

Transparency, a Key Factor to Improve Social Cohesion: A Review of the Korean Experience in the Context of Social Quality Research*

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This paper aims to present empirical evidence of change in terms of the social quality of Korea and provide theoretical explanations. The arguments begin by asking the question of why people are not satisfied although the society shows impressive improvement in both economic growth and political democratization. This inconsistency hints that rapid economic growth in Korea did not necessarily entail higher social quality. The main reasons for the feelings of dissatisfaction are growing distrust and exclusion between different social classes, and the weakening of structural empowerment. Based on historical and institutional arguments, the authors distinguish between two different types of social capital, and summarize the situation as an over-supply of relational capital and an undersupply of societal moral resources. They suggest that ensuring high transparency is the key factor to the improvement of social cohesion, ultimately contributing to better social quality.

Keywords: Social Quality, Social Cohesion, Social Capital, Transparency, Trust

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Introduction

In this paper we attempt to trace empirically the changes in the social quality of Korea during the past decade and possibly offer some explanations. We have two purposes in pursuing this goal. First, although the conceptual and theoretical framework for social quality has been discussed rather extensively, attempts at empirical measurement have been relatively scarce. We try to fill this gap. Second, the social quality framework as originally proposed by European scholars might not fit perfectly in an Asian context. We try to use the Korean case to see if it might have some different theoretical ramifications in different contexts.

We begin by asking whether Korea is a developed country. Although the usual objective indicators strongly tend to point to an answer in the affirmative, three out of four Koreans do not think so. This inconsistency poses an interesting puzzle because it hints that Korea might be suffering from problems of social quality as a result of its rapid economic growth. To solve this puzzle, we present what the indicators of social quality reveal over the past ten years. The data suggest that Korea has had both improvements and deteriorations in each of the four conditional factors of social quality. However, the most outstanding trend is witnessed in terms of growing distrust, burgeoning exclusion between different social classes, and the weakening of structural empowerment.

We argue that these trends are in fact closely interconnected in the Korean, and perhaps East Asian, context. Korea and some other East Asian countries have been well known for their abundance of informal networks. From the Western point of view, this phenomenon might be equated with an abundance of social capital. However, we suggest that it is imperative to distinguish between elements of relational capital and moral resources in social capital literature in order to better understand the real workings of social capital in the Korean context. Social capital as a form of relational, instrumental resource has been in fact abundant, while social capital as a moral resource has been rapidly disappearing. In this situation, the abundance of informal networks can only deepen the rifts between different social groups and nurture distrust for those who do not belong to one's group. One effective key to solving this problem is to ensure high transparency. Understandably, Korea's position in the Corruption Perception Index has remained in the lowest stratum for the past ten years.

The relationship-based social system is not always bad. It worked efficiently in the past when an authoritarian state leadership and charismatic authority dominated the society. However, the growing complexity of the economy

entailing the country's economic success and increasing internationalization, together with the establishment of procedural democracy since the late 1980s, has dismantled the societal basis on which the relationship-based system can work. Comparison with more than 70 countries in terms of trust and transparency reveals that Korea is now in the middle of a transition period which is analogous to a trust bottleneck where increasing transparency can cause decreasing trust, which in turn deteriorates social quality. Assuming that there is no way to go back in time, the immediate task for the country is to pass the transition zone as quickly as possible by establishing even higher transparency. This is why we suggest that transparency is the key factor to improve social cohesion in Korea for the near future.

Is Korea a Developed Country?

East Asian countries have accomplished remarkable economic growth in modern history. Economic growth, however, does not automatically guarantee higher social quality, as we witness in the case of South Korea. The key motto for the two decades since 1960 was "freedom from hunger," and the two decades thereafter were summarized as a march for "freedom from autocratic state power." After four decades of development and democratization, South Korea is now facing growing inequality, distrust, and social conflict.

