The Transformation of East Asian Welfare States:

The Politics of Welfare Reform in South Korea

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Abstract

East Asian welfare states have experienced major reforms in the last two decades, raising the question as to whether these welfare reforms signify a fundamental departure from the East Asian welfare model, or merely an adaptation of the model to socio-economic changes. Overshadowed by the state-driven policy-making model with a strong functionalist bias focusing on socio-economic drivers, the existing East Asian welfare state literature has overlooked the fundamental political change brought by the dual transition (i.e., democratisation and economic liberalisation), which have led to the emergence of pluralistic societies. In order to fill this gap in the literature, this thesis investigates the political underpinnings of welfare reforms in Korea with special attention to societal actors, (notably trade unions, employers' associations, and political parties) whose role feature prominently in the comparative welfare state literature, are still largely neglected in East Asian welfare state research. Bringing these actors into the analysis, the thesis examines how the rise of societal actors has changed Korean welfare politics by constraining policy autonomy of the state in the domains of employment protection, unemployment protection, and work/family reconciliation policies. To this end, the thesis engages in analysing policy documents and in-depth elite interviews with senior government officials as well as high-profile representatives of employers associations, trade unions and parties.

The thesis argues that the politics of the Korean welfare state has undergone a three step transformation process in the post-transition period. The developmental alliance could no longer function as the sole driving force of welfare state development during the first civilian government (1993-1998), when organised labour exercised its newly acquired status of a veto player. Furthermore, the old driving force of social policy-making, the developmental alliance, was replaced by the new alliance between the centre-left party and organised labour during the first left government (1998-2003) Lastly, parties moved to centre stage of social policy-making during the second left government (2003-2008) and the current conservative government (2008-presnet).

Drawing on competing theories of the welfare state –in particular, the Power Resource approach, the employer-centred varieties of capitalism perspective, and the state-centred theorem, and the parties-matter thesis – the thesis contributes to developing a comprehensive political account on welfare state transformation in East Asia and to the better embedding of the East Asian welfare state literature into the comparative welfare state literature.

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1. Introduction

This thesis is about welfare reforms in South Korea. In the last two decades, welfare states in East Asia have undergone significant reforms. Despite having generated heated debates about their implications for welfare capitalism in East Asia, the reforms have rarely been the object of scholarly attempts that inquire into why they happened. Even among the few studies scrutinising the politics of welfare reforms, it is hard to find ones which seriously take into account the overarching political change in those countries - the emergence of pluralistic societies. The existing scholarship on East Asian welfare states tends to highlight uniqueness of East Asian welfare states; the so-called 'East Asian exceptionalism' illustrates that the establishment of residual welfare states in the region was driven by the state. The scholarship largely draws on cases from Japan and the Newly Industrialised Countries in East Asia (notably, Korea, Taiwan, Singapore and Hong-Kong), although three countries in Northeast Asia (that is Japan, Korea and Taiwan) have been given more attention due to the expansion of welfare state in the countries. Although it is well documented that the power balance has shifted towards society in the state-society relations owing to the democratic transition and consolidation in the region, the scholarship has continued its adherence to the state-led framework. Most studies contend that the old political mechanism, which established welfare capitalism in the region, is still at work. The same state that had led the institutionalisation of welfare states in the region is presumed to be in the driving seat of welfare reforms. This deterministic view of the existing literature downplays the role of non-state actors, and thus discourages the development of research moving beyond the state-centred approach in the field. For this reason, it fails to capture impetus for reform generated from outside the state. As a consequence, the approach leads to a deficient political analysis, which undermines the prospect of rigorous theory building. In order

to develop a comprehensive account of East Asian welfare reforms, therefore, the thesis contends that an alternative perspective based on a comprehensive framework is needed. This thesis is an attempt to provide an alternative perspective.

1.1. Research Puzzle and Question

Three countries in East Asia – namely Japan, Korea, and Taiwan - are often classified as the East Asian model due to their similarities of political economy and cultural background. The three countries not only achieved an 'economic miracle' in the aftermath of World Wars through the state-led industrialisation (Rodrik, 2011, World Bank, 1993; also see Johnson 1982 for the Japanese case; Amsden 1989 for the Korean case, Wade 1990 for the Taiwanese case), but also experienced authoritarian rule or one-party rule for a number of decades in the post-war period. The mainstream literature depicts the key feature of political institutions in East Asia to be a dominant state-business alliance from which labour is excluded (Pempel and Tsunekawa, 1979, Deyo, 1989).

1.1.1. The East Asian Welfare Model

The notion of a strong state has heavily influenced the scholarship of East Asian welfare states. The three countries are typically classified as the 'East Asian welfare model', 'developmental welfare state', or 'productive welfare regime', in which the state uses its considerable policy autonomy to harness social policy for economic development (Goodman et al., 1998, Kwon, 2005b, Holliday, 2000). In the post-war era, the three countries began to provide very modest social protection, since the 'developmental alliance' between the state and businesses mobilised resources mostly for economic development and deliberately assigned few resources to social protection. In order to

establish social safety nets with minimum state financial inputs, conservative governments in East Asia pushed contribution-based social security programmes, on the one hand, and enforced company welfare programmes, on the other hand (Kwon, 2005a, Haggard and Kaufman, 2008, Aspalter, 2001). Not surprisingly, social insurance schemes and occupational welfare programmes are relatively well developed in the three countries. Entitlements to welfare benefits in the three countries are tied to a person's employment record, not to his/her citizenship. As a consequence, the 'productive' populations were prioritised for social protection which characterised the welfare state in the region as a selective one. The state protects these entitlements by providing employment security through trade protectionism and employment regulation. Thus, high employment protection is considered as a functional equivalent to social protection. Some also argue that these characteristics of East Asian welfare states have their roots in the cultural commonality of the three countries - Confucianism. This line of argument holds the Confucian ethos accountable for modest social welfare as a greater responsibility is imposed on families and communities for welfare provision (Jones, 1993, Goodman et al., 1998, Walker and Wong, 2005b). In particular, according to Confucian concept of strictly separated gender roles (that is men engage in public affairs and women, family affairs), women in the family are primary care providers. In view of this, Confucianism is consistent with the male breadwinner model of family, in which men participate in the labour market whereas women engage in unpaid care-taking (Pascall and Sung, 2007, Sung, 2003, Won and Pascall, 2004). From this gender aspect of the welfare state, it can be said that social protection in the three countries primarily focuses on protecting family wages earned by male breadwinners. Social care is rudimentary, providing little social welfare for women, children and the elderly. To sum up, the East Asian welfare model can be characterised as a selective social

protection system built upon the male breadwinner model.

1.1.2. Challenges to the East Asian Welfare Model

During the last two decades, it has become evident that East Asian welfare states have been challenged by two encompassing forces that are at work across advanced economies: globalisation and post-industrial pressures. Against the backdrop of intensified globalisation and a shift in demographic and industry profiles, welfare states in the region have undergone a significant transformation. Following the economic crises in the 1990s (the bursting of the Japanese economic bubble in 1990-92, and the Asian financial crisis of 1997-8), East Asian countries have implemented reforms in social protection system and labour markets. The direction of reforms points towards increasing 'flexicurity'; while the flexibility of labour markets was increased, social security programmes were enhanced at the same time (Wilthagen and Tros, 2004, Wilthagen, 1998). On the one hand, reforms were implemented to increase the flexibility of labour markets. In Japan and Korea, labour markets were liberalised by allowing layoffs and atypical work (Rebick, 2005, Jung and Cheon, 2006). In Taiwan, the flexibility of the labour market was increased through the privatisation of numerous state-owned-enterprises that had provided a high degree of employment security (Kong, 2006). As a consequence, employment protection, which was regarded as the functional equivalent of social protection in East Asia, was severely undermined at the level of formal institutions. In this light, it can be said that social welfare in the region experienced retrenchment. On the other hand, the welfare state was extended through the enhancement of the universal and redistributive elements of social policy. The scope of social safety nets was extended to cover the less 'productive' population (for example, the unemployed, atypical workers, etc.). In Korea, (de jure) universal coverage was

achieved for social insurance schemes. In Taiwan, unemployment benefits were introduced and the national health insurance realised universal coverage. Furthermore, in all three countries, work/family reconciliation policy was reformed, extending social protection to the 'non-productive' population (for instance, women, children, and the elderly) (Peng, 2004, 2009, Lambert, 2007, Tsai, 2008). The expansion of work/family reconciliation policy, geared towards promoting female labour market participation, augments the gender dimension of the East Asian welfare states by challenging the male-breadwinner model which is deeply embedded in them.

The welfare reforms in East Asia and the challenges they had brought have generated heated debates as to whether it signals continuity or change in East Asian welfare capitalism. Proponents of the 'continuity' thesis emphasise that recent welfare reforms in Japan, Korea, and Taiwan were driven by developmental goals, and thus do not qualify as transformative reforms (Holliday, 2005, Kwon and Holliday, 2007, Kwon, 2005b, Tang, 2000, Wong, 2004a). Holiday contends that social policy expansion in East Asia during the recessions in the 1990s did not deviate from the developmental logic but rather was a "quid pro quo for the enhanced labour market flexibility" (2005: 155). In the case of Korea, it is argued that social security expansion was intended chiefly to bolster industrial competitiveness and economic growth, and hence exhibited little change in the productivist rationale of the Korean welfare state (Kwon and Holliday, 2007). Kwon (2005a, 2009) acknowledges that Japan, Taiwan and Korea were transformed into 'inclusive' (in terms of social policy coverage) and 'democratic' (in terms of increasing policy influence of the civil society) forms of the developmental welfare state, which were different from the traditional 'selective' form. Despite acknowledging the change to democratic governance, however, he continues to highlight that social policies are restructured by the developmental logic. Overall, the

continuity thesis maintains the view that the government played a central role in reform by steering change in accordance with the developmental logic.

However, it is my argument that the continuity thesis overemphasises the developmental logic as an underpinning rationale for the reforms. The continuity thesis, thus, downplays significant changes that welfare states in East Asia underwent. As shown earlier in the chapter, three distinctive characteristics of the East Asian model (that is, selective and residual social protection, high level of employment protection, and the male-breadwinner model of family) have been severely undermined in Japan, Korea and Taiwan. Furthermore, the continuity of the developmental logic is not a unique property of East Asian welfare states given that everywhere social policy cannot be free from economic concerns, since they have to be financed: be it through general tax revenues or private resources. Huber and Stephens (2001a) pinpoint the first priority of social-democratic welfare regimes, which have the highest level of decommodification, to be activation (that is facilitating people on benefits to enter into the labour market). From this point of view, one might want to argue that the universal welfare states in Scandinavian countries are developmental. Hence, the continuity thesis does not provide a convincing argument that developmental logic is a unique feature of East Asian welfare states. More importantly, due to its adherence to the state-centred perspective, the continuity thesis fails to capture the changing dynamics of policy-making caused by substantial political changes that have occurred since the inception of welfare states in the region. Welfare states in Japan, Korea, and Taiwan were institutionalised against a certain background which rendered the government considerable amount of policy autonomy (i.e., the long period of authoritarian governments or one-party dominance). Based on this background, the scholarship has placed state and bureaucrats at the centre of political analysis of East Asian welfare

states. This state-centred framework, however, becomes problematic when analysing the recent reforms of East Asian welfare states which took place under a quite different political landscape. The changed power balance between the state and the society caused by the 'dual transition' should have been taken into account; democratisation shifted the dynamics of the state-society relations in general and economic liberalisation the state-business relations in particular. Nonetheless, the proponents of the continuity thesis have not broadened their analytical scope beyond the state. It is necessary, thus, to examine the validity of the state-centred framework in the context of changing political environment.

Meanwhile, the proponents of the 'change' thesis insist that recent welfare reforms in East Asian countries made a clear break from the East Asian model (Peng and Wong, 2010, Kim, 2008b, Kuhnle, 2004, Ramesh, 2004). This line of research illuminates the fact that welfare reforms in Japan, Korea and Taiwan significantly enhanced redistributive and solidaristic elements of the welfare state. Peng and Wong (2010: 660) contend that the welfare states in Japan, Korea, and Taiwan underwent "welfare state deepening", which led them to "inclusive social insurance" welfare state. In the case of Korea, it is argued that expansion of social insurance and public assistance schemes moved the Korean welfare state closer to the social democratic one (Kim, 2008b, Kuhnle, 2004).

The 'change' thesis largely ascribes the political driver of East Asian welfare reforms to democratisation (or democratic consolidation in the case of Japan). It captures how democratisation empowered political parties and societal actors in social policy-making. Peng and Wong (2010, 2008) shed light on how electoral competition became a political driving force of the welfare expansion in the region. In the welfare reform of the late 1990s in Korea, the critical role of societal actors is pinpointed. While

Lee (2008) underlines out ‘forces from below’ in the form of popular constellations, movements, and organisations of various descriptions, Kim (2008b) highlights out the alliance between civic organisations and organised labour as an influential advocate of redistributive and rights-based elements in Korean social policies. The role of civil society is also illuminated in the case of Japanese social care reform, especially in the area of long-term care and childcare (Peng, 2004, 2005).

While the ‘change’ thesis captures the emergence of the shifting dynamics of welfare politics, it fails to provide a comprehensive account for the transformation of welfare politics in East Asia. First, the role of societal actors and political parties is not fully illuminated. In examining the role of the former, the focus of research has been mostly on civic organisations. This has left the role of social partners largely unexplored (namely, organised labour and organised business), which were given important treatment by the comparative welfare state research. The dearth of attention to social partners poses a significant problem in embedding the study of East Asian welfare states into the comparative welfare states research. Besides, how democratisation has enabled electoral competition to drive social policy development is not well elaborated. The role of parties in social policy-making in East Asia is typically discussed in rather vague terms (for instance, the rise of electoral competition to a political driver of the development of East Asian welfare states due to democratisation), but little is known about the internal workings of political parties in East Asia (such as who promoted social policy within the parties) and their concrete social policy preferences (particularly in the case of Korea). In order to provide a precise account of the political underpinnings of welfare state change in East Asia, therefore, rigorous empirical investigation on the role of political parties is called for. Second, the change thesis lacks macro-level analysis of the political underpinnings of East Asian welfare reforms. Even

though the change thesis provides us a glimpse of new aspects of welfare politics in East Asia (for instance, the rise of electoral competition and civic organisations), it has not provided a detailed explanation of how democratisation has changed the broader political context. In particular, political realignment among actors of the welfare state, which was given attention by few scholars including Peng and Wong (2010), Lee (2008), and Kim (2008b), deserves further elaboration.

Building on the insights from the recent research mentioned above, the thesis aims to develop an alternative account of East Asian welfare reforms, which better incorporates the changing political dynamics of the East Asian countries. In order to do so, the thesis seeks to answer the overarching question: how has the process of democratisation and economic liberalisation transformed the politics of East Asian welfare states?

1.1.3. Contribution of the Thesis

The thesis makes important contributions to the scholarship of East Asian welfare states in the following ways. First and foremost, the thesis challenges the conventional perspective in the field (notably, the East Asian exceptionalism), which ascribes the establishment of East Asian welfare states to a state-driven process, by providing an alternative perspective. To this end, the thesis sheds light on the role of social partners and political parties, which has been much neglected in the scholarship despite the important treatment it was given in the comparative welfare state literature. By bringing these actors into the analysis, the thesis strengthens the line of research that attempts to broaden the analytical scope of the scholarship. Furthermore, the thesis better embeds the studies of East Asian welfare states in the comparative research of the welfare state as it makes greater use of the theories of the welfare state which feature prominently in

literature. As a result, the thesis contributes to making the scholarship of the East Asian welfare states more accessible to the international readership.

1.2. Methods and Methodology

The thesis employs a single-case study as its research method. A single-case study has a great potential to contribute to a causal analysis, if its theoretical expectations are specific enough with comparative awareness and especially a longer time span of investigations (Rueschemeyer et al., 1992). King and others also argue that a single-case study can be useful for evaluating causal explanations and is no longer a single case, when there are other single cases, perhaps gathered by other researchers, against which it can be compared (1994). In particular, the in-depth analysis of a single case is useful in elucidating causal mechanisms because its characteristic style of evidence-gathering (over-time and within-case variation) is likely to provide an insight as to what connects an independent variable X and a dependent variable Y (Gerring, 2004). Hence, a well designed investigation of a single case can provide corroborating evidence for a causal argument. Among a number of ways to design a single-case study, the thesis draws on 'crucial' cases. Eckstein defines a crucial case as one "that must closely fit a theory if one is to have confidence in the theory's validity, or conversely, must not fit equally well with any rule contrary to that proposed" (1975: 118). However, identifying such crucial cases is difficult, as he acknowledges, because truly crucial cases are rare in the social world. As an alternative, he suggests a rigorous test through most-likely or least-likely cases. The most-likely and least-likely cases are conceptualised as follows; "[i]n a most-likely case, the independent variables posited by a theory are at values that strongly posit an outcome or posit an extreme outcome. In a least-likely case, the independent variables in a theory are at values that only weakly predict an outcome or predict a low-magnitude outcome" (George and Bennett, 2005: 121). Therefore, most-

likely cases can cast strong doubt on theories if the theories do not fit, while least-likely cases can strengthen support for theories if they fit. In general, a least-likely case is considered to provide the strongest possible supporting evidence for a theory (ibid.).

Here, the thesis chooses Korea for empirical investigation on the grounds that Korea is the least likely case to observe the growing importance of social partners and political parties in social policy-making. First, it is argued that the role of social partners in interest mediation at macro-level is less significant in Korea than it is Japan and Taiwan. Japanese social partners clearly demonstrated greater ability in interest aggregation and bargaining than their counterparts in Korea and Taiwan. It is illustrated that Japanese trade unions and employers' associations are well organised and thus possess autonomous bargaining power at the macro-level. *Shunto* (the spring wage offensive), the functional equivalent of industry-level collective wage bargaining in which pattern setters play a significant role in wage negotiation across firms in the nation, is an example showing the strength of social partners in Japan (Manow, 2001). With regard to the strength of organised labour, Korean trade unions are portrayed as having the weakest bargaining power among the trade unions in the three countries. One of the reasons underlying the powerlessness of Korean trade unions is ascribed to the weak linkage between the Korean organised labour and parties. Whereas Korean trade unions never established long-lasting alliance with significant political parties, their counterparts in Taiwan and Japan built a successful partisan alliance (Kume, 1998, Buchanan and Nicholls, 2003, Lee, 2009). Second, political parties in Korea are also expected to be the weakest in Korea among the three countries. The increasing importance of parties in policy-making in Japan and, to a lesser extent in Taiwan, is illuminated by an emerging body of literature (Rosenbluth and Thies, 2010, Pempel, 1998, Estévez-Abe, 2008, Wong, 2008, Fell, 2004). While one can expect the similar

trend to emerge in Korea, it is argued that parties are the least consolidated in Korea among the three countries. Stockton's (2001: 106) calculation indicates that the level of party system institutionalisation in Taiwan is higher (with an average score of 8 which denotes that party system is institutionalised) than in Korea (with an average score of 4 which denotes party system is inchoate)[1]. Fell (2004) contends that major parties have demonstrated a higher degree of stability in Taiwan whereas Korean parties have suffered from frequent splits and mergers. Therefore, Korea is the least likely case among the three countries in Northeast Asia that social partners and political parties assumed a significant role in the policy process.

1.2.1. Data Collection

For empirical data, the thesis relied on official documents and 51 in-depth interviews with policy-makers. First, official documents are used to broadly identify critical issues of policy deliberations and positions of each policy actor on the issues. A vast range of documents are collected from the government, parties and other societal actors (notably, trade unions, employers' associations) in order to ensure solid coverage over multiple actors that the thesis empirical analysis engages with. The scope of documents for collection is decided against the criteria of high quality documents suggested by Scott (1990: 6). He selects the following four criteria as central in assessing the quality of documents: authenticity, credibility, representativeness, and meaning. To ensure authenticity (i.e., the document is genuine and of unquestionable origin) and credibility (i.e., the document is free from error and distortion), and representativeness (i.e., the

[1] His calculation is based on the election and survey data of 1981-1992 for Korea and 1983-1992 for Taiwan. The three criteria used to produce aggregate scores are as follows: regular patterns of interparty competition, mass identification with party labels, and the degree of public percept that parties and elections are the means of determining who governs.

document is typical of its kind, and, if not, the extent of its untypicality is known), the scope of documents for collection is confined to official documents such as government policy documents and reports (e.g., white papers and reports of public hearings), parliamentary records, party manifestos, and statements from trade unions and employer's associations. Also, given that official documents are produced with particular intention of informing wider public who might not have in-depth knowledge of the policy in question, they are more likely to be written in a plain way which can satisfy the fourth criterion of meaning (i.e., the document is clear and comprehensible). All official documents used for empirical analysis of the thesis are available in the public domain except minutes of board meetings of the Korea Employers Federation (KEF). Inspired by Swenson's work (2002) on the Swedish Employers' Association (SAF), in which he was able to shed light on the Swedish employers' genuine support for certain labour market policies beneath their strategic official stance with rich information largely gathered from meeting minutes of SAF, I endeavoured to obtain meeting minutes of Korean employers' associations. Fortunately, with kind co-operation from the KEF, I gained access to the minutes of quarterly board meetings of KEF for the period of 1993-2008, which never had been made publicly available before. The minutes were written in a clear and comprehensible manner, containing very detailed records of what were discussed at the meetings.

Second, in-depth interviews are conducted to complement the empirical analysis of the thesis. One-to-one semi-structured interview method are chosen on the basis of its strength in both providing a structure and a focus, which facilitates in-depth examination, and allowing flexibility to explore emerging topics at the same time (Bryman, 2004a). An interview guide was prepared prior to an interview based on the information from documentary analysis (and sometimes from previous interviews). In

some interviews, questions that were not included in the guide were asked as I picked up on things said by interviewees, which seemed important to the line of inquiry that the thesis engaged with. Also, in some interviews, questions did not follow on the exact order outlined in the guide in order to allow interviewees to answer the questions in the most suitable way. By and large, all of the questions in the interview guide were asked and a similar wording was used from interviewee to interviewee. In terms of duration of interviews, an interview typically lasted between 45 minutes to an hour and a half.

The selection of interviewees is theory-driven. Since the thesis aims to apply a comprehensive framework that involves a wide range of actors featuring prominently in the political theories of the welfare state, the scope of interviewees becomes inevitably wide. Especially, as the thesis intends to bring neglected actors (notably, societal actors and political parties) into the analysis of social policy-making in Korea as well as bureaucrats, a wide range of policy makers are interviewed as followed: representatives from political parties, trade unions, employers' associations, and women's associations are selected in addition to officials from government ministries. Moreover, interviewees are selected on the basis of their roles in the policy deliberations relating to the policy reforms under investigation of the thesis. As Mo (2001) points out, special government committees, which are established on an ad-hoc basis comprising of representatives of governments and societal actors, are often at the centre of policy deliberations. In addition, Ringen and others (2011) highlight the influential role of the advisory group to the government (namely government research institutes and government advisory boards) in the policy process. Hence, the members of advisory groups and the representatives whose level of participation in the special government committees was high are selected for interviews. Considering the fragmented structure along which societal actors are organised, efforts are made to include the representatives from all

societal organisations that were invited to the committees. For instance, two labour federations (the Federation of Korea Trade Unions and the Korean Confederation of Trade Unions) and three employers' associations (the Federation of Korean Industry, the Korean Employers Federation, and the Korean Federation of Small and Medium-sized Business). To provide an accurate account of actor's position and rationale, endeavours were made to secure at least two of representatives from each organisation as much as possible. The summary of organisational affiliation of interviewees is provided hereunder. The complete list of interviewees is provided at the end of thesis.

