics effectively incorporate a more comprehensive pattern which could include ethnic groups in Latin America, Asia and Africa. Communities, civic organizations and social movements in these regions are also a factor that should be considered in a societal welfare pattern.

4 For what constitutes a Mediterranean system, see Moreno, 2000. For other cases such as Australia and its different liberal systems, see Walter, 2005. For a comparison of Australia and New Zealand with three welfare systems, see Huber and Stephens, 2001.

5 The Asian part of this research about welfare regimes was first presented at the International Seminar of Social Policy, Welfare Regimes in Transition. Origins; Concepts and Strategies in Countries with High Human Development, in Chapala, Jalisco, Mexico, September 2006.

classification, with a better capacity for subtleties and greater precision.” In my opinion, however, the pragmatic criteria is not sufficient to prevent the construction of other types of welfare regimes; in fact, with them it is possible to reach a greater capacity for understanding the comparative processes of welfare.

In general some authors underline the productivist and developmental characteristics of the proposed East Asian model, and accentuate the weakness of its social commitments and its dependence on economic considerations. They extend one of the essential characteristics of the concept of the *developmental state* by Chalmer Johnson, who claims the first priority of the Japanese state for more than 50 years was "economic development". For Johnson, a state that wanted to strive for the achievements of the Japanese should, above all, be a *developmental state* and only later a *welfare state* (Johnson, 1999: 37). For Holliday (2005: 3-7), in a productivist state the social policy is an “extension of the economic policy and is subordinate to and defined by economic objectives”. In contrast to Esping-Andersen's three worlds of welfare in which a certain degree of autonomy from social policy is found, the productivist is defined by its political economics and the “rest is incidental”. Therefore the so called autonomous sphere does not exist, and basic rights are given in the domains considered central for the “creation of a competitive window over other nations”. In this case educational services are more favored while social security is less favored.

In the specific case of Korea the characterizations are truly divergent: Although there is a definite agreement when talking of the residual origin (with certain disdain of the familialist character in the commitments for welfare), the debates focus on the present and its tendencies of change: What type of hybrid? A heavier conservative role? A heavier universalist role? Shin (2003) develops a historic panorama of the Korean social policies and talks of a minimal residual regime starting in the 60's and 70's and continuing up to the current transition toward an institutional welfare regime. However, he points out that due to the low public spending in the country, it would be more apt to speak of a welfare society instead of a welfare state. (Shin, 2003: 203). In Sun's historical summary (Sun, 2002: 421-464) he also paints a transition from the hybrid formed by segregative policies (corporate-conservative) and the residual (à la Esping-Andersen) toward a new hybrid, in this case constituted by social-democratic welfare policies (again Esping-Andersen), thanks to the universalist policies towards social security, and the *Schumpeterian workfare* state (à la Bob Jessop), thanks to the initiatives to work and thereby prevent *welfare dependency*. According to Sun, Korea's welfare politics after the 1997 crisis incorporate an element of productivism, or of welfare generated by growth and productivity through the social policies of *workfare*.

As to a possible future (Kim, 2005), Stein Kuhnle maintains that Korea will construct a regime closer to the social-democratic model. In contrast to Mishra Ramesh who predicts the development of a less generous version of the conservative model, Yeon-Myung Kim sees a transition toward a comprehensive welfare state. For You and Lee (1999), Korea has been transforming toward a welfare society with universal coverage; You himself points out that the legacy of the authoritative development period was that of a residual model of welfare (2004).

The study of the welfare regimes in Latin America<sup>6</sup> emerged at the end of the 90s and the beginning of the following decade. Although Mesa Lago had begun a comparative tradition of sub continental scope since the 80's (before Esping-Andersen published his famous work on the three worlds of capitalist welfare), that took into account the temporal origins of the first pensions and health/maternity insurance programs, and the degree of development they achieved. Mesa Lago

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<sup>6</sup> The Latin American part of this research about welfare regimes was first presented at 2007 International Conference of CELAO, Seoul, June.

proposed three types of countries: High-pioneer, intermediate and low-late; himself offers us a synthesis of the results (Mesa Lago, 2005: 13-14):

“The high pioneer group (Uruguay, Argentina, Chile, Cuba, Brazil and Costa Rica) was the first to establish systems of social security in the region. In the 20’s and 30’s it reached the highest coverage and development of the said systems, and its populations were relatively older with a higher life expectancy, but the systems suffered from stratification, high costs, a growing deficit and a financial and actuarial imbalance. The intermediate group (Panama, México, Peru, Colombia, Bolivia, Ecuador and Venezuela) implemented its programs mainly in the forties and fifties, influenced by the Beveridge Report and the ILO agreements, and reached a medium coverage and development of its systems. These being less stratified, their cost was lower and the financial situation better than in the first group, although some countries already faced imbalance. The low-late group (Paraguay, Dominican Republic, Guatemala, El Salvador, Nicaragua, Honduras and Haiti) was the last to introduce its programs in the 60’s and 70’s; its population was the youngest and its life expectancy was lower; its systems were relatively more unified and suffered fewer financial problems, but had the least coverage and experienced little development.”

The Mesa Lago’s analysis had the advantage of recuperating the origin and the degree of development of the insurance systems, but Filgueira (1998) looked further from a broader societal perspective and tested a new typology of social states in Latin American from the period of 1930 to 1980. In the first place were the regimes of "stratified universalism" (Uruguay, Argentina and Chile), closest to Esping-Andersen’s conservative model which had an early development of welfare systems (Mesa Lago). In these societies the majority of the population is protected through mechanisms of social security, with high degrees of de-comodification, but also with a strong stratification of benefits and conditions of access to these mechanisms. In second place, are the dual regimes (Brazil and Mexico) in which the stratification of the previous model is accentuated and where territorial heterogeneity is more prominent; these result in the lack of protection of wide sectors, and a low democratic intensity that favors this dualism. Lastly, are the exclusivist regimens (Dominican Republic, Guatemala, Honduras, El Salvador, Nicaragua, Bolivia, Ecuador), with elitist, exclusivist social security regimes (only around 20% of the population incorporated) and dualist education systems. The author points out that in these systems, the elite take over the state apparatus, extract rents from primary economies and prevent the generation of collective assets. One country that escapes these classifications, according to Filguera, is Costa Rica: It has a universal practice in health services and education, and an alliance between small and medium rural producers and urban workers. However, some characteristics differentiate it from the social democratic regime- for example the expansion of the informal sectors with no coverage.

Carlos Barba (2004) retakes Filguera’s classification and talks of “universalist” regimes (including Chile, Argentina, Uruguay and Costa Rica), “dual” regimes (Brazil, México, Colombia and Venezuela) and the “exclusionist” regimes (the majority of the Central American countries with the exception of Costa Rica and Panama, as well as Ecuador, Perú, Bolivia and Paraguay). Barba also insists that the universalist regimes of Latin America are those that most resemble the conservative regimes of Europe. In the dual and exclusionist regimes of the region, the author points out the increase in the ethnic-cultural heterogeneity, the regressive characteristic of the social protection systems (greater in the latter) and the strong degree of informality in the labor markets. After Mesa Lago, Filgueira and Barba, other researchers try different classifications.<sup>7</sup>

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<sup>7</sup> In a recent study of the contemporary period (1998-2003), Martínez Franzoni (2007) proposes a new typology based on four dimensions of analysis (also with clear influence from Esping-Andersen): The comodification of the work force,

In these comparisons, the concordance between the exclusionist regimes and the familiarist ones is quite notable, and the majority of the countries fall into Mesa Lago's late-low development category (with the exception of de Perú, Bolivia, Ecuador and Venezuela). The late development of these regimes is not a simple chronological fact, rather the expression of power structures that do not favor the expansion of social services and, in the end, the recognition of the social citizenship. In the rest of the classifications, the proposals of universalist regimes or stratified universalist regimes coincide fundamentally with the regimes of high pioneering development (with the exception of Brazil). The early development of these systems is not a simple chronological verification; it is rather an expression of agreements and arrangements (generally of the corporatist type) favorable to the creation of social institutions, with differentiated intensities of democratic commitments.

In the specific case of Mexico, the various aforementioned authors who work from a comparative perspective underline the dual (or fragmented<sup>8</sup>) character of the Mexican welfare regime. Barba (2004; 25-27) offers us a synthesis of the analytical proposals regarding the Mexican regime: While some underline the creation of a welfare state starting with the Mexican Revolution, others question its existence given the exclusion of large sectors of the population, especially the rural workers and informal urban workers. Some authors describe the Mexican social political model as one of "fragmented universals" or as "stratified". Others recognize this fragmentation but sustain that the social security institutions consist of "the dynamic axis of the extension of social rights", a policy that "configured a tendency toward universalization of social rights, *despite its gradualism and the undoubted correlation of social exclusion*"<sup>9</sup>. They conclude that the ascending tendency of the coverage was not interrupted by "intrinsic problems of public social security" but rather by the "imposition of the neo-liberal project." (Laurel, 1997:25) On the other hand, according to Barba, (2004: 27) there are no elements to sustain that in "the foundations of the Mexican welfare regime there exists the intention of developing a platform for the social citizenship through the actualization of universal social rights, nor the intention of respecting the democratic legitimacy." The study of the social security institutions cannot be separated from the measurement of corporate and authoritarian political mediation, or from the eruption of new economic policies that defined the future model for the social institutions (especially in the privatization of the primary pension systems). The dualism of the Mexican regime is maintained with weakened security institutions and with focalization instruments that bring a limited public action to a fourth of the population excluded from these institutions. The Mexican regime shares elements of the old conservative Europe (inclusion through formal employment and the *breadwinner system*) (Barba 2004: 15, note 35) but the high levels of exclusion have obliged families to generate diverse survival strategies (and welfare production), including informal employment and national and international migration.

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the de-comodification of welfare, the familialization of welfare, and lastly, the performance of the regime. For this task Martínez Franzoni uses a group of 34 criteria and tries to overcome a more state centered vision of the regimes. The first conclusion is that "all the Latin-American regimes are, to some degree, informal." (pg. 23) Therefore an important proportion of the population depends on family and community arrangements. A second conclusion is a variation on the typology of Filguera and Barba: she constructs "state-productivist" (Chile and Argentina), "state-protectionist" (Brazil, Costa Rica, Mexico, Panama and Uruguay), "familialist" (Guatemala, Ecuador, El Salvador, Perú, Colombia y Venezuela) and "highly familialist" versions (Bolivia, Honduras, Nicaragua y Paraguay).

8 See Martínez Franzoni, who talks of stratification through insertion of labor. Mesa Lago (2005) show the fragmentation of the health system, with five social security systems for the middle sectors, a system of public health for the poor and private insurance for the wealthy. He also discusses the weak coverage of pensions in Mexico, accentuated by recent reforms (barely 30% of the labor force is enrolled in a pension system, Mesa Lago, 2004: 37).

9 The italics are ours.

But, in short, what balance can be made in the tendency of the architecture of the welfare regimes in the cases of South Korea and Mexico? We will dedicate the next sections to the discussion of this question, in a historical perspective.

### **Social policy and its tendencies in South Korea<sup>10</sup>.**

After several decades of giving a secondary status to social policy, Korea experienced an emergence of social issues. Previously, in the context of export promotion policies without abandonment of internal market, Korea had a long period of growth, job creation and real wage increase that generated a social *habitus*: to grow, to have increasing employment and real income-improvement opportunities, all perceived (after three decades) as a ‘natural’ thing, as Rostow (1963) would put it. This country had more than thirty years of rapid economic growth, with annual rates of 7-8%; the last recession, before the 1998 crash, was at the beginning of the 80’s; the real wage grew almost without interruption at rates of 8% per year, though it had started from very low levels in the 60’s. Korea went in very few years from a per capita GNP of barely more than 200 dollars (1971) to 11,380 dollars in 1996. Along with these elements, there were also problems with authoritarianism and questionable quality of life (for example, long works days and alarming industrial accident percentages; see Valencia, 1996).

