

KLEINE BEITRÄGE

SOCIO-ECONOMIC CHANGE IN KOREA

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1. Introduction

Performance of the Korean economy for the past two decades is really spectacular enough to warrant describing it as an "economic miracle". Twenty years or so ago South Korea was still economically far from the recovery of the impacts of the Korean War. The nation's economy was still overwhelmingly agricultural, and the population, growing at a rate of approximately 2.6 per cent per year, was fast outstripping available food resources. Well-informed outside observers tended to regard the situation as next to hopeless.

In 1984, however, the situation is completely different. South Korea is now recognized as an industrial state. In fact, she is highly ranked among upper middle-income countries in the world.

Such a fast economic change must have brought with it a sweeping change in every aspect of social life. The aim of this essay is to present a bird's-eye view of such change and to evaluate it with socio-economic point of view.

2. Economic Change

a) Development Trends

For the past twenty years Korea has implemented five five-year economic development plans with spectacular success. During the 1960's and the 1970's the Korean economy attained such high rates of growth as 8.6 per cent and 9.1 per cent per year, respectively. These growth rates are in sharp contrast with the other upper middle-income countries: those are much higher than their average growth rates. Average growth rate of upper middle-income countries was 6.4 per cent per year in the 1960's and 5.6 per cent per year in the 1970's.¹ Such economic performance is, indeed, a remarkable event quite unprecedented in the development experience of developing countries.

b) Development Strategy

The proximate cause of the economic growth in Korea is the rapid expansion of foreign demand through the drastic drive for "export first". Such an expansion on the demand side has been able to be matched on the supply side by the rapid capital formation through the active inducement of foreign capital.

Around 1960 Korea adopted the export-oriented development strategy. The adoption of this strategy was influenced by such factors as the poor resource endowment, the small size of domestic market, and the availability of a well-motivated manpower with a high education level and relatively low wages.

c) Export Performance

The export-oriented strategy has turned out to be quite successful: it has resulted in the rapid increase in exports, which in turn has led to an acceleration of economic growth. In fact, export performance has been a most outstanding feature of the Korean economy during the period 1962-82. It should be emphasized that high rates of export growth have been maintained throughout the period and that

exports of manufactured products have assumed extreme importance in absolute terms.

Thus, between 1962 and 1982 Korea increased her total exports by about 400 times, from US\$ 55 million in 1962 to US\$ 21,853 million in 1982.² Such growth record must be too high to be compared with that of the exports of the total world and developing countries, although higher record in Korea should be discounted in part by the lower initial base.

In the same period, Korea increased her exports of manufactured goods by about 1,820 times, from US\$ 11 million in 1962 to US\$ 20,007 million in 1982.³ The share of manufactured goods in the Korean exports has been growing remarkably, from 19.3 per cent to 91.6 per cent during the period 1962–82.

The rapid expansion of exports of labor-intensive manufactured goods has importantly contributed to economic growth in Korea by utilizing her abundant resource, labor, while economizing on her scarce resource, capital. In fact, manufacturing has absorbed considerable part of the increases in the Korean labor force, thereby sharply reducing the unemployment. The rate of unemployment declined from 8.2 per cent in 1963 to 4.1 per cent in 1983.⁴ Thus, the export-oriented strategy has turned out to be employment-oriented as well.

d) External Dependence

It should be emphasized that a spectacular achievement of the export-oriented development strategy has not been an unmixed blessing to the Korean economy. During the period 1960–82, the external dependence of the Korean economy – as indicated by the share of foreign trade in GNP – was raised by more than four times from 16.7 per cent to 71.8 per cent.⁵ Such a sharp increase in the external dependence of the Korean economy was natural consequence of the leading role of exports in the growth process. Because of the poor resource endowment, it was inevitable for Korea to increase the import of raw materials and capital goods to produce the goods for exports and domestic consumption. For instance, the share of raw materials in Korean imports amounted to 52.2 per cent in 1982.⁶ High external dependence is apt to expose too sensitively the Korean economy to the fluctuations in world economy.