At this point we have to think seriously about what social development means. Usually social development is a complicated phenomenon irreducible to one or two factors such as economic growth and political democracy. Some scholars have proposed 'quality of life'¹ or 'advancement'² as a measure of social development. Korea is internationally regarded as a developed country. It is the

¹ We suggest that the social quality (SQ) paradigm is better than the Quality of Life (QOL) paradigm in several aspects. The QOL paradigm is based on the assumption that diverse indicators and indices of individual life qualities may be quantitative and qualitative measures of social development. However, the QOL paradigm has certain limitations: First, QOL research focuses on developing indices, but it usually lacks theoretical arguments. Second, QOL research assumes that people passively respond to the given social structure and material conditions, instead of portraying humans as acting agents. Third, QOL research covers almost every aspect of human life, thus producing an endless list of elements. Fourth, QOL research is value-neutral. Fifth, QOL research suffers from the implicit assumption that the sum of individual qualities of life is analogous to the quality of the society. As an alternative we need an index which is open, theory-laden, and has clear political implications.

² Advancement has a peculiar usage in Korean, implying that a country becomes or is becoming similar to already advanced countries, such as G8 countries.

world's 13th largest trading country; it is already a member of the Organization for Economic Cooperation and Development, which is a group of the 30 most developed countries. Its gross domestic product per capita was more than \$20,000 by the end of 2007. In terms of the human development index, which measured the combined indicators of life expectancy, adult literacy, and school enrollment rate,³ this country ranked 26th among 177 countries in 2007.

It is strange, however, that most Koreans still do not believe they are living in a developed country. Three out of four people do not rank Korea as a developed country, and they complain that it is growing tougher to survive here (SBS-TNS, 2007). Economic uncertainty, and growing social conflict, coupled with deep distrust of major institutions are reasons for only part of the discontent. A rapidly increasing suicide rate — one of the highest in the world - and declining voter turnout in major national and local elections during the last decade reflect widespread powerlessness and political apathy among ordinary people.

There had been a clear consensus about the national goal during the past decades: “economic growth” was the goal of this country during the 1960s and 1970s, followed by “democratization” around the 1980s and 1990s. But after the economic crisis during the late 1990s, this country suddenly lost possession of a clear national goal. Although the formal procedures of democratic elections were installed and extended, virtual progress in democratic policy making and its effective implementation have been far behind the desired level under the two democratic regimes under Dae-Jung Kim and Moo-hyun Roh. Experts argue that neither economic growth nor democratization alone can be a guiding motto for the coming future (Lim, 2006; Kwon, 2006). The Korean case shows that economic growth does not always lead to higher social quality. Economic growth may have helped Koreans escape from a hungry *society*, but they instead arrived at an *angry society* filled with discontent, distrust, exclusion, and social conflict (Jun, 2008).

Changing Trends of SQ Indicators

In this paper, we propose ‘social quality’ as a good measure of social development. Social quality is a comprehensive standard measuring the extent to which people’s daily lives have attained an acceptable level. It is defined as the

³ It is measured as gross enrollment ratio combining primary, secondary, and tertiary school with equal weight.

extent to which people are able to participate in social, economic and cultural life and the development of their communities under conditions which enhance their well-being and individual potential (Beck et al., 2001). Because social quality is rooted in social relations people must be constituted as actors with the capacity for both self-realization and participation in collective identities.

Once constituted, four conditional factors determine the opportunities for the achievement of social quality. Social structures may be more or less enabling and supportive (*social empowerment*); institutions and groups may be more or less accessible (*social inclusion*); people will have variable access to material, environmental and other resources necessary for participation (*socio-economic security*); and their society and communities will be characterized by different forms and levels of cohesion (*social cohesion*). It is assumed that these four “conditional” factors can be measured by indicators and then combined into a composite index of social quality (Maesen v.d., Walker and Keiger, 2005; Maesen v.d. and Waker, 2005).

It may require a huge amount of quantitative and longitudinal data to trace the trend of Korean social quality. But in this report we focused on limited but the most important indicators. Without reporting all of the empirical details, we aim to present summaries of the historical trend and to add theoretical considerations and policy implications (Yee, 2007). Judging from the empirical indicators and survey results, there are both positive and negative sides to each aspect of social quality. But the most obvious changes include the overall deterioration of trust in institutions and a staggering void in the area of social cohesion, and growing anxiety about the future and adherence to job security in the area of socio-economic security.