Table 1. Organisational Affiliation of Interviewees

Organisational affiliation	**Number of interviewees**
Government bureaucrats	16
Employers' associations	12
Trade unions	10
Party members	7
Academics	4
Representatives of women's organisations	2
Total	51

It should be mentioned that providing references for the interviews used in the thesis involved complicated issues. A large number of interviewees expressed reservations towards discussing some of the topics (notably, topics relating to labour market liberalisation) which were considered sensitive. The only way to obtain consent

from interviewees for using the rich information from the interviews was to promise anonymity. In order to guarantee anonymity, the interviews were referenced in the following way. First, all interviews were numbered. When information obtained through interviews was used in the text, the number of interview was provided not at the end of the sentence but either at the end of the paragraph to which the sentence belonged (if the paragraph is rather lengthy) or at the end of the section. The content of information had the potential to reveal the identity of many of the interviewees in view of the fact that they were high level policy-makers who were very well known not only to people in the social and labour market policy-making but also to the general public. This extra measure was thus deployed to prevent a potential compromise of anonymity. In order to enhance the credibility of the analysis of interviews, the interviewee's title (for instance, a representative of trade union) was mentioned when necessary unless it was difficult to do so without undermining anonymity. Given that the world of social and labour market policy-making is rather small in Korea, sometimes revealing organisational affiliation can easily give way to the identity of the experts in the area. This might not technically breach the terms and conditions concerning the use of interviews to which interviewees consented, but it might damage the prospect of their cooperation for my (or even, in worst case scenario, others') future research. Therefore, mentioning of the organisational affiliation of interviewees had to be avoided when in doubt.

It is important to employ both documentary analysis and in-depth interviews for producing high-quality empirical analysis. First, combining both methods enriches empirical analysis as the two methods have different strengths that complement each other. While official documents are often a better means of gathering certain type of information (such as the details of different policy preferences put forward by different policy actors) which is likely for interviewees to have forgotten due to the limitation of

human memory, interviews can elaborate topics which are not clearly stated in the official documents (such as the rationale for actors' positions or their genuine preference beneath official positions). Second, comparing data collected by different qualitative methods enables triangulation of data sources which enhances the credibility of the results of empirical analysis (Ritchie and Lewis, 2003). Taking into account that even official documents are not entirely free from biases, which can undermine the credibility of documents, it is important to verify information obtained from the official documents in light of information obtained from interviews. In particular, given that the reforms under investigation of the thesis entailed complicated conflicts of interest between actors, official documents produced by various actors had the potential to contain biases. For instance, the government reports on the policy deliberations of the reforms could portray other actors' stances in a misleading way to justify the government's own stance. Therefore, triangulation of data collected from documents and interviews is imperative for developing a credible account of the reforms.

1.2.2. Data Analysis

For analysis of empirical data, grounded theory method is employed. The method is chosen because of its strength in facilitating researcher to capture and interpret common sense and substantive meanings in the data and thus is typically considered as the most suitable for empirical analysis of which primary focus lies in developing theories out of data (Bryman, 2004b, Strauss and Corbin, 1998). Strauss and Corbin (1998) define the method as a research process through which theory was derived from data that was systematically gathered and analysed. Hence, in grounded theory, "data collection, analysis, and eventual theory stand in close relationship to one another" (ibid.: 12). Ritchie and Lewis (2003: 201) explained that the method is geared towards "the

generation of analytical categories and their dimensions, and the identification of relationships between them". The method is comprised of a few steps that are not strictly bound by sequential order but rather recursive. The first step in grounded theory method is coding which is the key process. Charmaz (1983: 186) describes codes as "shorthand devices to label, separate, compile, and organize data". In this light, coding can be explained as a process, whereby data are broken down into component parts, which are given names. Coding takes place soon after the collection of initial data. Researchers begin to review documents or transcripts and give labels to components or parts that seem to be potentially important to theories being developed under the study (Bryman, 2004b). While the coding is conducted, researchers "constantly compare" data and concepts and categories emerged from the data through coding so that not only a close connection between the two can be maintained but also the 'best fit' between the two can be found (ibid.: 402). This step is referred to as constant comparison (Glaser and Strauss, 1967, Bryman, 2004a). Glaser and Strauss (1967) contend that through constant comparison a theoretical elaboration of defined concepts and categories emerge. The stage of coding and constant comparison terminates when "(a) no new or relevant data seem to be emerging regarding a category, (b) the category is well developed in terms of its properties and dimensions demonstrating variations, and (c) the relationships among categories are well established and validated" (Strauss and Corbin, 1998: 212). Put differently, the analysis of empirical data using grounded theory method is completed when it reaches "theoretical saturation", which refers to a point that there is no further need of data collection, coding, or constant comparison to add to the developing theory (Ritchie and Lewis, 2003: 201; Bryman, 2004b: 403).

1.2.3. Time Period

For empirical investigation, the thesis examines the following four governments in the post-democratisation period: the Kim Young-Sam government (1993-1998), the Kim Dae-Jung government (1998-2003), the Roh Moo-Hyun government (2003-2008), the Lee Myung-Bak government (2008-present). Following the convention that regards the presidential election in 1987 as a starting point of democratic transition, the thesis refers to the period followed by the 1987 election as the democratic era. In fact, democratic governance existed prior to the authoritarian era (1961-1987), although in a tentative form, and hence the democratic transition after 1987 should be referred to as a period of re-democratisation to be precise, which Ringen and others (2011) rightly point out. Given that the focus of the thesis is to investigate how welfare politics in Korea has transformed since the demise of authoritarianism, however, the thesis confines the time period of empirical investigation to the post-1987 era.

Five governments have been established since the democratic opening in 1987 and the thesis covers all of them except one - the Roh Tae-Woo government (1988-1993). Although Roh Tae-Woo was the first president directly elected since 1974, his government was criticised of deficiency in democratic credit. As a military general, not only was he involved in repressing democratisation movement during the previous authoritarian Chun regime, but was also handpicked by Chun to be his successor in the ruling party. Kim (2000) argues that the influence of the military over the Roh Tae-Woo government and the ruling party was quite heavy. For this reason, the Roh Tae-Woo government is excluded from the empirical analysis of the thesis.

The four succeeding governments represent important milestones of the democratic era in Korea. The Kim Young-Sam government was the first democratic government to be headed by a civilian. During the time of this first civilian government,

the military was purged from the political arena, leaving the government and the ruling party free from the influence of military. For this reason, being the first civilian democratic government, many scholars consider the Kim Young-Sam government as the one that truly opened the period of democratic transition. The three governments after the Kim Dae-Jung government denote consolidation of democracy in Korea. Diamond (1994:15) delineates democratic consolidation as "the process by which democracy becomes so broadly and profoundly legitimate among its citizens that it is very unlikely to break down". A number of crucial elements of democratic consolidation are suggested by scholars and among which is the institutionalisation of open and fair election as the only way of change of power. It entails peaceful change of government, in particular the opposition political force coming into power, and the ability of parties to shift roles from one of opposition to rule, and vice versa (Powell, 1982, Duverger, 1954, Huntington, 1968, 1991, Sartori, 1976). In this light, the election of the long-time leader of the opposition Kim Dae-Jung to the president marks the beginning of democratic consolidation. Even though it was the first time for power to be transferred from the conservatives, which had had dominated the Korean political arena since the inception of modern government, to the progressives, the result of the election was upheld and transition of power was implemented peacefully. The first left government of Kim Dae-Jung was succeeded by yet another left government of Roh Moo-Hyun in 2003. Democratic governance demonstrated stability in Korea during the ten years of left government. In 2008, with the inauguration of the Lee Myung-Bak government, the conservatives were back in power. Again, the conservative and the left parties peacefully adapted to their new roles as the governing and the opposition parties. Over the period of the last four governments, a 'cycle' of change of government was completed; that is, the power was shifted from the conservatives to the progressives and

back to the conservatives. The last twenty years of democratic governance have proved that democracy is the only way of governance in contemporary Korea whichever party is in power and thus demonstrated the consolidation of democracy.

1.2.4. Policy Domains

For empirical investigation, the thesis examines the following policy domains of the welfare state - employment protection, unemployment protection, and work/family reconciliation. The three domains are chosen because they are of significant importance to understand the welfare state as a whole. A number of scholars have highlighted that the welfare state is more than a set of social policies but rather an intricate web of policies dealing with employment, wages, taxation, etc. In particular, the link between social policy and labour market policy have been given important treatment by the comparative welfare state research as the two policy areas are not only intertwined with each other but also deeply embedded in the political, social and economic system of the particular nation state (Ebbinghaus and Manow, 2001b, Huber and Stephens, 2001b, Rhodes, 1995). The three domains are important arenas in which to examine the nexus between social policy and labour market policy on the grounds that they could be classified both social and labour market policies, especially in Korea. Undoubtedly, unemployment protection is an important policy measure to intervene in the labour market as well as to provide social protection. Employment protection might be considered labour market policy than social policy but it plays a critical role in the East Asian welfare model as a functional equivalent to social protection. Work/family reconciliation policy also serves both function of social protection (through providing social care) and labour market intervention (through promoting female labour market participation). Thus, social policy is used as a broad term referring to social protection

policy and labour market policy.

Nevertheless, the existing scholarship has failed to incorporate critical changes in the labour market in the analysis of the reforms of the Korean welfare state. In particular, in the study of the welfare reform during the recession of late 1990s, labour market liberalisation, which was implemented in parallel to the expansion of the social safety net, is often neglected or downplayed by the scholars who argue that the Korean case defies the 'race to the bottom' thesis (that is, globalisation puts downward pressures on the welfare state). In order to provide a precise assessment of the transformation of the Korea welfare state, therefore, it is important to take both social policy and labour market policy into account.

In comparison with unemployment protection and work/family reconciliation policies, employment protection policy has been given less attention by the scholarship. In case the concept of employment protection policy is unfamiliar to readers, it is worth introducing it. Employment protection policy is defined as the entire set of regulations that place some limits to the abilities of firms to adjust the labour input by hiring and firing of workers (OECD, 1998: chapter 2). In particular, provisions determining the conditions for the use of temporary or fixed-term contracts affect hiring policies, while redundancy procedures, mandated pre-notification periods and severance payments, and special requirements for collective dismissals influence firing decisions (Barone, 2001). In Korea, layoffs and temporary agency work, and the lesser extent working-time account during the time of Kim Young-Sam government, have been at the centre of deregulation of employment protection (Choi et al., 2000b). Therefore, the thesis focuses on the first two measures in empirical investigation.

When observed within the four governments under investigation of the thesis, a shift in reforms can be observed. Among the three policy domains, employment and

unemployment protection policies were at the centre of reforms during the time of the Kim Young-Sam and Kim Dae-Jung government. However after the labour market reform of the late 1990s, developments in the domains of employment protection and unemployment protection reached a standstill. In contrast to the absence of major reform in employment and unemployment protection policies, work/family reconciliation policy underwent transformative expansion during the time of the Roh Moo-Hyun and Lee Myung-Bak governments. As for empirical investigation, therefore, I focus on employment and unemployment policies for the Kim Young-Sam and the Kim Dae-Jung governments, and work/family reconciliation policy for the Roh Moo-Hyun and Lee Myung-Bak governments. The change of policy domains for empirical investigation is essential for the following reason. Considering how democratic transition has changed the political dynamics of the social and labour market policy-making process is a main line of inquiry of the thesis, a long-term observation is crucial to the robustness of research design. I share the view that democratisation is a long-term process rather than a one-off temporal event (Wong, 2004b). Pierson (2004) emphasises the great importance of the analysis of long-term processes and sequences of events in social science research rather than 'snapshots', with which full understanding of political dynamics is hardly possible. As democratic consolidation is a gradual process which takes place over a long period of time, observations at different temporal time points matter greatly. In the context of democratic transition in Korea, the election of the second left government and the return of the conservative to office by means of democratic election certainly signify a greater degree of democratic consolidation. Including the period of the two governments which demonstrated a greater degree of democratic consolidation in our analysis, therefore, would increase the robustness of the research.

1.3. Thesis Outline

The thesis is structured as follows. The second chapter introduces the analytical framework of the thesis. The first part of the chapter presents the political theories of the welfare state (namely, the Power Resource approach, the partisan theories, the state-centred perspective, and the employer-centred approach). In light of the theories, the second part revisits the East Asian welfare state model and identifies certain limitations of the existing literature on East Asian welfare states before moving on to the final part where the framework is presented. The chapter proposes a comprehensive approach to the study of East Asian welfare states that enables us to thoroughly assess changes in the politics of the Korean welfare state. The framework is devised to analyse the policy preferences and policy influence of the state as well as societal actors of the policy process.

The third chapter provides contextual information on social policy-making. It outlines the characteristics of the Korean social policy-making institutions and delineates the characteristics of actors of the policy-making (namely, bureaucrats, trade unions, employers' associations, and political parties). In particular, the legacy of the authoritarian era in the policy-making institutions and the changes that took place after the democratic opening of 1987 are examined to provide rich context for the subsequent chapters.

From the fourth to the six chapters, the findings of empirical analysis are presented in chronological order with a focus on actors' policy influence and preferences. The fourth chapter investigates the political underpinnings of the reform of employment protection and unemployment protection policies under the Kim Young-Sam government. It argues that the politics of the Korean welfare state underwent the first transformation during this period as the developmental alliance between

bureaucrats and business became ineffective while trade unions emerged as a veto player.

The fifth chapter examines the political underpinnings of the reform of employment protection and unemployment protection policies under the Kim Dae-Jung government. It argues that the politics of the Korean welfare state underwent the second transformation during the time of the government as the driving force of social policy development completely changed. Whereas the centre-left party established an alliance with trade unions and led the reform, economic bureaucrats and employers' associations experience diminishing of their bargaining power.

The sixth chapter investigates the political underpinnings of work/family reconciliation policy reform during the Roh Moo-Hyun and Lee Myung-Bak governments. It argues that the politics of the Korean welfare state underwent the third transformation during the two governments as work/family reconciliation policy expanded in an unprecedented manner, driven by parties. During the period of the two governments, work/family reconciliation policy became a major domain of labour market reforms as developments of employment protection and unemployment protection policies came to a standstill. The change of electoral strategies of parties led to the emergence of parties as a new political driver of welfare reforms.

The final chapter concludes the thesis with summaries of findings and their theoretical implications. It also discusses the limitation of the thesis and sets out an agenda for future research on East Asian welfare states.

2. Theorising the Politics of East Asian Welfare Reforms

The chapter reviews the literature on East Asian welfare states in light of scholarship on comparative welfare states in order to develop a theoretical framework of the thesis. The East Asian welfare state literature has predominantly focused on the state as the driving force of social policy development in the region. Overshadowed by the state-led model, societal actors and political parties were largely neglected in the scholarship of East Asian welfare states, simply because they were not deemed to play a substantial role in social policy-making. Comprehensive political accounts involving multiple actors in East Asian welfare capitalism have been rare. The validity of state-dominant framework, nevertheless, should be put under the scrutiny of rigorous empirical research in the post-transition era, taking into account the fact that the dual transition of democratisation and economic liberalisation led to the rise of non-state actors in the political arena. In the last two and a half decades, in fact, a series of developments have taken place in the domain of social policy that cannot be fully accounted for by the state-led model. Therefore, a comprehensive analytical framework incorporating non-state actors in social policy-making is imperative to better understand the political underpinnings of the recent welfare state reforms in Korea, and, to some extent, in East Asia.

In order to develop a comprehensive political account of East Asian welfare state reforms, the chapter endeavours to embed the East Asian welfare states literature into the wider comparative welfare states literature. By doing so, the thesis attempts to overcome the notion of East Asian exceptionalism, which dominates the existing body of literature, and to develop an elaborate account for the transformation of welfare politics in Korea.

The chapter is structured as follows. It begins with an outline of the political theories of the welfare state, highlighting the role of key actors in social policy-making

(namely, the government, employers associations, trade unions and political parties), which are given important treatment by the comparative research of welfare states. It, then, turns to the review of existing scholarship on the East Asian welfare states. In light of recent welfare reforms in the region, the chapter presents how the existing research explains the reforms and what their limitations are. Lastly, the chapter introduces the analytical framework of the thesis which incorporates rather neglected actors of East Asian welfare states.

2.1. Actors of the Welfare State

The following section presents competing political theories of the welfare state in the following order. It starts with the Power Resources approach and the partisan theories, before turning towards the state-centred perspective and the employer-centred perspective.

2.1.1. The Power Resources Approach

Much of the study of the welfare state until the early 1990s had been dominated by the Power Resources approach. This tradition of scholarship views trade unions and parties of the left, representing the interests of the working class, as the champions of the welfare state. Building on the Marxist theories, which analyses social phenomena through the lens of class interest and class conflict, the Power Resources approach contends that "[t]he welfare state is a class issue. Logically and historically, its principal proponents and defenders are movements of the working class" (1983: 319). The approach underlines disparity of bargaining power between capitalists and wage-earners which is caused by the different power resources that each class has. Power resources are defined as the "characteristics which provide actors – individuals or collectivities –

with the ability to punish or reward other actors" (Korpi, 1983: 14). While capitalists tend to have capital and control over the means of production, the working class has human capital (for example, labour power, education, and occupational skills). The former type of power resources has a large domain, wide scope, and high concentration potential, as well as high scarcity and convertibility. These characteristics of power resources that capitalists have allow them to mobilise and utilise their power resources at a lower cost. On the contrary, human capital has a fairly small domain, narrow scope, low concentration potential, and limited scarcity. Due to higher costs incurred in mobilising and utilising less concentrated and less scarce power resources (i.e., human capital), the working class evidently has a less bargaining power in the labour market. The only way to increase efficiency in the deployment of the human capital is to organise collective action on a broad basis. Through organisation of labour into unions and political parties, the working class could overcome its inferior position vis-à-vis capitalist and considerably strengthen its bargaining position in the distributive conflicts in the capitalist societies (Korpi, 1983, 1985).

To scholars of this school of thought, the welfare state is an outcome of societal bargaining processes in which the working class struggled to overcome its inferior position by class mobilisation. The establishment and expansion of the welfare state is seen as the result of political triumph of the working class vis-à-vis capitalists in realising its class interests, and is understood as an outcome of "democratic class struggle" (Korpi, 1983) or "politics against markets" (Esping-Andersen, 1985). Thus, the welfare state was established to advance the interest of the working class in capitalist societies, by redistributing income and services away from the economically privileged (Hewitt, 1977, Hollingsworth and Hanneman, 1982, Korpi, 1978, Stephens, 1979). In particular, Esping-Andersen (1990) insists that the welfare state is a device for

workers to obtain ‘decommodification’, which strengthens their positions towards employers. As workers have to commodify their human capital in the labour market through employment to earn wages in order to maintain a livelihood, decommodification occurs when a person can maintain a livelihood without reliance on the market (ibid.; 22). Social security programmes can protect workers against employment-related risks, so that one can maintain a livelihood even when employment is disrupted due to old age, sickness, and the loss of job. In short, the welfare state protects workers from vagaries of the market by decreasing worker’s reliance on the labour market for survival through insuring workers against social risks.

The Power Resources approach, therefore, contends that the degree and extent of social protection that a welfare state provides are strongly correlated with strength of the working class. The stronger presence of social democracy representing labour interests in the political system, the greater the level of social protection for wage earners that a welfare state provides (Cameron, 1984, Esping-Andersen, 1990, Korpi, 1983, Shalev, 1983, Stephens, 1979). Stephens (1979) asserts that the welfare state is an important step towards socialism and it is the power of organised labour which is a key determinant to transition from capitalism to socialism. He concludes that the participation of socialists in a government is necessary to a well-developed welfare state and that “the effect of economy-wide bargaining on welfare-state expenditure can ultimately be traced to working-class economic and political power” (1979: 122). With a similar emphasis, Esping-Andersen (1990: chapter 5) contends that it was the balance of class power that determined the extent of social protection found in the various welfare regimes (i.e., liberal, conservative, and social democratic). For instance, strength of organised labour, and social democracy is the most important determinant of the level of universalism (i.e., absence of means testing in welfare benefit entitlement)

and the level of decommodification of social policy programmes (measured in terms of income replacement rates, benefit duration, and waiting period). In a nutshell, the Power Resource thesis understands the welfare state as an outcome of, and arenas for, conflicts between class-based and socio-economic interest groups (Korpi and Palme, 2003).

2.1.2. Partisan Theories

Following the Power Resources approach, which highlights the role of socialist/social-democratic parties in the establishment of the welfare state, a great deal of attention has been paid to parties as key actor of the welfare state. While the approach focused on social democratic parties (in the development of Scandinavian welfare states) at first, subsequent research broadened its scope to other parties in advanced economies. The thrust of this line of research is that political parties and, above all, the party composition of governments are major determinants of the timing, substance, expansion and retrenchment of the welfare state. Because this research pinpoints which party is in power determines the type of welfare state, it is referred to as the 'parties matter' thesis.

The thesis is premised on a set of propositions of which focal points are as follows. First, the social constituencies of parties have distinctive social policy preferences. Second, the social policy orientation of parties mirrors the distinctive preferences of their social constituencies. Third, the party platform on social policy differs from that of competitors (Schmidt, 2010). Based on this set of assumption, the thesis takes a stance that parties seek power to implement their specific policy orientation. For the investigation of parties' policy orientation, scholars of this line of research underline the centrality of the left-right cleavage among parties. They argue that parties compete on the basis of the ideological divide between the left and the right, and it is this partisan effect on the government which has most impact on public policy

outcomes (Cameron, 1978, Castles, 1982, Esping-Andersen, 1990, Huber and Stephens, 2001a, Schmidt, 1996). While parties of the left represent the working class interest and champion generous welfare states, the parties of the right (except the Christian democracy) tend to impede welfare state provision. In sum, whether scholars focus on the presence of parties of the left (see Esping-Andersen 1990 and Huber and Stephens 2001 for the role of the social democrats in shaping the welfare state), or on the presence of parties of the right (see Huber and Stephens 2001; van Kersbergen and Manow 2008 for the Christian democrats; see Castles 1978, 1982, 1985, Castles and McKinlay 1979 for secular conservative parties), the partisan theories insist that partisan control of the government is the most important determinant of welfare outcomes.

In the context of comparative welfare state research, the 'parties-matter' thesis suggests that different patterns of welfare states, especially between western European welfare states and non-European welfare states, can be attributed to different composition of parties in governance. Flora (1986) argues that generous welfare states in the Western Europe are correlated with a strong presence of left parties. On the contrary, Castles (1985) and Castles and Obinger (2007) contend that market-oriented conservative parties in the United States, Australia, New Zealand, and Japan have more impact than left parties on shaping the public social policies in those countries. That is to say that the characteristics of non-European welfare states (such as lower levels of public social expenditures than Western Europe, more reliance on private or voluntary sector for welfare provision, and slower rates of growth of social expenditures) are results of the political strength of rightist parties.

However, the parties matter thesis is under challenge. Opponents of the thesis point out that ideological difference between the left and the right have become less

evident due to party competition. The party competition thesis contends that parties are essentially vote seeking organisations and could adjust their policy orientation in pursuit of vote maximisation. Christenson and others argue that "[i]t has become even more difficult to distinguish the policies and goals of socialist and non-socialist parties" (1972: 274). Some point out the 'contagion from competitor' effect, referring to a tendency that a party revises its platform in the face of a politically strong opposition party. Duverger (1954) delineates the phenomena that leftist agendas are adopted by other parties as 'contagion from the Left' (which is shown in the case of the Bismarckian social insurance welfare state). Conversely, Hicks and Swank (1992) suggest that 'contagion from the Right' (that is leftist parties are influenced by liberal or conservative parties) is also possible. Others argue that ideological competition came to an end on the grounds that the fall of the Soviet Union, which severely undermined the validity of the left ideology as a governing philosophy, led to ideological convergence towards free market ideology (e.g., Fukuyama, 1992). In short, as parties have adopted strategies to maximize votes (such as a catch-all party strategy), party programmes, milieus, religious and class connotations have become less important, and has the representation of particular interests by parties (Puhle, 2002).