e) Structural Change

Structural change in the Korean economy for the period 1960–82 is shown in Table 1 and Table 2. The most remarkable phenomenon has been the relative decline in the share of the agricultural sector both as a contributor to Gross National Product (GNP) and as the principal provider of employment, a decline which has been accompanied by the relative increase in the shares of industrial and service sectors. There has been a remarkable rise in importance of the service sector: it has become not only the largest source of GNP by 1982 (46.6 per cent), but also the largest provider of employment than the industrial sector (46.1 per cent compared to 21.9 per cent).

Such change has also been reflected in the employment structure by occupational group. During the period 1970–82, the share of professional, technical, administrative, managerial, and clerical workers registered an increase of 36.8 per cent, the share of sales workers, service workers registered an increase of 51.1 per cent, and the share of production workers and transport equipment operators registered an increase of 36.5 per cent, whereas the share of agricultural workers registered a substantial decrease of 37.6 per cent.⁷

As a consequence, the structure of the middle class has been diversified and a substantial part of the agricultural workers have moved into such occupations as production work and transport equipment operation. According to a survey, the social stratification was composed of 2 per cent of upper class, 58 per cent of middle class, and 40 per cent of lower class.⁸ Although the figure for the middle class might have been somewhat exaggerated, it is true that the middle class has been steadily growing so far.

Table 1 Gross National Product by Industry

	(per cent)		
	agriculture, forestry, hunting and fishing	mining and manufacturing	social overhead capital and other services
1960	44.3	10.1	45.6
1970	30.4	19.5	50.1
1975	24.9	28.0	47.1
1980	15.9	35.6	48.5
1982	18.0	35.4	46.6

Source: Bank of Korea, *National Income of Korea*, 1982.

Table 2 Structure of Employment

	(per cent)		
	agriculture, forestry, hunting and fishing	mining and manufacturing	social overhead capital and other services
1964	70.8	8.8	29.3
1970	50.4	14.3	35.2
1975	45.9	19.1	35.0
1980	34.0	22.6	43.4
1982	32.1	21.9	46.1

Source: Ministry of Labour, *Yearbook of Labour Statistics*, 1980, 1983.

f) Income Distribution

Despite the spectacular achievements in economic growth, there has been a growing dissatisfaction with a "grow first, distribute later" strategy in the Korean economic picture. This dissatisfaction has been accentuated especially over a more equitable distribution of the benefits of economic growth.

During the period 1962–83, the per capita GNP increased by more than twenty times, from US\$ 87 to US\$ 1,884. With such a remarkable growth, the share of the population suffering from absolute poverty in the total South Korean population declined from 41 per cent in 1965 to 10 per cent in 1980.⁹ However, it should be noted that the income disparity among the social strata has been widening. For instance, during the period 1965–78 the total income of the top fifth of the South Korean population increased sharply from 41.8 per cent to 46.7 per cent of the total national income, whereas during the period 1970–78, the total income of the lowest two fifths of the South Korean population decreased from 19.6 per cent to 15.5 per cent.¹⁰

Wage differentials is also a serious distribution problem area in the Korean economic picture. Wage differentials by education level has been widening during the period 1971–81. The average wage of the high school graduates and of the middle school graduates was 56.4 per cent, and 36.8 per cent, respectively of the university graduates in 1971, and these ratios declined to 44.5 per cent and 30.7 per cent respectively in 1981.¹¹ Thus, the economic growth turned out to have favoured higher income groups, thereby making wealth more concentrated on them.