The crisis of 1997-1998 was a hard blow because of the *habitus* mentioned above. After the 1997 financial crisis, the 1998 GDP in Korea fell dramatically, unemployment tripled and manufacturing wages dropped for the first time since 1980. The 1997-1998 crisis was thus not only a great economic slow-down, but also a cultural or psychosocial shock to a society accustomed to a permanent increase in consumption. This shock severely affected homes, and the number of broken families and of homeless people grew (Bark, et al., 2001; Pak, et al., 1999). It awakened, undoubtedly even more, the social question in South Korea. To Bark (2001:6), the social consequences were so severe that even officials who favored a liberal economy “could not deny the need to intensify social protection”.

Social policy is, in this framework, the center of a great national debate between officials, scholars, civil organizations and international institutions. The conviction of several researchers is that the social effects of the 1997-1998 crisis demonstrated the weaknesses of Korean social policy and its lack of preparation to deal with significant increases in poverty and the explosive unemployment problem. The consensus centers on the urgency of consolidating the Korean social security network and reforming social policy, although there are different alternatives. What was the Korean social policy process, and what are the main points of present-day debate? What are the similarities and differences between Korean and Mexican social policy?

#### *Social policy in the postwar years: charity and assistance.*

In the Korean War and the postwar period, Korean social policy was limited to emergency activities to support the refugees. The victims and refugees from the war had come to represent 38% of the population in 1951, nearly eight million inhabitants (Kim, 1990). In 1953, when the Korean War ended, the GNP per inhabitant was barely 67 dollars; the economy was stagnated and the reconstruction step had hardly begun. The situation was extremely serious, but it was seen as a

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<sup>10</sup> A short version of this section was published in Valencia, 2005.

result of the Japanese colonization and of the war; the main activities were charitable, above all coming from foreign groups (Choi and Kwon, 1997:544).

*Social policy in the era of economic growth: growth first...*

After this charitable or assistance stage, Korea initiated the processes of rapid industrialization and growing urbanization. The country found itself in a very difficult social situation with extensive poverty.<sup>11</sup> What is now known as “the Han River Miracle” began in the 1960’s. The main thing at the time was to grow and industrialize; social policy was restricted to job creation and salary improvement. As Il Sakong (1993) clearly synthesizes it, the strategy was to grow first and distribute later. In the *relationship between economic policy and social policy*, the former was undoubtedly first, leaving a secondary role to the latter; especially when it came to the creation of social institutions. The social unrest that would face the Park presidency, and later that of Chun Doo-Hwan, particularly with the unions and student organizations, would slowly lead toward ever-increasing emphasis on the creation of institutions in Korean arguments. From a social policy of growth devoid of social institutions, they would move toward a social policy of growth with seedling social institutions, especially from the 80’s on.

In the 1960s, after the coup d’etat by Park Chung-Hee, the period of strong economic growth began in the Korean economy, guided by an active industrial policy and a powerful State presence (Amsden, 1988 and Wade, 1999). Social policy did not escape this State design and control. The *role of the State* would be fundamental, with the exercise of an authoritarian central power, priority on an industrializing project and an ideology of sacrificing present welfare for the benefit of future generations. The religion of rapid growth directed by the State would affect the social institutions, considered to be of minor importance; the accelerated rush (Hart Landsberg, 1993 and Woo, 1991) to achieve economic development would decelerate the creation of social institutions. One could say that the social perception, in these first growth years, was to build economic infrastructure and generate jobs to overcome poverty; thus social welfare activity was side-tracked. The main social policy was job creation with increased real wages, although with very precarious working conditions (long work days and low safety, with high industrial accident rates; Valencia, 1996). Together with this employment social policy, the State advanced timid assistance policies for the extremely poor (minimal transfers) and economic boosters for the rural poor (production support and infrastructure programs).

The *goals of the social policy* were subordinated to the consolidation of economic growth. Central authority did not seek legitimacy specifically through the creation of social institutions, nor through social arrangements for greater autonomy for social organizations and unions, nor through the electoral process. The social legitimacy that the Korean dictatorship won was through the rising of the salarization and the dynamic wage policy. Further, this form of legitimacy allowed the consolidation of an internal market (Lanzarotti, 1992). According to Suh and Williamson (1987), the underlying philosophy was that welfare activity was the responsibility of the citizens, themselves; it was a matter of family support. The social pressures of the 80’s allowed that welfare objectives acquired greater and greater weight, without usurping the predominance of the consolidation goals for economic processes.

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11 In 1961, the absolute poverty in Korea represented 48.3 of the total population (Adelman, 1997).

In the 1960's, creation of *social security institutions* slowly began, at least on paper or by law. In President Park's perception, the way to accomplish "freedom from poverty" was through strong economic growth. The first Five-year Plan (1962-1966) set as one of its main goals the breaking of the vicious circle of poverty through economic growth (Valencia, 1996). In those years, the institutions were created for Pensions – at first for civil officials (1961) and military personnel (1963), for Accident Insurance (1964), for Public Assistance and for Social Welfare Services for people with special problems (1961). Although a Social Security Law was passed in 1963, social security on the national level would really only begin in 1977 (Kwon, 1993b). In the economic start-up years, social policy was of the passive sort, and reflected an ex – post management perception of the problems of poverty (Choi and Kwon, 1997). Thus the construction of the social security network in Korea would get a late start, compared to some Latin American countries. But, given the weakness of this social security network, at the beginning of the 80's they moved more neatly from the idea of charity for the poor toward the creation of social institutions, combined with nutritional supplements and compensatory support (according to the 1961 Livelihood Protection Act). For example, in the IV Five-year Economic and Social Development Plan (1977-1981) a powerful boost is given to social security, with the inclusion of employees of companies with more than 500 workers (1977) and of civil officials and private school teachers (1978) (GRK, 1992). The *sectors benefited* by the social institutions up to this time were military personnel, public officials and employees of big business; the excluded sectors were the employees of micro, small and medium-sized companies, and workers in the informal and rural sectors. The big groups (the *chaebols*) were, in this sense, part of the social institutions beginning.

In the 1980s, the Chun Doo-Hwan and Roh Tae-Woo Administrations re-enforced the social security system legally and institutionally. Especially in the second half of the decade, amid the social pressures toward democratization and especially with peaceful citizen movements, the Roh government announced a plan to improve the distribution of income through support for the agricultural sector (health insurance), the installation of a national pension system (1989) and establishment of a minimum wage (1988) (Choi and Kwon, 1997). True to the Korean tradition of planning and gradual application of new measures having an economic impact, from 1986 on the authorities broadened social security coverage to include workers in companies with ten or more employees; a little later it would be extended to cover self-employed farm (1988) and urban (1989) workers, as well as those working for micro-businesses having five or more employees (1988). In the 80's, the authorities sought to expand the coverage of various social security systems and avoid the exclusions that were so widespread until the beginning of that decade. And they did so together with the increase in employment and constant real wage increases. The next step along this path was taken during Kim Young-Sam's administration, with the initiation of unemployment insurance in 1995, which was part of the VII Five-year Plan (GRK, 1992; see also Kwon, 1993, for this coverage-extending process).

Thus, in the years of strong growth, from the 60's to the crisis at the end of the 90's, social policy was to slowly build the social security system, to broaden the coverage of various social security schemes, and to create jobs and income opportunities for the workers (see Kwon, 1998b). However, at present, several Korean researchers point out the weakness of social policy during this period, though they highlight also the considerable reduction of poverty in Korea. In an index of real manufacturing wages, with a base of 100 in 1970, they went from 58 in 1963 to 530 in 1991 (Valencia, 1996). Such a great increase in real wages, together with the creation of jobs and the gradual reduction of unemployment, led to a very considerable reduction of poverty in Korea: a



71% decrease between 1970 and 1990 (Kwon, 1998a and b), so that in the first half of the 90's, the incidence of absolute poverty had fallen to only slightly more than 7% of the population.<sup>12</sup>

Since the beginning of the 60's, Korea has been building a *dominant model for fighting poverty indirectly*, through wage growth and through the late, but relatively rapid construction of bismarckian-type social security institutions over the last thirty years; however, together with this model, targeting (direct attention to poverty) elements were being created, with transfers of income to sectors that were in extreme poverty and with the creation of a rural education and infrastructure-support program. Examples of targeted programs are the initiation of public transfers to the extremely poor, disabled, orphans, and the elderly according to the 1961 Livelihood Protection Act (Kwon, 1998 a and Hur, 2001) and the New Community Movement in rural areas, for improving agricultural production, increasing income and developing rural infrastructure and social welfare, which started at the beginning of the 70's (Park, 1998 a). This Korean social policy could be compared to the Mexican one during the era of substitution for imports also bismarckian-type, except that in Korea the growth and wage improvement were more rapid.

Notwithstanding the gradual development of social security programs, *social spending* in Korea remained at relatively low levels, compared to other countries at the same level of development, and especially with industrialized countries. By our calculations, social spending barely reached 4.4% of the GDP in 1979. In the 80's it increased steadily until it represented 5.5% in 1985 and 7.3% in 1990 (Valencia, 1996). Still, the expenditure only on social security and health was very low, and represented only 1.6 and 2.4% of the GDP in the latter two years (Kwon, 1993 a).<sup>13</sup> This situation reflected the *financing scheme* of the social security, distributed mainly between employers and employees, with minor public participation.<sup>14</sup> But, within the framework of the fight for a transition to democracy and an end of the military dictatorship, Korean society pushed hard after 1987 for progress in social and distribution policies (Valencia, 1996 and 2001 a). In the 90's, the expenditure on social security was increased to reach 4.1% in 1995 and 5.1% in 1997 (including health and the now-available unemployment insurance, in these years, OECD, 2000); spending on education reached 3.7% of the GDP (OECD, 1999).<sup>15</sup> Thus, the 1997 social expenditure was around 10% of the GDP (if we also include spending on housing), still among the lowest social expenditures among OECD countries.

We can look at the results of the social security coverage in Korea in comparison with some Latin American countries. Though late in starting, still Korea made its way toward a "welfare" society

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12 In 1991, according to data from Jun Jin-Kwon and Na Sun reviewed in Kwon (1998 a), absolute poverty reached 7.6% of the population. According to Park Chang-Yong and de Kim Mee-Sook's work, in 1995 absolute poverty had reached 7.36% of the population (Pak, et al., 1999:18), with a minimum cost of living of 239,059 wons per month per person in 1995. According to the OECD, the absolute poverty index is made with poverty line obtained from a Minimum Cost of Living (MCL) calculated by the Korean Institute of Health and Social Issues (KIHASA). This MCL is used as a criterion for social assistance benefits and is calculated every five years, based on a survey that reflects the basic needs in the Rowntree focus. In 1999, the MCL for a home of one person was 234,000 wons per month, that is to say 350 dollars PPP (OECD, 2000: note 88).

13 This author says the social expenditure was higher, and by 1990 he calculates 11.3 of the GDP.

14 According the OECD (2000), the government only pays 20% of the contributions to the pensions and health systems (its participation as employer) and he don't contribute to the disability and industrial accident insurance.

15 In Korea, primary education is free and obligatory: secondary education is only free in the rural sector. Besides secondary education in the urban sector, the rest of the educational levels are not free (OCDE, 1998). Korean families traditionally spend large amounts on the education of their children (in 1997, an average urban home spent 10.6% of their expenses on education, a little more than 1.9 million wons per year) (NSO, 1998).

in only thirty years (see You and Lee, 1999). In the context of Korea's financial crisis, its social security coverage is as follows (Pascha and Kwon, 1999):

- Pensions: 47.4% (1998). This insurance started in 1960.
- Industrial accident insurance: 62.4% of the workers. White collar workers have still to be included. This insurance began in 1964.
- Health insurance: 100% coverage. This insurance truly began in 1977.
- Unemployment insurance: 51.8% of employees. This insurance began in 1995. However, only a small percentage of those unemployed in the crisis received the insurance in 1998 (about 16% in 1999; You and Lee, 1999:25), due to the newness of the program.
- Public assistance: 3.3% of the population with subsistence support. The public assistance law was created in 1961.