Still others, anchored in the logic of industrialism, contend that party platforms tend to converge in response to common problems of industrialised economies, as industrialisation brought advanced countries similar socio economic structures. From this point of view, it is the socio-economy of a nation which is the most important determinant of public policy outcomes, not political factors (Thomas, 1979, 1976, Galbraith, 1967, Kerr, 1960, Wilensky, 1975). On this continuum, it is also argued that globalisation and post-industrial pressures pose limits to partisan effects on the welfare state. Globalisation is widely regarded as a downward pressure on the welfare

state, as it is considered to restrain governments' ability to mobilise financial resources in order to sustain welfare states in the context of intensified economic competition (Rodrik, 1997, Ramesh, 1999, Huber and Stephens, 2001a). As the capital can move easily to the most favourable investment environment, governments are discouraged to raise taxes (especially corporate and payroll taxes) or introduce policies that put burden on business activities (Huber and Stephens, 2001a, Schmidt, 2000). Similarly, post-industrialisation incurs difficulties on the government side to mobilise financial resources to fund the welfare state since a shift to the service sector from the industry sector slows down economic growth (Iversen and Wren, 1998, Pierson, 2001). To make matters more complicated, socio-economic changes which are associated with transition from industrial to post-industrial societies poses 'new social risks', for which the post-war welfare state provided little social protection (Taylor-Gooby, 2004, Bonoli, 2005). Especially the rise of female employment, associated with comprehensive changes within families, involves great challenges, as it undermines the feasibility of the traditional family, upon which the post-war welfare state was based (Esping-Andersen, 1999). Under these circumstances, cost containment and new social risks have become central issues of the welfare state debates in advanced economies. Therefore, parties are bound to adjust their platforms in accordance with the imperative of socio-economic changes for vote maximisation. This would lead for parties of the left and the right to offer roughly similar programmes, addressing these issues.

The partisan influences on the welfare state remained contested. On the one hand, scholars of the parties-matter approach claim that the anti-thesis of partisan theory has not been empirically well proven (Schmidt, 1996). In their analysis of party space in 42 countries (which include new democracies such as South Korea), Huber and Inglehart (1995) argue that a left-right ideological axis is still at the centre of party

politics in the aftermath of the Cold War. Benoit and Laver (2006) also claim that there are significant differences in social policy preference of parties among 21 OECD countries. On the other hand, a series of research whose findings strengthen the party competition thesis continues to be produced. With reference to parties' position on social policy, Seeleib-Kaiser and others (2008) argue that there is convergence among parties of the left (Social Democracy) and the right (Christian Democracy) in Continental Europe. Although the debate between the two schools of thought will continue, the tradition which places political parties at the centre stage of the welfare state research remains vibrant.

2.1.3. The State-Centred Perspective

Across schools of thought within the comparative welfare state literature, a large amount of scholarship focuses on the state as a key actor of welfare state growth. From the 1980s, scholars have illuminated the role of state in the development of the welfare state and argued for 'bringing the state back in' to the studies of welfare states (Heclo, 1974, DeViney, 1983, Skocpol and Amenta, 1986, Orloff, 1993, Rueschemeyer and Skocpol, 1996, Orloff and Skocpol, 1984, Skocpol, 1992, 1996, Weir et al., 1988). Although there is no concrete consensus on what we mean by 'the state', or what elements of the state are crucial determinants of social policy development, bureaucrats are typically viewed as key actors. The state-centred approach conceptualises the bureaucrats as highly effective and autonomous actors who are insulated from external pressures. Since institutionalising and implementing social policies require strong administrative capacities, the proponents of the state-centred perspective argue, the higher level of bureaucracy and more centralised administration a nation has, the higher the growth of the welfare state.

According to this line of argument, therefore, the level of bureaucracy or centralised administration of a nation becomes an important determinant to the magnitude of public social expenditures. As it was pinpointed, Bismarckian Germany in the late 19th century, which was relatively little industrialised and democratised, succeeded in introducing social insurance programmes, while the United States, one of the most industrialised and democratised states at that time, failed in institutionalising major public welfare programmes (Flora and Alber, 1995, Flora and Heidenheimer, 1995). Furthermore, bureaucrats can have a great leverage over policy processes in certain institutional settings. In a political entity in which the legislature is weak vis-à-vis the executive, quite often incumbent parties delegate legislative tasks to the government. When bureaucrats are put in charge of drafting actual legislative proposals, it can give them agenda-setting power since, as first movers, they "can consider the winset of the others as his constraint, and select from it the outcome he prefers" (Tsebelis, 2002: 34).

Why, then, do bureaucrats want to introduce and expand social protection? Some argue, from a mercantilist point of view, that bureaucrats pursue the prosperity of a nation by advancing economic development of a nation, as it is portrayed in the neo-Weberian notion of bureaucrats (Heclo, 1974). For instance, it is argued that in small open economies, which greatly rely on integration to the world market for economic growth, the state has a greater incentive to provide social security for trade increase. Cameron (1978: 1260) insists that "governments in small open economies have tended to provide a variety of income supplements in the form of social security schemes, health insurance, unemployment benefits, employment subsidies to firms and even job training". In his study of seven small trade-dependent European states, Katzenstein **(**1985**)** demonstrates how governments introduced social policies, using corporatist

bargaining mechanisms among unions, business and the government, to maintain comparative advantage in the world trade. Scholars investigating late industrialisers also contend that governments saw instrumental values of social policy in promoting economic development via industrialisation, and hence instituted social policy to explicitly facilitate industrialisation (Pierson, 2005, Hort and Kuhnule, 2000). In the case of Mexico, Spalding (1980) argues that the government introduced social security programmes in the 1940s as a part of industrialisation strategy; social security programmes helped reduce public discontent created by state-led industrialisation, and social security taxes were utilised as funds for state investments. In a similar vein, Stepan's (1978) research on Peru and Malloy's (1979) work on Brazil shed light on how social policies in two countries served the function of controlling strategic sectors of the working and middle classes during the period of state-led economic development. This line of argument (namely, the state utilising social policies in order to promote economic development) is echoed by scholarship on state-led industrialisation in East Asia, which will be elaborated in the later part of the chapter. In sum, the mercantilist approach underlines autonomous initiatives of bureaucrats in the introduction and expansion of social policy.

Others argue the reason the state implements welfare policies is to sustainably maintain capitalist industrialised economies (Gough, 1975, 1979, O'Connor, 1973, Offe, 1984, Ramesh, 1984). This neo-Marxist perspective regards a state as an apparatus of capitalist market economy, of which the ultimate purpose is to facilitate capital accumulation and to sustain the capitalists' monopolistic reign. Similar to the mercantilist viewpoint, state bureaucrats see benefits of social policy in assisting social reproduction; social policy is useful in preparing workforce appropriately motivated and skilled, allowing employees and their families to consume adequate goods and services

for daily and generational renewal, and reinforcing economic and political order against possible public discontent caused by social ills such as unemployment, sickness, old-age, poverty. Yet, the crucial difference lies in the fact that neo-Marxists scholars expect a state to utilise social policies as a tool of labour control in order to sustain the monopolistic reign of capitalists. Despite different takes on a rationale of state bureaucrats for introducing welfare programmes, the neo-Marxist tradition shares the view with the neo-Weberian perspective that the welfare state has an instrumental value in promoting economic growth and social peace, and it is the instrumental value of social policy that bureaucrats are interested in it.

However, some highlight that bureaucrats are essentially actors seeking self-interest. According to the public choice approach, bureaucrats make strategic choices in pursuit of personal gains. Seen from the perspective of increasing returns from their investment in their bureaucratic careers, expanding bureau size and budgets is conducive to meeting private interests (Buchanan and Tullock, 1997, 1962, Brennan and Buchanan, 1980, Niskanen, 1971). In her study of the postwar Japanese welfare state, Estevez-Abe (2008) argues that Japanese welfare and labour bureaucrats were in favour of welfare programmes expansion that were operated by public organisations. As it was common practice in Japan to 'parachute' retired bureaucrats into public organisations, the Japanese bureaucrats saw the expansion of welfare programmes as a way of increasing chance of post-retirement employment for them.

2.1.4. The Employer-Centred Approach

Challenging the social-democratic Power Resources model in particular, employer-centred approach argue that conventional welfare state analysis has paid scant attention to employer interests in social policy, and actually misconceptualised the relationship

between business and the welfare state (e.g., Martin and Swank, 2004, Swenson, 2002, Iversen, 2005, Estévez-Abe et al., 2001). The Power Resources theorem relegates organised business to an obstacle to welfare state expansion based upon the understanding of antagonism between the interests of capital and labour (e.g., Korpi, 1980). In contrast to the theorem, the employer-centred approach contends that employers can be promoters of certain social policies. Here, I refer to the employer-centred approach as a broad group of scholars, who illuminate the supportive role of employers in the expansion of social policy, including the Varieties of Capitalism (VoC) school.

This group of scholars contends employers can be in favour of certain social policy because of its instrumental values for employer interests. Especially the VoC scholars argue that generous earnings-related social protection (in particular, unemployment protection and old-age security) can facilitate skill formation, and thus can be of great value to employers who want to provide workers with incentives to invest in specific skills. Here, a dichotomised notion of skills is employed based on their transferability: general skills vis-à-vis specific skills. It is assumed that workers are reluctant to invest in specific skills due to their limited transferability, anticipating a greater risk of persistent unemployment. Firms relying on specific skills (for instance manufacturers), therefore, need institutional guarantees which not only encourage workers to invest in specific skills, but also to retain their skills even in case of unemployment (Estévez-Abe et al., 2001, Hall and Soskice, 2001b, Mares, 2003). It is the contention of the VoC school that employers who rely on specific skills tend to thrive in co-ordinated market economies (CMEs) rather than in liberal market economies (LMEs). This distinction between CMEs and LMEs is based on how, and to what extent, an economy is co-ordinated in the spheres of industrial relations, financial

regime, vocational training and education, and corporate governance. In CMEs, non-market relations, collaboration and credible commitments among economic actors are dominant characteristics, while in LMEs arm's length and competitive relations between economic actors, formal contracting, and supply-and-demand price signalling are widespread (Hall and Gingerich, 2004, Estévez-Abe et al., 2001). These differences in the national framework of incentives and constraints lead to systematic differences in corporate strategies to pursue competitive advantage in the global market across the LMEs and the CMEs (Soskice, 1999). The CMEs and the LMEs, thus, are located at different points in international production chains, again reflecting their respective institutional advantage. Whereas high value-added, high-skill dependent and high-productivity production tends to remain in the core of CMEs, lower value-added, lower-skill, and price-oriented production is likely to thrive in the LMEs.

Therefore, in the CMEs, firms' product market strategies are reliant upon the availability of specific skills needed for value-added, high-skill dependent and high-productivity production. In order to protect their investment in specific skills, workers demand social policies, such as employment protection as well as generous earnings-related unemployment and old-age protection. According to this logic, skilled workers and manufacturing employers are united in their support for generous social protection and training policies supporting the high-skill equilibrium of CMEs. In particular, Mares (2003) shows German and French employers' support for the introduction of social policies with a wage replacement function (for example, unemployment insurance, early-retirement pension, and work accident insurance,) in the late 19th and early 20th century. Swenson (2002) also demonstrates Swedish employers promotion for active labour market policy (namely, investments into training and measures increasing geographical mobility) in the 1940s and 1950s, and the introduction of employment-

oriented family policies in 1970s (such as the expansion of public childcare facilities and the establishment of a generous earnings-related parental leave scheme). On the contrary, in the LMEs, the low level of social protection has its foundation in the predominance of general skills, for which a functional case for generous social protection is not considered because of the inter-industry transferability of general skills.

Hence, it is suggested that institutional complementarities exist between production and social protection regimes, in which a specific configuration of social protection, skill profile and product-market strategies reinforce each other. Estevez-Abe and others (2001: 146) define the "welfare production regime" as a "set of product market strategies, employee skill trajectories, and social, economic, and political institutions that support them". In a similar vein, Huber and Stephens (2001b) match the welfare regime typology with a production regime typology in a parallel manner, and insist that the development of the welfare states and production regimes should be seen as mutually enabling. It is their contention that the CMEs with their high-skill emphasis and relative wage equality enable generous welfare state regimes, which make it less likely for the low-wage sector to survive. In contrast, liberal market economies with their low-skill/low-wage equilibrium render residual welfare state regimes. In sum, the core of the VoC argument is that employers in the CMEs have intrinsic interests in certain extensive social protection in order to preserve their institutional comparative advantages, whereas their counterparts in the LMEs do not have such interests.

2.2. The East Asian Welfare Model

In tandem with interest in fast economic growth of East Asia, the scholarly interest in the welfare regime of the region has also grown. Voluminous work has been produced to explain the 'East Asian Miracle' (World Bank, 1993). Of the numerous works explaining the rapid economic development in Japan and the newly industrialised economies in East Asia (namely, Hong Kong, Singapore, South Korea, and Taiwan) in the post-war era, the developmental state theorem has became the dominant political-economic account in the literature. The developmental state literature points to the steering role of East Asian states in economic development as the key success factor of 'catching-up' with the early industrialisers (Amsden, 1989, Johnson, 1982, Wade, 1990, Woo-Cumings, 1999).

Chalmers Johnson's work laid the cornerstone of this school of thought by highlighting the leading role of the state in economic development in the region. In his influential book, *MITI and the Japanese Miracle*, Johnson (1982) coined the term 'developmental state' to delineate a state that plays a strategic role in economic development with bureaucracy that is given sufficient scope to take initiatives and operate effectively. The notion of developmental state thesis was built on the neo-Weberian idea of the state, which is run by growth-oriented technocrats (Tang, 2000). Subsequent studies of this filed, which broadened the scope of research beyond Japan, also underline the leading role of state bureaucrats in economic development in other East Asian countries. Amsden (1989) illustrates the way that the state in South Korea facilitated the process of technological learning and presided over industrial transformation, whereas Wade (1990) depicts how the state in Taiwan managed to dictate successfully the terms of economic growth. Woo-Cumings (1999) contends that countries in East Asia utilised financial control (such as investment subsidies, price

controls, credit rationing and maintenance of interest rates at artificially low levels) as market-governing mechanisms, as she refers to finance as the 'nerves of the developmental state'. Chang (1999, 2006) illuminates how East Asian nations harnessed industrial policy in setting up non-market institutions to improve market co-ordination and to increase international competitiveness. In short, this line of research emphasises state autonomy, bureaucratic insulation, and state capacity in the policy process.

While the developmental state approach highlights the leading role of the state in economic development, it also acknowledges a critical alliance between the state and business, which was behind the formation of specific sets of economic policy. The close state-business relationship is described as 'the developmental alliance', in which the state undertakes the role of catalytic agency in economic development and the businesses respond to incentives and disincentives set by the state (Hundt, 2009). In essence, the state utilised various business promotion policies to nurture 'national champions' (i.e., Japanese *keiretsu* and Korean *chaebol*) in pursuit of rapid industrialisation. Woo-Cumings argues that the developmental state is a situation in which the government forms "a partner(ship) with the business sector in a historical compact of industrial transformation" (1999: 16). Similarly, Weiss claims that it was "a negotiated relation" into which the autonomous state and capital entered in order to promote state-led fast industrialisation (1998: 38). Hence, the developmental state thesis assumes that business has incomparably greater policy influence than other societal actors.

2.2.1. The East Asian Exceptionalism

Against the backdrop of scholarly interests in explaining economic growth in the region, the scholarship on East Asian welfare states has emerged since the late 1990s. Influenced by the development state thesis, which puts emphasis on the state-led economic development model, the scholarship explains the development of social policy in East Asian countries as a state-led process which is closely embedded into the project of economic development. Social policy was understood as something which could facilitate industrialisation and thus was promoted insofar as it could have a positive impact on economic growth. Kwon (2005a) asserts that East Asian welfare institutions are predominantly structured for facilitating economic development. Similarly, Deyo (1992) claims that the development of East Asian social policy is primarily driven by the changing requirements of economic development policy. Holliday (2000) also argues that the welfare regime in the region is shaped by growth-oriented bureaucrats, which subordinate all aspects of state policy to economic and industrial objectives. In order words, the welfare state was regarded as the 'hand-maiden' to industrialisation, as Titmuss (1976) depicted this instrumental approach to the welfare state as 'industrial achievement model', rather than social rights of citizens. For this reason, according to Hort and Kuhnle (2000), East Asian countries introduced the first social security programmes at lower levels of socio-economic development than the European countries. Within the scholarship of East Asian welfare states, the instrumental approach to the welfare state is referred to as 'productivist welfare capitalism' (Holliday, 2000), 'productivist social development regime' (Gough, 2004), and 'developmental welfare state' (Kwon, 2005b). This characterisation of East Asian welfare states has led to East Asian exceptionalism, arguing for the East Asian welfare model as something qualitatively different from welfare states in Europe.

In explaining the political underpinnings of the welfare state development in East Asia, the leading role of bureaucrats is highlighted. Adopting the neo-Weberian notion of bureaucrats from the developmental state thesis, the scholarship treats bureaucrats as a growth-oriented actor with considerable amount of policy autonomy. The social policy development in the region, hence, was illustrated as a bureaucrat-driven process in which technocrats use social policy as an instrument for attaining the supreme goal of economic growth (Gough, 2001, Tang, 2000, Holliday and Wilding, 2003, Goodman et al., 1998, Kwon, 2005a).

Scholars of this line of research tend to highlight the uniqueness of the East Asian welfare model. The unique properties of the developmental welfare state are characterised as follows. First and foremost, East Asian welfare states provide very modest social protection. To achieve rapid economic growth, it is critical for the state to mobilise resources for industrialisation and to use as few resources as possible in other areas, such as welfare programmes. Hence, the government is reluctant to finance social security programmes by revenues. Yang (2008) refers to this reluctance of the government as ‘fiscal conservatism’. Structured by the developmental ethos, social policies in East Asia discourage dependence on the state, promote private sources of welfare (Goodman et al., 1998). Consequently, public social expenditure in East Asia is significantly lower than that of other advanced economies (see Table 2).

Table 2. Public Social Expenditure (as Percentage of GDP)

	1990	2000	2005	2007
Sweden	30.2	28.4	29.1	27.3
Germany	21.7	26.6	27.2	25.2
OECD average	17.6	18.9	19.8	19.2
Japan	11.3	16.5	18.6	18.7
Korea	2.8	4.8	6.4	7.6

Source: SourceOECD accessed 3 September 2011.

In order to provide social safety nets with minimum state financial contributions, governments in East Asia pushed contribution-based social security programme, on the one hand, and enforced company welfare programmes, on the other (Kwon, 2005a, Haggard and Kaufman, 2008, Aspalter, 2001). Although East Asian governments were reluctant to provide finance for social protection, they tightly control the management of the programmes to enforce developmental logic. Put differently, the government played a role of the regulator but was reluctant to be of the provider of social policy (Kwon, 2005a). Not surprisingly, social insurance schemes and mandatory (or voluntary) occupational welfare programmes are relatively well developed in East Asia. As a consequence, entitlements to welfare benefits in the three countries are tied to a person's employment record, not to his/her citizenship. The state protects these entitlements by providing employment security through high levels of trade protectionism and employment regulation. High level of employment protection and trade protectionism, therefore, were understood as a functional equivalent of social protection in the region.

Furthermore, the welfare states in the region have selection bias to productive population. Social insurance programmes in Japan, Korea and Taiwan, began with

limited coverage, giving productive population priority in social protection, in particular workers of large firms and the public sector. Kwon (1997) points out that in East Asia the lion's share of redistribution through social policies was taken by high-income earners, reflecting the fact that wage earners in large enterprises and state sector employees were the first groups of people covered by social policy programmes. Because of the selectivity of the social security system, social policies in East Asia tend to reinforce socio-economic inequalities.

The abovementioned characteristics of East Asian welfare states are also branded as 'Confucian welfare states', in which Confucian ethos imposes a greater responsibility for welfare provision on families and communities (Jones, 1993, Goodman et al., 1998, Walker and Wong, 2005b). Especially, scholars pinpoint that Confucianism has an important bearing on the family model that East Asian welfare states are based on. With the concept of strictly separated gender roles (which assign men to public affairs and women to family affairs), Confucian ideology enforces a male breadwinner model of family, in which men engage in paid employment and women in unpaid caretaking (Pascall and Sung, 2007, Sung, 2003, Won and Pascall, 2004). Therefore, social protection in the region was geared towards male breadwinners, limiting public social policy for women, children and the elderly. In sum, the development of East Asian welfare states can be understood that the strong state diverted its responsibility for social protection to companies and families, while it ensured only employment security by legislation.

2.3. Towards a Comprehensive Approach to East Asian Welfare States

The following section of the chapter presents an analytical framework of the thesis that focuses on policy influence and policy preferences of key actors of the welfare state. The developmental welfare state framework has been widely used in explaining the development of East Asian welfare states in last two decades. As this state-centred framework was widely used in East Asian welfare state research, the role of non-state actors has been largely neglected in the field. It treats the state as if it is the sole actor of the welfare state. Other competing political theories of the welfare state are not well incorporated.

2.3.1. Policy Influence of Actors of East Asian Welfare States

As the East Asian welfare model regards the bureaucrat a dominant actor of social policy-making who could introduce or reform social policy without interference from other actors, it neglected the role of societal actors and political parties. Even the role of business is largely neglected from the political analysis of the East Asian welfare states, although it was given important treatment by the developmental state thesis. Therefore, I argue that existing scholarship on East Asian welfare states fails to capture political dynamics on two levels: the state vis-à-vis the society and bureaucrats vis-à-vis parties. In the following section, the chapter explains the necessity of inquiry into changing dynamics among actors of East Asian welfare states on the two levels.

The State vis-à-vis the Society: Bringing Social Partners into the Politics of East Asian Welfare States

It is well documented that political dynamics between the state and societal actors has undergone substantial changes since the mid-1980s. The East Asian welfare model was

built against a certain backdrop in which free market economy or democracy was either absent or rudimentary. Authoritarian regimes in Korea and Taiwan, and long-periods of one party rule in Japan endowed the state with considerable policy autonomy over any societal actor (Tang, 2000, Deyo, 1989, Haggard, 1990, Wong, 2004a, Aspalter, 2001, Walker and Wong, 2005b). However, it is argued that the dual transition of democratic deepening and economic liberalisation in the region limited East Asian states in their 'iron rule' over societal actors (i.e., business, organised labour and civil societal groups) (Kim, 2002, Koo, 1993, Kong, 2000, Buchanan and Nicholls, 2003). As the political landscape of East Asian welfare states moved from authoritarianism and highly regulated economy to democratic consolidation and economic deregulation, one could expect that the bargaining power of social partners in social policy-making would have increased.

However, empirical analysis on the role of employers' associations in the social policy-making is largely missing. Given the emphasis on the role of the state-business nexus in economic growth, it is surprising that the role of business was largely absent in the East Asian welfare states research. Lindblom (1977) argues that business has a disproportionately large say in the political economy, since the health of the economy relies heavily on the willingness of the business to invest. The 'privileged position of business' in the policy process is even more pronounced in East Asia, as the business in the region has enjoyed more explicit support from the state than its counterpart in the Western world. By virtue of its status in the developmental alliance, Korean businesses have enjoyed greater access to policy-makers than any other societal actors (Graham, 2003, Haggard et al., 2003b, Koo and Kim, 1992). Despite its privileged position in the East Asian political economy, however, the role of business in the development of East Asian welfare states has not received much attention. If we accept the proposition on the

developmental alliance between the state and business, and the state harnesses social policy in pursuit of industrialisation, it is reasonable to assume that employers' associations also has keen interest in shaping social policy to their preferences.