To measure socioeconomic security, we traced the changes in income, employment, housing, medical care, crime rate, and education. Absolute poverty had increased after the economic crisis around 1997, but gradually decreased thereafter. There is a minimum investment in the safety net for the poor, but it has not increased impressively. The proportion of welfare in government expenditure is lower than the OECD average, and it is decreasing. In terms of employment, the proportion of involuntary irregular employment is growing, and the wage gap with regular workers is also growing. Therefore, in terms of economic security, social quality is deteriorating. Industrial safety, measured as fatality per 100,000 workers, has improved continuously. Skyrocketing housing prices have produced polarization in housing quality, though the availability of housing has increased. The crime rate, especially for serious crimes such as homicide and robbery, has increased drastically. In sum, in spite of the improvement in income, education, and medical care, the

population vulnerable to socioeconomic risk has increased.

Social cohesion deals with identity, value, and norms. It is measured by 1) general trust in anonymous others 2) transparency and corruption perception 3) trust in social rules and institutions 4) tolerance and multiculturalism 5) communal value and belongingness. From the available data we found that almost all indicators except tolerance toward foreigners have constantly deteriorated during the last three decades. General trust has decreased; corruption has barely improved; and distrust against major institutions such as parliament, government and the judiciary has increased. Also, the divorce rate has increased and civic participation in voluntary associations has been very low.

Social inclusion implies accessibility to social resources and opportunities offered by the society, regardless of an individual's ethnicity, belief, gender, and value preference. More specifically, social inclusion encompasses 1) citizenship, pension coverage, gender wage gap; 2) the proportion of involuntary irregular employment and/or unemployment; 3) social services such as medical care, social protection, dwelling environment, education, private tutoring; and 4) contact with neighbors, friends and kin. From the data we find very clear trends. Gender discrimination is decreasing in diverse measures, and the educational gap is also decreasing; however, the labor market is becoming more exclusive, thus excluding growing numbers of the unemployed and increasing income inequality.

Social Empowerment can be measured by 1) socio-cultural indicators, such as literacy, newspaper subscription, internet access, cultural activities and voluntary association participation; 2) political indicators, such as voter turnout, recall, and political hearing; 3) economic indicators such as labor unionization, occupational training, and collective bargaining; 4) social-psychological indicators, such as mental illness, suicide, and aspiration for upward mobility. There are two different trends detected. In the area of personal affairs, there is a growing willingness to develop oneself and solve problems in everyday life by utilizing more information technology, resorting to lawyers and filing more grievances to the government. But structural empowerment is believed to be decreasing by judging from the interrelated phenomena, such as decreasing voter turnout and labor unionization, weakened willingness for upward mobility, and an increasing suicide rate.

Figure 1 summarizes the changes in South Korean society during the last ten years discussed so far in terms of social quality quadrants (Yee, 2007). As originally proposed by Beck et al. (2001), the social quality quadrants present the four conditional factors of social quality. As one from left to right along the