Still, Chang (1999) indicates that none of the Korean administrations have demonstrated a serious commitment to building a social security network, so that in 1995 the public expenditure was one of the lowest in the world. One of the slogans of the second half of the Kim Young Sam administration was "the globalization of the quality of life", which meant that the welfare of Koreans should be measured relative to that of the advanced countries. According to the researcher cited, this parity was only sought formally, or nominally, without real benefits to the population. These critical conclusions seem pretty strong in light of the contrast with the coverage and quality of the social security systems of other societies, like those in Latin America. It can be admitted, though, that the limitations of Korean social security arise from its late construction, from its fragmentation with initial benefits going to restricted sectors (military personnel, teachers, public servants and the employees of big business), and from the deficiencies in the quality and coverage of services. For example, although medical insurance formally takes in practically 100% of the population, in the first place not all of the sick are covered, notably in the case of some illnesses with high care costs like cancer or major dental problems, and in the second place, the insured patients must pay part of the medical expenses (20% of hospital expenses). At the beginning of the 90's, with medical insurance and all, Koreans tended to pay 50% of their medical expenses (Kwon, 1993 a; You and Lee, 1999).

Now then, Chang (1999) and other authors have indicated that the Korean administrations have seen the solution of the problems of poverty as being of an individual nature, and belonging to the family sphere and the neo-confucian ethic (traditional extended-family solidarity). Some bureaucrats have even questioned social security policies for their supposed debilitating effect on the familial protection networks. These views on poverty (family solidarity) and the preference for rapid-growth policies above all, created a weak social policy that was only added to the economic model under construction. While growth was maintained and wages increased, the limitations of this model could be hidden. The problem would arise when and economic slowdown arrived and the cycle collapsed. Indeed, this is what happened.

The *supporting coalition* for the accelerated growth social policy was, besides the beneficiary sectors (military personnel, public officials and employees of big business), the businessmen from the conglomerates known as *chaebols*, the chief executives of conglomerates, as well as the middle classes that were open to Park Chung-Hee's patriotic anticommunist rhetoric and to the leaders of the official union groups (Choi, 1993). However, differing from Mexico, the Korean corporatism was of the exclusionist type, and would hardly actively include the official unions in basic decisions (Valencia, 1996). This supporting coalition was very solid while economic dynamism allowed

them extensive room to maneuver. But they had *social breakdown risks* due to the broad sectors excluded from the dominant alliance and from many of the benefits of economic growth. The risks of social breakdown, relative to the authoritarianism and social costs of the rapid growth, reached their limit in the 80's; the opposition began to grow and consolidate. The ever more-organized civil society began to peacefully demand in the streets an end to the dictatorship and a better share of the fruits of growth (Choi, 1993; Valencia, 2001 a).

*Social policy in light of the 1997-98 crisis and its social effects.*

The 1997-98 crisis had very serious social effects. Three indicators (unemployment, real wages and poverty) are significant. Unemployment grew from 556,000 (2.6% of the PEA) in 1997 to 1.5 million (7.4% of the PEA) at the end of 1998; in February of 1999, unemployment reached 8.6% of the PEA, with 1.8 million unemployed people (Bark, et al., 2001; Lee, 2001; Yoo, 1999). Nominal wages for factory workers dropped 3.1% in 1998; so real wages fell by 9.3%. It was the first drop in real wages in two decades (You and Lee, 1999). The various studies on poverty done in the context of the crisis, coincide in indicating a severe increase in the incidence of poverty; absolute poverty practically doubled between 1997 and 1998 (to Bark, et al., 2001, it rose from 4.9% of the population to 10.9% in 1998 and remained there in 1999)<sup>16</sup>; other calculations of poverty, made based on household spending, speak of an increase in poverty from 8.9% in the fourth trimester of 1997 (when the crisis was unleashed) to 21.6% in the third trimester of 1998. A World Bank study for the same dates places the indicator at 10.2% and 22.9%, respectively (Lee, 2001; Pak, et al., 1999). Although according to a study by Tamar Manuelyan Atinc, the most affected were the extremely poor, who represented 1.1 million inhabitants in 1997, the poor in general would have gone from 2.8 million in 1997 to 6.2 million in 1998 (Lee, 2001), for a total population of 46.43 million inhabitants in the later year (NSO, 1998).<sup>17</sup>

The *habitus* of growth and improvements in family income suffered a severe blow. Crisis set in on the middle class and the poor sectors. In a society having poor attention to unemployment and a heavy dependence on the male provider for household income, the loss of employment could be devastating for thousands of homes (Park, 1998). So the social concerns of Korean society became more acute during this period. Many even speak of how middle-class sectors fell into poverty, amid the brutal increase in unemployment and the reappearance of homelessness. To several authors, the situation showed the weakness of old Korean social policy. The debates have been intense and the new government programs try to confront these problems. Even the IMF representative to Korea mentioned that re-enforcement of the social security network was essential in this situation (Dodworth, 1998).

The process of democratization, the increased power of civil, business and autonomous union organizations, the limitations of the economic model itself, the 1997-98 crisis and the social and economic reforms that have been initiated in Korea have all modified *the State's role*. Although the State continues to take a central place in the planning and management of the economic and social projects, the authorities must now negotiate more and more with the business and social sectors that

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16 Indicator calculated with the MCL at 1994 prices.

17 The poverty line assumed by Atinc is equivalent to 8 dollars PPP per day per person. The extremely poor are those homes whose consumption per capita is less than 80% of the established poverty line. The incidence of poverty in 1998 would thus have reached 13.4% of the total population.

are involved. In social policy, the union and civil organization sectors demand a greater presence (see OECD, 2000).

Choi and Kwon (1997) strongly criticize the Korean strategy on social policy and *the relationship between economic and social policy*: first to grow, and then to worry about social welfare. Did not, they ask, social policy thus ignore the direct care for the poor and distribution of wealth? During the crisis, a regressive process of wealth concentration was experienced. In 1980, the Gini Index for urban workers' income was 0.389; in 1988 it had fallen to 0.336 and in 1996 and 1997 to 0.291 and 0.283, respectively, far from the average Latin American indices. In the crisis years it went to 0.316 and 0.333, respectively in 1998 and 1999 (Bark, et al., 2001; see also OECD, 2000)<sup>18</sup> The incomes of the poorest 20% of urban workers deteriorated approximately 8% per annum between 1997 and 1999, while the income of the richest fifth increased about 10% annually (OECD, 2000; see also You and Lee, 1999).

Several authors indicate that in the long run, poverty has indeed diminished greatly, but that the problems with the inequality have increased, taking into account the concentration of land and financial income ownership. Though the Gini Indices in Korea on the distribution of income are very low compared to Latin American countries, they rise substantially in terms of financial stocks and especially in urban land ownership; these are indicators in which the indices reached more than 0.80 by the end of the 90's (Choi and Kwon, 1997). As we saw in the above paragraph, in the 1997-98 financial crisis this situation would have been aggravated. With the rise in interest rates and the great inequality in the ownership of financial stocks, those with the greatest benefits were the homes in the 10% with the highest incomes.<sup>19</sup>

In the crisis context, *social spending* was increased to re-enforce the welfare institutions, for emergency programs and to create new institutions like the one mandated by the new Livelihood Security Act. But the expenditure continues to be low, compared to OECD countries. You and Lee (1999) think that the low public expenditure for social security is but a minor part of the weakness in Korean social policy (if educational, health, social security and housing expenditures are added up, they represent only a little less than 35% of total public spending). The academics indicate that Korean social policy was unprepared to confront the exacerbation of social problems in the contexts of globalization and the financial crisis. Here, we have one of the central aspects in the *risks of social break-down*. The growth social policy revealed its limitations; the events of 1997-98 prove it. They show, on one hand, that although Korea had been making itself a *welfare society with universal coverage* for the main social security services, there are serious problems with quality of services and distortions favoring inequality (for example, over-medication is favored with the paid medical service system, private schools are subsidized, bureaucrats benefit more in the pension system); on the other hand, the social institutions were unprepared for a social crisis like that of 1997-98. In spite of the existence of unemployment insurance, there was no accumulated institutional experience to face the increase in unemployment and at the same time, Korea had no experience in administration of a program for support to the poor. It is urgent, according to the authors, to reform social policy and create new policies to redistribute the wealth. Social policy in the new open context cannot be limited to just economic growth policy, nor to the policy of care for the poor by this indirect method. The new open-economy demands the restructuring of a social

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18 According to Lee (2001), these Gini Indices in Korea underestimate the inequality of income, because employers and under-employed people's homes are left out, as are single-person dwellings.

19 This one-tenth concentrated 61% of the financial stocks of homes in 1988, so that the Gini Index reached 0.77 (Kwon, 1993 a: 129).

policy that was functional in the closed-economy context, or in a context of gradual-opening with strong growth.

In the face of the crisis and the debates about the social security network, where went the new social expenditure in South Korea? What were the government's reactions to the crisis and the weakness of social institutions? In general, the discussions revealed a *consensus to improve social protection, initiate a more active social policy and consolidate the methods of direct care for the extremely poor*. The president, Kim Dae Jung, had already indicated that he was convinced of the backwardness of the social welfare system compared to the strength of the Korean economy, and had pointed out expansion of the system as an urgent task (Kim, 1996). The activity, then, was directed toward emergency measures on one hand, and reformation and consolidation of the systems of social security and social protection on the other.

We can highlight the following issues in the emergency measures: an increase in social spending given directly to poor Koreans. About two million people (1,920,000) received support in income, school grants, medical expenses, child care and extra wintertime costs. The Korean government expected to spend a little less than 2,000 million dollars on this in 1999 (GRK, 1999). Also, the authorities planned to create temporary public jobs; tax and financial support for small and medium-sized businesses, so that they would generate additional employment; tax and credit support for housing construction (also to generate new jobs); and increased public investment. Through all these instruments, the Korean government tried to boost the creation of almost a half-million new jobs in 1999. The special expenditure in 1999 for these programs was budgeted at a little less than 8,000 million dollars (GRK, 1999).

The changes to re-enforce the social security network were the following:

- Unemployment insurance (1995), which initially only covered employees of businesses having more than 30 employees, was extended in October, 1998 to include all full-time, part-time and temporary workers. In April of 2001, 6.335 million workers were insured (Bark, et al., 2001). In spite of these efforts, only 73.4 of eligible workers, 50.9% of salaried workers and 32.3% of total workers at the end of 2000 were insured (Hur, 2001; Bark, et al., 2001). Not included in this insurance were: self-employed people, unpaid family workers, part-time laborers who worked less than 18 hours per week or 80 hours per month, workers hired by-the-day for less than a month, public officials and teachers in private schools. Given how insufficient the unemployment insurance was, during the crisis the various active support programs for employment (support in the form of: income supplements for the unemployed, job maintenance, training, temporary work and job creation). However, 40% of the unemployed never took part in any of these programs (Lee, 2000). Between 1998 and 2000, the expenditure on these programs was approximately 1.2% of the GDP on an annual average according to Hur (2001), and more than 2.1% according to the OECD (2000).
- The pension system (1988) was broadened in April of 1999 to include self-employed and unemployed people. The idea of the reform is to include all citizens and achieve universal coverage. In recent times, approximately 62% of the population between the ages of 18 and 60 pays into the pension system. The contribution period required in order to receive benefits was also reduced from 20 years to 10, in support those who were put out of work

by the crisis; the full benefits of the pension insurance will not be received until 2008, and the benefits that people of retirement age received in 1999 were minimal (about 260,000 won per month, or a little more than 216 dollars in 1999); in 2006, about 182,000 won, more than 190 dollars per month (NSO, various issues)<sup>20</sup>. Recently, there was a debate about the pensions, because the national system will go into deficit in 2022; the funding for military, public official and teachers' pensions is already depleted (Bark, et al., 2001; OECD, 2000).

- The disability and industrial accident insurance (1964) was modified in July of 2000 to cover all workers, including also the self-employed (Bark, et al., 2001).
- Health insurance (1977) was also reformed to extend the term of benefits, which had been 270 days per year in 1997, to cover 365 days starting in 2000. All citizens have the chance to be included in the healthcare system (Bark, et al., 2001), because the unification into one financial entity (2000). The unification project joining the insurance and medical care systems brought protest among private-sector employees facing the increased contribution that – in their eyes – was caused by the low contribution from the self-employed (OECD, 2000).
- The new minimum survival guarantee law (National Basic Livelihood Security Act), was created in September, 1999 to go into effect in October of 2000. In this law, the old survival protection law (1961 law) and the Temporary Livelihood Security Act (created to deal with the effects of the 1997-98 crisis) were joined. The beneficiaries from the income transfers in this new system rose from 370,000 (1961 Law) people to 1.51 million in 2000 (Bark, et al., 2001). The beneficiaries were 1.35 million and 1.53 million in 2003 and 2006 respectively (NSO, various issues). Below we will describe the features of this system, in order to compare it with the Mexican PROGRESA-Oportunidades program.