An understandable distrust of any free labour movement seems to be current in government circles which are inclined to give priority to the development of export industries. Korean export is largely based on the products of labour-intensive industries, so the temptation is strong to keep the prices of exports at competitive levels by keeping labour costs as low as possible. An increase of more than 200 per cent in industrial labour cost in real terms between 1970 and 1981¹² indicates some cause for such governmental concern, now that it is a much more rapid rate of increase than that in countries competing on the same terms, such as Japan, Singapore, and Hong Kong.¹³ Nevertheless, the Korean worker's monthly earnings remained relatively low (about US\$ 300), even at the end of the period. In 1981 27.5 per cent of the Korean workers earned less than 100,000 won (about US\$ 140) per month, and 78.8 per cent of them were women.¹⁴

The government's hard-core anti-Communist attitude also inclines the authorities to view "disruptive" labour activities with misgivings. Unions are organized at the company level and there existed 2,194 unit unions in 1982.¹⁵ The unionization rate is very low: 984,136 workers, or 10 per cent, of the total non-agricultural workers (9,801,000 persons), were unionized in 1982.¹⁶ However, they tend to be, more often than not, subjected to such close governmental control that they are rather ineffective. The worker tends to be viewed as a "patriot" serving the national purpose of acceleration of economic growth. Conflict between labour and management is controlled and cooperation between them is actively pursued.

In all fairness, however, it should be emphasized that a more enlightened view of the labour movement appears to have been developing among higher government authorities. There appears to have been a growing consciousness among them that a certain amount of improvement in the sphere of wages and welfare is not only a cost but also an investment in stability and efficiency of the labour force, which must be a *sine qua non* for further economic growth. They appear to have been increasingly aware of the need to strengthen the "growth with development" strategy.

3. Social Change

a) Family Relationships

The traditional Korean family was a moderately extended family of three generations.

But the pressures for change have become massive as the economy shifts from agriculture to industry. The individual now exercises far greater autonomy than he could dream of even twenty or twenty-five years ago. He can, more often than not, assert his rights and have them respected, even by parents.

Nuclear families – those composed of only two generations – are increasingly common, as the smaller family size noted above indicates, but elderly parents still tend to reside in the home of their eldest son or of another child. Failure adequately to care for one's parents is still a serious fault, in the eyes of most Koreans. Family size has been declining sharply from 5.71 members in 1960 to 5.37 members in 1970, and 4.62 members in 1980¹⁷ probably under the impact of family planning as well as of rising urbanization.

b) Social Alliances

The family and kinship connections clan form the prototype of all social relationships in Korea. However, the most important operative relationships extend far beyond the kinships circles by blood and marriage. Graduates of the same school, and particularly of the same year in the same school, form an especially close-knit circle, even in later life, and are expected to help each other to the limit of their ability. Regional alliances are especially strong among people from provincial areas who have migrated to the urban areas.

c) Position of Women

Korean society is still male-dominated, but women have a considerable degree of authority regarding everything that transpires within the house. Male-dominance can be seen clearly in the code of family law in Korea.

In relation to Korean women's social participation, the traditional Confucian family system does not reflect woman's rights and protection. It affects every woman in Korea, but they are not interested in fighting for this equality.

In general Korean women are not interested in political emancipation, social justice, and equal rights for women. Many of the educated Korean women remain conservative and are fit into the existing sexual role that Korean society prescribes. In their view a woman is educated in order to be a good wife and a wise mother. This attitude does not tend to evaluate women as educated citizens or public office holders of the nation.

However, with the progress of industrialization Korean women have tended to take part in economic activities more actively since the early 1960's. In fact, the labor force participation rate of women increased from 36.3 per cent in 1963 to 42.2 per cent in 1982.¹⁸ It is to be noted that most of the economically active women has relatively low level of education. For instance, in 1981, 71.5 per cent of women who were gainfully employed had no higher than the middle school education.¹⁹ As a consequence, they tend to be employed in relatively low-paid, unskilled occupations. For instance, in 1981 average monthly wage of women was 105,379 won (about US\$ 150), less than half (46.2 per cent) of average monthly wage of men (228,145 won, about US\$ 325).²⁰ Of course, it cannot be denied that such wage differentials is the result of sex discrimination to some extent.

