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The Social Protection Floor and the 'New' social investment policies in Japan and South Korea

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Abstract

Japan and South Korea have always taken what may be called a social investment approach to their social and economic development policies. They were able to achieve a high level of economic growth, in part, because of their targeted social spending that supported and protected the productive sectors of the society. Since the 1990s, however, there has been a marked shift in the targets of social investment, from predominantly skilled, male, industrial core workers to more peripheral, marginalized, and vulnerable population groups, such as women, children, and the elderly. Moreover, this new policy focus is now increasingly put forward from the perspective of inclusive welfare and the discourse of social inclusion, thus breaking from the earlier productivist thinking. Indeed, recent social investment policy debates in the two countries are often framed in terms of intergenerational equity, social and economic sustainability, and economic democracy. What are these 'new social investments', and why the shifts? This article looks at the new social investment policies in Japan and South Korea to understand factors behind the changes, and assess how 'new' are these new social investments.

Keywords

Japan, social investment, social policy, South Korea, welfare state

Introduction

The Global Social Protection Floor (GSPF), a concept adopted by the United Nations (UN) Chief Executive Board in 2009 in response to the 2008 global financial crisis, argues that providing people with basic income security – for example, pension, cash and

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in-kind transfers, child benefits, and so on – and access to basic health, education, housing, water, and sanitation will not only help people out of poverty but also promote human capital development and social cohesion, and hence in the long run, more productive economy (International Labor Organization [ILO], 2011). The principle value propositions put forward here are, first, that there is a positive synergy between social security and economic productivity, and second, a global investment in social security is good *and necessary* for global economic sustainability. Although the primary focus of GSPF is to encourage the development of such floors in low-income countries, there is also a message for social policy regimes, like Japan's and South Korea's (hereon Korea), that have in the past been largely limited to social insurance programs covering a limited part of the citizenry. This article shows that well before the GSPF initiative, both Japan and Korea were already moving toward a more inclusive system, as evident in the development of social care policies and expansion of support for the unemployed. An examination of the forces behind these developments therefore may offer a useful insight into the factors likely to influence the development of inclusive Social Protection Floors in other contexts.

Japan and Korea owe much of their post–World War II social and economic development successes to their countries' social investment policies – policies that are aimed largely to advance economic growth through the human capital development (Amsden, 1992; Holiday, 2000; Johnson, 1982; Peng and Wong, 2008; World Bank, 1993). Indeed, in the early 1990s, the World Bank (1993) attributed Japan's and Korea's strong and sustained postwar economic growths to the high levels of private savings and public investment in physical and human capital, low level of income inequality, and sound macroeconomic management. In particular, the two governments' investments in human capital and inclusive growth were hailed as their unique economic success legacies. As the World Bank (1993) puts it, ' . . . there was little that is "miraculous" about the HPAEs' (High Performing Asian Economies') superior record of growth; it is largely due to superior accumulation of physical and human capital' (p. 5).

This strong social investment orientation makes Japanese and Korean welfare regimes highly productivist, meaning their welfare systems are closely aligned to the countries' economic development priorities (Holiday, 2000). Following the Bismarckian social insurance model, social security systems in these countries are divided into: (1) occupationally based social insurance schemes that provide generous benefits to the most productive sectors of the society – mainly full-time male industrial workers, public sector employees, military personnel, and teachers, and their families, and (2) public social insurance that provides limited welfare coverage to those in nonproductive sectors – self-employed, nonstandard workers, workers in small industries, single unmarried women, single parent families, disabled, and the elderly (Peng and Wong, 2008, 2010). In both countries, targeted social investments have been used as a key policy tool to support and incentivize the productive sector. Thus beyond the basic platform of universal public education and healthcare, social protection systems – pension, unemployment and occupational accident insurance, and social welfare – have been narrowly focused and selective, privileging the productive sectors of the society. This system functioned more or less effectively up until the 1990s as both countries were able to reap positive social dividends – rising household income and low level of income inequality – from strong and sustained economic growths. In short, they were the beneficiaries of the rising tide lifting all boats.

Those positive economic moments have, however, come to an end. Since 1990, both countries have encountered economic downturns, and the two governments have begun to reconfigure their welfare states through a new kind of social investment. In particular, there has been a shift in the targets of welfare state protection, from full-time male industrial workers – the productive sector – to more peripheral, marginalized, and vulnerable population groups such as women, youth, children, and the elderly – the nonproductive sector. This new form of social investment breaks from earlier productivist thinking in that it is framed as 'inclusive welfare' and dressed in the language of social inclusion. To be sure, much of recent state-driven social investment policy debates in Japan and Korea are being framed in terms of intergenerational equity, social and economic sustainability, and in the case of Korea, 'economic democracy'. In short, social investment policies in both countries seem to have moved away from simply employing social policies to achieve economic growth to utilizing social investment to achieve broader social and economic objectives – something akin to the idea of GSPF.