In addition, the role of trade unions also remains largely unexplained, lacking systematic research based on empirical evidence. The dearth of research on the role of organised labour in the studies of East Asian welfare states is surprising given the importance ascribed to classed-based politics in the comparative welfare state literature. Historically, trade unions in the region had long suffered from political repression, which derived largely from what the geo-politics of the Cold War produced: anti-communism (Kume, 1998, Deyo, 1989, Evans, 1995, Choi, 1989). In Korea, in particular, the experience of the Civil War with communist North Korea aroused anti-sentiment against any sorts of leftist ideologies among the South Korean public. Also the imperative of economic growth justified the repression of labour movements for the sake of industrial peace and wage restraint, which was deemed essential to achieve rapid export-oriented industrialisation. The repression of labour movements furthermore led to the absence of a strong political left in East Asian countries. In short, the conventional wisdom holds that organised labour in East Asia plays only a very marginal role in the policy-making process. In Japanese case, Pempel and Tsunekawa (1979) portray Japanese political institutions as 'corporatism without labour', referring to the exclusion of organised labour from the national-level interest mediation. Hence, the role of trade unions has been widely neglected in the study of East Asia welfare states.

However, the role of social partners is deemed to take a different turn after democratic transition. In the aftermath of democratisation, Korea witnessed an explosive growth of trade unions, which resulted in remarkable wage hikes (Koo, 2001,

Kwon and O'Donnell, 1999, Buchanan and Nicholls, 2003). Considering economic liberalisation, which began in the early 1990s, one might also expect employers to voice their genuine policy preference more independently from the government's policy directions. Scholars assert that the influence of Korean business grew rapidly after a series of economic liberalisation in the 1990s (Kim, 2003a, Graham, 2003, Haggard et al., 2003a). The last two decades, therefore, provide us with a critical window to scrutinise the role of both organised business and labour in the Korean welfare state. Therefore, there is a critical need to embark on an empirical research, examining the role of social partners in the post-transition welfare reforms in East Asia, and here more specifically in Korea.

Bureaucrats vis-à-vis Parties: Bringing Parties into the Politics of East Asian Welfare States

The conventional wisdom holds that parties do not play a significant role in the policy process. The existing literature contends that partisan politics does not have an ample impact on social policy development in East Asia. Haggard and Kaufman (2008) suggest standard left-right policy and social cleavages, which have defined politics in the advanced industrial economies, are extremely hard to find in East Asia. In the same vein, Goodman and Peng (1996) also contend that the development of social welfare programmes in post-war East Asia is difficult to explain in terms of right-left political movements. It is argued that the ability of Korean parties to actively engage in the policy deliberation process is underdeveloped due to the long history of authoritarian regimes (Yang, 2008). Instead of political parties, bureaucrats are considered the dominant actor of social policy-making. It was a long-standing practice that the government, and its think tanks, almost monopolised core legislative tasks (such as

developing policy proposals and drafting legislations), while the National Assembly and political parties simply gave formal approval to government proposals (Chan, 2000, Mo, 2001, Jaung, 2000). Under these circumstances, parties hardly had agenda-setting power, and party platforms did not vary much on social issues. It seemed inconceivable that policy development could be driven by parties, and the literature concluded that political parties did not matter in the policy process in spite of democratic transition and consolidation. This begs the question of why, in spite of the prominence given to the role of parties by the comparative welfare state scholarship, parties are irrelevant to the development of East Asian welfare states.

The absence of clear left-right ideological cleave is ascribed to the insignificance of political parties in social policy-making. First, weak class consciousness is pinpointed as an important factor. Kim (2000: 67) insists that the political culture, which is greatly influenced by Confucianism, does not encourage the development of the notion of class. The strong familism element of Confucianism, which places all individuals and groups into one large family, tends to emphasise common bonds and interests rather than socio-economical differences. Religion also did not play an important role in political organisation in East Asia. In contrast to the important role that Christianity (and its political wing, Christian democracy) played in political mobilisation in the western world, Confucianism did not function as a source of political mobilisation (although it features a welfare ideology similar to the Catholic principle of subsidiarity). Nor are other religions (such as Buddhism or Christianity) closely affiliated with parties, let alone became a critical base line of party organisation in East Asia (Kim, 2000). Owing to the fact that the sources of social cleavage, which played an important role in political mobilisation in western democracies (for instance, class, religion, ethnicity, or language), did not feature prominently in East Asia,

Furthermore, influential left parties, which could effectively represent the interests of the working class, are largely absent in East Asia (Ahn and Lee, 2005, Wong, 2004b, Tang, 2000). The mainstream literature in East Asian political economy contends that the absence of a strong political left has its root in the geo-politics of the Cold-War in the region, facing the Soviet Union and China, which produced political repression of left parties. Anti-communist sentiments, which prevailed in the region, seriously hampered the prospect of the political left in achieving mass political mobilisation and establishing parties. Especially in South Korea, the scarring effect of the Civil War with the communist regime in North Korea brought a gloomy political future to all that was associated with the left ideology, be it social democracy or Stalinism (Kim, 2000). Certainly, the political context of East Asia prior to democratic transition or democratic consolidation was adverse to left parties. The long period of the conservative Liberal Democratic Party rule in Japan and authoritarianism in Korea and Taiwan gave leverage to incumbent parties to repress their opposition. Instead of left-right ideological cleavage, consequently, the authoritarian-democratic divide, until the democratic transition, and a regional cleavage (the urban-rural divide in Japan and the South East-South West divide in Korea) in the aftermath of transition, are most critical determinants to voting behaviour (Pempel, 1997, Kim et al., 2008, Haggard and Kaufman, 2008).

However, an emerging body of literature challenges the scholarly orthodoxy of the insignificance of partisan politics in the growth of East Asian welfare states. This line of research argues that partisan politics and electoral competition had marked effects on social policy outcomes in the post-transition East Asia. Peng and Wong (2010) contend that electoral competition in Japan, Korea and Taiwan played a central role in transforming productivist social policy into a more redistributive and solidaristic one. H.-Y. Kwon (2005c) shows the systematic impact of electoral competition on

public spending in democratic Korea, refuting the proposition of the developmental state thesis that Korean bureaucrats are insulated from partisan politics. H.-M. Kim and others (2008) insist that the left-right ideological cleavage has emerged in Korea as a critical determinant of voting behaviour, whereas the importance of regional cleavage has significantly diminished in post-transition Korea. In the case of Japan, the increasing importance of parties in policy-making is illuminated (Rosenbluth and Thies, 2010, Pempel, 1998, Estévez-Abe, 2008). Particularly, Estevez-Abe (2008) indicates that the 1996 electoral system reform reshaped the Japanese policy process into a Westminster-style one, in which partisan politics on the basis of the left-right cleavage features more prominently in welfare politics. For Taiwan, Wong (2008) and Fell (Fell, 2004) demonstrate that social policy has emerged as a salient cleavage of electoral competition. In light of these findings, which illuminate the rise of partisanship in East Asian welfare politics, therefore, I argue that the role of parties and electoral competition should be taken into account, when explaining political mechanisms of the East Asian welfare state in the post-democratisation era.

2.3.2. Policy Preferences of Actors of East Asian Welfare States

The very purpose of political analyses of the welfare state is, in essence, to discover who promoted the welfare state, and why. Competing political theories of the welfare state offer different explanations on the ‘champion’ of the welfare state, based on different, and even some contradicting, propositions on the policy preferences of actors. Therefore, any serious scholarly attempt to investigate political underpinnings of welfare state transformations has to engage with an analysis of the policy preferences of actors. Drawing on political theories of the welfare state presented in the preceding section of this chapter, I develop propositions about the policy preference of actors of

East Asian welfare states.

The Social Policy Preferences of Bureaucrats

As was shown in the earlier part of the chapter, propositions on the policy preference of bureaucrats are largely built upon the state-centred approach and the East Asian welfare model. Derived from the neo-Weberian notion and neo-Marxist perspective of bureaucrats, it is expected that bureaucrats could be in favour of social policy due to its instrumental value in facilitating economic growth and social peace. The East Asian welfare model also views the bureaucrats in East Asian countries to support social policy insofar as it could promote economic development as they are growth-oriented actors. Yet the model articulates that due to the priority they placed on economic growth, bureaucrats in East Asian countries prefer to minimise resources used in provision of social protection in order to maximise investment in economic development. Put differently, the bureaucrats exhibit fiscal conservatism, in which they are reluctant to spend financial resources of the government (more explicitly general tax revenues) to finance the welfare state. Therefore, the bureaucrats put forward selective social protection, which is geared towards productive population, and contributory social policy, which could be funded by user contributions by and large. In pursuit of economic growth through rapid industrialisation, male industrial workers (especially, those working for industrial conglomerate which were selected to be national champion) are considered as productive population. In this light, it can be assumed that bureaucrats would not favour the extension of social protection to less- or non-productive population (for instance, women, children and the elderly). Moreover, they promote occupational welfare programmes in order to divert public demands for social protection from public social policies to private ones. The bureaucrats in the region

incentivised companies to provide welfare programmes with subsidies or tax-deduction, or to force them to do so by introducing mandatory occupational welfare programmes (Song, 2003, Yi, 2007). In a nutshell, bureaucrats in East Asian countries prefer selective, contributory, or occupational welfare programmes to universal and tax-financed social benefits.

Meanwhile, according to the school of public choice, bureaucrats could pursue the expansion of welfare state. The public choice school contends that bureaucrats are motivated by personal gains and seek self-interests, which often overlap with expanding the size of bureau or budgets (Brennan and Buchanan, 1980, Buchanan and Tullock, 1962, 1997). Hence, bureaucrats would be in favour of expanding policies which are under the jurisdiction of their ministry. If applied to the East Asian welfare model, it can be assumed that social ministries (the Ministry of Health and Welfare, the Ministry of Labour, the Ministry of Gender Equality), would promote institutionalisation and expansion of social and labour market policies in order to expand the size and budget of bureau. In the same vein, economic ministries would prefer to invest more resources in projects for economic development (for instance, industrial policy) rather than the welfare state since social policy does not fall under their jurisdiction[2].

On formulating the policy preference of bureaucrats, therefore, attention should be paid to possible inter-ministry cleavages of interests. It is reasonable to assume that ministries and bureaucrats pursue their own organisational interests, which might cause conflicts within the government. If one accepts this proposition, one can assume that

[2] I understand that demarcation between economic ministries and social ministries can be criticised as somewhat crude, given that all aspects of government policies can have direct and indirect implications on economic activities of a nation. However, for simplicity of analysis, I would like to adopt the dichotomy between economic ministries (which I define as ones dealing with economic planning, budget, and finance) and social ministries (which I define as ones dealing with social and labour market policies including employment protection, unemployment protection, and work-life reconciliation policies).

ministries have conflicts of interests over acquiring limited resources (i.e., budgets) to achieve return from their investment. However, as Block (1992) warns, the state-centred approach treats the state as a unified rational actor, which obviate questions about what occurs within the 'black box' of the state. In the context of East Asian welfare model, in which social policies are subject to the supremacy of economic development and hence they are ascribed to low priority on the political agenda in comparison to economic policies, it is reasonable to assume that the will of social ministries to expand has been hampered by economic ministries. Therefore it is important to disaggregate the policy preferences of the government bureaucrats at the level of ministries to see if there were differing preferences, and if so how they were mediated and reflected in policy designs. Disaggregating interests within the government, therefore, can provide us with important insights on dynamics within the state, which could have marked impacts on the outcome of policy reforms (For works on differing interests between economic ministries and social ministries, see Kwon, 1999 and Estévez-Abe, 2008).

The Social Policy Preferences of Employers' Associations

The developmental state thesis asserts that the state and business are in alliance for implementing certain strategies of economic development. According to this line of logic, the two parties of the alliance should share similar policy preferences in order to maintain the alliance. Therefore, a proposition could be derived from the thesis that employers support the government direction of social policy. Recall that the government bureaucrats put forward the developmental welfare state in which selective social protection (contribution-based social insurance and occupational welfare programmes) and high level of employment protection are the two important pillars of social welfare. Beneath bureaucrats' rationale for such policy preferences lied their reluctance to use

general tax revenues for social protection. In other words, bureaucrats favoured a strategy of cost-shifting to users of welfare programmes (employees and employers in case of social insurance and employers in case of occupational welfare). Building upon the assumption that employers shared the policy preferences of bureaucrats, it can be said that they supported the cost-shifting strategy of government for social protection. Some argue that Korean employers were in favour of company-level welfare benefits, as a way to facilitate skill formation and to tie skilled workers to the firms during the period of industrialisation, when the labour market was tight and consequently poaching became a widely spread practice (Yang, 2004, Shin, 2006, Chung, 2007). When the government wanted to institutionalise social insurance programmes (for instance, health and work-injury insurance programmes), employers did not oppose the government's initiative, because they had been running similar programme at the company level and joining social insurance programme would not create additional cost on their side (Kwon, 1999). Meanwhile, it is argued that employers' support for the government policy direction (in particular, on occupational welfare) merely reflects unequal bargaining power between the two parties. Song (2003) insists that employers rather provided company welfare involuntarily because of the state enforcement and the end of company welfarism era has come in Korea as the strength of the state enforcing firms to provide welfare has significantly decreased due to political democratisation and market liberalisation. If we expect to see change in policy preferences of employers in the post transition period, then a question arises as follows; to which policy direction that they switched?

In the section on the employer-centred approach, the chapter pointed out that Korea was classified as CME. According to this classification by the VoC, Korean employers are expected to support high level of employment protection or generous

social policy if the policy serves the function of wage-replacement (for instance, old-age pension and unemployment insurance) for the purpose of skill formation. Drawing upon the VoC thesis, thus, it is safe to assume that Korean employers follow the line of policy preferences that those in the CMEs have. Hence, the thesis will investigate if employers continue their preference in the developmental design (i.e., selective, contributory social policy or occupational welfare), or resemble the preferences of employers in the CMEs (i.e., generous social policy with wage-replacement function and employment protection).

The Social Policy Preferences of Trade Unions

The Power Resources theorem argues that organised labour pursue the social-democratic model of welfare state. Two concepts are important to understand the model and the policy preference of trade unions: redistribution and decommodification. First, the important purpose of welfare state is to redistribute wealth from the 'have' (capitalists) to the 'have not' (wage earners), since the welfare state is understood as a political triumph of workers in the democratic class struggle between capitalists and wage earners. Second, and more importantly, the fundamental goal that workers want to achieve through the establishment of the welfare state is decommodification. The reason why trade unions champion the welfare state is because it can decrease the workers' reliance on the labour market for survival through insuring workers against social risks. Drawing on the Power Resources thesis, thus, it can be assumed that trade unions would be in favour of a type of social policy which could best pursue redistribution and decommodification. In other words, they would prefer generous (e.g., high level of income replacement rates and longer benefit duration), universal and progressively tax-financed social policy rather than selective, contributory, or regressively financed one.

However, the Power Resource approach has been under challenge by the new perspective illuminating that the policy preference of workers is not homogenous. Rueda (2005, 2007) claims that that labour is divided into the insiders and outsiders of labour markets, showing fundamentally different policy preferences, based on different risks of unemployment. While the insiders are conceptualised as those who have highly protected jobs, the outsiders are those who are either unemployed or have jobs characterised by low salaries and low levels of employment and social protection. Derived from their differing status in labour markets and differing risk of unemployment, he argues that the insiders are likely to prefer higher levels of employment protection whereas outsiders unemployment protection (i.e., passive and active labour market policies). More importantly, he illustrated that social democratic parties, which represent the interests of workers, in the Continental Europe have prioritised policy preferences of the insiders than those of the outsiders.

The existing research on the preferences of Korean organised labour, although there is lack of research anchored in empirical evidence, exhibits two contending views. Some argue that, following the line of Power Resources approach, organised labour is the champion of social democratic welfare state (Song, 2003, Kim, 2008b). Others claim that, driven by powerful unions of industrial conglomerates, organised labour pursued wage increases or expansion of company welfare programme rather than public policy gains (Yang, 2006, Kim and Lim, 2000).

Applying the new perspective to the case of Korea, it is plausible that Korean trade unions pursue the interest of insiders of the labour market. Given that the mainstream literature on the East Asian political economy contends that the duality of the labour market is greatly pronounced in the region, the insiders/outsiders distinction can be particularly useful in the examination of policy preferences of organised labour.

The thesis pays attention to the fact that organised labour in East Asia is highly fragmented, as the predominance of enterprise unionism hinders organised labour from developing industry wide interest. It is argued the labour movement, driven by power unions of industrial conglomerate, promoted wage increases or expansion of company welfare programme over public policy gains and largely neglected interest of atypical workers (Yang, 2006, Kim and Lim, 2000, Shin, 2010). In light of two competing views, the thesis will pay attention as to whether differing interests exist within labour and if so, how they are represented by organised labour. To reiterate, it is an important line of inquiry of the thesis as to whether Korean trade unions seek universal and redistributive social policy or material gains at the company level.

The Social Policy Preferences of Parties

The partisan theory is built on the assumption that the left-right ideological cleavage is salient in party politics. The thesis broadly classifies parties into three broad categories: parties of the left (e.g., the Social Democrats), the centre (e.g., the Christian Democrats), and the liberal and the secular conservative (e.g., the Conservatives). The existing research illustrate that Social Democratic parties advocate universal public social policy with tax-based financing whereas secular-conservative parties a pronounced market-oriented social policy stance, emphasising employer-employee contribution based private social protection. Christian Democratic parties, and most centre parties, come in between the two ends, pursuing public social protection with less enthusiasm than Social Democratic parties (Schmidt, 2010, Benoit and Laver, 2006).

Turning to the scholarship on the East Asian welfare states as had been shown earlier in the chapter, the mainstream view does not consider parties in the region to be programmatic; it is argued that partisanship in the region is underpinned not by

cleavages in the left-right ideologies but by ones in regionalism or ethnicity. Therefore party platforms on the welfare state, which were developed in accordance with the left-right ideological divide in case of other advanced economies, are not articulated in East Asian countries. In particular, the weak class consciousness and the absence of a viable political left were attributed to preventing the parties from developing party platforms on the welfare state. A new body of research is emerging, meanwhile, illuminating the increasing importance of electoral competition in the politics of East Asian welfare states against the backdrop of democratic deepening. If we accept that social policy has become a salient cleavage of electoral politics in East Asia, it is reasonable to expect that the parties have begun to develop elaborated stances on social policy. Moreover, the election of left governments in East Asian countries is likely to have an ample impact on the development of party platforms on social policy. The thesis, therefore, will scrutinise as to whether partisanship in the region has become programmatic with reference to the issue of welfare state. Especially, in light of recent social protection expansions in the region, how party platforms in favour of welfare state growth emerged will be scrutinised.

3. Understanding the Korean Welfare State: Its Policy-Making Institutions and Developments

This chapter delineates the policy making institutions of the welfare state in Korea. In order to facilitate a better understanding of the analysis presented in the subsequent chapters, this chapter provides a detailed context of policy-making institutions with regard to the Korean welfare state and an illustration of important developments in the area of social protection and the labour market. The first part introduces important backdrop of the policy-making institutions before moving onto the state-society relations. It presents a historical account of how democratic governance is institutionalised as well as the general characteristics of the policy-making institutions in Korea. It is followed by an elaboration on the institutional settings of the state-society relations which illuminate how the settings and their change shaped relative strength among key actors of the Korean welfare state. The second part delineates the development of the Korean welfare state over time. As the thesis defines the welfare state as an intricate web of social and labour market policies, this part follows the development in the domain of social protection and the labour market.

3.1. The Policy-Making Institutions of the Korean Welfare State

This part pays special attention to the process of the dual transition (i.e., democratisation and economic liberalisation) in accordance with the central line of inquiry of the thesis, that is, to investigate how dynamics of the social policy-making has been changed by the dual transition. The democratisation is dealt with in the first half where a brief chronology of the Korea government is presented in order to illustrate how democratic governance was interrupted by authoritarianism, restored and institutionalised in Korea. The economic liberalisation is illuminated in the second half

where institutional settings defining the state-society relations and their change over time are delineated, offering a rich context of the shifting dynamics of the social and labour market policy-making. The section explaining the state-business relations especially provides an informative account on how the economy was regulated and deregulated.

3.1.1. The Modern History of the Korean Governments

The modern history of South Korea is of complication involving colonial rule, a civil war, a series of military coups d'etat and dictatorship, and democracy. In 1948, the first modern South Korean government was established, three years after the liberation from the Japanese Empire. For four decades, the whole of Korea was subjected to the Japanese colonial rule (1905-1945 including the first five years of the Japanese protectorate) which was terminated by the end of the World War II. Immediately after the War, the U.S. and the U.S.S.R. began their trusteeship in southern and northern parts of Korea respectively under the oversight of the United Nations. During the period of the American trusteeship, the National Assembly was established in South Korea which laid out the Constitution and elected Rhee Syng-Man to the first president of South Korea. The division of Korea between South and North was formalised as the inauguration of separate governments in both parts effectively created the Republic of Korea in the South and the Democratic People's Republic of Korea in the North (Ringen et al., 2011). The inter-Korea relations has been marked by hostility since the inception of two separate entities which was well demonstrated by the Civil War (1950-1953). Until 1961, South Korea was technically under democratic governance from the perspective that governments were created as a result of direct elections with the exception of the indirect presidential election in 1948. However, the early years of

democracy were marred by the allegations that the ruling party resorted to election rigging and corruption to stay in power. The public outcry for resignation of the president Rhee (which reached the highest point when the April Revolution occurred in 1960) led to the establishment of the parliamentary government headed by Yun Po-Son in 1960. Unfortunately, the government became a short-lived one when Park Chung-Hee, a military general, seized the power by coup d'etat in 1961. This was the beginning of an authoritarian rule which lasted for 26 years. During this period the Constitution was frequently revised to manoeuvre military leaders' way to presidency and consolidate their rule. Measures such as martial law and military forces were often deployed to maintain the dominance of authoritarian governments over the society (Woo, 2004, Koo, 1993). In particular, the student and the labour movements and opposition parties were subject to severe oppression as they were deemed as opposition forces to authoritarian governments. A distinction is often made between periods of hard and soft authoritarianism (Ringen et al., 2011, Haggard and Moon, 1990) reflecting the variation in the degree to which authoritarian governments restricted the civil liberty. Here, the chapter does not delve into the demarcation of sub-periods within the authoritarian era because it goes beyond the scope of the thesis. Suffice it to say, therefore, that the authoritarian era shaped the state-society relations in a particular way, some of which had or have had a rather long lasting impact on the relations even in the democratic era.