Thus, Korea leans toward being a “welfare society” with universal coverage (You and Lee, 1999), although its system is relatively new, has serious problems with quality of services and except for transfers to poor households, it still has no family support programs (like the French *allocations familiales*, for example). The minimum survival guarantee law (1999) was a product of the debates about the crisis and the deficiencies in the social security network in Korea. The earlier Livelihood Protection Act (1961) was very strict in its eligibility requirements; the new law tried to mend this problem and attempted to make advances on the idea of assistance for the poorest. The changes were significant and were framed in the overriding concept of “productive” welfare, which includes the following elements: basic-income support for the homes of the elderly and the poorest people; greater coherency in the delivery of public services; more partnership with NGO's; reciprocity in the benefits received by those who are able to work; promotion of “employability” through active job market policies. Kim Dae Jung's purpose was to re-enforce the economic sustainability of the welfare system (OECD, 2000).

The 1961 law cared for the extremely poor with the idea of “public assistance”; in the National Basic Livelihood Security Act (1999)<sup>21</sup>, the State recognized the obligation to guarantee a basic

<sup>20</sup> With 1188.65 won per dollar in 1999 and 955.08 won in 2006 (averages rates of the Bank of Korea).

<sup>21</sup> We will base our description of the new Law on Bark, et al., except when another source is indicated.

livelihood as a right of citizenship; they could be claimed<sup>22</sup>. The beneficiaries of the transfers of funds are those who are below the poverty line, according to the Minimum Cost of Living defined by the Central Committee for Livelihood Security, presided over by the Minister of Health and Welfare. To guarantee minimum welfare protection, there are three levels of Committee: the Central, Provincial, and District levels. The level of benefits that homes can receive is determined based upon the difference of the MCL minus other legally required benefits (like medical insurance) and minus the Calculated Household Income (monthly income of the head of the house plus the imputed monthly income from assets). The MCL for a household of four persons was calculated in 2000 at 980,000 won per month (about 866 dollars for the household); in 2004 at 1.055,090 won (about 922 dollars) and in 2007 at 1.205,535 won (about 1297 dollars)<sup>23</sup>.

There are seven benefits granted by the new Law: liquid income transfers, support for housing, childbirth, medical care, education, funeral costs, and “self-help”. The budget for 2000 for the beneficiaries (1.51 million) was 1.544 million won per capita annually (approximately 1365 dollars, equal to 52% of the MCL for a household of four, if we multiply the income per capita by four). The 2001 budget, with the new Law in force all year long, was 1.98 million won per capita annually (1534 dollars).<sup>24</sup>

In accordance with the productive welfare concept, the law distinguishes between those who are considered able to work and those who are not, in order to provide incentives to work. To do this, the institutionalization of self-help programs is being sought. The unemployed who are evaluated as able to work may receive the benefits under the Law to the extent that they show a willingness to participate in the self-help, training and voluntary community service programs; however a partial deduction mechanism will apply to the benefits to prevent the workers from losing the motivation to work. Theoretically, whoever is considered able to work and fails to play by the rules (by joining one of the above programs) can lose the benefits of the Law (the *workfare* aspect of the new Law). This program, then, may be considered in the category of programs that are conditioned upon the behavior of the beneficiaries. Social rights are, thus, conditional. This concern for pressing the work incentives coincides with the OECD’s idea that direct-transfer systems based on rights can lead the recipients into the “benefit trap”; that is to say, into a preference for assistance rather than seeking to improve their position through working or their “employability” (OECD, 2000). According to this institution’s report, with the new Law, it is theoretically possible that the preference would develop for the social transfer as the beneficiaries’ main household income; the room for fraud is wide, given the chance to combine transfers with casual work in the great informal sector in Korea. Still, the institutional problem is very serious, and in 2000 there were only 70 self-help centers and 149 job-placement centers, most of them in the urban areas (Bark, et al., 2001; Hur, 2001).

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22 If we assume that the 1999 Law maintains the same selective method (OECD, 2000), we may see the differences from the Mexican PROGRESA-Oportunidades program. There, a special agency is in charge of seeking and selecting the homes that are in extreme poverty. In Korea, since the earlier Law, those who are considered eligible come to a municipal office and file an application; agents who are specialized in the work review the applications according to the criteria (income, assets, status of health and of the home in general), they visit the home in question and may ask for tax and pension reports (they do not have the right to ask for bank accounts), and propose an end result to the district government, and the existing committees will be able to review the agent’s proposal. The evaluation process can take a month.

<sup>23</sup> See National Statistical Office (various issues). We consider one dollar per 1131.12 won in 2000, 1143.74 won in 2004 and 929.16 in 2007 (average rate, Bank of Korea).

<sup>24</sup> The difference from the transfers granted under the old 1961 law, before the crisis, is very significant: 639,000 per year in 1997 per person, as opposed to 1.98 million won in 2001. In this case, we consider one dollar per 1290.99 won (average rate of 2001, Bank of Korea).

Since there was already a National Basic Livelihood Security Act with restricted assistance features, having some benefits similar to those of the new 1999 Law, the citizens seizing upon of the new feature of a right to a minimum welfare or livelihood would not be automatic. At least, the new Law allowed the increase in the coverage of assistance to the extremely poor. For example, in November of 2001, the social movement called The People's Solidarity for Participatory Democracy (PSPD) supported a campaign to report violations of the new Law; they declared that many potential beneficiaries were still not on the official lists, and that even some of those who were included did not receive transfers. The report published by the PSDP ([www.pspd.org](http://www.pspd.org)) indicates further that the disabled have additional costs of living which should be taken into account, and that the structure for helping the unemployed find work continues to be weak.

Democratization, the 1997 crisis and the re-enforcement of the civil organizations' networks in Korea have led to a *crisis in the old supporting coalition for social policy*. The *chaebols*, props in the old system especially in the 80's and part of the 90's, were the target in the sights of the restructuring economic policies promoted by the FMI and acclaimed by Kim Dae-Jung; the civil organizations also strongly question the adjudged excessive economic and political power of the conglomerates. Still, Kim Dae-Jung was no infallible ally of civil organizations or autonomous unions, either (OECD, 2000; Valencia, 2001 a). The new social policies sought to extend the legitimacy of the government to the group comprised of formal workers, informal workers, the middle sector and of small and medium business-owners. The results were unclear in the context of the 1997-98 crisis. In the face of *the grave social breakdown*, of unemployment and precarious employment, in Korea the supporting coalition was in doubt.

*The debates in the beginning of the century: toward a deepening of the reform.*

In spite of the consensus on deepening the reformation of social policy, the debates concerning the concrete forms were important: some traditional sectors are opposed to a reform of social policy that undermines the neo-confucian family system (Chang, 1999); to others, the fundamental need is to center on the poor (targeting) and not so much on unemployment, and in that context they propose increasing public spending (Pascha and Kwon, 1999). Contrarily, some specialists also argue for the need to increase the coverage of unemployment insurance, agreeing with recent government activities; unemployment continues to be a serious problem following the crisis, and those who have been re-employed are accepting precarious jobs, which calls for a more comprehensive and systematic system of social protection (Hur, 2001). Many highlight the necessity of improving the quality of the social security system even more, along the lines of the developed countries, and to do so they also propose increasing public spending (You and Lee, 1999). According to Bark (2001), the expenditure on social security and protection will have to increase until it reaches between 10 and 15% of the GDP in the next 20-30 years; the researcher maintains that fighting poverty must be based more on self-help programs and even less in direct transfers. Others propose mixed schemes: to consolidate the social security network, but give special attention to the most vulnerable and avoid having the new National Basic Livelihood Security Act remain as an empty form, as happened with some security programs (Pak, et al., 1999). The OECD (2000) itself recognizes that there is an important area for the growth of social spending in Korea, though the institution underlines the fact that although the social protection system must be re-enforced, it will be necessary to watch the balance between transfers and job market considerations. In Lee's (2001) view, the balance between competitiveness for the productive apparatus and re-enforcement of social security should not go unattended, either; he proposes the concept of "flexicurity", which would join job flexibility and social security with greater



negotiation and consensus. The civil organizations demand the rights recognized in the laws to be put into force.

Culturally, the extended family has had a very important place in Korean social protection systems. Even in the new social security and protection programs, some surveys showed that the majority of low-income and unemployed homes do not have government transfers as their main source of income, but rather the incomes of household members, or family/neighbor support (Bark, et al., 2001; OECD, 2000). In 1994, out of all parents of families over the age of sixty, almost 52% received financial support from their oldest child, and 83% received it from all of their children (NSO, 1998). However, the traditional family ties have been slowly disabled: traditionally, the children – especially the first-born – care for their aged parents and they even live together under the same roof. But the proportion of the elderly who do not live with their children more than doubled between 1984 and 1998 to reach 47%, according to studies by the Korean Health and Welfare Institute<sup>25</sup>. In 2007, only 40% of the more of 60 years old wanted to live with its sons and daughters (NSO). The reforms in the social security and protection systems need to add this dynamic and the possibility of a lasting tendency toward long-term unemployment.

In summary, the 1997 crisis has provoked arguments on the reform of social policy in South Korea. With a preferentially indirect method, together with the rapid construction of a social security system, it is probably moving toward temporal re-enforcement of a mixed system that includes more targeted-type action (increasing care for the extremely poor in recent years), and re-enforcement of the social security and protection systems. Recent arguments are centered on which parts of the system to re-enforce further. Around each segment of the social security and protection system, there are different proposals, most of them aimed at the deficiencies of the system (quality) and the need to work toward real universal coverage. Universality has, at the beginning of the century, become a *leitmotiv* of Korean social policy.

### **Debates on the social policy and its tendencies in Mexico<sup>26</sup>.**

In Mexico, after several years of hard stabilization policies, in the 90's there was also a re-emerging process for social issues. The long period of growth in the Mexican economy associated with wage increase and salaried job creation from the 50's to the 70's was not sufficient for consolidating an institution-founding social policy. The Mexican social security network stagnated and did not progress toward the universalization. Further, especially since the 80's, Mexican wages entered a dropping phase from which it has not emerged (except brief periods of slight increase). The acute poverty problems, in this framework, made the authorities seek solutions targeted on the extremely poor. At the beginning of the century, social policy is under debate. The targeting process is questioned, but also the weakness in the social security system; there is argument over the new role of social policy, undervalued in the face of the economic restructuring of recent decades.

#### *The Traditional or "Domestic Market" Model of Social Policy*

What are the characteristics of social policy in the substitution period (ISI)? *The role of the State* is preeminent; in this State domination there was little room for private markets or community and civil initiatives. The logic guiding decision-making is bureaucracy (Duhau, 1997; González de la Rocha, 2000), with *top-down* authoritarian methods and a centralism with a certain tint of influence from corporations of groups and interests (Gordon, 1999:55 and 57). This centralism led to

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<sup>25</sup> Cited in OECD, 2000.

<sup>26</sup> A short version of this section was published in Valencia, 2005.

standardized programs throughout the country, with little adjustment for specific regions. However, the central role of the State was not total, and we can highlight its inability to create policies that were truly universal.

*The global objectives of social policy* are several, in this traditional model: In the first place, the resolution of first-magnitude social problems, inherited from the old colonial structures; in the second place, the construction of the Nation-State, which Barba (1995), Vilas (1995) and Ward (1998) call the integrating and legitimizing function of social policy (support for organizations that are considered strategic, in order to conserve or feed legitimacy); and in the third place, the support of industrialization (Farfán, 1997 and Székely, 2001), especially with the formation of a working class with at least partial social guarantees (Soria, 2000).