What are these 'new social investments', and why the shift to more inclusive social protection? The new social investment in Japan and Korea is interesting because it shows how structural and ideational transformations in the two countries over the last several decades have helped influence policy changes. The changes in social and economic underpinnings of these countries, notably demographic aging and low fertility, defamilialization, and labor market deregulation, have led to increased social and economic income inequality. These have, in turn, made income redistribution a key political issue, compelling the policymakers to consider a more inclusive approach to social investment. At the same time, as Japanese and Korean economies become more intermeshed in global economy, politicians and policymakers have also become more sensitive and attuned to new global policy discourses about social investment (ILO, 2011; Mahon, 2013; Padoan, 2012; Peng, 2011). Through participation in international policy organizations such as Organisation for Economic Co-operation and Development (OECD), World Bank, and International Labour Organisation (ILO), Japanese and Korean policymakers have begun to harmonize their social and economic policies with those of other industrialized Western countries (Hur, 2011). The new social investment policies in Japan and Korea thus reflect their active engagement in global policy discourses.

Global Social Protection Floor versus social investment

The GSPF emerged in the aftermath of the 2008 financial crisis that saw a spectacular global economic failure, resulting in worldwide economic instability and widespread poverty. Recognizing the limits of the earlier poverty reduction strategies, GSPF attempts to enlarge social security coverage to citizens through nationally determined Social Protection Floors consisting of minimum basic income, health, and education (ILO, 2011). The GSPF proposal builds on the experiences of several pilot projects initiated by international organizations in cooperation with national governments and nongovernmental organizations (NGOs) which showed that providing citizens basic guaranteed income, health, and education not only alleviated poverty but also yielded significant social and economic returns in the form of local economic stability, increased social cohesion, and introduced new entrepreneurial activities (ILO, 2011).

The basic principles of GSPF are quite similar to social investment in that both are rooted in the idea of positive synergies between social and economic policies. In both cases, it is assumed that human capital development will lead to more skilled and productive workforce, and thus positive economic growth. GSPF, however, differs from social investment on two accounts. First, it is more inclusive. GSPF calls for universal social security coverage, whereas the mainstream conception of social investment tends to focus primarily on population groups with the greatest human capital development potential, such as children and youth. Second, the core idea of GSPF also rests on the citizenship right to basic social protection. It therefore assumes a basic modicum of social protection and social security as a prerequisite for any social and economic development. In contrast, social investment is not premised on such prerequisite. Finally, although largely targeted to developing countries, GSPF also recognizes the global requisite for Social Protection Floors in *all* countries and the imperatives of ensuring such Social Protection Floors for the global economic stability. As the GSPF's principal document, *Social Protection Floor for a Fair and Inclusive Globalization*, spells out,

> The floor can make a significant contribution to social cohesion, peace and stability, which in turn help to minimize social unrest.
>
> It also promotes macroeconomic stability, as countries can rely on social protection to act as automatic stabilizer. This lays a solid foundation for resilient forms of growth and sustainable prosperity that are less vulnerable to volatility in the world economy and to the impact of periodic economic and financial shocks. (ILO, 2011: 6)

The *new* social investment policies that have been developing in Japan and Korea since the 1990s appear to go beyond the mainstream (North American and European) notion of social investment. By incorporating the elderly – a population group often ignored in social investment discourse – these new social investment policies share similarly broad approach to social policy as GSPF. The following sections describe the shift to more inclusive social investments in Japan and Korea, and explain factors that have contributed to these changes.

Changes in social investment idea in Japan

Changes in social investment policies in Japan came after the 1990 market crash. The economic crisis led to a protracted economic stagnation in Japan – a period now widely referred to as the 'lost two decades' (*ushinawareta 20-nen*). Under more competitive and global economic conditions, companies began to downsize by shedding older workers and reducing new hires, pushing up unemployment among youth and older workers, and contributing to increased economic insecurity. In Japan, neoliberal economic restructuring since 1990 resulted in the widening and deepening of labor market dualization, as more workers were pushed out of standard employment and had to accept nonstandard and precarious work. Women, older workers, and new job entrants were the main casualties of this labor market transformation (Peng, 2012). Economic stagnation also coincided with important social and demographic changes. Low fertility became a major policy concern in the 1990s, not simply because of the dismally low level – hovering around 1.2 and 1.3 throughout the decade – but, more importantly, because of its direct implications for demographic aging and economic productivity decline. Japanese families were also changing: married women's employment and divorce rates increased, the proportion of multigenerational households declined, and young people were delaying marriage and childbearing, partly because of the economic insecurity and partly because of difficulties of combining work and family.