Table 1. Summary of SQ Change in Korea

	starting point	trend	direction	Overall trend
1. Socioeconomic security				
1.1 security from poverty				
Absolute poverty rate	Low	∩	-	Medical services improved, but socioeconomic risks also increased.
Welfare budget	Low	∩	-	- Decreased safety in employment but increased workplace safety
1.2. Employment and industrial safety				
Irregular employment	Middle	↑	-	- Housing availability increased but housing price deteriorated
Working hours	Low	↓	+	- Welfare budget lagging behind the demand caused by new poverty
Fatality per 100,000 workers	Low	↓	+	- Improvement of medical service and education
1.3. Dwelling and Safety				
Housing availability	High	↑	+	
Housing price	Low	↑	-	
Crime	High	↑	-	
Medical service	Low	↑	+	
Educational level	High	↑	+	
2. Social Cohesion				
2.1. General trust				
2.2. Corruption perception index	Low	→	0	Loss of common identity and norm
2.3. Trust on institutions	Middle	↓	-	Increasing openness to foreigners.
2.4. multiculturalism and tolerance				- Decreasing general trust
Tolerance toward foreign workers	Low	↑	+	- Staggering transparency
2.5. Communal value				
Will to emigrate	High	↑	-	- Decreasing trust on institutions
Associational participation	Low	↑	-	- Decreasing community value and belongingness
Divorce rate	High	↑	-	
3. Social inclusion				
3.1. Social integrity				
Public pension coverage	Low	↑	+	Improved Gender inclusiveness, increasing class exclusion
UNDP Gender equality index	Middle	↑	+	
UNDP Female Empowerment index	Low	↑	+	
3.2. Labor market integration				
Youth unemployment/give-up	High	∩	-	
Income inequality	Middle	↑	-	
Transfer to higher education	High	↑	+	
3.3. Social connectedness				
Living with parents	Middle	↓	-	
4. Social Empowerment				
4.1. Socio-cultural empowerment				
Newspaper subscribers	Low	↓	-	Decreasing structural empowerment, increasing personal empowerment
Internet access	High	↑	+	- Increasing self-realization and ordinary grievance resolution
Lifetime education	Low	↑	+	- Increasing political indifference
Lawyer/notary	Low	↑	+	- Decreasing labor unionization
4.2. Political empowerment				
Voter turnout	High	↓	-	- Decreasing idealism and optimism
Grievance filing	Low	↑	+	
4.3. Economic empowerment				
Labor Unionization	Low	↓	-	
4.4. Social-psychological empowerment				
Subjective class	Middle	↓	0	
Subjective job priority			-	
Suicide rate	Low	↑	-	

Legend: ↑ increase ↓ decrease → no change ∩ increase and then decrease + positive direction - negative direction

		<i>Societal level development</i>			
<i>System/institution organization</i>	Improvement of social safety in medical service and education	Growing openness toward foreigners			
	Deterioration of economic-criminal safety	Rapid decrease of social capital	<i>Community group</i>		
	Increasing gender equality	Increasing ordinary empowerment			
	Decreasing class equality	Decreasing structural empowerment			
		<i>Individual level development</i>			

Figure 1. Summary of Changing Social Quality in South Korea

horizontal axis, the main concern moves from matters of the system and institutions to those of communities and groups. If we move from the bottom to the top along the vertical axis, we are shifting our focus from individual level development to societal level development. In each of the four quadrants a unique conditional factor for social quality is defined: counterclockwise from the top right quadrant, there are social cohesion, socio-economic security, social inclusion, and social empowerment. The Korean trend discussed so far indicates that in each area, both positive and negative changes are found. In Figure 1, positive change is indicated in the first line in each quadrant with the negative one written in the second line. Although we have mixed results, it is also possible to distinguish the most visible changes: growing distrust, increasing exclusion between social classes, and a decrease of structural empowerment.

Social Capital as a Basis for Social Cohesion

The concept “social capital” is the keyword to measure the quality and traits of “social relations” among individuals and groups. It is an invisible asset accountable for diverse issues such as democracy, economic growth, education, welfare, and regional development. Mutual trust produces cooperation and participation for the common interest among individuals by reducing uncertainties, thus contributing to organizational performance and economic efficiency, as well as social integration and individual well-being (Coleman,

1988; Fukuyama, 1995; Putnam, 1993, 1995; Sztopmka, 1997). Despite the accumulation of arguments and evidences on the wonderful effects of social capital, there are very few clarifications on what social capital is and what the relationship between trust and social capital is. Such ambiguity often leads us to equate social capital with a panacea (Portes and Landolt, 1996). In an East Asian context, however, where tradition and modernity have coexisted in a less orderly way, we should be more cautious about using the concept of social capital (Chang, 1991; Hall and Ames, 1999).

We have to distinguish between two different types of social capital: “relational capital” versus “societal moral resources.” Here, we mean by relational capital the instrumental use of social ties, while societal moral resources are defined as the socially constructed element of social cohesion, such as a high level of general social trust, or active participation in voluntary associations. While relational capital is based on a particularistic engagement among closely tied people, societal moral resources is based on a universalistic view accompanied by weak ties based on common interests (Yee and Nam, 2008). Koreans traditionally have developed rich and diverse *yonjul*, or pseudo-familial ties based on networks among common kin, or persons from the same regional or school background (Chang, 1991). But they have been less active in creating and maintaining healthy and voluntary associations. This country is suffering from an oversupply of relational capital, coupled with a serious undersupply of societal moral resources. It is estimated that the participation rate in voluntary associations in Korea is one fifth of that in other OECD countries.