On 29 June 1987, near the end of the Chun government, Roh Tae-Woo, the leader of the ruling party, announced to hold a direct presidential election. In December of the same year, a first direct presidential election after a couple of decades of authoritarianism took place. For this reason, it is typical to refer to 1987 as a point of democratic opening. Considering that Korea experienced nascent democracy prior to the

authoritarian period, the democratic transition after 1987 is a period of re-democratisation, to be precise, as Ringen and others (2011) rightly emphasised. However, following the convention and for convenience, the thesis refers to the post-1987 period as the democratic era. The inauguration of Roh Tae-Woo government the following year opened the democratic era but his government was often criticised of authoritarian legacy. President Roh himself was a military general who was deeply involved in the previous authoritarian Chun government and was a handpicked successor of Chun. Therefore, many considered the succeeding Kim Young-Sam government (1993-1998) as the first true democratic government which was headed by a civilian. The Kim government nevertheless suffered from a democratic deficit. It was argued that Kim Young-Sam was able to win the presidential election only because his party was able to secure the largest popular support by the merger with other two conservative parties, one of which was the Democratic Justice Party, ruling party during the authoritarian Chun government and the subsequent Roh government. For this reason, many view the Kim Dae-Jung government (1998-2003) to mark the period of democratic consolidation. Kim Dae-Jung and his party had no involvement in the authoritarian governments. Moreover, he was the first leader of opposition 'democratic' forces (which was broadly defined as the political left) to become a president. Following the Kim Dae-Jung government, the election of Roh Moo-Hyun (2003-2008) to the presidency opened the second term of the left government. In 2009, the conservatives came back in power after ten years of left governments. Throughout the period of government change from the conservatives to the democrats, and back to the conservatives again, there was no threat of military coups to overthrow a democratic government. Passing the test of time of two and a half decades, it is safe to say that democracy was proven resilient and governance was institutionalised as the norm of

Korean politics.

Table 3. Chronology of the Korean Governments

Period	Head of government	Years	Remarks
Nascent democracy	Rhee Syng-Man	1948–1960	Indirectly elected at first but re-elected by direct elections afterwards
	Yun Po-Son	1960–1962	Parliamentary government system
Authoritarianism	Park Chung-Hee	1961–1963	Military general, hard authoritarianism
	Park Chung-Hee	1963–1972	Soft authoritarianism
	Park Chung-Hee	1972–1979	Hard authoritarianism
	Choi Kyu-Ha	1979–1980	civilian, indirectly elected president under the control of the military junta
	Chun Doo-Hwan	1980–1988	Military general
Democratization transition	Roh Tae-Woo	1988–1993	Military general, the first directly elected president after the authoritarian era

	Kim Young-Sam	1993–1998	The first civil president
Democratic consolidation	Kim Dae-Jung	1998– 2003	The first left president
	Roh Moo-Hyun	2003–2008	The second left president
	Lee Myung-Bak	2008-	The first conservative president after ten years of left government

Source: adapted from Ringen and others (2011)

3.1.2. The Korean Polity

Policy-making institutions in Korea have often been characterised as being bureaucrat-led. The executive is pinpointed as a dominant actor with a considerable amount of autonomy in gathering policy ideas, their deliberations and their passing in the National Assembly. This executive-driven nature of policy-making is rooted in the strong presidential system with a clear sense of hierarchy among bureaucrats which was instituted during the authoritarian Park regime. Although he was not the first president, Park was certainly the one who instituted the legacy of strong president in many ways. It is self-evident that the authoritarian rule brought almost uncontested power to the president and his government. The constitutional revision of 1972 (which replaced the existing Constitution with *Yushin* Constitution) bestowed him with life-time presidency. Moreover, the president was endowed with the power to override the legislature. Underneath the president was the Office of the President, the “Blue House”, consisting

of a few Secretariats which oversaw the workings of government ministries. Among the government ministries, the Economic Planning Board (EPB) had a special standing, as it was portrayed as the 'pilot agency' by the developmental state literature which was in charge of devising plans for economic development and policy coordination in the realm of economy (Amsden, 1989, Cumings, 1987, Henderson and Appelbaum, 1992, Johnson, 1982, 1987, Koo, 1987, Woo-Cumings, 1999). Starting from 1962, the EPB announced five-year economic development plans, which clearly set out the objectives of economic and industrial policies, for instance, targets of export volume and priority sectors. The privileged status of EPB could be seen in the fact that the head of the EPB assumed the position of Deputy Prime Minister. Under the regime which set economic growth through industrialisation as a national priority agenda, the power of EPB reached far beyond ministries which were typically deemed to have direct involvement in industrialisation, such as the Ministry of Commerce and Industry. As will be illustrated later, the EPB (and its successor after its merger with the Ministry of Finance during the Kim Young-Sam government) attempted to exert its influence over social and labour-market policy making.

If the EPB laid out the blue print of economic policy, and to some extent public policy, the government ministries were largely held responsible for drawing policy proposals and passing them to the legislature. For specific policy design, the government ministries greatly rely on expertise of advisory agencies. In general, the advisory agencies existed in the form of government research institutes. A few institutes were of particular importance in the area of social policy-making: the Korean Development Institute, the Korean Institute of Health and Social Affairs, and the Korean Institute of Labour, although the influence of the first one diminished significantly in the post-transition. Quite often, policy deliberation took place only within the closed

terrain of the ministries and their advisory agencies in the authoritarian period, largely excluding societal actors.

Once presented to the National Assembly, the government bills were rarely subject to rigorous discussion or substantial revision as a result. In order to relegate the National Assembly to a rubber stamp of the executive, the authoritarian governments limited the number of days in which the National Assembly could be open and discuss the bills, and exerted strong internal discipline on the ruling party. Party leaders strictly control their rank-and-file members. At every stage of decision making, legislative members followed instructions from above (Kim, 1988). Even the speaker was not immune from party discipline, which hindered her from keeping up the autonomy of the legislature. Overall, the legislature and parties played a marginal role in the policy process (Chan, 2000, Mo, 2001, Jaung, 2000).

Entering into the post-transition period, the policy process became more open and pluralist. In order to enhance the participation of societal actors, democratic governments frequently utilised special committees (which were given the status of ministerial, prime ministerial or presidential level depending on the weight of matters) which were set up on an ad-hoc basis. Usually the committees were comprised of representatives from employer's associations, trade unions, and public interests, set up on an ad-hoc basis (Mo, 2001). Although restrictions placed on activities of political parties and the National Assembly have been lifted, the two have not moved to centre state in the policy process after democratisation (Chan, 2000, Yang, 2008).

3.2. Institutional Setting of the State-Society Relations

The Korean welfare state does not exist in vacuum. It exists against the backdrop of the Korean political economy which underwent fundamental changes in the last two and a half decades caused by democratisation and economic liberalisation. Numerous works suggest that one of the changes undertaken is in the area of the state-society relations. The state-society relations can inform us of a wider context within which social and labour market policy-making takes place. Thus, an illustration of how the state-society relations had been and changed in the aftermath of the dual transition can help us to better understand change in relative strength among key actors of policy-making. Understanding the origin of change is especially important for comprehending its magnitude. For this reason, the chapter delineates the institutional legacy which had shaped the state-society relations for almost three decades and still might have lingering impact on the relations in some ways. Prior to the transition, the state used authoritarian dictatorship in order to attain and maintain dominance over societal actors. In particular, the high degree of state intervention in the area of industrial relations, business activities, and political activities led to the substantial restriction of the autonomy of trade unions, employers and political parties. Hence, the following section portrays the state-society relations with a focus on the three areas.

3.2.1. Trade Unions

During the authoritarian era, labour was excluded from the political arena. Workers' right to freedom of association in terms of the right to form trade unions and collective bargaining, although recognised as constitutional rights for most periods and for most sectors, was significantly restricted by the state (Deyo, 1989, Henderson and Appelbaum, 1992). The state repression of labour movements is rooted in the geo-

politics of the Cold War. The American forces, which ruled South Korea during the transition period (1945-1948) from the Japanese colonial rule to the establishment of the first government, repressed any type of leftist political movements. The first national level trade union, the National Trade Union Council (*Chun Pyung*) which was organised in close association with the Chosun Communist Party in 1945, was put under severe state regulation (Kwon and O'Donnell, 1999). After the Korean Civil War in the early 1950s, the political climate for the labour movement in South Korea became extremely hostile. The priority of the Rhee Seung-Man government was to develop a capitalist economy in South Korea as a bulwark against the communist North Korea. Broad-based socialist or labour movements were repressed in the name of 'the fight against Communism' (ibid.).

When the authoritarian Park Chung-Hee regime came into power by military coup in May 1961, the labour movement faced an even greater oppression. In order to pre-empt the labour movement to develop into a strong political opposition to the authoritarian government, the regime further suppressed the labour movement in the following ways. First, the regime nurtured the state-controlled monopolistic unionism (Woo, 2004). The General Federation of Korean Trade Unions (GFKTU), which became the nation's sole labour federation after the *Chun Pyung* had been outlawed by the American forces, was reformed into a new umbrella organisation; the Federation of Korea Trade Unions (FKTU) consisted of sixteen industrial federations, comprising 2,359 unions and 336,974 members. Among the union leaders, those who were loyal to the regime were allowed to stay in the FKTU, on the one hand, and some of them were appointed as members of the government, on the other (Hwang, 2006, Kwon and O'Donnell, 1999). Furthermore, the regime preserved the monopolistic structure of state-controlled unionism and deterred the growth of independent labour movements by

outlawing multiple trade union representation (Woo, 2004). Consequently, the ability of the labour federation in representing worker's interests was significantly constrained. Instead, the FKTU rather functioned as an enforcer of government labour policies and often supported managements in the case of labour disputes (Deyo, 1989, Hwang, 2006). Second, rights to collective action of trade unions were severely constrained under the authoritarian regime. The political activities of trade unions were outlawed as the Special Act for National Security banned any political activities against the government in 1971. In particular, the Act defined strikes in large workplaces as disruption of social order and damaging to economic development (Shin, 1972). In the following year, the Constitution was revised to bestow the government the power to restrict civil rights and freedoms whenever it saw national security or public welfare was at risk (Pae, 1992). At the same time, the State of Emergency came in effect under which time all collective rights of labour were suspended (Ringen et al., 2011). Third, the authoritarian regime paved the way for the state to directly intervene in labour disputes. The use of public security agencies (such as police and the Korean Central Intelligence Agency) was allowed to suppress industrial conflicts (Park, 1979, Shin, 1972). Besides, the Office of Labour Affairs (which later became the Ministry of Labour) was given the right to supervise arbitration procedures, and the scope of government intervention in labour dispute was extended to all industries (Choi, 1989, Yi, 2007).

The suppression of the labour movement continued under the authoritarian Chun Doo-Hwan regime (1981-1988). In order to hamper the growth of the labour movement, the Chun regime endeavoured to weaken the link between shop floor unions and peak associations (Haggard and Moon, 1990, Woo, 2004). The ban on third party intervention was introduced which in essence forbid the labour federation from engaging in collective bargaining and labour disputes at the firm-level (Song, 1999).

Thus, the role of labour federation was marginalised to the extent that they were only permitted to make policy recommendations and, sometimes, petitions to employers when collective bargaining had reached a stalemate. Conversely, enterprise unions were given heavier weight with authority to decide most of important agendas such as wage bargaining. It was argued that the regime deliberately enforced an enterprise-union-centred structure of industrial relations by designating enterprise unions as responsible organisations for settling grievances and maintaining cooperation between employers and employees (Yang, 2006). As a result, the structural tie between shop floor unions and the labour federation became weak as the labour federation could not have much authority over rank-and-file members of unions on the shop floor. The ability of trade unions to develop horizontal and vertical linkages, which was critical to the growth of labour movement, was severely undermined.

Quite the contrary to harsh oppression and political marginalisation it faced during the pre-democratic era, labour movements were given legal recognition and brought into the political arena in the democratic era. The most distinctive change of labour relations in the democratic era is that basic labour right for collective action was fully recognised by labour laws. Notably, the three bans on trade union activities were lifted one by one: ban on multiple unionism, ban on third party intervention, and ban on political activities of trade unions (OECD, 1998: 156-157). First, the monopoly of the FKTU came to an end after 1987 when unions were granted freedom to decide freely whether to join the FKTU as their national centre or to remain independent (Song, 1999). Multiple unionism was permitted at the industry and national levels in 1997 and the workplace level in 2011. This opened up a way for the Korean Confederation of Trade Unions (KCTU), the federation of independent unions established in 1995, to be

legally recognised[3]. The KCTU finally gained a full legal status in 1999, however, when teachers unions, then illegal members of the KCTU, were legalised in line with the expansion of labour right to association to low-level public sector employees and teachers (OECD, 2000). From 1995 to 1999, membership of the KCTU continued to grow from 418,000 (862 unions) to 565,000 (1, 256 unions) (Lee and Lee, 2003: 514). In addition, third-party participation in collective bargaining and labour disputes was granted. Representatives of labour organisations at higher levels (i.e. labour federations at the level of industry or nation), could now participate in collective bargaining and labour disputes at firm level on one condition - the representatives from third parties should register with the Ministry of Labour in advance. Lastly, organised labour was granted freedom for political activities in 1996, although making donation for political parties was allowed at a later point. The Democratic Labour Party was established in 2000 by strong backing of independent labour unions. In the 2004 National Assembly election the party managed to form a floor negotiation group, winning 13.1 per cent of votes. Nevertheless, the party suffered from dwindling public support, winning 5.7 per cent of votes, in the subsequent 2008 National Assembly election.

Reflecting the democratisation of labour relations, the labour movement underwent significant growth in terms of its membership. The democratic transition of 1987 led to the noticeable growth of the labour movement. While union density remained in the region of low-10 per cent until the early 1980s, it soared to almost 20 per cent in the same decade after the democratic transition of 1987 (OECD, 2011c).

[3] Independent unions refer to trade unions organised by workers without the interference of either the management or the government, unlike the FKTU, of which establishment was directed by the authoritarian Park government and prerogatives were protected by the ban on multiple unionism until 1997.

Although union density remained relatively low on the whole in Korea in comparison to other industrial democracies, it is safe to say that organised labour achieved greater strength, and hence greater bargaining power, in democratic Korea.

3.2.2. Employers' Associations

There are several associations that represent employers in Korea. First, there are quasi-public associations, which were given special status by legislation, represent broad streams of employers. The Korean Chamber of Commerce and Industry, the oldest employers' association which was founded in 1884, gives automatic membership to every employer regardless of size and industry whereas the Korean Federation of Small and Medium-sized Business (KFSMB) focuses on representing the interest of small employers. These associations are under the jurisdiction of government bureaus and financed by taxes (OECD, 2000, Chun and Seo, 2008). While they act as channels of employers' opinion to the government, they also provide vocational training. Second, there are private associations, based on fee-paying membership, which are political/economic pressure groups. Among those, two associations are often consulted as the representative of employers in the policy process, and thus considered influential. On the one hand, The Federation of Korean Industry (FKI) consists of industrial conglomerates, *chaebol*, and advocates the interest of large enterprises especially in the realm of economic policy (OECD, 2000). On the other hand, the Korean Employers Federation (KEF), which has not only 4,000 individual enterprises but also sectoral and regional employer and trade associations as its members, aims to represent broader groups of employers (ibid.). It specialises in advocating the interests of employers in the area of industrial relations and provides its members with information and advice with regard to industrial relations including enterprise-level collective bargaining. However,

it is argued that the KEF tends to represents the interests of large enterprises than small ones as large enterprises constitute its core membership (Chun and Seo, 2008).

Prior to the transition, business had a closer relationship with the state as a partner in the developmental alliance. During the pre-transition period, the state had an upper hand within the alliance as it had power to direct and guide businesses in pursuit of industrialisation. The authoritarian Park government not only drew up to which direction that the nation should pursue industrialisation, but also provided an incentive structure for firms to follow the direction of the state. It was during the Park government when industrial conglomerates, *chaebol*, began to thrive as they were chosen to be national champions which would lead the export-oriented industrialisation. Among many policies, industrial and financial policies were underlined as key policy instruments of nurturing *chaebol* (Kim, 1997, Koo and Kim, 1992, Haggard and Moon, 1990, Woo-Cumings, 1999). With industrial policies, the government could direct the investment decision of business in a few strategic industries. The Park government set the heavy-chemical industry as a priority sector, and it introduced a set of legislations to promote firms to enter into it. For instance, the Industrial Machinery Promotion Act of 1967, the Shipbuilding Promotion Act of 1967, the Electronic Industry Promotion Act of 1969, the Petrochemical Industry Promotion Act of 1969, and the Steel Industry Promotion Act of 1970 were enacted granting the government's preferential treatments for firms entering into these industries – easy access to foreign and domestic credits, tax breaks, public provision of infrastructure, and the like. Numerous scholars argue that the availability of government subsidies was the greatest incentive for firms to enter into these priority industries (Kim, 1997, Koo and Kim, 1992, Woo, 1991). Adding to the favourable terms in the area of bank credits and taxes were the exporters of the priority industries treated with, they were also protected from foreign competitors in the

domestic market, sometimes with outright import bans of the products in question (Jones and Sakong, 1980).

Along with the industrial policies, the government utilised financial policies as a tool to influence businesses. As the Park government nationalised banks and the financial market was regulated by the government, it had substantial room for manoeuvre in influencing business decision by way of investment subsidies, price controls, credit rationing and maintenance of interest rates at artificially low levels. All measures were to encourage business investment to flow into strategic industries (Castells, 1992, Koo and Kim, 1992, Woo, 1991, Woo-Cumings, 1999). Especially, the government subsidies were given to those firms that were able to achieve outstanding performance to meet the target of the five-year economic development plans. In addition, the 'policy loans' from the state-owned banks, of which interest rates were exceptionally low, were widely used as the functional equivalent to subsidies. The government also underwrote foreign loans for companies in priority industries. During the authoritarian era, approximately 70 per cent of policy loans were distributed to the heavy chemical industries and entrepreneurs "followed the subsidies" (Graham, 2003: 30, Koo and Kim, 1992). Woo-Cumings (1999) calls finance the 'nerves of the developmental state' in illuminating the critical role of finance in market-governing mechanism of the state. The state wielded significant influence on business decision by gaining a tight control on finance by means of holding a strong grip on the banks.

In addition, dependence on foreign finance due to the lack of domestic capital also gave the government a potentially powerful method for guiding economic activity. The government could control credit provided by foreign lenders to Korean enterprises by acting as guarantor of credit. In 1962, the Foreign Capital Inducement Deliberation Committee was established within the Economic Planning Board to screen applications

by Korean firms for foreign finance (Graham, 2003). The power to control which firms would receive foreign credit thus came to be used by the government as a tool of industrial policy. This power was used extensively when Korean firms, under government direction, began to invest in highly capital-intensive industries during the early 1970s. Even the remarkable increase of domestic savings, from virtually zero in the early 1960s to close to 20 per cent of GDP in 1970, to almost 25 per cent of GDP in 1980, and to 30 per cent in 1985, did not diminish the power of government in controlling finance (ibid.).

In sum, the nationalisation of the banking system, along with the control on the scarce foreign loans, provided the state with powerful means of directing investment decisions, thereby infringing the most fundamental prerogative of the capitalists. It was not unusual that the state often intervened in the affairs of individual firms as it can be seen in the case in which the government ordered Daewoo to take up shipbuilding in 1978 (You, 1994). When the success or failure of business largely depended on whether a firm was chosen as a beneficiary of generous government's subsidiaries and policy loans, business had to subordinate its management prerogatives to the policy objectives of the government.

However, the power balance in the developmental alliance had begun to shift since the 1990s. While the political strength of the state to undertake developmental industrial policy began to diminish since the late 1980s, the economic and political power of the *chaebol* was on the rise. The dismantling of state-led industrialisation was accelerated by the Kim Young-Sam government as it abolished the practice of five-year planning, which used to provide an overarching policy coordination framework since its introduction in 1962, upon its assumption of power in 1993. Most industrial policy measures were negated aside from the exception of the promotion of research and

development in some high-technology industries (Chang et al., 1998).

Furthermore, the liberalisation of the financial market was a key factor which caused considerable decrease of the state influence over businesses. The first significant step of the liberalisation of the financial market was taken in the early 1980s when commercial banks were privatised (Economic Planning Board, 1984). Yet, the degree of liberalisation remained modest since and the government still had a good deal of influence on financial sector through interest rate controls and quantitative credit targets (Kim, 2003a). Also, the opening of the capital market provided business with further leverage to gain financial independence from the state. Since 1988, the financial authority have encouraged local securities houses to go abroad to directly raise funds in foreign capital markets and the *chaebol* have responded with enthusiasm. By 1993, eight out of ten largest *chaebol* had their own securities companies (Kim, 2003a). The capital market liberalisation enabled the *chaebol* to bypass regulatory regime simply by going abroad to raise new funds. Now businesses gained a considerable degree of financial independence from the state as the share of bank loans in the corporate sector fund dropped down by half to 11.4 per cent by the end of 1980s, from 18.4 per cent in the late 1970s (Bank of Korea, 1990).

It was only during the Kim Young-Sam government, however, when the financial market underwent path-breaking reforms. The four major areas of financial reform programmes were as follows: liberalisation of all interest rates; reform of policy loans; autonomous management of financial institutions; and liberalisation of capital accounts (Bank of Korea, 1994). In particular, the *chaebol* pushed the government for liberalisation in the Non Banking Financial Institution (NBFI)[4] sector (Haggard, 2000,

[4] The Non Banking Financial Institutions typically refer to merchant banks, securities companies, investment trusts, life insurance and fire and casualty insurance companies, instalment finance companies, mutual savings, venture capital companies, credit card companies and factoring finance firms (Shin,

Hahm, 2003). Contrary to the modest level of privatisation in the banking sector and the limit of *chaebol*'s ownership of banks to 8 per cent, the degree of liberalisation of the Non Banking Financial Institution (NBFI) sector was considerable. Since the late 1980s, the *chabol*'s entry into the NBFI was very visible; the majority of the license of life insurance companies, investment finance companies and securities companies were issued to *chaebol* firms (Hahm, 2003: 84). With the lowering of entry barrier to the merchant banking industry during the Kim Young-Sam government, the number of newly established merchant banks dramatically increased[5]. By the end of 1996, a total of thirty merchant banking corporations were in operation and sixteen of them owned by *chaebol* (Hahm, 2003: 88).

3.2.3. Political Parties

It has been most often illustrated that political parties in Korea play a marginal role in the policy process. Scholars argue that policy development in Korea is rarely driven by party competition but by bureaucratic expediency (Haggard and Kaufman, 2008, Mo, 2001). The light weight of political parties in policy-making processes is reflected in the legislature-executive relations. Jaung (2000) claims that the legislature only plays a subjective role to the executive and refers to the National Assembly as a mere 'rubber stamp' of the executive. The weak influence of political parties over the policy process has its root in the authoritarian era under which political competition between parties was severely restricted (Kang, 2001).The activities of opposition parties against the authoritarian regimes were sanctioned to varying degrees. The extremely low level of effective number of parties during the authoritarian period, ranging from an extremely

2003).

[5] Merchant banks in Korea are wholesale financial institutions engaged in underwriting commerci al paper, leasing, and short-term lending to the corporate sector. They fund themselves from issui ng bonds and commercial papers and borrowing from the inter-bank and foreign markets.

low 1.66 to a high of 2.65, suggests that it was often impossible for party competition to take place when less than two parties existed (Heo and Stockton, 2005).

Inasmuch as repressing opposition parties, the authoritarian regimes frequently changed electoral systems in order to prevent opposition parties from winning elections. It was not uncommon for the electoral system to be changed in favour of the governing party which was the largest and wealthiest party during the authoritarian era (Heo and Stockton, 2005).For instance, the electoral reform of 1971 to two-member districts from single-member districts guaranteed the incumbent party to secure one seat in each district, while allowing opposition parties to split the remaining half of seats. The two-seats-per-district system also allowed for the under-representation of the more populated urban districts, which opposition forces tended to enjoy strong support, and over-representation of the pro-regime, rural districts (Heo and Stockton, 2005). Moreover, the PR block seats, which consisted of one-third during the Park regime but decreased to one-fifth of all seats during the Chun regime, served to the benefit of the ruling party. The allocation mechanism of proportional representation (PR) seats was to the disadvantage of opposition parties which had smaller number of seats in the National Assembly as the PR seats were awarded on the basis of seats held by a party, and not on the percentage of votes. Small parties had another disadvantage to earn the PR seats as only of parties which won more than 5 per cent of total votes could be allocated PR seats (ibid.). As a result, the ruling party always had parliamentary majorities even when it had lower vote shares than opposition parties. The long dominance of the conservative party during the authoritarian era severely hampered the prospect that policy development could be led by competition of policy ideas put forward by parties.