The *method for confronting poverty* in this social policy model was “indirect” in nature (Orozco, 1994); that is, the perception is that the best way to reduce poverty is through economic growth, job creation, and the creation of adequate salaries and of worker-protection programs. The growing level of salaried people in the society and the establishment of a social security network for those people would thus resolve the problems of poverty. As Boltvinik points out, salary creation was a promise of overcoming poverty. Although there is no agreement on the indicator to be used for poverty measurement (Hernandez Laos, 2001), some studies concur in indicating a reduction of poverty from the 1960s until the beginning of the 1980s (Boltvinik, 2000).<sup>27</sup>

For one long period, the concept predominated that growth associated with the bismarckian scheme of social security would generate well being. The basic priority was growth and accumulation; well-being would be its corollary (Valencia and Aguirre, 1998 and Ordóñez, 2001). There is argument concerning *the relationship between traditional social policy and economic policy*. While Raczynski (1998), in his general analysis of Latin America, highlights the relative lack of linkage between the two, Barba (1998), Boltvinik (1996), González de la Rocha (2000), Valencia (1995) and Vilas (1995) highlight the strong economic policy – social policy relationship, above all through the employment and salary policy. In a domestic market economy, the emphasis is placed on protection of the salaried people and on the creation-consolidation of the middle classes, to support the demand for nationally-produced goods (Székely, 2001). To Vilas (1995), this linkage between social policy and economic policy constituted a preventative scheme, an ex - ante attention to poverty.

*The activities of welfare and social security institutions* cover only a limited part of the society, in certain categories. For example, they are limited to workers in the formal sector, registered in the social security programs. This is due in part to the fact that the assignment of resources is guided by the pressures of organized groups, notably the powerful unions in the strategic industrial sectors, in the bureaucracy or in the military machine.<sup>28</sup> There is advancement of social services coverage; however attention to the least favored is delayed, above all in rural areas (see Duhau, 1997; Farfán, 1997; Levy, 1994; Vélez, 1994). These limitations in the social security systems, for decades, led the poor to seek various ways to survive (see Ward, 1989:23-28) outside of the formal markets. These have been closely studied by Mexican anthropologists.

Political considerations made universalism mostly an aspiration (or it became nominalism) and was limited to organized urban residents (Duhau, 1997; Román and Aguirre, 1998; Schteingart, 1999; Vilas, 1995; and Ward, 1989). In spite of the preponderance of universalist discourse (González de

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27 The poverty figures in 1984 are noticeably divergent, from World Bank's 16.6% of the total population to Julio Boltvinik's 69.8%, using his integrated measurement (poverty by income and poverty by unmet basic needs). Lustig (1998) calculates an incidence of poverty of 42.4%, using data from the official statistical institution (INEGI).

28 For example, see the groups with special pension system (note 13).

la Rocha, 2000), targeting aspects would inevitably be present, for example through the institutions that care for those who stand outside the labor market (Lautier, 1998; Román and Aguirre, 1998).

A fragmentation in the creation of different systems is neatly expressed for workers in private enterprise, public workers, military personnel or government workers (Duhau, 1997): the greater the political power of a sector, the greater its social security benefits. Concerning the rhythm of inclusion, health system coverage first increased in the 60's, 70's and 80's (more slowly in this decade), and was reduced in the first half of the 90's (Boltvinik, 1995; Laurell, 1996:20; Murai, 2001; Ordóñez, 2001). In Mexico, the population covered for health by social security is 51.6% (1995). The Health Secretariat (open healthcare system, without contributory charges) in 1995 would cover 27.5% of the population (Frenk, et al., 1999). In Mexico, in 1996, 33.9% of the EAP was covered by pension systems (Solis and Villagomez, 1999).

The educational system is typical of the universal characteristic, as is the healthcare system to a lesser degree (Duhau, 1997; González de la Rocha, 2000; Román and Aguirre, 1998; Ward, 1989), though Filgueira (1997) rightly points out that universality is limited to primary education. Social policy included universal nutritional support through subsidized prices (in Mexico, the public enterprise *Compañía Nacional de Subsistencias Populares*, CONASUPO, was very important in this).<sup>29</sup> Traditional social policy emphasized the development of some sectors of the social welfare system, which led to underdevelopment (for example in housing conditions) or even nonexistence of some parts of the system (as in the paradigm case of unemployment insurance).

In *financing*, the state sector is dominant, but without being the only one. Especially relating to healthcare systems and pensions, the so-called triple combination is applied, with the obligatory participation of workers and employers for healthcare and social security.<sup>30</sup> The assignment of public resources for subsidies is through supply mechanisms; that is to say subsidized prices, supported both by general subsidies and those from the CONASUPO public company. Especially before the 1980s and the generalization of adjustment policies, the tendency in the public social budget was toward higher spending although, in comparison to countries with advanced welfare systems, the Mexican social expenditure is very low. In Ordóñez's (2001) statistical series, the social expenditure rose from 1.4% of the GDP in 1940 to 9.2% in 1982.

With respect to the *foundational coalitions of these social policies*, according to Vilas (1995), the State, private enterprise and unions were the political tripod on which a keynsian-fordist social policy stood. This also explains the "limitation" of the nominal universalism of social policy (Gordon, 2001). The coalitions of the ISI period were formed by the State in implicit political agreements among parts of the national bourgeois, great segments of the middle classes and the unions. "Domestic market" social policy thus has a strong social legitimacy among the most organized sectors of society, which very probably exaggerated the appearance of the social support that they received. The unorganized sectors could hardly have made their rights and doubts count, until the "new social movements" began to arise.

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29 In Ordóñez (2001), a follow-up may be seen of the nutritional subsidies policy in the history of Mexican social policy. CONASUPO was created in 1961, though its origins go back to 1938 with the *Comité Regulador de Mercados de Subsistencia*. According to Ordóñez's calculations, in 1983 the expenditure on CONASUPO represented 2.2% of the GDP. Levy (1994) questions the imbalance in subsidy practices and points out that in 1988, half of the nutritional subsidies (900 million dollars) were not targeted for and did not reach extremely poor people; he questions the urban slant of nutritional subsidies.

30 Before the reform of the IMSS (in 1995-1997), this institution's healthcare fund was distributed as follows (triple contribution): employers 8.75%, employees 3.125% and federal government 0.625%, for a total of 12.5% of the salary (OCDE, 1998).

But this “limited” legitimacy did not make them invulnerable. What were the *risks of social breakdown* inherent in this social policy of the substitution period? One of the most important risks arises from those excluded from the traditional social policy, within the context of the profoundly unequal social system in Mexico (after 40 years since social security’s beginning, in 1982 nearly half of the population was excluded and had to seek attention in the private system or in the open social assistance). This risk could serve as the backdrop for the so-called social movements of the 60’s and 70’s, especially those developed in agricultural areas and in the large suburbs. The unions with the most benefits may also create risk for themselves by pushing for greater benefits for themselves, without considering solidarity with the excluded ones. The organizations become unequal “competing groups”, as Peter Ward (1986) would say.

The long period in which this social policy was dominant in Latin America was not without its arguments or new social quests, as the Mexican experience shows. Especially in the 60’s, different public officials pointed out the deficiencies of the indirect model, centered on economic growth and unconcerned with the serious problems of the distribution of wealth (Valencia and Aguirre, 1998). Thus, especially between 1970 and 1982, the “indirect” method of combating poverty was enriched by the special programs for attention to different groups of the poor, many of them on the road toward a productive outlook. This way, the fragmentary universal programs were complemented by programs of a more targeted sort (Schteingart, 1999). This was about a hybridization: a nominally universalistic model (bismarckian-type) modified in reality by fragmentation and embellished by targeted policies.

Thus, we have a social policy in which unemployment insurance is nonexistent, centered on universal nutritional activity (subsidies to supply), on universal trends in the education and healthcare systems, and on partial support for pensions and for housing. The most-protected social groups are military personnel, bureaucrats and large unions; the most unprotected are the masses of peasants and the unsalaried sectors of the urban poor.

*The New Model of Social Policy, Suited to the Economic Restructuring (Opening).*

Questioning the Latin American traditional social policies did not come particularly early, compared to some industrialized countries where severe criticism of the Welfare State models arose.<sup>31</sup> In Mexico, until the 90’s, no process was begun to reform the social policy to conform with economic market reforms; thus Mexico may be in a state of “transition” (Duhau and Schteingart, 1999; González de la Rocha, 2000; Schteingart, 1999; and Valencia and Aguirre, 1998).

In recent years, there is a running debate between various actors in the nation on the orientation of the social policy reform that everyone considers to be necessary (Valencia, 2001). The World Bank is fighting for a new generation of social policies (Giugale, 2001). We can summarize the main features of recent and present social policies (1982 to the present), and some of their arguments, as follows:

About the *role of the State*, in the new paradigm, the functions of social policy (financing, design, implementation and control) may be separated, and some of them may be carried out by non-state agents (businesses or civil organizations) (Duhau, 1997). The supposed advantage is that the beneficiaries are participating and that the market is incorporated. The new programs include a strong content of, first, citizen participation and, second, of private enterprise involvement (pensions, healthcare services, evaluations) (see the recent arguments in Valencia, 2001).

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31 This may be seen in Hirschman’s useful historical exploration (1991).

Competition has a central role in seeking efficiency and improvement of service quality (Duhau, 1997). Asa Cristina Laurell (1997) and Julio Boltvinik (2001) label this tendency as the “commodification” of the social services. The debate is accentuated on participation of citizens and of civil social organizations in social policies (Canto, 2001; Penso D’Albazio, 2001; Ramírez Sáiz, 2000).

Also, faced with the centrality and bureaucracy in the decision-making processes of the earlier model, decentralization and slimming-down of the State machine is the goal here. Regions are supposed gain new importance and room to maneuver in decision-making processes, and business and civil social organizations theoretically would have more space to act and participate therein. Techno-analytical considerations are strongly included in decisions on the selection of target populations (PROGRESA, 2000; Scott, 1998). Mexico’s fiscal centralism has been more pronounced than that of other Latin American countries, and since 1996, more active mechanisms for decentralization have been sought for the fiscal resources dedicated to social policy<sup>32</sup>. However, *the top-down* process of decision-making is not overcome, especially in programs aimed at extreme poverty, which are still centralized. And conversely, there is a tendency toward decentralization of the educational and healthcare services (Duhau, 1997, Raczynski, 1998; Vilas, 1995; Valencia, 2000). Since the financial contributions sent to the municipalities and states for social funds are dealt out according to formulas which calculate the gaps of extreme poverty (that is, less-discretionary), the funds continue to be “labeled” by the central government, where the main spending priorities are decided (Martínez Assad and Ziccardi, 2000). Municipalities and regions thus remain in the role of paymasters.

The point, then, is not that the State simply retire from social policy. Economic restructuring and social policy reform need the State. The idea is not just to spend less, but to spend where markets need re-enforcement, and where the expenditure needs to be focused. Social spending in 2000 was a little less than 10% of the GNP, a figure similar to that of 1982; the novelty lies in the fact that more than 50% of the programmed spending is classified as social expenditure (Levy, 2000).

*The general objectives of social policy* today are aimed at relieving poverty, especially extreme poverty (Jarque, 2000; SEDESOL, 2001), and toward meeting the basic needs of the poor. Franco (2001:25) indicates that the new paradigm seeks continuous amplification of social protection, but “the most needy first”. But the State-legitimizing elements may not be set aside in putting the new paradigm into action. The new discourse questions the former model’s populism and paternalism, and the excessive State interference with the economy. Privatization is linked, in the discourse, with social policy: the State should stop taking action that requires the participation of private initiative, to focus on social objectives (extreme poverty). Legitimacy is now sought in market efficiency and activities focused on extreme poverty, in what González de la Rocha (2000) and Franco (2001) label the unequal attention to those who are “socio-economically unequal”.

The *target population* of the new paradigm is, undoubtedly, the poor part of society and more specifically, the extremely poor; in fact, this point is one of the most theoretically defended by promoters of the new social policy (Levy, 2000). The dominant discourse in public policy today is that of targeting. Among the recent justifications, the errors are pointed out in the traditional model, which was wasted on scattered activities and his actions were not concentrated on the ideal target population, the extremely poor (Campos and Vélez, 1994; Levy, 1994; Scott, 1998). Faced with this domination, the debates turn toward the new and important errors of inclusion and exclusion in

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32 Initially, Ramo 26 (Branch 26) was created, with one of its funds (Municipal and State Priority Social Development) meant to be handled by municipalities and states. In 1998, Ramo 33 was created. It groups the Ramo 26 resources dedicated to dealing with poverty along with other federal sources, and is composed of five funds. One of these is dedicated to municipal and state infrastructure (Martínez Assad and Ziccardi, 2000).

the targeted methods (Cortés and Boltvinik, 2000). Loud arguments also arise on the concept of poverty, its indicators (Hernández Laos, 2001), its determiners and its relationship to the economic restructuring (Boltvinik, 1995, Escobar, 2001 and Levy, 1994). The Secretariat of Social Development (SEDESOL, 2001) formed under the Vicente Fox administration (2000-2006) a Technical Committee for the Analysis and Measurement of Poverty, to discuss several of these issues and propose official annual measurement.