Empirical research (Yee and Nam, 2008) shows that those who attend only pseudo-familial groups tend to have a very strong sense of belonging to the group, but one that is sometimes too strong to accept outsiders and different voices. Those who remain within pseudo-familial groups tend to lack tolerance for diversity and heterogeneity. It is these people who have discriminatory attitudes toward people from different backgrounds, such as ethnicity, religion and region. On the other hand, associational activities decrease authoritarian attitudes. Those who actively participate in voluntary associations show a higher level of trust in other people. They prefer self-esteem and personal style instead of going along with the crowd. As de Tocqueville has mentioned in his classical book on democracy in America, supporting voluntary associations at the community level will eventually contribute to the consolidation of democratic principles at the national level.

Figure 2 shows that *yonjul* ties with family, relatives and alumni are the most trusted relationships. On the other hand, major institutions producing

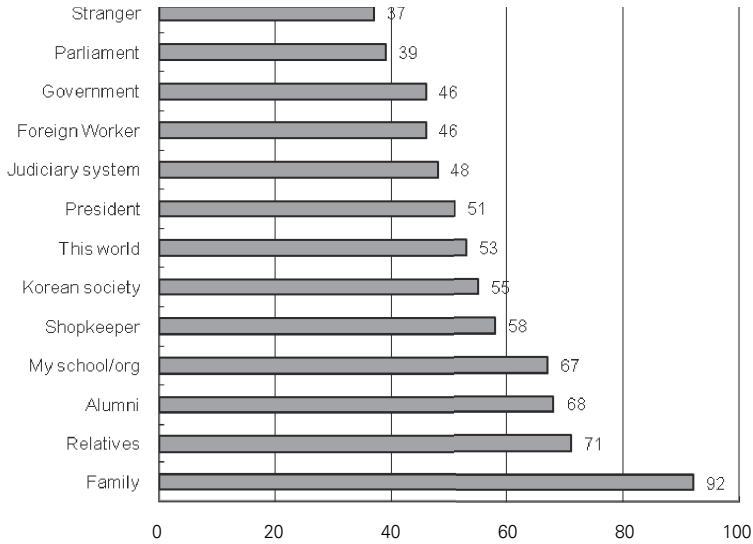


Figure 2. Trust Score

Source: East Asia Institute-Hankookilbo, 2005.

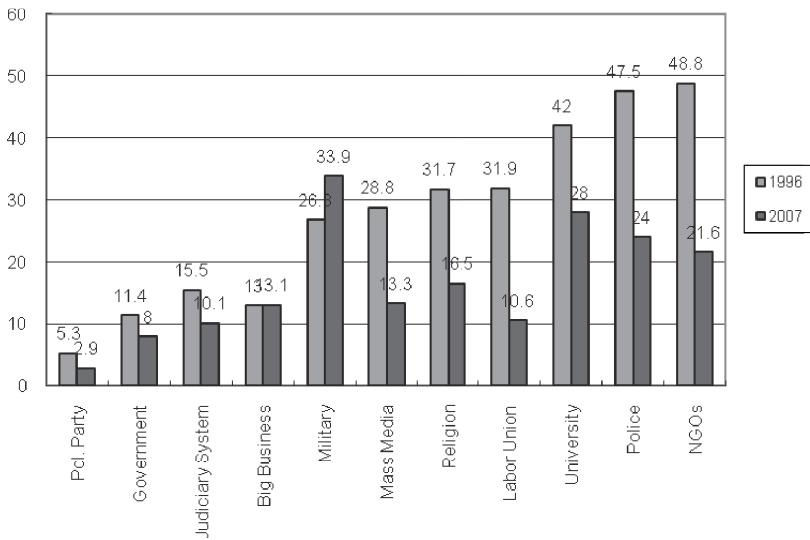


Figure 3. Declining Trust Score on Major Institutions [Fully trusted=100]

Source: ISDPR, 2007.

and implementing legal rules, such as parliament, governments, and the judiciary system, are barely trusted. As an umpire plays a critical role in sports games, so do public institutions in social life. We cannot enjoy an exciting soccer game when the umpire is unfair and distrusted. Likewise, it is very difficult for us to have healthy and transparent interactions when we lack trust in public institutions.