It was against this backdrop that the focus of social investment began to shift from traditional 'core' male employees to children, youth, women, and the elderly, and began merging with debates about human capital development, gender equality, employment security, and job creation. From the mid-1990s, social investment policy discourse in Japan began to echo debates that were also taking place in the European Union (EU) and OECD. The shift to more inclusive social investment policies was most significant in two policy sectors: social care and unemployment support. Ministry of Labor and Ministry of Health and Welfare were the key state actors in the process of change, with Ministry of Labor attending to the unemployment and labor market issues and Ministry of Health and Welfare focusing on social and demographic changes. The strong interconnections between their policies eventually led to the merger of the two ministries into a super-ministry of Health, Labor and Welfare (MOHLW).

Social care expansion

The Ministry of Health and Welfare has taken the primary role in social care expansion in Japan. In the early 1990s, the ministry created commissions and advisory groups to develop new policy strategies to address aging population and low fertility issues. It sent researchers and policymakers to North America and EU on fact-finding missions and to learn policy best practices (Peng, 2002). These efforts led to rapid adoption of new policy ideas. In 1994, the government introduced the Angel Plan (the Basic Plan to Address Fertility Decline) that laid out extensive family–work reconciliation policies for the next decade. Many of these policies were similar to those being introduced in EU at the time (Japan-Ministry of Health and Welfare [Japan-MOHW], 1997).[1] These included the extension and strengthening of maternity and parental leaves, increased financial support for workers with childcare responsibilities, and expanded childcare and family support services. Pointing to the high birthrates in the Scandinavia, the Angel Plan document contended that the best way to raise the birthrate – and thus moderate rapid population aging – was to provide incentives for women to have more children. It argued that providing employment security and family–work reconciliation support – including financial incentives – to women was the best way to achieve these objectives (Japan-MOHW, 1997). Over the next two decades, the plan was revised in an effort to improve the country's total fertility rate. For example, in addition to the expansion of one-year paid parental leaves, the government also expanded universal child benefit by raising the maximum eligible ages of children from 3 to 7 years in 2000, to 10 years in 2004, then to 12 years in 2006, and finally to 15 years in 2009. At the same time, the benefit for under

3-year-olds was also doubled, from ¥5000 to ¥10,000 in 2007, and to ¥15,000 in 2010, with parallel increases for older children.

With regard to the elderly, the government introduced the Gold Plan in 1989. At the time, the government saw this simply as an extension of the existing social welfare, largely provided on needs-tested basis through local governments. This passive approach to elder care, however, soon proved inadequate in light of huge public demand for elder care. By 1994, the New Gold Plan was implemented, with significantly expanded elder care services. Japan's high longevity rate made elder care a long-term and potentially expensive proposition. At the same time, with the majority of elderly people living on their own or only with their spouses (a result of progressive urbanization and defamilialization since the 1960s), it had become clear that most elderly people could not rely on their families to provide all the care. The lack of public care services led to a sharp increase in social hospitalization. Adding to this, the increased unemployment among older workers in the 1990s made welfare for older persons a sensitive political issue. A new approach was therefore necessary in order to avert old age security and elder care crises.

One solution was to socialize elder care – a sharp departure from the traditional Japanese approach. Japanese policymakers had been searching for ways to curb the rising demand for elder care, high rate of social hospitalization, and rapidly escalating healthcare cost (Campbell and Ikegami, 2000). The huge take up for the Gold Plan had confirmed policymakers' fears. In addition, a surge of civil society activism in the 1990s demanding better public elder care underscored the imperatives of developing more effective solutions for elder care. Fortuitously, Germany's Long-Term Care Insurance (LTCI), implemented in 1995, provided a useful policy model for Japan.[2] After studying closely the development of German LTCI, Japan implemented its own LTCI in 2000, replacing the Gold Plan (Campbell and Ikegami, 2000; Peng, 2002). By universalizing public elder care services, LTCI not only extended the rights of the elderly to receive care but also, by extension, the rights of women – particularly married women – to be relieved of some of their unpaid family care obligations, thus affording better work–family reconciliation. The expansion of community-based activities for the elderly in conjunction with other social services, such as seniors' clubs, sports and fitness activities, and local voluntary groups at the local level, also promoted active aging, and thus reduced hospitalization. In sum, the social care expansion in Japan reflects a new kind of social investment idea. By investing in both childcare and elder care, the new social investment policies have expanded social service coverage beyond traditional target groups, suggesting a shift from limited to inclusive social investment.

Job creation, skills training, and employment insurance reforms

The restructuring of employment insurance (EI) system was another part of the shift to more inclusive social investment in Japan. Because of the near life-time employment practice afforded to male workers in core sector, unemployment support in Japan had been highly residual until the 1990s.[3] Until then much of the EI's efforts had been directed to employment stabilization and skills development through subsidies to employers to retain, reskill, and reassign male industrial workers who were at risk of redundancy (Ikenaga, 2008). Rather than letting employers lay off workers during economic downturns, the state intervened to support worker retraining and reassignment, thereby keeping unemployment low and maintaining a tight labor market. This employment strategy, however, became increasingly ineffectual under more open global economic context. With the gradual deregulation of the Japanese labor market after the mid-1980s, employers became more willing to lay off older workers, or forced them to retire early, and substituted nonstandard workers for full-time employees. In response to these changes, the EI policies also began to pay more attention to older workers, women, and youth who were increasingly pushed into precarious employment.