In the dominant discourse, it is very important to identify the beneficiaries more exactly, or *to develop the technical tools for targeting* (Duhau, 1997; PROGRESA, 2000; Scott, 1998; Vilas, 1995). But De la Torre (1996) points out that there is no need to set up a false conflict between targeting and universalism. Boltvinik (1996:125) and Román and Aguirre (1998:105) emphasize that, in the combination of targeted and universal policies, assuredly some one rule in the actual programs.

In the new paradigm, *social policy's place in relation to economic policy* is debatable. To some, social policy is subordinate to economic policy (Raczynski, 1998) or is an "addition", as Vilas (1995) says. In the first part of the adjustment, some even spoke of the nonexistence or serious crippling of social policy (among them, see Valencia, 1995); they spoke of a simply, exclusively compensatory social policy. In the new generations of adjustments of the 90's, social policies get into the restructuring packages and especially look for fiscal balance, new ways to boost domestic savings (pension systems as domestic savings-boosting mechanisms), promotion of labor-flexibility policies (initially, salary and collective contract flexibility, according to the facts; the World Bank suggests greater flexibility, Wodon and Vélez, 2001), and training for labor, along the lines of human capital theory (see Román and Aguirre, 1998). Thus, the social policy discourse fits itself to the global economic restructuring discourse (see the 1998 OECD analysis on the reforms in the Mexican social security system). The problem, according to Székely (2001), is that recent social policies have not changed the basic elements that cause poverty. Boltvinik (2001) proposes an economic policy that is subject to welfare objectives.

The new *leitmotiv* is that *the traditional social institutions* must not be handled according to criteria that are foreign to the market. The trend must be for healthcare, education, pensions and housing systems to be managed also by private institutions and/or financial efficiency criteria. The IMSS pension system was reformed and individual capitalization accounts were created, administered by private financial institutions (Retirement Fund Administrators) which, by the end of 1999 had 15.6 million affiliated workers and managed resources equivalent to 4% of the GDP (OCDE, 2000).<sup>33</sup> The reforms also favor groups of workers being served by private healthcare institutions (through the *reversión de cuotas* system, for example). But Frenk (2000) maintains that in Mexico, there is no discussion of privatization in regulatory capacity, nor of financing for health and maternity insurance (the government contribution was increased six times)<sup>34</sup>; for the provision of service it does favor contracting service with private physicians and hospitals. The authors, as we have seen, are talking about "commodification" (López Arellano and Blanco, 1997).

The amplification of traditional institutions coverage is not necessarily the main element in the discourse; elements are included of expenditure effectiveness measurement and of cost-benefit criteria (Duhau, 1997). But in Mexico, according to the OECD, healthcare system reform seek to

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33 Besides workers affiliated with the IMSS (workers of the private sector), there are also pension systems for workers serving the State (ISSSTE), for military personnel (ISSFAM), and for petroleum and electrical workers. In 1997, almost 80% of retirees were affiliated with IMSS (Hernández Licona, 2001). Today, the need for reform in the ISSSTE system is being discussed.

34 The reform tried to significantly reduce the employer contributions to this insurance (see Mussot, 1999; OCDE, 1998).

extend the coverage as well as limiting the costs and raising the quality of the services (OCDE, 1998). These are huge tasks! Frenk (2000), and Cercone and de St. Antoine (2001), maintain the importance of reaching universality in healthcare. In 2001, a popular (public) health insurance was proposed for unsalaried workers; it implies a subsidy to include their families, according to their financial standing<sup>35</sup>. A “two-speed” healthcare system could be arranged, with minimal service for the entire population (popular health insurance plus IMSS basic care) and special service, supported by *reversión de cuotas* scheme for the sectors that are able to pay and with private medicine. It could mean a polarizing universality. At the beginning of the century, scarcely more than half of the population is covered by social security.

The regions that have been left behind in this area are very important. Some surveys (1994 and 1997) taken by consultants for the World Bank indicate that Oaxaca’s adult mortality rate is comparable to India’s, while that of industrialized Nuevo Leon is similar to that of several European countries. The mortality rates due to infectious disease are three times and 2.5 times the national average in Chiapas and Oaxaca, respectively (Cercone and de St. Antoine, 2001:411). According to Boltvinik’s research (2000:593), the proportion of mortality (non-survivors among the live births) of the rural poor compared to the urban high class is 3.07 to 1.

For *financing the programs*, the social security reforms have increased the State spending. Further, in programs aimed at the extremely poor, the State carries the financing, often with direct credits from multilateral financial institutions like the World Bank or the IDB. Defenders of State reform and of the privatizations maintain that one of their main goals is to allow the State to concentrate on its most important social objectives; to spend more on social institutions, and not necessarily on public enterprises. More than creating an obligatory reduction in public spending, the new paradigm insists on adjusting to budget restrictions.

At least in Mexico, the new criteria have not meant a serious drop in public spending<sup>36</sup>. To support the new pension system and the new health insurance reform, the government will have to contribute 1% of the GNP for several years and, just for the pensions, that could increase to 2.3% of the GNP in thirty to thirty-five years (Solís Soberón and Villagómez, 1999; Cercone and de St. Antoine, 2001).

Providing the necessary *subsidies for the extremely poor*, the tendency is to assign the resources to preferentially support the demand (conditional cash transfers to the poor) and avoid interference with the supply. It is thought that this way the market is distorted less, because the expenditure for the poor will be felt in the market, without price subsidies (Boltvinik, 1996; Duhau, 1997; González de la Rocha, 2000; Raczynski, 1998; Valencia and Aguirre, 1998). This is a central factor in the new proposals. In Mexico the issue is notable in the gradual decline and later liquidation of

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<sup>35</sup> The Seguro Popular en Salud is “a public and voluntary insurance, directed to families without health insurance through social security with the aim of preventing impoverishment due to catastrophic expenses in health care”(www.salud.gob.mx; it incorporates families with low resources in the lowest percentiles of income distribution and offers them basic health care. This insurance is simply not just a program anymore because it is covered by the General Health Law (2003) and aims to affiliate all those who have no social security. Initially it covered 78 possible treatments and by 2004 the list had increased to 91. By the end of 2005, 11.4 million people were enrolled in the program (CNPSS, 2006).

<sup>36</sup> The behavior of social spending is debatable. According to several authors, social spending was reduced, especially during the difficult adjustment period of Miguel de la Madrid (1982-1988) (Ordóñez, 2001). But Boltvinik and Damián maintain that if an adequate adjustment for inflation index is used, (index of prices for goods and services paid by the government to provide social services, which is basically salaries) it is shown that there was no such reduction; in the social expenditure per person, it would be limited to a -11% drop between 1982 and 1988, and would not have reached -53% like in the adjustment for inflation of the national consumer price index (Damián, 2000).

CONASUPO (1999)<sup>37</sup> and in the PROGRESA program of cash transfers to the extremely poor, which change the name in 2002 to Oportunidades. The price subsidies for basic products have disappeared, with the single exception of some targeted programs of the milk and tortilla subsidies. The new debates are about social effectiveness and in the comparison on exclusion mistakes; Damián (2000) argue that the new tendency may have negative effects on welfare.

What is *the method used to confront poverty*? Fundamentally, this involves “direct” methods (see Orozco, 1994), that is, the development of specific programs to cover the needs of defined or targeted populations. To adjust the social discourse to the new economic restructuring, a line of demarcation is added between economic and social policies: salaries and jobs are defined by the market and are not instruments of social policy. Social programs compensate the defects in the market and must not distort it with supply subsidies, nor with populist or paternalistic activity; the compensation is achieved by “direct” methods. The focalized programs for the extremely poor came to represent 1% of the GDP in 2000 (PROGRESA was one fifth of this expenditure). Approximately 0.5% of the GDP was spent on human capital-development programs (including PROGRESA), with the idea of putting the poor into the labor market with more training and in better health and nutritional conditions. Social policy has two sides here: social compensation and investment in the human capital of the poor.

PROGRESA is the exemplary program of the emerging scheme<sup>38</sup>, which at the end of 2000 served about 2.45 million households in extreme poverty, which had more than 2.48 million grant-holders in the primary and secondary systems, which granted more than 2.38 million nutritional support transfers, and which utilized (and utilizes) explicitly the services of “universalist” or “broad” institutions like primary and secondary schools and health centers (those of the IMSS or the SSA).<sup>39</sup> PROGRESA-Oportunidades is thus a strictly targeted program *mounted* on universalist institutions (Gendreau, 2000). It is not an exclusively targeted-type program: without the universalist, or “broad”, institutions it could not operate. However, the change relative to the old production programs of regional development and basic infrastructure support is enormous.

PROGRESA-Oportunidades is a program of direct transfers, in cash and conditioned for selected poor households, and has a triple composition by which it seeks a sense of integrality: support for education, health and nutrition, with the goal of helping homes to overcome the intergenerational transmission of poverty. Its general objectives are to achieve a reduction of extreme poverty in the medium term by specially assisting the groups and regions with the greatest economic and social disadvantages, and to support individuals and households during the key moments of their life cycles.

The nutritional component involves a basic monetary transfer to support nutritional consumption and the family’s nutritional condition. The transfer is given to the mother or other person who prepares the food, and the support is conditioned upon regular attendance at medical unit appointments. The health component, in turn, involves basic care for all members of the household and the free dotation of food supplements to pregnant or nursing mothers and to children younger than two years old. To promote attendance of all members of the household at the medical units, a

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37 Of what used to be part of this institution, there remain only DICONSA (rural area supply stores), LICONSA (for the subsidized milk supply program) and FIDELIST (the tortilla distribution program) (Duhau, 2000). There are now proposals, for example, that the DICONSA stores be closed (Levy, 2000).

38 For a discussion on PROGRESA-Oportunidades see Ciesas (1998), Levy (2007), Poder Ejecutivo Federal (1997), Progresas (2000), Valencia et alii (2000), Valencia (2003 y 2008).

39 In 2005, this program with his new name Oportunidades reached a coverage of 5,000,000 households or 24.06 millions of persons, with a budget representing 0.39%o the GDP (Valencia, 2008). In the history of Mexican social policy, there is no institution for nutritional, educational and health support (transfers) that has reached so many rural homes.



periodic schedule of visits is established, according to age and level of risk. And last, the educational component seeks to promote school attendance with educational support in grants for each of the sons and daughters studying between third grade of primary school and the third year of secondary school (in 2001, support began also for those registered in middle upper education, and reached 260,000 grants for this level of schooling). Support was also given in the form of school supplies. The grants are differentiated, with the highest sums going to girls to prevent them dropping out of school (Poder Ejecutivo Federal, 1997 and [www.oportunidades.gob.mx](http://www.oportunidades.gob.mx)). The transfers are not an exigible right of the citizens; are a governmental decision supported on sophisticated tools for targeting. Following the criticism about the exclusion mistakes of PROGRESA, in 2001 the Program began his work in urban households.<sup>40</sup>

In terms of sociopolitical considerations and *the political coalitions that support the emerging paradigm and the economic restructuring*, the most significant change is that the form of the old, powerful unions' relationship to the State enters a crisis, and this boosts new policies with the help of exporting sectors, transnationalized segments of the national markets and, notably, of financial groups. The poor sectors not included in the traditional model are an undeniable issue of social (and partial) legitimacy, and an at least probable source of voters. It can fall into a *partisan targeting*; it can become an extraordinarily medium to be used during periods of increased electoral competition (like in 2006). It remains to be seen what changes will come to the political coalition because of the shift caused by the defeat of the PRI in the 2000 and 2006 elections; but in the 2000-2006 period a new alliance was clear between the old PRI and the new ruling party, the conservative PAN, mediated by a very consolidated technocratic group. The new social policy discourse also seeks legitimacy in the international arena, with international financial organs and with the institutional investors who seek emerging markets. The so-called "new social movements" showed the deficiencies and legitimization limitations of the prior social policies; now the new ones attempt to approach the social clientele who were set aside before (the extremely poor) or the old clientele under innovative policies.