d) Divorce

Divorce has been increasing during the 1970's, but slowly when compared to many Western countries except Italy. The Korean divorce rate of about 5.5 divorces per ten thousand population in 1980 is about ten times lower than the rate for the U.S.A. in the same year. It is about six times lower than the rate for the United Kingdom, about three times lower than the rate for the West Germany, about two times lower than the rate for Japan in the same year.²¹

e) Family Planning

Family planning programs have been promoted vigorously by the government since 1964. The success of the family planning programs is indicated by the reduction of the average annual population increase of 2.6 per cent for the period 1960-70 to 1.7 per cent for the period 1970-81.²²

Korea's family planning program began to stress IUD (intra-uterine device) in 1964. Oral contraceptives became widely available around 1968. Until then, the only alternatives to the IUD were condoms and vasectomies.

Since 1973 the emphasis has been shifted from the rural inhabitants to the poor people in urban areas. And the sterilization began to be widely operated. Especially since 1978 the sterilization has increasingly played an important part in the family planning activities in Korea.²³

f) Abortion

In Korea, abortion remains legally limited to cases where the life of the mother is in danger, where the pregnancy was caused by rape or where the woman has a disease which might deform the baby. In practice, however, violations of the law against other abortions are rarely, if ever, prosecuted; and abortions on demand are openly performed in hospitals.

A bill to legalize all abortions was introduced into the National Assembly in 1970, but was withdrawn for revision, largely because of Catholic opposition. In 1973, however, Maternal and Child Health Law was passed in the National Assembly, which allows the abortion even for socio-economic reasons.

According to a survey, it was estimated that about 533,000 abortions were operated in a year over the period 1977-78 and this figure amounted to the abortion ratio of 2,750 abortions per one thousand live births.²⁰ There seems to be no indication that the situation in this regard has been improving ever since.

g) Urbanization

Urbanization is proceeding at an extremely rapid rate in South Korea. Until the 1950's the country was agricultural, without qualification. Now, definitely the opposite is true. Seoul, alone, registered a population increase of 242 per cent between 1960 and 1980, to 8,366,000 in the latter year, thereby occupying 22.4 per cent of the total South Korean population. The urban population in 1960 was 28.0 per cent of the total population and was 57.3 per cent in 1980, thereby exceeding the rural population.²⁵

During the 1960's the urban migration was greatly influenced by the industrialization. Especially since the latter half of the 1960's large-scale urban migration took place and between 1960 and 1975, 25 per cent of the rural population migrated to the cities. Consequently, populations in rural areas tend to decline.²⁶ More significantly, the farm villages are losing their young people. Many rural areas report shortages of farm labour because most of their younger men have migrated to the cities.

h) Housing

With the acceleration of urbanization, the need for low-cost housing has been one of crisis proportions especially in the major cities. Although the government has made considerable efforts for such need, the problem has been worsening. The supply of house has failed to increase enough to absorb the increase in urbanization. As a consequence, housing supply ratio dropped sharply from 82.5 per cent in 1960 to 67.6 per cent in 1983. It is to be noted that this ratio increased in rural areas from 88.9 per cent in 1960 to 92.0 per cent in 1983, whereas it decreased in urban areas from 66.6 per cent in 1960 to 53.7 per cent in 1983.²⁷

i) Health and Social Welfare

Because of the traditionally strong web of family-related support for the individual, the need for public-service institutions and agencies has been rather slow to be recognized. In fact, the extended family has served, to a great extent, as a kind of social insurance in Korea.