It seems that little has been changed in the realm of party system since democratic transition in 1987. Mo (2001) argues that even in post-transition period,

party competition does not feature prominently in policy-making processes. Despite the cease of oppression on opposition parties, the influence of parties over the policy process could not grow due to personality-centred characteristic of parties (Cotton, 1989, Han, 1989, Kim, 1989). Parties are typically founded by leading political personalities as "disposable vehicles for their personal electoral ambitions" (Heo and Stockton, 2005: 685). Often the focus of election campaigns is placed on personalities rather than policies. Moreover, personality-driven parties led to short-span of lifetime of Korean parties. Until 2000, none of the ruling parties have survived intact for more than one election and only two parties have survived for two elections, the Democratic Party (1992 and 1996) and the United Liberal Party (1996 and 2000) (ibid.). In general, party leaders were responsible for financing election campaigns either through raising funds or his/her own assets (Kang, 2001). As the existence of parties greatly relies on the leading personalities, there is little incentive for the personalities to stay in the same party if leaving the party offers better electoral fortune. Party defections and mergers have not been uncommon, especially around the time of elections. Thus, short-life span of parties hampered the ability for parties to develop solid party platform on policy issues (Chan, 2000).

Equally importantly, strong regional underpinning of party politics functioned as an obstacle for parties to rise to key player in policy-making processes. The regional divide between the Kyongsang province in the southeast and Cholla province in the southwest was not a new phenomenon at all (Heo and Stockton, 2005, Kim, 2000). In fact, it began during the authoritarian era when the former, which was the support base of the authoritarian regime, benefited most from industrialisation projects under the authoritarian governments, whereas the latter, which was the stronghold of opposition party, was largely neglected. Nevertheless, it became even more pronounced in the

democratic era when the previous authoritarian-democratic divide faded away. It was well documented that regionalism is the most important determinant of electorate behaviour. Even Korean workers vote according to their regional background, not to their class interests. Park (1992) demonstrates that the level of income and blue-collar worker status were not significant determinant of voter's party choice in the 1992 National Assembly election. Among his sample, only 32.7 percent of workers voted for the party most sympathetic to the labour movement – the Democratic Party – whereas 44.0 per cent supported the ruling DLP. The ruling conservative party received more support from the working class than the main opposition party. Hence, parties tend to campaign on the basis of regionalism than on policy issues.

3.3. Development of Social and Labour Market Policies

The Korean welfare state underwent transformative reforms in the aftermath of the dual transition. To provide an overview of how the welfare state was institutionalised during the pre-transition period and transformed in the post-transition period, the following section illustrates the development of social and labour market policies.

3.3.1. The Pre-Transition Era: Selective Social Protection and High Level of Employment Protection

The Korean welfare state was institutionalised with the three characteristics during the authoritarian era as follows: selective welfare provision, well developed firm-based welfare programmes, and high level of employment protection. During the authoritarian era, only the rudimentary social safety net was institutionalised. The Industrial Accident Insurance Programme (IAIP) and the National Health Insurance Programme (NHIP) were introduced to insure workers against employment-related risks whereas public

assistance programmes were available for those who could not participate in the labour market and were living under the poverty line. Social policy which was introduced during this time represents strong elements of productivism and fiscal conservatism. In 1962, the Committee for Social Security, the government committee which was in charge of drawing the blue print of social policy of the nation, proposed three social insurance programmes: industrial accident insurance, health care insurance, and unemployment insurance programmes (Kwon, 1999). Among them, industrial accident insurance and health care insurance were institutionalised on the two grounds. First, the two programmes were seen more likely to increase labour productivity growth and thus seem to have greater instrumental value for facilitating industrialisation while unemployment insurance was deemed to cause work disincentives (Kwon, 1999, Shin, 2006, Yang, 2004). Second, the two programmes were considered as programmes which could minimise the financial burden on the government and employers. Industrial accident compensation programmes and health care programmes had been already in operation at the company level (Shin, 2003, Kwon, 1999). In essence, the introduction of two social insurance programmes was turning existing company level private social policy into public social policy with the government covering administration costs. It was a convenient way for the government to institutionalise the social safety net with relatively small financial inputs from it. Third, the social insurance was only provided to the core workers (that is, regular workers in large enterprises) who were considered as productive population (Kwon, 1997, 2005b).

Alongside with the enactment of a series of social insurance programmes during the 1960s and the 1970s, occupational welfare programmes were institutionalised. In order to divert demands for social welfare, the authoritarian government encouraged companies to provide occupational welfare by giving tax

reduction on the expenses of occupational welfare programmes (Song, 2003, Yi, 2007). The largest component of company welfare benefits was the retirement payment. It was institutionalised in 1961 by the revision of the Labour Standards Act which stipulated a retirement payment as compulsory scheme for companies with 30 or more employees. According to the Act, the employer ought to make retirement payment that was not less than 30 days of the average wage per year for the number of consecutive years employed at the company (Yi, 2007). By expenditure, retirement payment is the second largest social protection programme, comprising 25 per cent of social expenditure right after the NHIP, which takes 34 per cent of social protection expenditure as of 2004 (Korea Institute for Health and Social Affairs, 2007: 37). Besides, variety of cash and in-kind benefits made available during the 1970s, mostly for employees of large enterprises. On average, in large enterprises, company welfare benefits amounted to one-thirds of monthly wages. The workers in the small and medium-sized firms received far smaller fringe benefits, but even they were sizable. By the end of the 1980s, the total cost of company welfare benefits averaged one-fifths of the total labour cost for large firms, and one-fifth of the total workforce received company welfare benefits in one form or another (Song, 1996).

In conjunction with selective social policy, it was argued that labour market policy constitutes an integral part of social protection system in Korea. Scholars claim that the labour market policies which were geared towards the life-time and full employment played a central role in achieving substantial poverty reduction with a meagre social welfare system (Dreze and Sen, 1989, Yang, 2008). It was suggested that the high level of employment security in Korea had been a supplement to modest public social welfare provision. This is in line with the view that employment protection laws (e.g., protection against dismissal) are functional equivalents to income protection

policies for industrial workers against the loss of wages, when they are unable to extract an income from the labour market (Bonoli, 2007: 501). Indeed, one of the key features of the Korean labour market since the 1960s had been a high level of employment protection. Although it still remains contentious whether Korea has life-time employment which could be found in countries like Japan, a number of scholars contend that Korea had de facto life-time employment practice during the era of rapid economic growth. Long-term employment relations was regarded as a norm as companies traditionally hired new employees without job experience and trained most of them through firm-specific education and training (Korea Research Institute for Vocational Education and Training, 2000). Woo-Cumings (2007a:18) argues that, without having the kind of lifetime employment system found in countries like Japan, the Korean labour laws provided 'de facto lifetime employment' for male workers in standard employment. In particular, the Labour Standard Law, until the reforms in the late 1990s, denied the rights of employers to layoff and hire non-standard workers. Court approvals were required if they wanted to shed labour. The rigid employment protection in the Korean labour market, particularly in the inside labour market, was understood as political compromise between the state, business and labour. Between the state and labour, employment security and depoliticisation of labour was traded for industrial peace. It was also in the interest of the business to uphold the compromise by virtue of industrial peace it provided (Woo-Cumings, 2007a, Gourevitch and Shinn, 2005). Amsden (1989: 133) insists that the Korean authoritarian state used a government directive banning large scale lay-offs in times of recession to foster long-term employment system.

However, a note of caution should be attached. It is argued that the Korean labour market demonstrates profound duality between the internal and external labour

markets (Jung and Cheon, 2006). The internal labour market provides jobs with a higher level of employment security whereas the external labour market provides ones with lower level of employment security. In addition, employment in the internal labour market tends to offer higher wages and better occupational welfare benefits than the one in the external labour market. In the Korean labour market, employment conditions tend to differ significantly, especially in terms of employment security and remuneration package, between large and small to medium enterprises as well as between workers in standard employment (typically defined as full-time workers in permanent positions) and non-standard employment (typically defined as temporary or part-time workers). The duality between the insiders and the outsiders of the labour market was augmented by the selective and firm-centred social protection system in which social insurance programmes was provided only to those who were in standard employment at large enterprises and occupational welfare benefits often varied in accordance with the firm size. Thus, Kwon (Kwon, 2005b) argues that selective social protection during this time reinforced inequality.

Social care was the least development area of the Korean welfare state. The social care provision was marginal and predominantly means-tested. Childcare was largely regarded as a private matter, limiting public childcare support to families on very low incomes. The Child Welfare Act was legislated in 1961, laying out the legal ground for the provision of public childcare for children from the disadvantaged background. The Child Welfare Division of the Ministry of Health and Welfare assumed the responsibility for public childcare, of which the primary objective was to tackle child poverty. Thousands of community daycare centres were established nationwide to mind children of low-income families during the 1980s (Lee, 1999: 28). In contrast, policy measures to facilitate mothers' employment rarely existed. Mothers of child aged one

and under could be on leave for up to twelve months, combining paid maternity leave scheme which covered up to two months and unpaid parental leave scheme for the rest of the period. Mothers were typically expected to leave the labour market for family formation whereas fathers could not take off any time for family-related reasons[6]. As argued, Confucian ethos played a great role in shaping the care regime into a strong male-breadwinner model (Won and Pascall, 2004, Sung, 2003, Pascall and Sung, 2007; Ahn and Lee, 2005: 166).

3.3.2. The Post-Transition Era: Inclusive Social Protection and Flexible Labour Market

In the aftermath of democratic transition, the Korean welfare state underwent substantial expansion, which was referred to as 'welfare explosion' (Ahn and Lee, 2005). The social protection system grew out of the selective model and became significantly inclusive. The pension system was extended a great deal with the introduction of National Pension Scheme (NPS) in 1988, covering a vast majority of working population who were not covered by occupational pension schemes for civil servants, military personnel and private school teachers and employees. The NPS further expanded to the self-employed in rural areas (such as farmers and fishermen) in 1995 and eventually achieved universalisation in 1999 when it was extended to the self-employed in urban area, and to workers of small firms with less than 5 employees, temporary workers, and daily workers in 1999 (Lee, 2004). The NHIP was universalised

[6] Women's employment was regarded as temporary. It was well spread practice that female workers were forced to retirement at the age of 25. It was only in 1985 that women's groups formed alliance to tackle this discriminatory practice (Kim, Y.-L. (2004) 'A Study of Women's Political Participation and Women's Welfare Policy in Korea: A Case Study of the Equal Opportunity Law', *Journal of Social Security,* **20(1),** 27-58.: 41).

in 1989 by inclusion of the urban self-employed. Furthermore, national health insurance reform was implemented in 1999 unifying financially stronger company health insurance societies with regional health insurance societies under a single national body. This was to improve redistribution mechanism of national health insurance from company insurees, half of whose contribution is paid by employers, and to regional insurees, half of whose contribution is paid by local governments (Yang, 2008). The Employment Insurance System (EIS) was introduced in 1995, offering unemployment insurance and active labour market programmes, and extended its coverage in a great scale over the wake of the Asian economic crisis. Consequently, the EIS achieved de facto universal coverage in the late 1990s by broadening compulsory coverage to all workplaces which fell under the Labour Standard Law (enterprises with five and more employees) and to temporary and part-time workers. In tandem with the expansion of the EIS, public works and training programmes were introduced to provide social protection for the unemployed who were still not covered by the EIS due to insufficient employment record. The IAIP was also expanded to all workplaces in July 2000.

On public assistance programmes, a significant reform took place. At the beginning of the economic crisis, the eligibility of public assistance programme was temporarily relaxed to provide income protection for the unemployed of working age. Moreover, the means-test for benefit eligibility was eased that only the income of the family members living together rather than that of extended family would be taken into account. The temporary relaxation of public assistance programme became permanent when the National Basic Livelihood Security (NBLS) System replaced the old public assistance programme in 2000. This led to the increase of number of beneficiaries of public assistance by three fold from 500,000 to 150,000 individuals in 2000 alone (Yang, 2008).

Social care domain also experienced transformative expansion in the post-transition period. First, care leave schemes underwent visible expansion. The care leave reform in 2001 extended maternity leave from two to three months with the third-month benefit paid by the Employment Insurance Fund. The parental leave benefits were introduced, providing the flat-rate benefit of 200,000 won for twelve months. Moreover, fathers were also given entitlement to the parental leave scheme (Ministry of Labour, 2008b). In 2005, the parental leave was extended to parents with children under age three, doubling the total duration of the leave for a couple up to 24 months. The parental leave benefit had been gradually increased to 500,000 won (Ministry of Gender Equality and Family, 2005). Three-day unpaid paternity leave and the right for parents to claim reduced working time (between 15 and 30 hours a week) were introduced (Ministry of Labour, 2008c). In 2011, parental leave benefits were transformed from flat-rate to earnings-related benefits with income replacement rate of 40 per cent for twelve months. Also, the eligibility of parental leave was extended to parents of children under age six. The paternity leave was expanded from three to five days with benefits paid for the first three days (Korea Institute for Health and Social Affairs, 2010a, b).

Second, a series of comprehensive childcare reforms were implemented. With the introduction of free childcare for children aged five in 2002, tax-financed childcare benefits were made available for low-income families at first and then eventually for middle-class ones. The most notable example is the introduction of universal childcare benefits which covered half of childcare costs of children under age two enrolled in childcare facilities (Ministry of Gender Equality and Family, 2006b). The benefits were restructured into the means-tested ones under the current conservative government subsidising from 15 to 100 per cent of childcare fees. But this does not mean that the childcare benefits were retrenched. The scope of children who were eligible for the

benefits was expanded from age two to five while children of families whose household incomes exceeded bottom 80 percentile were excluded (Ministry for Health Welfare and Family Affairs, 2009). In addition, at-home-care allowances were introduced providing 100,000 won of monthly allowances for low-income families which did not send their children under age two to childcare centres (Ministry for Health Welfare and Family Affairs, 2009). Furthermore, the measures for enhancing the supply side of childcare were introduced; the public childcare drive set out an ambitious plan of doubling the number of public childcare centres from 1,352 to 2,700 by 2010, and the mandatory workplace nursery policy was extended to smaller firms, that is, firms with 300 or more female workers and firms with 500 or more workers (Ministry of Gender Equality and Family, 2006a, 2007).

Parallel to the expansion of social policy, the deregulation of employment protection took place. The high level of employment protection became increasingly untenable at the turn of the 1990s when rapid economic growth came to a halt and the competitiveness of economy decreased due to significant wage increases (Gourevitch and Shinn, 2005). Caused by the flourishing of the labour movement since 1987, the unprecedented increase in the real wages of Korean production workers had dampened the low-price comparative advantage of Korean industry. By the mid-1990s, with the rise of China as the factory of the world, the high labour costs put pressure on Korean labour market for liberalisation. After a series of reform attempts, the labour market was liberalised in 1998. The layoffs were legalised in the case of managerial needs including mergers and acquisitions. The temporary agency work was also introduced, enabling employers to hire labourers through ‘dispatching agencies’ without having to enter into any formal obligations with labourers. Consequently, the rigidity of the Korean labour market dropped from 2.74 in 1997 to 2.03 in 1998 according to the OECD Employment

Protection Legislation indicator, which measures the rigidity of labour market institutions as a score between 0 to 4. The score of 2.03 denotes that the level of employment protection in the Korean labour market moved very close to the average of OECD countries, which was 2.01, between countries of high employment protection (e.g., Greece 3.5, France 2.98, Germany 2.34) and those of low employment protection (e.g., United Kingdom 0.60, United States 0.21) (OECD, 2011b).

4. The First Transformation of Korean Welfare Politics: Labour Market Reforms under the Kim Young-Sam Government 1993-1998

4.1. Introduction

This chapter investigates the politics of labour market reforms in the immediate period after democratisation and economic liberalisation. The Kim Young-Sam government marks the beginning of a series of important labour market reforms in post-transition Korea. It was during this time that the first series of attempts for labour market reform took place; some of them materialised, others did not. All reform initiatives for labour market deregulation turned out to be futile, yielding only little success at the end of the government. In contrast, great progress was made in the area of unemployment protection with the institutionalisation of unemployment insurance. In this chapter, I examine the political underpinnings of the labour market reforms during the early democratisation period and their implications for Korean welfare politics. To this end, the chapter analyses the role of actors in social policy-making which have been given important treatment by political theories of the welfare state: namely, government bureaucrats, employers' associations, trade unions, and political parties. In doing so, the chapter assesses the veracity of the conventional wisdom East Asian Exceptionalism in post-transition Korea.

A great deal of literature on the East Asian political economy highlights the lasting legacy of the authoritarian era, and contends that policy-making institutions in the region are somewhat different from those of the affluent democracies in the Western world. The developmental state thesis puts emphasis on the developmental alliance between bureaucrats and business as a dominant actor in the policy process, in which bureaucrats set the policy direction with significant autonomy and businesses receive

favourable treatment to deliver economic growth (Johnson, 1982; Amsden, 1989, Wade, 1990; Koo and Kim, 1992, Haggard and Moon, 1993, Hundt, 2009, Pirie, 2008). By contrast, the conventional view contends that organised labour and political parties do not play any important role in the policy process in East Asia (Pempel and Tsunekawa, 1979, Deyo, 1989, Haggard and Kaufman, 2008, Ringen et al., 2011). This line of argument is largely built on the experiences of Northeast Asian countries, in which authoritarian regimes or the long dominance of conservative parties in the post-war era hampered the growth of the labour movement and the development of robust party politics (Wong, 2004b, Kim, 2000, Pempel, 2008). It strikes marked contrast with the dominant theories of the welfare state that ascribe prominence to the role of organised labour and political parties in the development of the welfare state (Esping-Andersen, 1985, Korpi, 1983, Stephens, 1979, Hicks, 1999, Castles, 1982).

The Kim Young-Sam government, however, provides a political landscape in which one could expect different dynamics in policy-making. The government was the first civilian government, which came in power after the political opening of 1987. In the presence of fair and democratic election, as H.-Y. Kwon (2005c) argues, one could expect the government and politicians to respond to the demands of the electorate in pursuit of re-election. Put differently, a democratic transition should lead to an increase in the importance of societal actors in the political arena. By virtue of the sheer size of wage earners in the electorate, it is reasonable to expect that democratisation would substantially raise the bargaining power of organised labour, which was under political repression during the authoritarian era. In addition, because elections became the ‘only game in town’, one might anticipate that parties would move to the centre stage in the policy process. Finally, it was during the Kim Young-Sam government in which a set of substantial economic reforms, especially the deregulation of financial markets, was

undertaken. Under the authoritarian regime, government regulations and interventions in the market forced businesses to comply with the policy directions of the government. One can, therefore, assume that economic liberalisation would enhance the political freedom of business; it is more likely that employers' associations actively advocate their own interests independently, when employers are less dependent on the government for the success of their business activities. For this reason, the employer-centred approach, providing insights on the role of organised business in the development of welfare state, might be particularly instructive in the analysis of the behaviour of Korean employers. In short, we could expect that democratisation and economic liberalisation, which Kong (2000) refers to as the dual transition, brought new dynamics into social policy-making, in which the autonomy of the government is constrained by rising societal actors and political parties.

This chapter is structured as follows. The first part delineates the processes of labour market reform, taking the socio-economic background into account. The second and third parts respectively analyse policy preferences and policy influence of actors in question. These parts scrutinise the explanatory power of competing theories of the welfare state with respect to the Korean case. The chapter concludes with discussing the theoretical implications of the empirical finding for Korean welfare politics. The main argument of the chapter is that the Korean welfare politics underwent a first transformation in the Kim Young-Sam government. The rise of societal actors (namely, organised business and organised labour) brought the 'old' driver of labour market policy-making, the developmental alliance, to an end.

4.2. Understanding the Labour Market Reforms

The legacy of the authoritarian era in the labour market was a trade off between job security and the political freedom of organised labour. On the one hand, a high level of employment protection was guaranteed as the freedom of managers to fire workers was considerably limited by law (Amsden, 1989). The Labour Standard Act, which provided the overarching legal framework of the Korean labour market, stipulated that layoffs were illegal and should only be allowed under strict circumstances. Even then, firing a worker was a lengthy and costly procedure. For instance, even if a worker caused serious damage to the company, the managers bore the burden of having to prove this. Furthermore, the courts often reinstated worker's employment. In a nutshell, labour market regulations highly discourage employers from shedding labour unless a company went into bankruptcy. It should be noted that, however, even a small section of workforces could still benefit from these regulations. With the exception of core workforces (namely permanent employees of large enterprises who were highly organised and had resources to take employers to court in case of dismissals), the rest of workforces were subject to much less rigorous employment protection. Often regulations of employment protection were not implemented beyond the core workforces (Ringen et al., 2011). For part-time and temporary workers, which comprised up to mid-forty percent of all wage workers in the early 1990s, such regulations were not applied (Keum, 2008: 17). Moreover, the self-employed, who took up one third of the labour force in the same period, were left outside of the regulations (ibid.: 20). On the other hand, trade union activities were highly regulated (Kwon and O'Donnell, 1999). Authoritarian regimes across East Asia strongly encouraged enterprise unionism in order to prevent organised labour from becoming a viable political force (Haggard and Moon, 1990). A ban on multiple unionism severely

repressed the growth of independent unionism, since the then state sponsored Federation of Korean Trade Unions (FKTU) was the only legal labour federation (Buchanan and Nicholls, 2003). Due to this ban, the labour federation of independent unions could not obtain legal recognition from the state. Furthermore, labour federations were not allowed to intervene in company-level negotiations, which substantially constrained their power in steering the labour movement (Song, 1999). Political activities of trade unions were also not permitted, including the establishment of a party based on trade union members and the donation from trade unions to parties. Consequently, the repression of trade union activities rendered Korean organised labour a fragmented structure without a strong sense of class solidarity.

In the aftermath of the transition from the authoritarian regime, the der egulation of employment protection became a policy priority of the developmenta l alliance, whilst organised labour sought the liberalisation of union activities. Ag ainst this background, the developmental alliance used the deregulation of union activities as a concession in order to achieve labour market liberalisation. Conseq uently, the liberalisation of union activities became an agenda closely intertwined with labour market reforms. Although the reform of the legal framework for un ion activities is not a focus of the chapter, it is important to include this issue i n the empirical investigation for a nuanced contextualisation. The following secti on presents how the developmental alliance pushed labour market liberalisation a nd, amid its push, introduced unemployment insurance to make labour market lib eralisation palatable to organised labour.