The Ministry of Labour's new social investment strategy involved expanding the EI system and connecting it more closely with social welfare policies – in particular social care. To reduce forced early retirement, the government revised the Act on Stabilization of Employment of Elderly Persons in 1994, raising the *minimum* mandatory retirement age to 60 years and mandating employers to make efforts to keep workers over the age of 65 years.[4] At the same time, a special subsidy for employers was added to EI to encourage employers to keep older workers employed (Japan-Ministry of Health, Labor and Welfare [Japan-MOHLW], 2012). Through the Angel Plan, the Equal Employment Opportunity Law (1986) and the Child Care Leave Act (1991) were also reformed and added onto the EI system, reinforcing women's equal employment rights and the rights to childcare leave. Paid maternity and parental leaves, and childcare and family care leaves were also expanded and interlocked with the EI system after 1994.[5] Throughout the 1990s and the 2000s, EI continued to enlarge to accommodate more programs to support women, youth, and the elderly. For example, nonstandard workers were brought into the EI protection system in the early 2000s, with the revisions of Dispatch Work Legislation in 1999 and 2003 that resulted in the expansion and partial deregulation of dispatch work. To address high youth unemployment and underemployment, the government also instituted support programs, such as job training, employment counseling, welfare, and personal counseling support, for young people (Youth Independence Challenge Plan (*Wakamono Jiritsu Chosen Pulan*)) (Japan-MOHLW, 2010, 2011). Thus, throughout the 1990s and 2000s, the EI system continued to expand by incorporating the elderly, women, youth, and precarious workers into its protection system, and became increasingly intermeshed with social welfare policies.

Factors leading to inclusive social investment ideas

Japan's new social investment policies were the product of, on the one hand, the country's rapidly changing domestic social and political contexts creating imperatives for the government to come up with solutions, and on the other, the availability of new global social policy ideas. Japanese politics had become much more fluid and unpredictable after the Liberal Democratic Party (LDP) – the main conservative party in power since 1955 – suffered its historical defeat in 1993 election. Unable to gain an absolute majority, LDP was forced to form a series of coalition governments from 1994 to 2009.[6] It was under the non-LDP-led coalition governments (1993–1996) that a number key social policy reforms were introduced. For example, the Angel Plan was implemented under the Socialist Party–led coalition government headed by Murayama Tomiichi (1994–1996). The same government also began the preliminary debate on the LTCI. Although Murayama's Socialist party suffered losses in the 1996 general election, reformists continued to hold power in the subsequent coalition led by moderate LDP, Hashimoto Ryutaro (1996–1998).[7] Partnered with Hashimoto in the new coalition were two feminist leaders, Doi Takako (Japan Socialist Party) and Domoto Akiko (Sakigake Party), who vowed to push gender equality and social care extension legislation. It was under this coalition that structural reform legislation was implemented, resulting in substantive changes in social welfare and labor market policies, including the merger of the Ministries of Health and Welfare and Labor into MOHLW. The merger marked a physical and political amalgamation of social and economic policy streams. The coalition also established gender equality bureau within the Cabinet Office (1998) that served to push for gender equality legislation, an LDP concession to the two feminist leaders.

Hashimoto government's inability to turn the economy around, however, led to another LDP electoral defeat in 1998. His successor, Obuchi Keizo, formed a new coalition government with New Komei Party (NKP), a Buddhist-based party with a strong pro-welfare orientation. Under the new coalition government, the MOHLW also took on a more pro-welfare stance. Instead of seeing social welfare as net burden for the state, as was the case during the LDP majority rule in the past, the newly formed MOHLW regarded social security systems as the vital underpinning for 'economic stabilization and economic growth' (Japan-MOHLW, 1999: Chapter 1-Section 4). Using a combination of languages that harks back to Myrdal's productive social policy and the New Labour's active labor market policy in the United Kingdom, MOHLW priortized 'rebuilding' Japan's social security system in order to 'stabilize people's living . . . narrow the gap between the rich and the poor . . . [and] contribute to Japan's stable economic growth' in its *1999 White Paper* (Japan-MOHLW, 1999: Chapter 1-Section 1).