What are *the risks of social breakdown* in the new social policy practices? We can suggest two hazards. Again, though now with different features, the first comes on the part of those "losers" or excluded from the new model, in conflict with the "winners". Mexico is known for its acute inequality in the distribution of income.<sup>41</sup> If the economic and social policies do not attain to reverse the concentration tendencies, the dangers of social disintegration or explosion could become more acute. The wage and poverty indicators are significant. What has happened to the real wages since 1982 (the beginning of the economic reform)? In general, the tendency of the various wage indicators has been downward, with greater emphasis on minimum wages, and less on manufacturing wages. The shock to minimum wages has been very important; in the Miguel de la Madrid administration, they fell a little more than 50% (to 48.3 in 1988, on an index based upon 100 in 1982) (Aspe, 1993:23). Taking the period of 1982-2001, in spite of the mild recovery in 2001, minimum wages have lost two thirds of their purchasing power (Arroyo, 2001)<sup>42</sup>. The manufacturing wages fell on a lesser scale and even had periods of a certain recovery: from 1982 to 1995 they fell by nearly 40% (a series with 129 types of activity) and in the new series (205 types of activity) these salaries have lost 7% between 1993 and August of 2001, although since 1996 they have experienced a mild recovery (Arroyo, 2001). A shock of this kind substantially changed the

40 See the debate about the exclusion errors in Cortés and Boltvinik, 2000 and Scott, 1998.

41 In the economic growth years, 1963 to 1977, the inequality diminished: the Gini index on household incomes went from 0.523 to 0.496. Between 1977 and 1984, a period in which strong growth was combined with the 1982-1983 crisis, the Gini index continued to fall until it reached 0.456, if we count monetary household income. From 1984 to 1994, inequality grew: the Gini index went to 0.514 and the contribution of the X decil rose sharply in monetary household incomes (from 34.2% to 41.2%; to 40.5% en 2002). In 1996, the Gini index again declined to settle at 0.489 but in the beginning of the century again was near of 0.50 (Cortés, 2000, 2006).

42 This refers to the national average minimum wage.

relationship between social policy and wage policy. What has happened with the poverty situation? In spite of the great divergence<sup>43</sup>, the different indicators agree generally upon the rising trend in poverty between 1984 and 1989, and the stagnation between 1992 and 1994 (Boltvinik, 2000: 90 and Damian, 2000:72), and a new rising trend after the 1994 crisis. With the data calculated by the new Measurement Comité (www.coneval.gob.mx) in 1996 the poverty (*pobreza patrimonial*) was 69% of the population; in 2002 this figure was 50%, a little less of 1994 before the crisis (52.4%). With the official data, in 2006 there was only a reduction of poverty, in absolute terms, of 1.4 millions of people in comparison with 1992, before the crisis<sup>44</sup>.

We do not suggest a mechanical expression of inequality and new “exclusions” in social movements, but conditions are indeed created that are open to expressions of social discontent. The second risk is that of an absence of institutions, with the abandonment of the old social policies. Since the tendency is to leave the solution of social problems in the hands of the market, there is no pressure to create new institutions nor to reach new social agreements. With a few exceptions like PROGRESA-Oportunidades, new institutions are not created to deal with social problems, but rather there is a tendency to dismantle or incapacitate the existing ones. Thus the forces that push to the social cohesion may be crippled.

### **Toward a balance in the historical trajectory of the welfare regimes in South Korea and Mexico.**

Mexico, in the framework of a project of industrialization through import substitution, began the construction of social security institutions earlier than South Korea. However, trapped by corporate commitments and lacking an advance in the democratic process, the system has remained a dual structure with limited coverage for the urban sectors and with the exclusion of large parts of the population (nearly half), especially in the rural sectors and within them, the indigenous groups. In the case of the Mexican regime, in the second half of the 20<sup>th</sup> century a transition from a residual stage toward a dual structure took place. It incorporates in part the elements of a conservative European system (access to social security through formal employment) and maintains residual elements<sup>45</sup>. With the crisis of the 80’s and the predominance of the economic reforms of the last 25 years, the residual liberal paradigm tends to dominate the social policies without managing to substantially modify the welfare regime in its entirety. In a way, the dualism is paradoxically embedded even more strongly in the social institutions because on one hand it strengthens the central barrier to entrance in social security, and stops the tendencies toward increasing the coverage of health insurance<sup>46</sup>, and on the other, creates an institutional system of attention for the extremely poor (the *Oportunidades* and *Seguro Popular* programs) with basic health attention and direct monetary transfers, without dealing in a strict sense with the recognition and guarantee of social rights. There are two patterns: That of the middle sectors and formal workers, and that of the

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43 One of the main divergencies derives from the poverty line. At prices for the third trimester of 1996, the INEGI-CEPAL extreme poverty line was settled at 7,889.41 pesos per year per person, and that of the Basic Normative Basket updated by Hernandez Laos (2001) was 19,975 pesos. In average dollars for the third trimester of 1996 (7.52 pesos per dollar), the poverty line would be situated between 1,049 and 2,656 dollars per person per annum; or between 87 and 221 dollars per month per person.

44 For 2006, the official data is 42.6% of poverty (*pobreza patrimonial*); it is a calculation of income poverty. The poverty line in this year was 1625 pesos monthly, in the urban area (169 dollars; 9.6 pesos per dollar, www.inegi.gob.mx). For a critique of the official calculation see Damián, 2004 and Boltvinik, 2006. This last researcher, for 2004, calculated the 81.2% of poverty in Mexico, with an integrated method (income plus basic needs).

45 Barba (2004: 30) identifies the following articulations of the system: “Practices and Authoritarian Systems”, Social Services of Universal nature”, Exclusive Institutions of Social Security”, “Assistance institutions that don’t offer social rights to their beneficiaries” and “Programs to Face Poverty, disconnected from the model of accumulation and support programs for familiar strategies in the country and the city.”

46 According to Mesa Lago (2005: 282), Mexico was one of the few countries in Latin America to reduce its coverage growth between 1980 and 2000.

population living in conditions of poverty (above all extreme poverty), and currently there is no project for unification of the health and pension systems.

Korea, obsessed with the leap to competitive industrialization and with accelerated growth, notably neglected (residualized) the social policies and trusted in the traditional family- centered on the primogenital male- and belatedly started the construction of its security and social protection institutions. However, it has increased coverage very quickly with a universalist philosophy, especially after its initial transition to democracy; the reduction of poverty was more sustainable than Mexico<sup>47</sup>. Thus the complexity of analysis of the Korean trajectory is summarized; one which has moved from a minimalist regime toward corporate (conservative) and familialist commitments, linked with universalist institutions. Therefore, many authors underline the hybrid character of the Korean welfare regime. It is an historical anachronism to analyze the Korean trajectory only with the example of the *final results* of the conservative or social-democratic systems of the industrialized countries without taking into account the dynamic history of these countries- above all the European ones- that needed significant periods of time to develop their welfare regimes. On the same note, it is also a historic anachronism to examine the trajectory only preferentially with the residual (even extremely minimal) and economic-centered starting point of the Korean system in the 1960's as if the institutional development of the last 20 years simply didn't exist.

In the case of Korea, researchers that highlight the transition toward a universalist or social-democratic regime register a growing reinforcement of its social commitments; the generation of an autonomous social sphere and the conformation of a generalized system of social security, enriched by the institutional dispositives for health, pensions, unemployment and work accidents, as well as the creation of a law guaranteeing the social rights fundamental to welfare. It is a belated conformation, but one that has had rapid progress in coverage. Two decisive impulses for the construction of this security and social protection system were the democratization started in 1987, and the policies created to confront the crisis of 1997. In some Asian countries hit by financial crisis the same year, the economic policies put into place on this occasion were not accompanied by a reform in the social security system. This was not the case in Korea where reforms were made toward a “more distributive and comprehensive system” (Shin, 2003: 188). For Kim (2005) this institutional structure was based on the principle of solidarity among all citizens. Thus at the beginning of the 21<sup>st</sup> century, social policy has begun to be recognized as an “autonomous policy, separate from economic policies”. There is strong evidence of the institutionalization of the social-democratic welfare policies, with an increase in the social spending and expansion of the welfare state (Sun, 2002: 441-442; Bidet, 2003).

We can therefore set forth the following proposal for the balance of the Mexican and Korean trajectories:

In the first place, it is quite probable that Korea surpassed the basic characteristic of the regime denominated productivist. The political coalition that sustained it and changed with the process of democratization; despite the economic strength of the *chaebols* they cannot be considered the fundamental source of political strength (Valencia, 2006). New agents have emerged, such as the civil organizations that are associated with union groups in favor of social policies of a universal and solidary nature (Chun, 2005, Kim, 2004, Shin, 2003, Sun, 2003 and You, 2004). It can be said that the progresses in social citizenship (recognition of rights) have a *bottom-up* origin: The civil and political fight for democratization (1987) and the fight for recognition and expansion of rights. In addition, the dynamic created by the social institutions generated in the last few decades and by the demands of the citizens for better welfare far surpasses a mere productivist and competitive

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<sup>47</sup> The poverty ratio in Korea in 2006, taking in account the Minimal Cost of Living, was 12.1%, with the market income (personal communication of Shin-Wook Kang).

interest; in fact some sectors question the braking of the competitiveness that, from their point of view, generates the social demands and the social institutions.

In Mexico, a political coalition able to sustain a transformation from the dual system toward a universalist plan has not been generated. The old coalition- composed of the hegemonic party, the corporate organizations and the industrialist entrepreneurs of protectionist tendencies- entered into a sort of stand-still in the 80's with the economic crisis and the process of greater electoral competitiveness of the last few decades. Nevertheless, a new coalition has not been consolidated although the old corporate organizations associated with the conservative agreement of the old hegemonic party and the emerging governing party-united by technocrats that share the basic elements of the market paradigm- still continue to exist. The new budding political coalition is unstable, weak and supports the old dual system. The institutional modifications that have been put into place (the cancellation of the universal subsidies to the supply, generation of new subsidies to the demand through direct and focalized transfers, individualization of the pension accounts, and the start of a popular health insurance), have not managed to overcome the fragmentation.

In second place, the relatively small social expenditures of the Korean state show the legacies of the past; the Korean social development requires that a greater public commitment be expressed in the national budget. However, the comparison of the high social expenditures, above all in the European countries-and especially of those linked to the social-democratic system- should be put into perspective. Let's examine a less extreme example: At the beginning of the 70's Spain had social expenditures comparable with those of Korea today (Dumont, 1998). In 30 years, Spain doubled its social spending in relation to the GDP (19.6% in 2001, according to the OECD data.) The institutional commitments taken on by Korea with its reforms of the social securities will undoubtedly cause a notable increase in its social expenditures in the next few years. Without including new programs, only with the development of the current ones, Korea will double its social expenditure in relation to the GDP in the next 15 years. According to the fiscal program for 2004-2008, the average increment in social welfare spending will be 12.2% (Kim, 2005). According to different calculations, in the decade of the 90's alone the weight of social spending doubled (Kim, 2005, points out that in these years the expenditure passed 4.25% of the GNP at 8.7%; You cites a bit more than 3.5% in 1990 to 7.5% 1999). On the other hand, according to Kamimura (2005) the low social expenditure in Korea is probably related to the still low percentage of the population over 65 years old within the demographic structure. With the Korean population growing older rapidly, the increment of the pensionary expenditures will be among the highest in the OECD (2003: 72).

Although there has been an increment in the social spending in relation to the GNP in Mexico in the last few years, bringing it close to 10%-this percentage is similar to that of the early 80's. Like Korea, Mexico still has a very low social expenditure in comparison to the other countries of the OECD. Nevertheless, the rhythm of growth of Mexican social expenditure has been lower in comparison to that of Korea. According to the OECD, between 1990 and 2001, Korea practically doubled its social spending in relation to the GNP, while Mexico only increased by a third (OCDE, 2006. Table *Depenses sociales publiques*), With this rate of increase in social spending, Mexico will face many problems to get beyond the dual structure, and will have great difficulty following the path of Spanish society of the last few decades. A good portion of the restrictions is of fiscal nature, as Mexico has a notably low fiscal burden (just over 10% of GDP) when compared with the OECD countries.