Medicine has tended to be a business rather than a public service. In general, medical doctors have been accorded relatively high social status, whereas nursing and other medical specialties have been regarded as low social status occupations. The number of medical doctors registered a remarkable increase of 68.1 per cent from 14,932 in 1970 to 25,097 in 1982.²⁸ As a consequence, the population per medical doctor decreased by 25.6 per cent from 2,105 in 1970 to 1,576 in 1982.²⁹ This physician-population ratio is much higher than the ratios for most advanced countries (for instance, about three times higher than the ratios for the West Germany [490], Italy [490], and the U.S.A. [580] in 1977, and about twice higher than the ratios for the United Kingdom [750] and Japan [850] in the same year).³⁰

At the same time, it is to be noted that there has existed a serious imbalance in the medical care between urban and rural areas. Most medical doctors have concentrated in urban areas, leaving many rural areas almost completely without medical care. In 1982, 90.2 per cent of the medical doctors were practicing in urban areas.³¹

In 1977 the medical insurance system of the social insurance type was established in Korea, and its beneficiaries numbered 3,883,000 persons, covering only 10.5 per cent of the total South Korean population in 1978. Between 1978 and 1982, the number of its beneficiaries more than tripled, mounting up to 12,889,000 in the latter year, which covered 32.8 per cent of the total South Korean population.³²

j) Social Order

Rapid urbanization and industrialization have brought with them the serious social disorganisations which are found in similar processes in other countries, but in Korea the impacts of many of these disorganising forces are blunted by the social system.

Even in the cities people usually maintain relationships with persons from their home areas, and the small geographic size of the nation makes possible frequent visits to one's hometown. The web of social relationships thus tends to adapt more flexibly to urbanization in Korea, thereby maintaining good order, than it does in some other countries.

However, traditional social controls which depend on such relationships tend to be lessened by the influence of "urban anonymity". It should be noted that crime rates have increased somewhat in recent years³³ and that the share of violent offences in the juvenile delinquency has increased from 37.4 per cent in 1970 to 50.7 per cent in 1979.³⁴

The juvenile delinquency is likely to become more serious, in view of the fact that the share of the age group 15-24 in the population distribution tends to increase. In fact, during the period 1960-80 it increased from 18.2 per cent to 22.1 per cent.³⁵ Moreover, it should be noted that the unemployment rate tends to be greater for young people. For instance, in 1981 the unemployment rate was 10.2 per cent for young people, more than double the total unemployment rate (4.5 per cent).³⁶ In other words, the youth unemployment amounted to 46.7 per cent of the total unemployment in the same year.

4. Education

a) Lower and Secondary Education

The average primary school pupil tends to learn his lessons in an overcrowded classroom. For instance, in 1982 pupils per classroom numbered 62 for Seoul and 49 for the nation as a whole.³⁷ Under such circumstance hardly any attempt can be

made to develop his thinking, reasoning, critical abilities or his creativity. However, Korea's schools have been administered with enthusiasm, dedication and determination and have played a major role in the virtual elimination of illiteracy among today's younger adults.

In recent years some attempts have been made to reform the worst features of the education system. Entrance examinations for the middle school and the high school were eliminated, thereby greatly reducing the pressure of studies for the pupils of primary and middle schools.

Secondary schools of the "academic" type remain geared to preparation of students to attain higher marks in the scholastic achievement tests for the university entrance. High school students deal superficially with a wide array of subjects, and spend their graduation year memorizing possible answers to the scholastic achievement tests for the university entrance. They have little opportunity to integrate what they have learned.

In recent years the government has made efforts to increase the number and quality of vocational and technical high schools to reduce the undue emphasis on preparation for the university entrance in secondary education.

In 1982 the nation's 5,601 elementary schools had 5,465,248 pupils with 124,572 teachers. In the same year, the 2,186 middle schools had 2,603,433 students with 60,178 teachers; and the 710 academic high schools had 1,086,849 students with 32,001 teachers. In the same year, the 626 vocational high schools had 853,372 students with 27,159 teachers.³⁸

The number of the primary school pupils has tended to decrease since 1970, while the number of the middle and high school students has shown the opposite tendency. The number of the teachers at each level of education has tended to increase during the period 1960-82 with differing degrees.