Figure 3 shows that trust in public institutions has declined over the last decade. Political parties are the least trusted, followed by the government and the judiciary system. The problem is that trust in these institutions is getting worse. For the last decade, institutions in the private sector including NGOs, universities, labor unions, and religious organizations were more trusted, but recently, over the past ten years, many people have lost trust in most of them. The only exception is the military whose score increased from 26.8 to 33.9. The figure shows that influential organizations with the strongest power are the least trusted. Such a reversed relationship between influence and trust reveals that Korea has a very fragile basis for social quality: the inconsistencies in government policy and the corruption of civil servants are undermining the social basis for economic prosperity and social integration.

The lack of transparency is empirically evidenced by the Corruption Perception Index (CPI) announced annually by Transparency International. Korea's CPI has been given a score of around 4.5 and ranked around 45th for the last ten years, and there has been no significant improvement (See Figure 4).

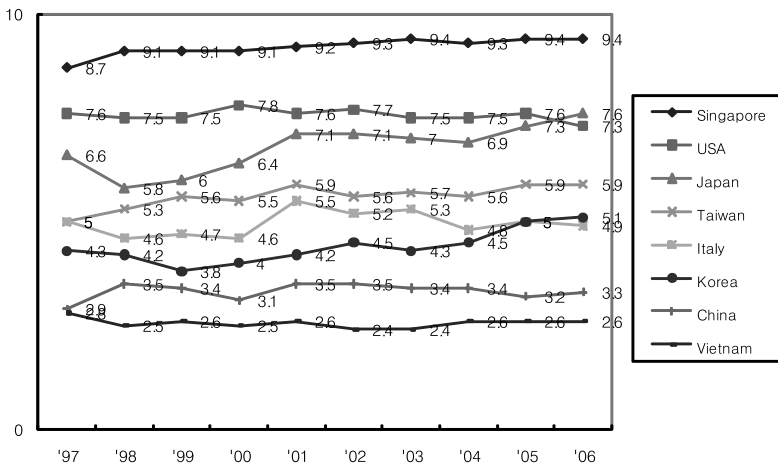


Figure 4. Trend of Corruption Perception Index (Perfect Transparency = 10)

Source: Transparency International, 1997-2006.

One study conducted by an economist at Korea Development Institute estimated that Korea might have enjoyed an additional 1 percent economic growth, had it maintained the same law-abiding level with other OECD countries (Tcha, 2007). Political Risk Services Group (2005) argued that over the thirteen-year period since 1991, Korea's ranking in terms of average law observance was 27th out of 30 countries in 2005, followed by Turkey and Mexico. Korea's law observance score was 20 percent lower than the OECD average. It is common knowledge among economists that legalism, or law-abiding tradition, improves the predictability of economic actors, thus contributing to sustainable economic development (North, 1990). In a high trust society, there is a high predictability of government policy. People trust long-term government policies, such as the foreign exchange rate, interest rate, and taxation. In a high trust society, incentive for innovation is strong and people tend to invest more in human capital, with expectations of higher return.

Since the democratization process began in 1987, there has been significant progress in terms of procedural democracy. But social conflict and collective actions have not diminished. Different groups can engage in a dialogue and compromise more easily when there is a transparent rule. Therefore, transparency contributes to social integration.

Transparency and general trust are, therefore, good measures of "societal moral resources." This type of social capital takes the form of norms and effective social sanctions. According to the logic of collective action, strong social norms will strengthen negative sanctions to those who violate public rules. With strong civic norms, people can effectively sanction the opportunistic behavior of free riders (or defectors), ultimately saving the costs of monitoring. Social capital also increases civil ethics and overcomes the difficulties of collective action: principals (citizens) will eagerly monitor the behavior of their agents (representatives).

Historical Background

During the period of rapid economic growth, the efficiency of the Korean model of development was maximized when a well-ordered workforce was managed by charismatic leadership, for example, in the President Chung-Hee Park era and the period of rapid growth of *chaebol* business groups under charismatic leadership represented by Ju-young Chung of Hyundai Group. The Korean model, characterized by the guiding role of government, strong political leadership, and authoritarian mobilization of traditional values, was a highly

successful basis for economic growth in the early period.

