

## Abstract

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### A Paradigm Shift Towards a Sustainable Welfare State

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The amount of public welfare expenditure in Korea has increased significantly over the years. There emerges the view that welfare expenditure becomes a financial burden and will be getting worse in the coming years. This study examines the preceding experiences of advanced welfare states that have encountered similar challenges. Drawing the lessons from these countries, the study provides some policy suggestions to make Korea a sustainable welfare state.

It is found that Nordic welfare states, which maintain the high level of welfare spending and tax revenue with strong social investment strategy, demonstrate the excellent performance in social, as well as economic aspects. This model, however, is deemed not duplicable in Korea, since different politico-socio-economic conditions across the countries make home-grown social welfare systems more feasible and sustainable. This study recommends that welfare expenditure and tax rates be maintained at the mid-level of OECD countries, where the national economic capability has not yet reached European welfare state levels and the citizens' resistance to high tax increases remains strong.

This study also recommends that Korean welfare policy focus more on social investment strategy. As Korea enters post-industrial economic conditions, investing on human capital becomes even more important for getting quality jobs that would contribute poverty mitigation and economic growth. Given the poor income security system and unstable labor market, the social investment policies should be accompanied by enhancing the social safety net.

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