4.2.1. Early Efforts for the Deregulation of Employment Protection

The Kim Young-Sam government is the first Korean government that proposed the deregulation of employment protection in tandem with the liberalisation of union activities. From the very beginning of its term in office, the government insisted that the rigid labour market was one of the core causes of the economic downturn. The government diagnosed that the Korean economy was in crisis, and pledged to pursue economic restructuring, of which labour market liberalisation was at the centre, "to revive the vital signs of Korean economy and to strengthen the competitiveness of the nation" (Government of the Republic of Korea, 1993: 17). The government's '100-day Plan for a New Economy' called for "revitalising the health of the economy by cutting the vicious circle of soaring prices and wages through burden-sharing of every economic actors" (ibid.: 18). The first push for the deregulation of employment protection came from the Ministry of Labour, when it attempted to introduce temporary agency work in 1993 (Choi et al., 2000a: 220). The Ministry presented the Bill on the Regulation of Temporary Agency Work and the Protection of Dispatched Workers to the National Assembly, with which it sought to legalise the use of dispatched workers for up to one year. Organised labour fiercely opposed the bill, calling temporary agency work the 'legalisation of labour exploitation by dispatching agency' (Korean Trade Unions Congress, 1993). Beneath such criticism, concerns lied that temporary agency work would weaken the organisational strength of unions. The FKTU also argued that the introduction of temporary agency work would decrease employers' incentive to invest in workers' training and skill formation and lead to the destruction of good human resource management practice by encouraging reliance on measures seeking numeric flexibility (Federation of Korean Trade Unions, 1993). The vociferous opposition of trade unions made the Ministry suspend the legislative process, when the bill was being

reviewed in the National Assembly. Consequently, the suspended bill expired with the end of the parliamentary session.

The second push for the deregulation of employment protection came from the Office of the President and the Ministry of Commerce, Industry and Resources. In 1995, the number of small- and medium-sized enterprises (SMEs) filing for bankruptcy soared, as the economy entered into a downturn. The number of bankrupt companies, of which SMEs were the majority, recorded an increase of 32.1 per cent in the first half of 1995 (Hankook Daily, 29 October 1995). Taking the situation as a serious warning signal of the Korean economy's ill health, the President promised to legislate a special act to facilitate the restructuring of SMEs at a meeting with the business community (Seoul Newspaper, 10 August, 1995). In accordance with the presidential order, the Ministry of Commerce, Industry and Resources announced its plan to draft the Special Act for the Restructuring of SMEs. The announcement created considerable controversy, since the Ministry expressed its intention to include layoff and temporary agency work clauses in the bill (Hangyerye, 31 August 1995; Chosun daily 2 September 1995). Once again, facing furious opposition from trade unions, only the temporary agency work clause was included in the government bill (Government of the Republic of Korea, 1995). Even then, when the bill was presented to the National Assembly, the temporary agency work clause was eliminated from the bill during the review process in the Standing Committee, reflecting the high resistance to the bill among trade unions. As a consequence, the bill was enacted without any measure to shed labour in the case of corporate restructuring. Overall, the early effort of labour market deregulation proved unsuccessful.

4.2.2. The Institutionalisation of Unemployment Protection

In contrast to continuous failures in implementing labour market deregulation, the government's reform effort to establish unemployment insurance came to fruition. The introduction of unemployment protection policies, which was initiated by the Ministry of Labour, had been discussed within the government since the 1980s. However, every reform initiative until the early 1990s was blocked by economic bureaucrats; especially the Budget Bureau, which opposed it on the grounds that it might increase work disincentives with a counterproductive effect to the economy. The breakthrough came in 1991, when the 'employment insurance' was included in the Seventh Five-Year Economic and Social Development Plan, the most important blueprint of national policies for the next five years. The employment insurance system[7], a combination of an unemployment benefit programme and active labour market programmes, was a strategic proposal of the Ministry of Labour to pacify the unpopularity of unemployment protection policies among economic bureaucrats because of perceived work disincentives of unemployment protection. By proposing active labour market programmes as well as the unemployment benefit programme (which many economic bureaucrats regarded as a 'luxury'), labour bureaucrats wanted to downplay the counterproductive image of the programme (Ministry of Labour, 2005). A year later, the employment insurance was adopted in the manifestoes of all major parties for the 1992 presidential election (National Election Commission, 1992). With the election of Kim Young-Sam (the candidate of the ruling conservative party) to the Presidency, unemployment insurance was set to be institutionalised by 1995 (Ministry of Labour, 1995).

[7] Following the conventional use of terminology within the welfare state literature, employment i nsurance will be called 'unemployment insurance' in the paper.

The policy deliberation to design unemployment insurance took place around the Employment Insurance Planning Commission, an ad-hoc commission specifically set up to develop proposals for the new insurance programme. The Korea Labour Institute (KLI), a research institute under the authority of the Ministry of Labour, was in charge of the deliberation process in the Commission. The Commission solely consisted of 29 academics, including researchers of the KLI. Representatives of employers' associations and trade unions were invited as observers to the meetings of the Commission. This organisational structure of the Commission reflects the lingering existence of the bureaucrat-led policy-making. It was a very common practice of policy deliberations during the authoritarian era that the government delegated the task of designing a policy to a government research institute (Kwon, 1999). The inputs from societal actors were marginalised, as they were not invited to participate in deliberations. Against this background, the organisational structure of the Commission indicates that the Ministry did not discard the common top-down approach to policy deliberation of the authoritarian government. Through two years of policy deliberation, the unemployment protection scheme came into effect in 1995 (interview nos. 2; 3; 13; 19; 20).

4.2.3. A Big Push for the Deregulation of Employment Protection

After the institutionalisation of unemployment protection, the Kim Young-Sam government once again made its final attempt of labour market liberalisation towards the end of its term. Upon experiencing a few failures of reform initiatives spearheaded by government ministries, the Kim Young-Sam government realised the necessity to build a wider consensus on this sensitive reform agenda. Following the President's announcement of the launch of the 'new industrial relations' initiatives on 24 April 1996,

the Presidential Commission on Industrial Relations Reform was created on 9 May 1996 to engineer tripartite consensus on labour law reform. This time, the Commission invited the social partners as official and full members, although it still had numerous representatives of the public interest, who were mostly academics. The core of policy deliberation in the Commission was two-pronged. One was labour market liberalisation by introducing three measures to increase flexibility: layoffs, temporary agency work and working-time accounts[8]. The other was the improvement of labour rights for collective action by removing the three bans on union activities: the ban on political activities of trade unions, the ban on plural unionism and the ban on third party intervention (Presidential Commission on Industrial Relations Reform, 1998, Lee, 1997, The Presidential Office, 1996). As these two issues were most contentious, policy deliberation in the Commission did not reach any consensus. Employers' associations strongly pushed for a far-reaching deregulation of employment protection but rejected the liberalisation of union activities, while trade unions voiced fundamental opposition to labour market deregulation but demanded more freedom of union activities. Although the Commission failed in producing an orchestrated blueprint for reform, the representatives of the public interest put forward a reform proposal. With the strong intention to pursue labour market reform, the government set up an ad-hoc Interministerial Committee headed by the Prime Minister in order to finalise the reform proposal. The economic ministries called for a wider deregulation of the labour market

[8] Working-time accounts are a system in which an employee is able to work longer or shorter h ours than collectively agreed over a certain period of time and thereby collect working time cred its or debits in an individual working time account, which are later compensated for by additiona l free time or work. From the employers' point of view, this concept has at least two major adv antages. First it allows the companies to have more flexible production, which is more closely re lated to the demands of the market. Second, since most of the working time credits are not cou nted as overtime, the employer does not have to pay regular overtime bonuses and can thus redu ce labour costs. From an employees' viewpoint, the use of working time accounts might be an in strument for more "time sovereignty" which could help them organise working time more in line with their individual needs and interests (European Industrial Relations Observatory On-line (199 8) Provisions on Working Time Accounts in Collective Agreements, 29 May 2011.).

in the Interministerial Committee, which was eventually accepted across the government. Consequently, the government's draft legislation became closer to the demand of business and economic ministries than the proposal from the representatives of the public interest. Not surprisingly, the announcement of the government's reform proposal, which included provisions on layoffs and working-time accounts, caused very different responses from the social partners. On the one hand, labour federations strongly boycotted the government's proposal, arguing that the fine tuning of the Interministerial Committee made the proposal even more skewed to business demands. They threatened with industrial action, if the government's proposal was presented to the National Assembly. On the other hand, employers' associations expressed their satisfaction about the proposal. The Korea Employers Federation (KEF) uttered overall satisfaction on the bills by saying that "the final proposal is 70 percent satisfactory" (Presidential Commission on Industrial Relations Reform, 1998: 197).

Whilst the main opposition party (namely, the Democratic Party) boycotted the vote for the government bill in the National Assembly, the ruling conservative party resorted to a controversial tactic of passing legislation. It was common behaviour of the opposition party to occupy the floor of the National Assembly in order to prevent the ruling party with majority in the legislature from passing legislation it opposed. Anticipating interruption from the opposition party in the voting procedure, the ruling party convened a secret early morning session on 26, December 1996 in which it passed the bill. The reform bill included the permission of layoffs as well as temporary agency work. It also postponed the legalisation of multiple unionism at the peak association level for another few years, which was arguably the single most important issue for the then outlawed labour federation of independent unions, the Korea Congress of Trade Unions (KCTU). In other words, the reform granted organised business its longstanding

demand of increasing labour market flexibility, but denied organised labour its core demand of the legal recognition of independent unions. Upon passing the bill in the National Assembly, outraged trade unions waged the General Strike from December 1996 to January 1997, which brought the country to a halt. More than three million workers joined the strike in support of the amendment of the reform bill (Koo, 2000, Kwon and O'Donnell, 2001). After a wave of rolling industrial actions, the government relented and agreed to revise the bill. Eventually, an extraordinary session of the National Assembly was called, and the bill was amended by the agreement of all major parties; the implementation of layoffs was postponed by two years. In addition, trade unions were granted greater freedom of activities, as multiple unionism at the industry and national levels was permitted immediately with a plan to be expanded to the workplace level by 2002. The federation of independent unions, KCTU, was given legal recognition (interview nos. 13; 16; 21; 29).

4.3. Policy Preferences of Actors

The very purpose of political analyses of the welfare state is, in essence, to discover who promoted the welfare state and why. Competing political theories of the welfare state offer different explanations on the champion of the welfare state, based on different, and even some contradicting, propositions on the policy preferences of actors. Therefore, any serious scholarly attempt to investigate political underpinnings of the welfare state transformations has to engage with an analysis of the policy preferences of actors. This section offers an analysis of the policy preferences of actors in the two central domains of labour market reform: employment and unemployment protection policies. In doing so, the following scrutinises who promoted (or opposed) certain policies, and why. Finally, theoretical implications of the empirical findings will be

discussed.

4.3.1. Employment Protection

During the Kim Young-Sam government, the following three measures were at the centre of the deregulation of employment protection: layoffs, temporary agency work and working-time accounts. Therefore, this section focuses on these three measures in the investigation of actors' policy preferences in the domain of employment protection.

Employers' Associations

According to the findings of the empirical investigation, it was employers who started championing the deregulation of the Korean labour market as early as the beginning of the 1990s. Throughout numerous reform episodes, employers' associations did not behave as the Varieties of Capitalism (VoC) literature predicted, according to which employers in co-ordinated market economies should support employment protection policy for the purpose of skills formation (Estévez-Abe et al., 2001). It is well documented that the Korean economy can be classified as a co-ordinated market economy (CME), as opposed to a liberal market economy (LME). The Korean economy exhibited a high degree of co-ordination among economic actors, largely through the implementation of centralised planning by a so-called 'pilot agency' (namely, Economic Planning Board), and state control over the financial system (Mathews, 1998, Soskice, 1999, Amsden, 1989, Woo-Cumings, 1999). Thus, it would be reasonable to expect that Korean employers display similar behavioural patterns as those in the CMEs. According to the VoC line of argument, Korean employers should have supported the old regime of high employment protection, since the VoC assumes that labour market institutions evolved in the present form as a result of co-ordination among actors for competitive

advantage of a national economy. From this point of view, if a high level of employment protection was institutionalised, it was also because of the benefits it brought to employers. Therefore, the VoC predicts that employers in the CMEs would not forsake high-level employment protection, let alone champion outright labour market deregulation (Hall and Soskice, 2001b, Ebbinghaus and Manow, 2001a, Streeck and Thelen, 2005).

Quite contrary to the VoC argument, however, Korean employers behaved as their counterparts in the LMEs; they persistently expressed their preference for the least possible regulation of the labour market (Korea Employers Federation, 1993a, b, 1995b, 1996). Employers demanded minimal state intervention on the terms and conditions of layoffs, so that they could maximise their discretion to shed labour. As employers believed that the scope for layoffs would be limited if its conditions were specified, they asked for their broad stipulation (i.e., when there were managerial needs caused by economic, structural, and technical reasons (Korea Employers Federation, 1996). For the procedure of layoffs, employers also put forward a simpler and shorter process, which would minimise consultation with trade unions (ibid.). In a similar vein, employers preferred the least regulations with regard to temporary agency work. The KEF demanded minimal regulation on occupation categories and contract duration in the case of temporary agency work. Specifically, employers put forward the "negative list system", which would legalise temporary agency work across all occupation categories, unless a particular occupation category is listed as illegal by the government. In contrast, the "positive list system" stipulates that temporary agency work is illegal in general, but allowed in few work categories as listed by the government (Korea Employers Federation, 1995b). Also, employers preferred the introduction of working-time accounts in the least regulated format. For instance, employers' associations

proposed working-time accounts on long-term basis of six or twelve months (to reduce overtime payments) and the introduction of working-time accounts without reduction in working hours (Presidential Commission on Industrial Relations Reform, 1998). Working-time accounts were of special importance to SMEs, which faced a greater burden of wage hikes. At the beginning of the 1990s, wage increases became the biggest huddle for SMEs; especially those in labour-intensive industries started moving their production to China. In terms of cost reduction strategies, the introduction of working-time accounts for overtime payment reduction, or the use of foreign workers was a more pressing matter for SMEs than layoffs for two reasons. First, job tenure at SMEs was much shorter than that of large enterprises. Second, SMEs were far less likely to face resistance from trade unions against layoffs, given that labour was weakly organised in SMEs. In a nutshell, Korean employers preferred a fully fledged labour market liberalisation (interview nos. 21; 25; 30; 32).

Government Ministries

The government, as much as the employers, actively pushed the deregulation of employment protection. A consensus existed across government ministries that labour market liberalisation was critical for economic growth. Concerning the extent and pace of reform, nevertheless, ministries were occasionally at odds with each other, since the different parts of the government (the Ministry of Labour, the Ministry of Commerce, Industry and Resources, and the Office of the President) pursued the deregulation of employment protection. The Ministry of Labour exhibited preferences towards a more gradual labour market reform, while the Ministry of Commerce, Industry and Resources sought a far-reaching reform. The latter expressed its explicit support for the position of employers, claiming that it put forward a reform proposal from a “business point of

view" (National Assembly, 1995a: 74). The differences between the two Ministries were resolved when the President replaced two high profile economic affairs posts (the Minister of Finance and Economy and the Secretary of Economy to the President) with 'hardliners', who took a market-oriented stance on employment protection. The power balance within the government was tilted towards market-oriented bureaucrats. Consequently, the government bill reflected more of demands of employers' associations than that of trade unions.

At the centre of the government rationale for the labour market deregulation, there was the key issue of the Korean economy's competitiveness. The government diagnosed that the high level of employment protection had been undermining the competitiveness of the economy in the era of deepening globalisation. The government harnessed the rhetoric of globalisation to justify labour market liberalisation, arguing that globalisation brought the days of unlimited competition and hence enhancing competitiveness of the Korean economy is not a choice but a must (Bureau of Public Information, 1997; Government of the Republic of Korea, 1993). It also argued that the high level of employment protection was no longer necessary given that it was established in the early 1950s when labour market regulations were largely absent. From today's perspective, therefore, the government contended that workers were 'overprotected' and the rigid labour market greatly contributed to the stagnation of the Korean economy (Park, 2000). As the rigid labour market was singled out as one of core causes of the decrease in the Korean economy's competitiveness, labour market restructuring became a policy priority (Korean Government, 1993: 17-18). This line of reasoning was again articulated upon the launch of the Presidential Commission for Industrial Relations Reforms, when the government justified the need for labour market deregulation as follows:

> "Industrial relations need to be re-established to update the old practice of laws, systems, conventions and perceptions. Highly regulative laws and systems, which were laid out during the early period of industrialisation and modernisation, ought to be reformed to more flexible and adaptable ones to keep pace with globalisation. We should change our laws and systems to be compatible with global standards and conventions, which are upheld among the international society" (The Presidential Office, 1996: 3).

The findings demonstrate that the government strongly adhered to the developmental logic in which social policy should serve to create a better environment for economic growth (Goodman et al., 1998, Holliday and Wilding, 2003). The government's preferences and rationale for labour market reform are predominantly structured by the growth-oriented logic (Holliday, 2000, Kwon, 2005b). In addition, the findings of the analysis established that the government and employers' associations shared the same policy preferences with regard to employment protection (interview nos. 1; 2; 3).

Trade Unions

On the whole, organised labour expressed strong resistance to the deregulation of employment protection. At the beginning of the Kim Young-Sam government, the Korea Trade Union Congress (KTUC), one of four labour organisations which formed the KCTU in 1995, took a position of outright opposition to both the legalisation of layoffs and temporary agency work. As a proactive step against the introduction of dismissals, the federation of independent unions submitted a legislative request to the National Assembly to introduce "restrictions on collective dismissal for economic and

technical reasons". The essence of the request was to restrict labour-shedding practices implemented by court approval (Korean Trade Unions Congress, 1993:72-81). In regards to temporary agency work, the KTUC argued that temporary agency work would only benefit employers and work agencies at the expense of dispatched workers. Thus it condemned the government proposal to institutionalise temporary agency work as "legalising the middle men's exploitation of dispatched workers" (Korean Trade Unions Congress, 1993: 89). Inheriting these positions from the KTUC, the newly established KCTU opposed the deregulation of employment protection at the Presidential Commission on Industrial Relations Reform in 1996. In particular, it insisted that union approval should be obtained in case of layoffs due to managerial reasons (Korean Confederation of Trade Unions, 1998a). In an interview, a KCTU official told me that this move effectively stated an objection to the legalisation of dismissals as KCTU knew that employers would never accept such a condition (interview no 39).

In comparison to the federation of independent unions, the FKTU took a more flexible stance towards labour market liberalisation. Instead of taking outright opposition to the legalisation of dismissals, the FKTU admitted the need for dismissals. The FKTU rather focused its effort on imposing strict terms and conditions for layoffs, such as special severance payments in case of dismissals without good reasons (Federation of Korean Trade Unions, 1998). Despite sharing KCTU's negative opinion on temporary agency work, the FKTU did not fundamentally reject the idea of legalising temporary agency work. A representative of the FKTU informed me that, in their view, dispatched workers would be better off if temporary agency work was legalised. Once legislation was put in place, it could open a way to improve employment protection and working conditions for dispatched workers by revising the

legislation. Whereas, the representative explained, the absence of legislation left those workers with no legal protection. For this reason, the FKTU were open to the legalisation of temporary agency workers on strict terms and conditions (Federation of Korean Trade Unions, 1993: 139-140).

It is worth noting that beneath their shared resistance to the deregulation of employment protection from organised labour, the two labour federations were divided in its positions; while the FKTU took a more cooperative stance, the KCTU held a hostile stance towards the government reform initiative. Here I highlight the different paths of relationship that the two labour federations experienced with the government as a result of their diverging attitudes. It has been argued that the FKTU takes a relatively flexible approach to industrial relations while the KCTU a radical one (Buchanan and Nicholls, 2003, Kwon and O'Donnell, 1999). Such difference is largely attributed to the history of industrial relations dating from the authoritarian era (for more on this topic, see chapter 3). Under authoritarian government, which recognised FKTU as the only legal labour federation, the FKTU behaved as a docile consenter of government and sometimes an enforcer of government labour policies. Even after the democratic breakthrough, the FKTU maintained its privileged status as the only legal labour federation until the near end of the Kim Young-Sam government, whereas independent unions were still treated as illegal organisations and thereby were restricted their freedom. Such partial treatment by the government created a keen sense of rivalry between the two labour federations - the state-sanctioned FKTU and the independent KCTU. This background explains why the then outlawed KCTU expressed stronger opposition to the government reform proposal than the FKTU.

It should also be mentioned that union leaders, compared to their rank-and-file members, had different attitudes towards the labour market reform. My interviews

with representatives of trade unions suggest that union leadership was, by and large, ready to accept labour market liberalisation, especially the legalisation of layoffs. First, there was implicit understanding that defending the high level of employment protection would not be possible in the near future. Layoffs by court ruling had been becoming a common practice since 1989 and the government's reform proposal was based on the key court rulings, which effectively set parameters of layoffs. In addition, a layoff provision was already incorporated into the collective bargaining agreements of many firms. As long as layoffs were to be legislated in accordance with the terms and conditions stipulated in collective bargaining agreements, trade unions did not anticipate that the legislation of layoffs would lead to a sudden increase of dismissals. Second, union leaders viewed that organised labour could exert significant influence on the decision of employers on layoffs. As far as their core members (i.e., enterprise unions of large manufacturers) are concerned, who had been able to achieve many of their agendas by militant unionism, union leaders did not expect employers to easily shed labour, even if layoffs were permitted. In contrast to the relaxed stance of union leaders, however, the legalisation of layoffs was the single most important issue to defend for the rank-and-file members, particularly those who belonged to the unions of SMEs. Representatives of both federations confirmed that the permission of dismissals was a non-negotiable agenda for rank-and-file members and this strong rejection from their members restricted unions' official position (interview nos. 34; 39; 40; 41). This shows that organised labour prioritised the interests of workers of large enterprises over those of SMEs. In so far as the job security of its core membership was not threatened, there was room for organised labour to compromise on the issue in exchange for greater freedom of union activities. Apparently, organised labour was most concerned about the interests of insiders of the Korean labour market - that is, workers of large enterprises

(interview nos. 20; 40; 41).

Political Parties

With regard to the preferences of political parties on employment protection policies, empirical evidence indicates that all major parties acknowledged labour market liberalisation to be indispensible for reviving the Korean economy. Even though political parties did not explicitly express their view on employment protection in their manifestos, one can inductively interpret it from their interaction with the public through the media. Obviously, the ruling conservative party was in favour of the deregulation of employment protection. Even though the conservative Democratic Liberal Party (DLP) did not openly express its favourable stance for labour market liberalisation, the party did not hide its intention to support the government's reform initiative, either (Chosun daily, 11 December 1996, Hankook daily, 14 December, 1996). When liberal forces within the party protested against the party direction to pass the bill in the midst of strong opposition from trade unions, the leadership disciplined them with a threat of punishment (Hangyerye, December 12, 1996)[9]. Taking advantage of its solid majority in the National Assembly, the conservative party called for a vote and passed the reform bill at midnight December 26, 1996. This move from the conservative party exhibited its strong support for its government's position and business interests. Considering the fact that the party made the bill even more skewed towards the demands of business by postponing the legalisation of multiple unionism, it becomes

[9] The liberal forces within the DLP rebelled against the direction of the party to pass the contro versial government reform bill at the National Assembly in a hasty manner. In particular, they str ongly raised their opposition at the party convention on 11 December 1996. As it was the intenti on of the government to legislate the reform bill before the end of 1996, the DLP had had to c all for the vote within few weeks before the ordinary session of the National Assembly ended.

even more clear that the conservative party championed the interest of businesses. It comes as no surprise that the conservative party put forward the policy preferences of employers' association. Numerous scholars delineate a close relationship between the conservative party and big business (Kim, 2000, Ahn and Lee, 2005), which has its root from the authoritarian era when the ruling elites entered into an alliance with the latter group.