However, an economic crisis occurred when the Korean model became incompatible with the increasingly global and interconnected world economy. With accelerating globalization and integration, especially in the areas of economics and finance since the 1980s, the domestically strong government and political leadership had to learn how to cope with international interdependencies and resulting unexpected variables. Adapting to this new environment required modifying the national economic system. When Korea failed to adapt its system with sufficient speed, it succumbed to the crisis.

Which aspect of the Korean model was primarily responsible for the country's vulnerability? While the charismatic leadership characteristic was efficient in promoting the large-scale mobilization of resources, it failed to accommodate diverse interests. The relaxation of government guidance revealed the significance of the rifts separating different interest groups. The episode also revealed that the Korean model, when coupled with a strong hierarchical structure, has high potential for system failure. A case in point is the *chaebol*. The scale and complexity of *chaebol* groups constitute a challenge to the family-firm style of management. Yet it was not uncommon for the heads of *chaebol* groups to appoint their offspring as their successors. The second-generation owners, frequently inexperienced at the task of managing a huge modern enterprise, often lacked the requisite expertise and capacity for crisis management. The weak governance structure of the *chaebol* originating from the highly-protected developmental era, joined with this family management, could easily ignite or ill-manage a crisis.

This problem was compounded to the extent that the distinction between the public and the private is blurred in the Korean model. In Korean business culture, loyalty to the supreme chief is synonymous with commitment to the organization (Hofstede, 1991). The result is far from the ideal of rational bureaucracy imagined by Weber. Rigid hierarchy and personal loyalty endow the owner with a monopoly of power and place the entire organization at the whim of a single individual. The result was that Korean firms often assumed higher risks than their Western counterparts. The decisions of one top owner might therefore result in the disastrous bankruptcy of an entire *chaebol* group. Compared to Western corporations, whose ownership is arguably more widely dispersed and whose CEOs are responsible to shareholders, Korean firms therefore tended to be high-risk systems prone to system failure.

Relationship-based systems are problematic when combined with strong centralized political power. A clientele-based political process can then result, severely distorting the allocation of resources, as political parties are run like

Figure 5 shows that Korean society is now suffering from declining trust. After comparison with more than 70 countries, we find that general trust in Korea is much lower than that in China and Vietnam as well as European countries. Generally there are two groups of countries in the world. European OECD countries show both high trust and high transparency. However, non-western countries show high trust coupled with lower transparency. Korea, which has been very similar to China and Vietnam, is now facing declining trust after rapid economic growth and democratization. The openings of information and democratization have made it more difficult to maintain an authoritarian system based on a traditional social institution. Korea is, in a sense, in transition.

Discussion

The main benefit of the traditional Korean model was the combination of charismatic leadership and personal ties as a propelling engine for the efficient mobilization of the energy of ordinary people. However, democratization has effectively destroyed authoritarianism, but it also undermined the authority of major institutions which have claimed to be a source of political legitimacy. As a result, there is a vacancy of governance which must be filled with more rational and legal authority. Korea is now facing a transition zone where the system based on traditional personal ties should be replaced by more transparent rule-based domination. Trust in social rules is a moral resource which has many positive effects in transforming social relations and upgrading political and economic governance. In this context, we want to emphasize that, for the time being, establishing transparency is the most important task in Korea for upgrading social quality and sustaining development.

Trust is a moral resource which has many positive effects in transforming social relations and upgrading political and economic governance. But it is also noteworthy that trust is a multidimensional phenomenon to be understood in a systematic framework. The debate on the role of social capital and trust in the West cannot be understood without considering the importance of contract and transparency in implementing social rules. East Asian debates on the role of trust, however, were based on the implicit and hierarchical nature of social relations. Without considering this significant difference between the East and West, we may either mystify the role of trust, or underestimate the importance of transparency. In this context, we want to emphasize that, for the time being, establishing transparency is the most important task in East Asia to maximally

utilize a traditional moral resource, such as euri or quanxi for further social development.

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