Japan's new social investment approach reflects new global policy discourses about social investment. Japanese scholars and policymakers had been closely examining the New Labour social policies in the United Kingdom. New Labour's active labor market policy offered a compelling argument for rethinking social policy strategies in light of postindustrial social risks. However, in contrast to European social investment discourses that saw the elderly population as outside of active labor market policies, Japanese policymakers – concerned with rapid population aging and rising unemployment among older workers – sought positive economic spin-offs from social care for the elderly:

> For the health and welfare field, it was estimated that about 100,000 jobs would be provided in fiscal 1999 only by the promotion of the New Gold Plan, the five-year projects such as the Urgent Day-care Measures, and of the Government Action Plan for People with Disabilities . . .
>
> In and after fiscal 2000, it is expected that the social security-related employment will further increase. Triggered by the implementation of the long-term care insurance system, more private companies will participate in social security fields. Besides in accordance with the ageing of society and decrease in the birthrate, the scales of childcare services, long-term care services, medical care services, and private services for the elderly ('silver business') will further expand. (Japan-MOHLW, 1999: Chapter 1-Section 4)

The cognitive link that helped Japanese policymakers to adopt a new conception of social investment was the positive synergy between social welfare expansion and economic opportunities. Japanese citizens and policymakers had come to accept that country's economic recovery would be slow at the best, and that progressive defamilialization and steady population aging would remain permanent features of their society (Japan-MOHW, 1997). In light of the new reality, the new social investment promised to turn adversities into economic opportunities. Japanese policy bureaucrats had thus incorporated new policy ideas from the EU and North America, and adapted them to their domestic contexts. Moreover, the 'Caring Society' initiative proposed by the Japanese government at the 1997 G8 Summit not only helped Japanese policymakers reset and consolidate their new social investment idea but also contributed to shaping OECD policy discourses on investing in childcare and family–work reconciliation (see OECD's *The Caring World*, OECD, 1999; Japan-Ministry of External Affairs [Japan-MOEA], 2013).

Social care expansion and EI reforms in Japan thus mark a shift to more inclusive social investment thinking. They are new forms of social investment because they represent a more inclusive approach to social investment and involve active state investment in social policy, and an effort to integrate social and economic (employment) policies. The new conception of social investment is, like the traditional conception, highly productivist and focused on achieving efficiency and maximum return in human capital. At one level, the expansion of public childcare and elder care may appear counter to Japan's traditional productivist welfare state thinking. But given the structural (shift from industrial to postindustrial-based economy, modern family forms) and cultural (internationalization, increasing awareness of gender equality) transformations, they do make sense.

The new social investment in Japan is reflected in increased social spending for the family and the elderly. Social spending for the family increased from ¥1.65 trillion (US$16.6 million) in 1990 to ¥6.11 trillion (US$61.3 million) in 2010 (0.37–1.28% of gross domestic product [GDP], respectively), while social spending on the elderly rose from ¥19.1 trillion to ¥52.2 trillion (US$19.2 million to US$52.4 million), respectively (4.23–10.89% of GDP) (National Institute of Population and Social Security Research [NIPSSR], 2012). Even though the expenditures for 'active labor market programs' (*sekkyokuteki rodo seisaku*) have risen more modestly from ¥1.47 trillion (US$14.8 million) in 1990 and ¥2.03 trillion (US$20.4 million) in 2009 (or 0.3–0.4% of GDP) (NIPSSR, 2012), the proportion of spending directed to the elderly, women, and youth had increased markedly (Ikenaga, 2008).

Changes in social investment idea in Korea since the 1990s

Almost a decade after Japan's policy turn to new social investment, Korea, experienced similar changes, following the Asian economic crisis of 1997–1998. The economic crisis led to bankruptcies and lay-offs, resulting in a widespread economic insecurity and a political regime shift, from conservative to centrist populist government led by President Kim Dae-Jung (1998–2002). Supporting Kim were civil society groups and women's movement that were strongly supportive of welfare expansion. The new government negotiated welfare expansion as a *quid-pro-quo* for the labor market liberalization (the International Monetary Fund [IMF] conditionality for economic rescue). The

Korean welfare state had expanded noticeably following the political democratization of 1988, but the scale of expansion post-Asian economic crisis was of a totally different magnitude.

Soon after taking office, Kim Dae-Jung government initiated the 'productive welfare' reform in 1999 (Republic of Korea [ROK], 2000) that included the overhaul and expansion of the EI, consolidation of the National Pension, and the replacement of Basic Livelihood Support program by the National Basic Livelihood Security (NBLS) Program (Kwon, 2001; Kwon and Holliday, 2007; Peng and Wong, 2008; ROK, 2000). The NBLS program merits special attention because it is the first income support program to guarantee basic minimum standard of living to all citizens based on citizenship right (Kwon and Holliday, 2007) – something that could be considered a GSPF-type policy. Although recipients of the NBLS program are required to engage in work integration program, in reality only about 10% actually participate. Kim Dae-Jung government also instituted the Ministry of Gender Equality (MOGE) (later expanded to the Ministry of Gender Equality and Family under Roh Moo-hyun regime, but then later demoted back to MOGE by President Lee Myung-Bak) to take charge of policies and programs to promote gender equality. Feminist leaders were brought into the government bureaucracy to lead the Ministry, including in the posts of the Minister.