In third place, the degree of universalism reached by the three branches of the social security system (health, pensions and unemployment) in Korea can be favorably compared with the average of 18 welfare states analyzed by Esping-Andersen (1990:70): for 1980 their average was 72% and

in Korea it is currently at 72% (according to the data on the recent reforms presented previously); according to You's calculations (2004) for 2001, Korea is at 67%. If we take into account the founding data of these Korean insurances up to the year 2001, the average age was 24 years old, although if we take into account that the pensions started in earnest in 1987, the average age is only 15 years old. In such a short time, the dynamism of the universalization is significant in the Korean experience; Korean society managed to achieve a political willingness propitious for this universalization. If it continues with the same trend, with the *effect of maturation* of the institutions, we can expect an increment in the degree of universalism in the next few years, and of course, an increase in the expenditure on social security.

In Mexico, the degree of universalism is notably lower, despite the fact that Mexico has a much longer history of social security institutions. The average age of the most important social security institutions (IMSS and ISSSTE) which until the recent reforms included both health and pension insurance, is 52 years old- more than double the average age in Korea. For 2002, the degree of universalism can be calculated at 38.6% of health coverage and pension insurance (unemployment is not included because in Mexico there is no insurance for this risk<sup>48</sup>). This degree of universalism supports the thesis of the Mexican dual pattern. So although it is nearly twice as old as the Korean social security system, the Mexican system covers only less than half the population of the country- far from the average of the countries studied by Esping-Andersen. In Mexico only part of the thesis of Wilensky's maturation effect can be confirmed<sup>49</sup>: In fact, once social security was established, its spending increased incrementally as it developed greater coverage and better benefits. However, when compared with Korea, it is clear that there is no guarantee that the pioneers of institutional development of a welfare state generate more expenditures than the later developing ones. The social-political resistance in Mexico to increasing the coverage and social expenditure through the insurance plans (and recognition of rights) is quite notorious.<sup>50</sup>

In fourth place, Korea currently has less stratification in its pension system in comparison to the countries catalogued as corporatist/conservative by Esping-Andersen, which average 8.4 special schemes, where there are only three in Korea. According to Kim (2005), in this way the national system will have a more inclusive occupational structure than that of the corporate/conservative countries. We can add the perspective of social citizenship (social rights) that have advanced in Korea with the new Law of Guarantee of Welfare Basics, along with the programmed actions which include the solidarity principle (especially in pensions and in health.) The health system was unified into one financial entity (the Corporation of National Health Insurance) starting in 2000. In 1977 there were 521 insuring societies; in 1995, there were 373 and in 1999, 141 (Lee, 2006)<sup>51</sup>.

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48 Let's take the data given in the recent reports by Mesa Lago (2004 and 2005): 30% of the workforce beneficiaries in the various pension plans and 47.2% of insured in the various social security plans. Mesa Lago (2005: 57) talks of 58.2% of insured in 2002, but he includes those attended by the IMSS-Oportunidades program (11%). We discount this figure because it is not an insurance program in the strictest sense, rather a program for attention in poor areas. Mesa Lago (2004) points out the difference between those affiliated in the pension system (72%) and the beneficiaries (30%); the first figure over estimates the coverage (a person can be affiliated but not pay due to unemployment, immigration or evasion), while the second figure underestimates the number (it is based on the last month). There are no consolidated data on this issue (period of payment).

49 Cited in Kim, 2005.

50 In Mesa Lago's recent study on the health systems in Latin America, he proposes the idea that Mexico reached universality thanks to the joining of the systems and the attention to the "open population" in the IMSS-Oportunidades program as well as in the public clinics run by the Minister of Health. However, he also puts the reach of this so called universalization into relative terms: he points out that it is over estimated (pg. 57) largely due to lack of effective access to the Health Department (pg. 65). Other data (pg. 87) confirms these weaknesses: According to the survey on social security in 2000, 36.8% of the total population that got ill did not seek care at through insurance and of the 63.2% that did go for attention, only 27% did so in the Minister of Health.

51 According to Chun (2005), the effects of the income redistribution can be shown as favorable to the deciles of lower incomes alter the unification of the health system.

Especially in the Law of Welfare Basics<sup>52</sup> the traces of solidarity of the pensionary<sup>53</sup> and health<sup>54</sup> systems could be considered a partial process of de-comodification. However, the very high participation level of the private sector in health care<sup>55</sup> and the barriers to entry into the Law of Welfare Basics<sup>56</sup> could be characterized as an important restriction to de-comodification.

The Mexican social security system remains strongly stratified- much more so than the Korean system and the conservative European systems. Various pension systems still exist, dispersed in special funds, including the IMSS and ISSSTE, military, petroleum workers and other state owned companies such as the electric companies (CFE and CLyFC), workers in the development bank, workers in the service of IMSS and ISSSTE, and workers in service of the state and some public universities, with the exclusion of the informal urban workers and a large part of the rural workers. There also still are various health insurance systems (Mesa Lago, 2005), basically IMSS, ISSSTE, and for the military and petroleum workers. In addition, recently the *Seguro Popular* was included for those who are not insured via formal work. This plan timidly reinserts the universalist vision into Mexican social politics, and basic attention for households is included in the *Oportunidades* Program. This stratification generates other severe problems of inequity between the insured within the different systems. One way of seeing the inequities is through a territorial analysis. Mesa Lago (2005:107) concludes the following:

“[México] was situated in 144<sup>th</sup> place in the World in financial equity (9<sup>th</sup> in the region) and 8<sup>th</sup> in terms of the performance of its health system (OMS 2000). The distribution of public spending on health among the states (as a percentage of the total public spending) showed that 21 were above the national average of 15.9% in 2003 and 11 were below the average. Such a distribution seems to have a regressive effect as the rich states such as Nuevo Leon and Tamaulipas received 23.5% and 16.3% respectively, while the poor states received less than the national average: Chiapas 12%, Oaxaca 13% and Guerrero 14%. The public spending per capita in the Federal District was five times greater than the state with the lowest level of spending. (SSA 2004b). The federal funds have not been related with the needs of the states (the most in need receive less and vice versa), while the state allocated funds given to families registered extremes differences of 100 times. The Federal government assigned 2.5% times more resources per capita to the insured population in 2003 (...) than to the non insured population under the federal ministry (SSA 2005)”.

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52 The creation of this law that modifies the attention for the extremely poor and incorporates a focus on rights is owed in great part to the pressure from civil organizations.

53 The amount of beneficiaries of pensions does not depend only on the average income in the laboral trajectory of each beneficiary, rather also on the average income of all the insured. (Kim 2005).

54 The health insurance in Korea includes a system of co-payment: for example when a patient is admitted into a hospital he must pay 20% of the total cost. Also in ordinary medical services (without hospital admittance) the patient must co-pay, depending on the type of attention: in general hospitals it is about 50% of the costs, in clinics it is about 20%. There are two mechanisms to prevent financial bankruptcy caused by this system of co-payment in households with catastrophic health expenses: the Compensation for Excessive Co-Payments, for those insured (or their dependents) that spent more than one million two hundred thousand won in 20 days (approximately \$1,300 dollars) in co-payments, represents 50% of the expenses above this ceiling; and also the Ceiling System (or Limit) of co-payments represents, for the insured who spend more than three million wons in 6 months in co-payments (\$3,200 dollars), the exemption from any additional co-payment. This last system was begun in July 2004.

55 More than 90% of hospitals, nearly all the clinics, and close to 92% of the beds are privately owned. All the pharmacies are also privately owned (NHIC, 2007: 16).

56 As an example of the familialism in Korea, this Law excludes those people who, in a condition of poverty, have family members who can support them. This goes a long way to explain why in 2003 this law covered only 2.9% of the population and another 7.9% of the population that didn't cover the minimum cost of official life was excluded (Kang, 2006).

Although the social security system significantly de-comodifies the health care for nearly half the population, the individualization of the pension accounts is a backwards step toward comodification and an abandonment of the solidarity principle.<sup>57</sup> The reform of the pension system has not included a general pension for the non-insured (unlike Argentina, Costa Rica, Chile and Uruguay) which generates severe problems of inequality. For example, in 1999-2000 only 17.8% and 11.7% of the adult population aged 60 and 65 respectively were included in the pension system (Mesa Lago, 2004: 42). However, the reform did include a guarantee of a basic pension for the insured with public funds, and in some regions, most notably Mexico DF with its universal pension law, basic pensions for the elderly have been included.

In fifth place, other characteristics of the Korean transition are found in the high degree of familialization: The families (women) are still central in the care of children (weak development of daycares) and to the care of the elderly (in the house of the first born son). This speaks of characteristics of the system of patriarchal gender (Adelantado y Gomà, 2000) and also to the strength of the inertia that supports a system in which the workers in the formal sector are those who receive the benefits of the universalization of the four social securities, while the difficulties of coverage are manifested especially in the workers who are self employed and the workers who have precarious contracts (temporary work). The number of workers with permanent contracts has diminished since the year the crisis began (1997) and the temporary jobs have gradually increased. Only a third of the jobs are permanent (NSO, 2004) and only a fourth of the temporary workers form part of the pension system and have unemployment insurance (Kim, 2005).

In Mexico the trajectory of social security has favored the workers in the formal sector. For example, the incorporation of workers in the agricultural sector is calculated at a meager 3 to 6% of the whole sector, while the incorporation of the urban sector is calculated at nearly two thirds (Mesa Lago: 2005). The creation of the *Seguro Popular* and *Oportunidades* programs is an attempt to confront the old stratification, but it does not help the advancement toward a single health and pension system. This last program has converted into a sort of temporary protection system for households considered in conditions of extreme poverty. Since its creation in 1997, to 2005, its coverage has reached five million households (which represent a little more than 22% of the population)<sup>58</sup>. Thus Mexico now has a stratified system consisting of: the insured with ample medical and hospital attention, a system of basic care (also stratified) from the institutions for the “open population” through the *Seguro Popular* (the most ample in basic care), the *Oportunidades* program (intermediate care of a temporary character) and the rest of the population who are not included in any of the above (the weakest of the care, without an explicit contract between the citizen and authorities). However, there is indeed a difference in resources for the poor sectors that fell somewhere between the situation of exclusion and practically no healthcare prior to the creation of the *Oportunidades* and the *Seguro Popular* programs, and the new situation of partial inclusion they offer.

In conclusion, we can postulate the following conclusions for the discussion:

Korea has been abandoning a residual system and can be placed in various characteristics of the conservative system (if we add familialization and the patriarchic structure) with some tendencies

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57 This affirmation does not ignore the serious problems of financial sustainability of the old pension systems.

58 Includes benefits in education (scholarships), health (Basic medical care and training) and food (economic transfers and complementary food). The program does not have a category of Law (unlike the Law of Welfare Basics in Korea) and continues to be a presidential decree. A historical presentation of *Oportunidades* and its antecedent, *Progresá* can be found in Valencia (2003).

that would foster a social democratic pattern; but it is strongly limited by the private presence (commodification) in health care and a decentralized collective negotiation structure that is fragmented at the company level, with a very low union density. However, this limit will be fought by the gradual creation of groups that promote the integral citizenship and promote an increase in rights. We can synthesize our characterization of the Korean regime: the *institutionalization of universalism, linked to limited markets and governed by public action*, with declining familization (but still socially strong.)

Mexico, by contrast, has paradoxically secured the dualized character of its system, with the construction of new institutions that serve to further embed the stratification of the social security and protection system: A stratified social security system, and also a stratified protection system for the poor. A good part of the previous Mexican dualism was due to omission (exclusion of rural workers and informal urban workers); *now the dualism is institutionalized in a notably stratified social system*. The old corporations have been reincorporated into the new political situation and are responsible for the labor flexibilities that currently make it difficult to practice social rights. In Mexico there is not a strong political coalition in support of the social citizenship, but rather a conservative coalition has been created that seeks to carefully administer the limited benefits that are offered to the population in conditions of poverty, and the weakened de-comodification of the social institutions.



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