Teacher-student ratio has, therefore, declined from 1:58 in 1960 to 1:44 in 1982 for the primary school, whereas on the contrary it has risen from 1:39 in 1965 to 1:43 in 1982 for the middle school, and from 1:30 in 1965 to 1:40 in 1982 for the high school. Although teacher-student ratio tends to decline at the primary school level, it is evident that it is still considerably higher compared to that of most advanced countries. It is more than double the ratio for the advanced countries.³⁹

Almost all the Korean primary schools are government-run, and only 73,385 pupils (3 per cent of the nation's primary pupils) attended private primary schools in 1982. On the other hand, 1,670,576 of the nation's middle school students attended government schools while 932,857 students (35.8 per cent of them) attended private institutions. In the same year, 425,343 of the nation's academic high school students attended government schools, while 643,506 (60.2 per cent of them) attended private institutions; 354,017 of the nation's vocational school students attended government schools, while 499,355 (58.5 per cent of them) attended private institutions.⁴⁰

b) University Education

In 1982 Korea's 97 universities, 128 junior colleges, 11 junior teachers' colleges together enrolled a total of 883,734 students, of whom 661,125, or 74.8 per cent, were in the 97 universities.⁴¹ Most Korean universities (76 universities or 78.4 per cent of the total) are under private control and 482,286, or 72.9 per cent, attended private universities in 1982.⁴²

In general, Korean higher education is under the centralized control exercised by the government over even private institutions. It cannot be denied that this control is intended to improve the quality of education, and to some extent it succeeds, but

in the process it may inhibit the innovation and experimentation which are needed to enable the universities to adjust their teaching and research to modern needs.

Despite the popular recognition of the utmost importance of education in Korea, public expenditure on education has remained on a rather low level compared to that of most advanced countries. For instance, public expenditure on education was 2.7 per cent of the GNP in 1977. This ratio was less than half the ratio for the U.S.A., Japan, and considerably lower than the ratio for the West Germany.⁴³ Compulsory education has been limited to the level of primary schools. It will be extended to the level of middle school starting from some regions in 1985. Thus the higher the level of education, the more often it is under private control.

It is to be noted that education at each level has been increasingly provided in Korea.⁴⁴ During the period 1970-79 enrolment ratio of lower and secondary education increased sharply from 77 per cent to 94 per cent, and that of higher education increased from 8.0 per cent to 12.4 per cent.⁴⁵

5. Conclusion

With the acceleration of economic growth, more emphasis will be given to the welfare of the population in Korea. Opportunities for higher education will be expanded.

As industrialization and urbanization proceed further, social structure will be more diversified. More specialized occupational groups will come into existence. Middle class will be enlarged to include more people therein. Family size will become smaller. Role of women and young people also will be changing.

In a word, Korea will be moving in the direction of the realization of more pluralistic society. No one can deny that all these socio-economic changes will pave the way for further democratization in Korea.

At the same time, it should be stressed that in the process of such a rapid change, value system has been under the sway of materialism. The material progress has been too much emphasized at the expense of spiritual values.

¹ World Bank, *World Development Report*, 1982, p. 151, Table 2.

² *Korea Statistical Yearbook*, 1973, 1983.

³ *Ibid.*

⁴ Bank of Korea, *Principal Economic Indicators*, No. 15, 1984.

⁵ Bank of Korea, *National Income Statistics Yearbook*, 1975; *Korea Statistical Yearbook*, 1983.

⁶ *Korea Statistical Yearbook*, 1983.

⁷ Ministry of Labour, *Yearbook of Labour Statistics*, 1983.

⁸ Institute of Social Issues, *Image of a Korean towards the 2000's* (in Korean), Seoul: Institute of Social Issues, 1982, p. 25.

⁹ *Ibid.*, p. 40.

¹⁰ *Ibid.*, p. 41.

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