The welfare expansion post-1998 was largely pushed by civil society demands, but Kim Dae-Jung's active welfare policies were also strongly influenced by the New Labour's Third Way discourses. As elaborated in his manifesto book, *DJ Welfarism*, Kim Dae-Jung's productive welfare sought to forge a Korean version of the Third Way policy reform (ROK, 2000). Kim Dae-Jung's productive welfare policy attempted to use social welfare as a tool to facilitate job creation, human capital mobilization, and economic growth. It laid the ideational basis of Korea's postcrisis welfare state expansion. Throughout the 2000s, the pro-welfare civil society movement continued to lobby through national politics for welfare state expansion. This has forced subsequent governments to maintain productive welfare policies, and in the case of President Roh Moo-hyun (2003–2008), to push it even further by intensifying social investment effort.

Like Japan, Korea's new social investment strategy has also focused on social care and unemployment/employment support. Similarly to Japan the two sectors have also become increasingly interlocked with each other since the 2000s.

Social care expansion

Learning from Japan's demographic experience, Korean government began promoting social care expansion in the early 2000s.[8] In 2006, the government launched the Basic Plans for Low Fertility and Ageing Society, proposing to vastly expand childcare and elder care and to implement LTCI by 2008. Although demand for care had been increasing through the 1990s, social care expansion was largely a pre-emptive social investment strategy. In 2005, the elderly population in Korea made up only 9% of total population, as compared to 20% in Japan, making Korea demographically one of the youngest countries in OECD. Having observed the Japanese government's attempts to deal with low fertility and aging society issues, however, Korean policymakers were sensitive to demographic shifts. Given the prid fertility decline, demographic trend showed Korean population to age at a pace even faster than that of Japan, and reaching the level of 25 percent elderly population by 2035 (KOSTAT?). Combined with the demographic shifts were also growing concerns about unemployment and precarious employment that disproportionally affected women, youth, and the elderly, and hence the imperatives of economic activation and job creation.

The Basic Plans for Low Fertility and Ageing Society (2006–2009) laid the basis for the work–family reconciliation policies in Korea by universalizing and expanding paid maternity and parental leaves, implementing and expanding childcare and pre-school education subsidies for families with small children, and providing subsidies and incentives for private (for-profit and nonprofit) sector childcare providers. The formal childcare enrollment rate rose sharply since 2003, with the average enrollment rate of children 0–2 years in formal childcare up from 16.7% in 2003 to 50.5% in 2010, while the average enrollment rate of children 3–5 years in pre-school education program increased from 29.4% to 83.1% between 2003 and 2010, respectively (OECD, 2014). Total public spending on childcare and pre-school as a percentage of GDP in Korea increased from 0.1% in 2003 to 0.7% in 2009, the second largest increase since 2000 among OECD-35 (OECD, 2014). Along with childcare, public elder care services in Korea also expanded following the introduction of the LTCI in 2008. The number of people certified to receive LTCI services more than doubled from approximately 147,000 in 2008 to 328,000 in 2012 (National Health Insurance Corporation of Korea [NHIC], 2013), while the total government spending for LTCI soared from 555 billion *Korean won* (KRW) (US$486 million) (from July to December 2008) to 2.59 trillion KRW (US$2.28 billion) in 2010 (Sunwoo, 2012). In short, social care expansion since 2003 has been extraordinary. In many ways, social care has become the key driver of country's new social investment strategy.

Korea's new social investment discourse has been deeply enmeshed with the global debate since the beginning of the new millennium. This was because, first, as an IMF rescue country, Korea was under significant policy scrutiny by international organizations. This meant that the country was open to policy prescriptions of not only the IMF but to also its cognate international organizations, such as the World Bank, United Nations Educational, Scientific and Cultural Organization (UNESCO), and United Nations Development Programme (UNDP). Second, by the 2000s, there were already considerable debates and global diffusion of social investment ideas in Europe and North America. As a new member of the OECD, Korean policymakers therefore had more policy input from the international community and more opportunity to examine social investment models that were being developed in other countries, including Japan.

