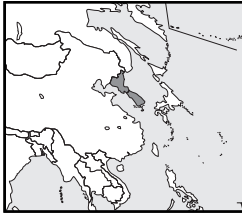


## Changes following the foreign exchange crisis

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Following the foreign exchange crisis in 1997, Korea experienced higher rates of unemployment, increased numbers of casual workers, and a widening gap between rich and poor. While the government is enlarging its social safety net, the civil society organisations are promoting actions towards a currency transaction tax.

### Eloquent figures

The Gini coefficient jumped markedly from 0.283 in 1997 to 0.327 in the latter half of 1999. The unemployment rate rose from 2.6% in 1997 to a high of 8.4% in the first half of 1999, and then began a downward trend as businesses recovered. As a result of structural adjustment measures in the second half of 2000 (when unemployment was down to 3.6%), however, the number of unemployed is expected to reach one million in the first half of 2001. Women's unemployment rate rose from 2.3% in 1997 to 5.6% in 1998, and peaked at 7.0% in the first quarter of 1999, falling back to 2.9% in the last quarter of 2000.

Casual workers (as of the fourth quarter of 2000) constitute 52.3% of all wage earners. They receive 19.8% to 27.2% less wages than full-time workers and do not receive social insurance benefits such as unemployment compensation.

As a result of the foreign exchange crisis, Korea now has a homeless class. From 300 homeless persons in 1997, this group expanded to 5,000 in 1998 and to 6,000 in 2001.

In response to this reality, the government is enlarging the social safety net with the introduction of public works programs, expansion of the four major types of social insurance including enactment of a Citizens' Minimum Livelihood Protection Act and other measures. It is also strengthening its support for alienated classes by establishing a new Ministry of Gender Equality, extending the period of mandatory education to include junior high school, and other programs.

### Major government policies

#### *Unemployment policy*

Since the foreign exchange crisis in November 1997, the government has established comprehensive job-creation programs that include public works projects (1998 budget: KRW 10.044 trillion/USD 7.55 billion; 1999 budget: KRW 24.926 trillion/USD 19.94 billion); limited livelihood support programs (to end in October 2001 with the implementation of the Citizens' Minimum Livelihood Protection Act); expanded coverage for payments of unemployment allowances; strengthened job training programs; and a government-supported intern system.

#### *Enlargement of social safety net*

Since October 1998, unemployment insurance has been applied to all work places with more than one employee. With the introduction of this measure, 8.342 million employees at 664,000 work places became newly eligible for unemployment insurance.

From April 1999, the national pension system was extended to include self-employed persons in urban areas, bringing coverage to 9,045,812 new members.

Workmen's compensation was expanded in July 2000 to include small businesses with fewer than four employees, extending coverage to an additional 1.65 million workers in 880,000 work places. Agricultural, forestry and hunting sectors are excluded from this insurance.

In August 1999, the Citizens' Minimum Livelihood Protection Act was enacted, and the Livelihood Protection Law, which had applied only to unemployable persons under 18 or over 65 living in poverty, was abolished. The Citizens' Minimum Livelihood Protection Act, which makes the national government responsible for all citizens who receive less than the minimum income, regardless of their ability to work, expanded coverage from 540,000 to 1.51 million persons.

#### *Gender equity initiatives*

A law was enacted in 1998 to prevent gender discrimination. The Equal Employment Act was amended in 1999. The revised law includes clauses to prevent and prohibit sexual harassment in work places. The Ministry of Gender Equality was established in 2001. (Its predecessor was the Presidential Special Commission on Women's Affairs.)

#### *Education*

The government adopted measures to strengthen public education, in response to expansion of the private education market following the foreign exchange crisis. The scale of investment in public education is 7.4% of the GDP (4.4% from government and 2.9% from the civil sector). The government burden is low compared with other countries.

On January 18, 2000, the government announced gradual implementation of mandatory junior high school education for everyone. The government is promoting education in information and communications technologies for persons in the low-income sector.

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### Activities of civil society organisations

The government has devised a variety of policies to protect low-income people and middle-class persons who fell into poverty as a result of the foreign exchange crisis. But the original goals of these policies are being lost because the will power and the infrastructure needed to implement these policies are weak. For example, the required budget is lacking and the government has failed to adequately take into account the actual income levels of the population.

In response to this situation, civil society organizations (CSOs) are calling upon the government to implement its policies in line with original goals, and are themselves leading various activities to promote such implementation.

Organisations concerned with social welfare are campaigning for increase in social welfare budgets, correct analysis of income levels, and expanded benefits under the Citizens' Minimum Livelihood Protection Act. They are also working for stabilisation of the social protection system.

CSOs concerned with education are campaigning to increase financing for education and strengthen public education.

Women's organisations are leading movements to abolish the Family Head System, by which every person is officially registered as part of a family hierarchical structure with the oldest male at the top. This prototypical structure under-girds discrimination against women in Korean society. Women's organisations are also campaigning to eradicate sexual violence and to protect the human rights of casual women workers.

The Citizens' Coalition for Economic Justice is leading a movement for adoption of a currency transaction tax (CTT). An underlying factor influencing the foreign exchange crisis was sudden large-scale movements of international capital.

The CTT is viewed as an effective tool to check sudden movements of foreign currency and to promote stability of the economic system. It is also expected that by stabilizing individual national and regional economic systems, the CTT will reduce the gap between rich and poor and contribute to social development.

A signature campaign is under way, targeting the 273 members of parliament and 1,400 economists; other social and labour organisations may join this movement. ■

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