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## Informal social networks in Korea: Covering the cost of major life events



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### ABSTRACT

This article investigates an informal voluntary social arrangement for financial assistance with discrete major life events known in Korea as *Sang-Ho-Bu-Jo*. This informal voluntary arrangement is neither public nor private, but is based on social networks that produce a unique form of civic society. *Sang-Ho-Bu-Jo* covers people's transitional one-time needs. This study explores the practice of *Sang-Ho-Bu-Jo* and its origins and provides the first systematic empirical study of this social phenomenon. Three large databases are used to analyze the scope and level of participation, as well as what variables correlate with such involvement. The study finds a high rate of participation, over 80% of households, and an average investment of 2–4% of household expenditure. *Sang-Ho-Bu-Jo* can help scholars and policy makers worldwide in understanding the role of socialization, social networks, and social capital in explaining innovative informal methods of social care.

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“...to refuse to give, to fail to invite, just as to refuse to accept, is tantamount to declaring war; it is to reject the bond of alliance and commonality.” (Mauss, 1950, p. 13)

### 1. Introduction

The traditional providers of social insurance programs in most countries are government, private insurance companies, employers, union and trade organizations, the family, and mutual aid organizations (Handel, 1982). The idea of social insurance is that, through government programs funded by taxes or through voluntary payment to certain for profit or nonprofit organizations, people are financially assisted in agreed upon times of need. Such programs reveal much about the countries they serve (Baldwin, 1990). In Europe and North America, for example, governmental and private social insurance programs developed to address the negative consequences of industrialization and urbanization (Axinn & Stern, 2012). Anomie and lack of traditional family-based social responsibility

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created a society of people with varied needs and with no normative support mechanisms to help the elderly, the widowed, or the unemployed. As family and informal support in these countries faded, state and private firms began to dominate the social insurance and economic assistance arena. While these models of formal support are widespread, social insurance can take other forms, including informal and social networks-based support provided specifically in times of need. Based on social capital and exchange expectations, people can be helped by other people who are embedded in their set of social networks.

The literature on social insurance and social welfare is full of models from different countries (c.f. Esping-Andersen, 1990), many of them quite different from the ones taken for granted in the West. For example, in the Confucian welfare state in countries like Hong Kong, Japan, Korea, Singapore, and Taiwan, the burden of providing a social safety net falls mainly on the family and on private voluntary organizations (Lin & Rantalaiho, 2003; Walker & Wong, 2005). Parents invest in their children, and children later repay the parents by supporting them when they are weak and needy. Also, other relatives support each other. Currently, however, these reciprocal arrangements are eroding; families are getting smaller, many people are moving away from villages to larger cities, and unmet needs are increasing drastically (Croissant, 2004). For example, in July 2013, a law was introduced in China requiring children of parents older than 60 to visit their parents “frequently” and make sure their financial and spiritual needs are met. Regardless of the potential for enforcement of such a law, its existence suggests erosion in traditional familial responsibility.

Regardless of the erosion in family support, it is likely that a Confucian welfare state may develop an alternative or parallel model of social insurance and economic support. More specifically, the question is whether a society can build or even sustain an informal social arrangement based on social networks rather than on government intervention. This paper investigates one such informal arrangement in South Korea. The aim is to introduce and demonstrate the working mechanisms of *Sang-Ho-Bu-Jo* as a means to expand the boundaries of the discussion on social insurance from public-private programs to civic society arrangements and to offer it as a possible model for neighboring countries.

As a traditional Confucian society, South Korea has developed an alternative social insurance arrangement that does not rely on the government, private companies, or on non-profit organizations. *Sang-Ho-Bu-Jo* serves as a buffer against financial stress during life events such as weddings, births, accidents, and deaths. While it is optional, a large segment of Korean households participate and pay significant sums to do so. Based on the principles of gift exchange and social capital, members of one's social network support the person in times of need and then the one assisted returns the gesture by supporting those who assisted him or her in their times of need. *Sang-Ho-Bu-Jo* takes the principles of traditional one-on-one gift exchanges onto a systematic social level where people from one's various social networks assist in time of need to form a small-scale informal insurance arrangement.

## 2. Literature review

### 2.1. *Sang-Ho-Bu-Jo* (상호부조)

In order to understand the uniqueness of *Sang-Ho-Bu-Jo*, it will be helpful to introduce another social arrangement that is based on extensive social networks and that is widely used in Korea and many other countries. To save for certain life events, many Koreans use *Kye* (계) – a type of a credit club where members meet regularly, pay into a communal account, and receive money back in times of need or when their turn comes (Biggart, 2001; Kennedy, 1977). In most cases, the person who receives money first gets the least and the one who receives the money last gets the most. Women usually have a short-term *Kye*, between 18 and 24 months, lasting until every member receives a piece of the pot. Such short-term *Kye* schemes help pay for events like a child's wedding. Men often have long-term *Kye*, as it is part of ongoing fraternal groups that meet monthly to socialize and to pay into the communal pot, which members draw upon to fund unexpected family expenses or a business venture. This behavior that is more common among women corresponds to findings on biological and gender-based behavior differences (Tao, 2014). Lett (1988, p. 91) concludes that: “People would participate in various *Kye* in order to receive a large lump sum of money for a special event, such as child's wedding, buying a home, taking a trip, or starting a business”. To assure full participation and reduce the risk of free riders, *Kye* membership is often restricted to established networks such as neighborhoods, schools, and alumni organizations.

*Kye* falls into what Geertz (1962) describes as “rotating credit associations”. These types of associations are common in agrarian societies and in some immigrant groups and membership is exclusive. In other words, all members invest equally and, on a rotating basis, each member equally benefits from the collected money. New members are rarely admitted into an already established group, and the strict financial obligations are mandatory for every member (Little, 1965). Current literature refers to these groups as Rotating Saving and Credit Associations (ROSCAs). *Sang-Ho-Bu-Jo*, however, is a looser, more comprehensive method of using social networks for informal social support, and it goes well beyond mutual aid organizations.

*Sang-Ho-Bu-Jo* is not a mutual aid organization. Midgley and Hosaka (2011) define a mutual aid association as one comprised of groups of people who pool resources for a variety of social protection purposes. In the context of mutual aid associations, the members are all in the same network and one can be either fully in or out. The commitment of all members is equal and there are often clear rules as to who takes the money and when. *Sang-Ho-Bu-Jo* has some of the characteristics of mutual aid, but it is distinctly different. Members in Person X's network are not the same as members in Person Y's network (Goodin, 2002). There may be overlaps, but the system is wide open and is based on previous and current place of residence, place of education, friendships, place of employment, and family, and thus each person's set of networks is unique. People can expand or shrink their network at any given moment by

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