A striking feature of Korea's social care expansion is its explicit link to human capital mobilization and the creation of new economic growth engine. As illustrated by the Ministry of Labor's statement below, social care expansion in Korea is specifically directed to incorporating vulnerable population into the economy and follows the global policy discourse of social investment that highlights synergies between social and economic policies:

> Creating social service jobs has boosted our economy's growth potential as it has helped the not economically active population, including housewives and the aged, to be brought into the economically active population. In particular, providing social services, such as child caring, housekeeping and patient caring, has liberated women from domestic work, which, in turn, has increased employment. The project to create social service jobs has not only created jobs for

> vulnerable groups of workers . . . [but] has also played the role of providing social services which are in short supply, thereby largely contributing to supplying social services for low-income lower middle classes who want to get such services but have little purchasing power. (Republic of Korea – Ministry of Labor [ROK-MOL], 2009)

Job creation, skills training, and EI reforms

The emphasis on new economic growth engines has also helped enhance the broad and inclusive nature of Korea's new social investment strategy. On the one hand, investments in social care are to address the care needs of children and the elderly; on the other, they also create much needed social service employment opportunities, particularly for women and the younger elderly. The merging of social care policies with job creation and unemployment support policies is evident from the EI policy reforms since 1998. The EI program in Korea was relatively small until 1998. After the Asian Economic crisis, however, it expanded rapidly to cover populations such as the elderly and women that were hitherto excluded. For instance, the 1998 reform extended the unemployment benefit coverage from workers in workplace with 30 or more people to 5 or more. The coverage was further broadened in 2006 to self-employed business with five or less employees, to all construction workers, and all daily workers – in other words, most of the nonstandard workers (ROK-MOL, 2009).

EI policies have also become increasingly focused on job creation and skills training. Total expenditure for the Job Support Program, which includes job creation and promotion of employment for disadvantaged increased from 1.26 billion KRW (US$1.10 million) in 2000 to 8.26 billion KRW (US$7.23 million) in 2008 with women and older workers as the main targets. There has been an almost threefold increase in the government spending on the job creation between 2005 and 2008 (from 31.9 billion KRW to 88.6 billion KRW) (ROK-MOL, 2009). Social Enterprise Promotion Act was also legislated in 2007 to support community groups and NGOs to develop social services–oriented businesses with wage subsidies to create jobs and hire vulnerable populations – unemployed and low skilled workers, women, disabled, and the elderly. In 2011, there were 565 such enterprises, most of them engaged in social welfare/social care–related services, employing approximately 15,000 workers, about 60% of whom considered 'vulnerable' (Kim et al., 2014). In total, public expenditure as percentage of GDP on unemployment in Korea rose from 0.1% to 0.4% between 2000 and 2009 (OECD, 2014). Subsequent Basic Plans for Low Fertility and Ageing Society have upped social investment in social care, tying it even closer to job creation programs. A total of 75.8 trillion KRW (US$66.4 billion) has been allocated for the Second Basic Plan (2011–2015), up 79% from the First Basic Plan (2006–2010) of 42.2 trillion KRW (US$36.9 billion) (Republic of Korea – Ministry of Health and Welfare [ROK-MOHW], 2013).

Conclusion: Assessing the new social investment in Japan and South Korea in relation to GSPF

This article has shown that well before the GSPF initiative, Japan and Korea had begun to move in the direction of inclusive social policy as illustrated by the shift to new social investment policies. In both countries, social care and EI expansions emerged as the two central and interconnected pillars of new social investment. In both cases, social investment has become more inclusive – no longer targeting the productive sector alone, but also including vulnerable populations such as children, women, and the elderly. In both countries, social investment has also become closely tied to employment generation. Increased public support for children and families (mothers) with small children is very much in line with the global trend. Equal emphasis on investing in the elderly, however, diverges from the dominant thrust of social investment. Rather, this aspect of new social investment policies in Japan and Korea – targeting the "past" as well as current and future generations – and the attempt to spread income-generating activities across age, status, and gender make them more akin to the notion of GSPF.

To what extent is the new social investment in Japan and Korea similar or different from the GSPF, and what can we learn from their experiences? The new social investment policies in Japan and Korea are similar to the GSPF in that they are more inclusive, and they involve increased government fiscal commitment to social welfare to vulnerable population. Both Japan and Korea have explicitly used social welfare – particularly social care – as the main driver of new social investment. In addition, the two governments have also used other of policy tools to support the vulnerable population, including social services, income support, and employment support. This is a departure from these countries' traditional social policy approaches. The two countries have been able to expand social programs partly because they are still relatively small welfare states, while at the same time face significant unmet demands. Thus both are responding to structural and political imperatives – and have the fiscal space – to expand their social welfare. Indeed, in both cases huge social and demographic pressures for childcare and elder care make social care expansion politically necessary. Fortuitously, in both cases, social care expansion has to some extent led to employment generation as well.

Of particular note is the focus on the elderly which is a contrast from Europe and North America, where older workers and the elderly are rarely a target of social investment or active labor market policy. In Japan and Korea, however, the combination of defamilialization, early retirement, inadequate old age security, and the rural depopulation have made elderly people socially and economically vulnerable, and old age income security has become a politically sensitive issue – hence a necessary target of social investment. For example, in Korea, given that the National Pension Scheme has been instituted only since 1999, few elderly people have full pensions. As well, a significant proportion of working population, particularly those in nonstandard and self-employment, fail to pay contributions and therefore will not receive pension. Similar problem related to non-contribution also exists with Japan's National Pension Scheme. The level of pension non-contribution has increased in both countries since the financial crisis of 2008. Hence within Japan and Korea's new social investment framework, the elderly are both important recipients of social welfare services as well as necessary target of active labor market. These similarities highlight the commonalities of social contexts between Japan and Korea, and many developing and newly developed countries, and underscore the importance of broad and inclusive approach to social investment.

Finally, the new social investment in Japan and Korea also is in common with GSPF assumptions about human capital investment and human capital mobilization functions of social policy. In both cases, education and skills training are considered the key to individual employment success and economic security. At the same time, there is also a clear acknowledgment that the new neoliberal global economy has left more people in economically vulnerable position. In Japan and Korea, the shift in social investment policies targets from male industrial workers to women, children, and the elderly comes out of the understanding about the erosion of full-time standard employment and increased vulnerability. It is therefore not surprising that in both countries, there has been a closer interlocking of social welfare and employment policies in the recent years.

Despite the similarities, new social investment in Japan and Korea is different from GSPF in terms of their core operating principles. Whereas GSPF is premised on 'the fundamental principle of social justice, and the specific universal right of everyone to social security and to a standard of living' (ILO, 2011: xxiv), new social investment policies in Japan and Korea are largely driven by the idea of creating an 'economic growth engine'. While addressing the growing care needs of children and the elderly, and the social and political imperatives to support families (women) with work–family responsibilities, new investments in social care are also an important tool to develop social service industry and to mobilize women's underutilized human capital, albeit it is questionable how efficiently women's human capital is being utilized, particularly given that new jobs created are mainly social service employment, which tend to be poorly paid.

This difference in core principles raises an important question about the effectiveness and long-term sustainability of these two otherwise similar policy initiatives. Thus far, the outcomes of new social investment polices in Japan and Korea have been rather disappointing. After more than 15 years of social welfare expansion, job creation, and employment legislations reforms in Japan and nearly a decade in Korea, income inequality has not narrowed; on the contrary, it has widened since 2000 in both countries. Nor has new social investment made any change to gender inequality, and total fertility rates remain very low (1.4 in Japan and 1.3 in South Korea in 2012) despite notable expansion in public childcare and the reinforcement of work–family reconciliation legislation. Some recent studies have shown that the burden on families of elder care has declined somewhat due to LTCI, however (Ochiai et al., 2010), and there have been some positive signs of economic growth in both countries since 2012. The Japanese Prime Minister Abe Shinzo has immediately claimed this partially to his 'womanomics' (mobilization of women's human capital). However, economic growths in both cases remain fragile at the best.

The two countries' experiences thus reveal some serious gaps between idea of new social investment and the outcomes, and raise questions about the effectiveness of these policies in addressing new economic challenges. Most critical is social investment idea's meritocratic assumption that human capital development would naturally lead to labor market success. While this assumption makes sense given increased labor market demand for higher education and skills, it fails to take account of other structural and institutional factors such as social network capital, the culture of long working hour, and pervasive gender discriminations. Furthermore, the new jobs created in social service sectors are largely low wage and nonstandard employment. There is little evidence that these jobs can provide adequate income security for families, or that they are an effective way to utilize women's human capital. This suggests that a simple instrumental use of new social investment, even if it is inclusive of women, children and the elderly, as a tool of economic growth is not effective, and points to the importance of grounding the citizenship right to guaranteed basic social security if we are to succeed in reducing social and economic inequality.

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Notes

1. The Angel Plan was endorsed through the collaboration of the Ministries of Education, Health and Welfare, Labor, Construction, Finance, and Municipal Affairs.
2. As the Japanese social security system was based on the Bismarckian social insurance model, Germany has always been the main policy exemplar for Japan.
3. I exclude skills investment and workplace training provided by employers. I focus here exclusively on the social investment through public policies.
4. Up to this point, it was not uncommon for employers to 'retire' workers by age 55 years, with a large retirement package.
5. The Angel Plan was subsequently revised and expanded several times after 1994. See Boling (2008) for further discussion.
6. Except for the periods of 1993–1996 and 2009–2012, the government was led by the Liberal Democratic Party (LDP) headed coalitions.
7. Hashimoto coalition government consisted of Social Democratic Party of Japan (JSP) and New Party Sakigake (NPS), an LDP break-away party led by reformists such as Hatoyama Yukio and Kan Naoto. Both Hatoyama and Kan later formed the Democratic Party of Japan (DPJ) that led the coalition between 2009 and 2012.
8. In 2001, the total fertility declined to 1.3, and in 2005, it hit a record low of 1.08 (Korean Women's Development Institute [KWDI], 2012).
9. Previously, employment insurance (EI) coverage was available only to workers in workplace with 30 or more people.

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