It comes as a surprise, however, that the centre-left party endorsed labour market liberalisation. Although the party expressed its opposition on the legalisation of layoffs and temporary agency work (Maeil Economic Newspaper, May 4, 1996), this should not be interpreted as a genuine objection to labour market liberalisation per se. Considering the stance that the party took in the special session of the National Assembly, which was held to amend the reform bill in March 1997, the party made no attempt whatsoever to repeal the layoff provision. Quite the contrary, at the hearings of the National Assembly, members of the party tested the water to see if unions could accept further relaxation of layoff regulations (National Assembly, 1997: 26-7). Yet, the party was unsatisfied with the procedures of the reform. As the opposition wanted to distinguish itself as a truly democratic party as opposed to the ruling party, it denounced the attempt of the ruling conservatives to pass the bill as 'undemocratic', when there was not enough social consensus (Choi et al., 2000b). To reiterate, the centre-left party was in favour of labour market liberalisation, but took a strategic position of partial objection in the policy process.

The analysis of parties' policy preferences on employment protection shows that the position of Korean parties on labour market policy had not diverged. It is hard to distinguish the positions of the centre-left party from those of the conservatives, as both political movements preferred deregulating to defending the institutions of

employment protection. In other words, all major parties were essentially 'conservative' parties on employment protection policy insofar as they supported the demands put forward by business. In spite of democratic transition, a political force offering an alternative stance to the conservative party in terms of labour market policy had not yet emerged. This finding has two important theoretical implications. First, Korean party politics, at this stage, was still in conformity with the unique characteristics of East Asian party politics, in which no left-right ideological divide was observed (Haggard and Kaufman, 2008, Goodman and Peng, 1996). Second, related to the first point, parties did not matter in labour market policy-making. Regardless of the party in power, the direction of reform would have been the same, as the two major parties shared the same policy preferences; they followed the 'lead' of the developmental alliance of government bureaucrats and business (interview nos. 1; 21).

4.3.2. Unemployment Protection

The unemployment insurance programme, as one of three programmes of the umbrella scheme of the Employment Insurance, was introduced in the Kim Young-Sam government. It was the first policy of unemployment protection that was institutionalised in Korea. Therefore, this section focuses on the policy deliberation on the introduction of the unemployment insurance programme in order to examine the policy preferences of actors on unemployment protection.

Government Ministries

The analysis of government ministries' policy preferences shows that they pursued a developmental approach towards unemployment insurance. The thrust of the developmental logic is to prioritise economic growth as the supreme goal of the

government – and thus to minimise the financial commitment of the state in all other areas, including social protection (Goodman et al., 1998, Kwon, 2005b, Holliday, 2000). Yang (2008) refers to the latter as 'fiscal conservatism'. Examining the policy preferences of economic ministries, the chapter finds that they opposed the institutionalisation of unemployment insurance exactly for this reason. The Budget Bureau of the Economic Planning Board was quite reluctant to finance the unemployment insurance programme from general revenues because of its view that the programme would only create work disincentives (Ministry of Labour, 2005). The Ministry of Industry and Resources opposed the inclusion of SMEs in unemployment insurance, arguing the financial burden placed by the new insurance would particularly hamper the competitiveness of SMEs. Hence, economic ministries did not regard unemployment insurance as something worthy of spending taxes on, since it would compromise the competitiveness of the economy.

Even the Ministry of Labour, the champion of unemployment insurance, displayed the developmental logic in policy design. The Ministry favoured a policy design that could minimise expenditures from the general tax revenues. According to its proposal, the unemployment insurance scheme would be largely financed by contributions of employees and employers with government subsidies only covering administration costs. The scheme would provide rather selective coverage; the proposal included only standard workers (full-time workers with indefinite contracts), but excluded part-time workers (whose work hours was less than 70 per cent of full-time work), as well as temporary and daily workers from the mandatory coverage of the scheme. Furthermore, minimising work disincentives was also a central concern to the Ministry. It proposed a rather lengthy work record for unemployment benefit entitlement (12 months of employment record in the last 18 months prior to

unemployment) [10] . For benefit generosity, the Ministry insisted on an income replacement rate of 50 per cent for all income earners with a cap of one million won, although trade unions demanded a higher income replacement rate, especially for low-income earners (Korea Labor Institute, 1993).

But why did the Ministry of Labour champion the institutionalisation of unemployment insurance scheme if it shared the developmental approach with economic ministries, especially the concern about the financial implications and the counterproductive impact of the scheme on the economy? Labour bureaucrats claimed that they promoted the unemployment insurance scheme as an instrument for increasing the flexibility in the labour market. They argued that the rigid labour market was a core factor that was slowing down the economy, and thus labour market liberalisation was essential to improve the economic environment. In this line of logic, labour bureaucrats underlined the instrumental value of unemployment insurance insofar as it could decrease the social costs of the labour market liberalisation (e.g., the rise of labour unrest and the increase of poverty). However, if that was the main rationale, why did the Ministry promote unemployment protection as early as 1980s when the rigid labour market was not perceived as a problem? The findings of my empirical investigation offer an alternative explanation. First and foremost, the Ministry of Labour put forward unemployment insurance to pursue its organisational interest. The rationale choice thesis of bureaucratic behaviour argues that bureaucrats are self-interest seeking individuals. They seek to increase returns from their investments in their bureaucratic

[10] In comparison to Korea, the work record required for unemployment benefit entitlement is shorter in Sweden (5 months) and Japan (6 months).
Note: The reference point of time is as follows; Korea (1995) and the other countries (1989).
Source: OECD, Employment Outlook, 1991: ch. 7; Ministry of Labour 2005

careers; expanding bureau size and budgets are conducive to meeting private interests (Buchanan and Tullock, 1997, 1962, Brennan and Buchanan, 1980, Niskanen, 1971). Following this line of inquiry, Estevez-Abe (2008) also argues that Japanese bureaucrats were in favour of policy reforms which would expand their bureaus and policy portfolio. Likewise, Korean labour bureaucrats persistently pursued the strategy of expanding their Ministry. To them, a policy of unemployment protection was fundamentally an instrument to achieve a drastic increase in budgets and size of the Ministry. That is why the Ministry began to champion unemployment protection long before the rigid labour market became a major issue. In short, the true rationale of labour bureaucrats behind their promotion of unemployment insurance was the pursuit of organisational interest. In that sense, the deregulation of the labour market offered a 'window of opportunity' (Kingdon 1985) to labour bureaucrats, as unemployment insurance provided a policy reducing the 'political costs' of labour market liberalisation, which made the new scheme palatable to economic bureaucratic presuming unemployment insurance complied with the core of the developmental logic (interview nos. 2; 13; 19; 20).

Employers' Associations

Throughout the policy deliberation of unemployment insurance, employers' associations made explicit that their first-order preference was no unemployment insurance at all. In particular, small- and medium-size employers expressed their fundamental opposition to the unemployment insurance scheme. The Korea Federation of Small and Medium Business asked for SMEs (employing 150 workers or less) to be exempted from the mandatory coverage of the scheme, arguing that the business morale of SMEs had already been undermined by all kinds of social insurance contributions (Korea Federation of Small and Medium Business, 1993; Donga Daily August 4, 1993). Large

employers consented to the scheme, but seconded the demands of SMEs (Korea Employers Federation, 1993c). They also demanded that atypical workers (namely, day labourers, seasonal workers and part-time employees) should be excluded from the scheme (ibid.). In other words, large employers preferred to exclude outsiders of the Korean labour market (i.e., workers of SMEs and atypical workers). They argued that the inclusion of outsiders could lead to ill health of the insurance fund due to these workers' high risk of unemployment (ibid.). This indicates that the underlying reason of large employers to argue for the exclusion of the outsiders from the scheme was cost minimisation. As job tenure of outsiders was substantially shorter than that of insiders (i.e., workers of large firms). Thus, large employers were concerned that the scheme would greatly benefit the outsiders who were not their employees.

In the same vein, large employers expressed their strong preference for cost minimisation in regard to benefit generosity. The KEF insisted that regular bonuses and fringe benefits should be excluded from the calculation of unemployment benefits (ibid.). By the end of 1980s, the total cost of fringe benefits accounted for a substantial portion of total labour costs, averaging around one fifth of total labour costs of large firms. In particular, fringe benefits and regular bonuses were widely practiced among large firms (Song, 1996). Therefore, excluding fringe benefits and regular bonuses from benefit calculation was critical, especially to large employers, to keep low the contributions of employers to unemployment insurance. This finding challenges the VoC approach, which contends that employers in CMEs support the generous social protection (Swenson, 2002, Mares, 2003, Estévez-Abe et al., 2001). In particular, Mares (2003) argues that large employers prefer generous unemployment benefits for the purpose of skill formation. However, Korean employers were fiercely opposed to generous unemployment benefits. Quite the contrary, their first-order preference was no

unemployment benefit at all. Then, why did large employers consent to the institutionalisation of unemployment insurance? My empirical investigation found that the consent of large employers was a strategic choice. In spite of their first-order preference (that is no unemployment insurance at all), they gave strategic consent to the scheme in order to achieve a greater gain: labour market liberalisation. My interviews with labour bureaucrats and representatives of employers' associations indicate that the Ministry of Labour persuaded employers to support the introduction of unemployment protection scheme, arguing that it would facilitate the deregulation of employment protection. Consequently, employers endorsed unemployment insurance as the price to pay for labour market liberalisation, expecting it would decrease workers' resistance to the legalisation of dismissals. Because employers' focus was on facilitating the deregulation of employment protection rather than promoting skill formation, employers did not see any 'functional' case for generous unemployment insurance. For Korean employers, unemployment insurance was no more than strategic compromise to realise labour market deregulation (interview nos. 22; 23; 24; 25).

To conclude, I argue that Korean employers did not see unemployment protection as an instrument to incentivise workers to invest in specific skills or to retain skilled workers, but to pre-empt the resistance of organised labour to the impending deregulation of the labour market. Korean employers did not consider the instrumental value of unemployment protection for skill formation. Experiencing fast economic growth, Korea new little of the mass unemployment caused by business cycles. Unemployment remained very low (below four per cent), so that some even argue that the developmental welfare state was established against the background of full employment. The risk of unemployment was widely perceived as being rather low. Therefore, the low unemployment rates up until the early 1990s prevented employers

from seeing the possible use of unemployment insurance for retaining skilled workers in the near future.

Trade Unions

The policy preferences of trade unions seemed ambiguous at first glance. On the one hand, they expressed policy preferences for those that were consistent with the theoretical propositions of the Power Resources approach (Esping-Andersen, 1985, 1990, Korpi, 1980, 1983); trade unions advocated a more generous and inclusive design of the unemployment insurance than the government proposal. The FKTU demanded higher income replacement rates – between 60 and 80 per cent of previous incomes – while the government proposal stipulated 50 per cent (Federation of Korean Trade Unions, 1993). In addition, both labour federations called for the inclusion of small firms with five or more workers in the scheme (Korean Trade Unions Congress, 1993, Federation of Korean Trade Unions, 1993). Knowing that organised businesses and economic ministries pressed hard to exclude SMEs, the FKTU insisted that the scope of mandatory coverage (which included small firms) should be stipulated in the Act and not in the Decree, which the President could revise without the consent of the National Assembly (Federation of Korean Trade Unions, 1993). For qualifying conditions, trade unions insisted that those should be relaxed to employment records of six months in the previous twelve months, criticising the Ministry's proposal as being 'too strict'. With reference to the funding method, organised labour demanded a substantial financial commitment from the government, such as asking them to bear one third of total insurance contributions as well as covering full administration costs and possible deficits of the insurance fund (Korean Trade Unions Congress, 1993, Federation of Korean Trade Unions, 1993).

On the other hand, organised labour also exhibited preferences that were contrary to social-democratic values articulated by the Power Resources theorem. First, universalism did not feature prominently in the unions' preferences as they paid little attention to non-standard workers. The FKTU initially proposed to exclude part-time and temporary workers from unemployment insurance (Federation of Korean Trade Unions, 1989: 144), although it turned around to moderate advocacy for the inclusion of part-time and temporary workers later on (Federation of Korean Trade Unions, 1993: 129-38; 1995a: 83-8). This change of the FKTU stance shows its motivation to catch up with its rival KTUC as it further advanced the idea of universal coverage of unemployment insurance to include seasonal, daily and part-time workers (Korean Trade Unions Congress, 1993: 64-5). Nevertheless, their official stance promoting the inclusion of non-standard workers in the scheme was half-sincere at best. They readily accepted the legislation of unemployment insurance stipulating the exclusion of non-standard workers. Also, unions did not criticise the exclusion of the self-employed, which made up 27 per cent of the Korean labour force in 1993 (Korea Statistical Information Service, 2012), from the insurance. A union official stated that the inclusion of non-standard worker in the insurance scheme was perceived 'impractical' for two reasons; not only could it create administrative hurdles but also the reality was that, at the time, all other social insurance schemes provided coverage only for standard workers. In short, unemployment protection for non-standard workers was not given much weight by organised labour. Second, organised labour did not pursue redistribution. According to the government proposal, contributions would be levied on gross wages but benefits calculated on "basic wages (gross wages subtracting bonuses and all sorts of welfare-related allowances)". Given that bonuses and company welfare benefits were a well spread practice only among large firms, the government's proposal

would have higher income earners of large enterprises pay higher contributions and receive lower benefits. The FKTU rejected this benefit calculation method as "unjust" since it would be a disadvantage to some workers who received larger bonuses and allowances. Instead, they demanded that regular bonuses and all allowances be included when calculating benefits. In essence, thus, their proposal was to preserve wage differentials across different size of firms and industries as they argued "the proportion of basic wages to gross wages varies widely by industry and company size" (Federation of Korean Trade Unions, 1992: 135).

How can we interpret the discrepancy in the unions' preferences of unemployment protection? I argue that the discrepancy points to the fact that the issue of unemployment protection was given low priority by the Korean labour movements at that time. When their preferences for the unemployment insurance scheme were not adopted in the government bill, organised labour did not make serious efforts to realise them. Officials from labour federations confirmed that the introduction of unemployment insurance was not given much priority within the labour movements. Particularly for independent unions, which were still treated as illegal, obtaining the state recognition and greater freedom of union activities was their top agenda. Furthermore, their promotion of unemployment protection lacks the elements of a social policy championed by social democracy. Not only did Korean organised labour fail to wholeheartedly pursue universal unemployment protection, it neither sought to achieve the redistributive effect of unemployment benefits. Despite using organisational strength to realise "particularistic interest", unions did not make the same efforts when extending unemployment protection to non-standard workers. This behaviour of Korean trade unions contradicts the theoretical prediction of the Power Resources approach – that organised labour is the champion of the universal welfare state (Esping-Andersen, 1985,

Korpi, 1983, Stephens, 1979, Shalev, 1983). Rather, this finding goes in line with the argument that organised labour in Korea concentrated its power on maximising material gains at the company level rather than expanding the welfare state (Song, 2003, Yang, 2006, Kim and Lim, 2000). Put differently, trade unions preferred wage increases and welfare benefit expansion at the company level to the expansion of public social policy.

This begs us the question why Korean organised labour did not develop a keen interest in public social policies – unemployment protection policy, in particular – but rather pursued material gains at company level at that time. First, low levels of unemployment might have prevented unions from viewing unemployment insurance as an urgent matter. The threat of mass unemployment was hardly visible at the time, when Korea enjoyed near full employment due to its high economic growth. Arguably, Korea had life-time employment (or long-job tenure for unionised firms at least) up until mid-1990s (prior to the recession of 1997-98), which contributed to workers' low perception of unemployment risk (Hwang, 2006, Jung and Cheon, 2006). In addition, unemployment protection was not totally absent since mandatory retirement payment played a functional role that was equivalent to unemployment insurance. For such reasons, unemployment insurance did not feature prominently on the agenda of Korean trade unions. Second, within Korean trade unions, there were the so-called 'fundamentalists' who pursued a militant method of class struggle with a neo-Marxist view of social policy and dampened the atmosphere to actively advocate for unemployment insurance. Fundamentalists were reluctant to promote unemployment insurance, as they saw it a concession from a capitalist state to pre-empt the mobilisation of labour as a political force. Most importantly, I would like to underline the fragmented structure of Korean organised labour that augmented unions' incentive to prioritise the interest of their core membership – the standard workers of large

enterprises. The composition of Korean organised labour was highly skewed to standard employees of industrial conglomerates; while workers in large enterprises were highly organised, those in small firms and non-standard employment were weakly organised. As unions of large enterprises constitute a majority of the labour federations, the federations were prone to prioritise interests of those unions. Such unions were seen as self-serving, seeking their own material gains at shop floor level, neglecting national social issues which could have benefited a broader group of workers (Kim and Lim, 2000, Shin, 2010, Yang, 2006, Wong, 2004b). Under the circumstances, social protection for non-standard workers and the self-employed, whose workforces were either poorly organised or not organised at all, was of little importance to unions. Therefore, consistent with Rueda's (2005, 2007) claim that trade unions in advanced political economies prioritise the interests of the insiders of the labour market, Korean unions behaved in the same way during the Kim Young-Sam government (interview nos. 33; 34; 39; 40; 41).

Political Parties

With regard to unemployment insurance, all major parties were in favour of its introduction. All major parties adopted the introduction of the employment insurance, which was a combination of unemployment insurance and active labour market policies, in their manifestoes for the 1992 presidential election. It is hard to tell if there were differences in the design of unemployment protection policy that parties promoted, as their election manifestos did not present specific policy designs (National Election Commission, 2009b). Furthermore, political parties remained silent during the policy deliberation of unemployment protection, largely because parties were not adequately incorporated into the policy process. Not only were they not consulted during the

process, but also they did not make any effort to influence the deliberation process. When the government bill was presented at the National Assembly, the bill received cross-party support, and passed the National Assembly without much debate. Even members of the centre-left party did not press for more generous unemployment benefits. Suffice it to say that there were no differences in party platforms on unemployment insurance. Not a single party put forward a 'social-democratic' policy alternative in term of the Power Resource model. This finding confirms the claim that party politics in Korea were not programmatic; the election strategy of parties emphasised the charismatic personality of party leaders rather than specific policies. Ideological cleavages between parties' stance on social policy had not emerged in early post-transition Korea (Kim, 2000, Wong, 2004b, Mo, 2001, Shin, 2003).

4.4. Policy Influence of Actors

In the preceding part, the chapter investigated the policy preferences of actors. This part turns to the policy influence of these actors. Drawing on the findings on the policy preferences, this part examines the bargaining power of actors. Which party managed to realise its policy preferences, or to block others' preferences, will be scrutinised to assess the bargaining power of actors in labour market policy-making.

4.4.1. The Lingering Existence of the Developmental Alliance

The examination of policy preferences of actors indicates that the developmental alliance between the state and business, whose predominance was highlighted by a number of scholars (Hundt, 2009, Woo-Cumings, 1999, Koo and Kim, 1992), persisted during the Kim Young-Sam government. Government and business shared the diagnosis that the current economic stalemate was caused by heavy labour market regulations and

high wage increases. As they shared the diagnosis, they also put forward the same prescription for the recovery of economy; namely the labour market liberalisation, and the institutionalisation of unemployment insurance in order to facilitate the former. The growth-oriented logic was prevalent in the political discourse, as the government justified the labour market reform with the rhetoric of globalisation and economic competitiveness. Thus, social policy continued to be subordinated to the key policy goal of economic growth. Furthermore, the alliance behaved as if it could still override the demands of organised labour. Amid strong opposition of trade unions, bureaucrats and employers' associations pushed the labour market reform, and the leadership of the ruling conservative party acted as a 'rubber stamp'. When the reform bill passed the National Assembly, it only contained labour market deregulation measures, which was put forward by the developmental alliance, but left out the liberalisation of union activities, which was forcefully demanded by organised labour.

Nevertheless, the dynamics within the developmental alliance did not remain static. My empirical investigation finds that the initiative for labour market liberalisation came from organised business, when it began to proactively pursue it in the early 1990. Employers' associations were not a mere consenter of government policies, but an independent interest-seeking actor. This signifies that the power balance within the developmental alliance shifted towards business, as employers afforded to behave more independently. Then, why did the policy influence of organised business increase in post-transition Korea? First of all, economic liberalisation increased the autonomy of employers' associations in the policy process. The deregulation of financial markets reduced business dependence on the government for access to capital (Ringen et al., 2011: chapter 3). Under the authoritarian era, the banking industry was tightly controlled by the state. The government decided on who gained access to bank

credits, and on what terms and conditions. This made business extremely dependent upon the state, as access to credits was critical to the success of business. When financial markets were deregulated, and businesses were allowed to enter the non-banking financial market during the Kim Young-Sam government, *chaebol* firms proactively sought to secure access to capital by establishing mutual funds and security houses (Woo-Cumings, 2007b). Employers became more vocal on policy issues by taking finance, the 'nerve of the developmental state', under its control (Woo-Cumings, 1999). Indeed, organised business began to proactively pursue its interests through economic ministries, as it was shown in the case of labour market liberalisation.

The democratic transition also contributed to the shift of power balance towards businesses. The influence of businesses over politicians, especially the conservative party, increased in the immediate aftermath of democratisation. Since authoritarian regimes were devoted to economic development in order to justify their political repression of the civil society (and actually delivered it), the public had been accustomed to high rates of economic growth. Against this backdrop, the economic performance of the government was crucial for the conservative party to win election (Kim, 2008a). Consequently, it became more vulnerable to the demands of organised business. In addition, businesses, especially the *chaebol*, could wield substantial political influence as long as its financial contributions remained critical to running political campaigns (Mo, 2001). As my empirical evidence showed earlier, organised business was able to exert substantial influence on the ruling party to the extent that it passed the reform bill amid strong resistance of trade unions. To reiterate, the political power of businesses experienced a substantial increase in the post-transition Korea, and it led to the shift of power resources from the bureaucrats to businesses.

Thus, the findings of empirical investigation suggest that the democratic transition in 1987 did not lead to the immediate demise of the developmental alliance in post-democratised Korea but a 'modification' of the developmental alliance. In spite of the fact that the Kim Young-Sam government was the first democratically elected civilian government, it could not, and probably did not want to, break away from the developmental alliance. From a political perspective, it is not surprising that the election of the first civil government did not create a significant change in ruling elites. The Kim Young-Sam government was established from the merger of three major conservative parties that included the ruling elite of the authoritarian era. One of the three parties was the Democratic Justice Party, which was the ruling party since the Chun Doo-Hwan military authoritarian regime of 1981 (Kang and Park, 1997: 124). Therefore, the election of the government extended the old conservative political alliance into the young democracy Korea. Inheriting the close relations between politicians and businesses, the government was not free from interests created by the developmental alliance, which dominated the Korean political economy under the authoritarian regimes (Choi et al., 2000b: 209). The technocratic spirit of the developmental state continued to thrive in democratised Korea (Kim, 2008a). This line of argument was essentially confirmed by representatives of employers' associations that employers also viewed the Kim Young-Sam government as the continuation of the old regime. From employers' standpoint, the election of new presidents did not matter much, as long as technocrats were in charge of the policy process. To sum up, the developmental alliance continued to exist, and pushed the labour market reforms in the post-transition Korea (interview nos. 1; 16; 23; 26; 27; 33; 39).

4.4.2. Continuous Failures of the Developmental Alliance

Nevertheless, the developmental alliance continuously failed to realise the most important reform agenda – the liberalisation of the labour market. Although, reform initiatives were made in a piecemeal style, pushing deregulation even in relatively less sensitive areas (such as working time accounts and temporary agency work) was not successful due to strong opposition from organised labour. In the beginning, the reform impetus came from the government ministry level. After the attempt of the Ministry of Labour to legalise temporary agency work failed, the President's Office showed greater direct involvement. This time, the President ordered the Ministry of Commerce, Industry and Resources to take the reform initiative. The Ministry's proposal covered a layoff provision, which was the most sensitive topic. Despite continued strong resistance from trade unions, the Ministry presented the reform bill to the National Assembly (Federation of Korean Trade Unions, 1995b). Active protest of organised labour was not strong enough to override the reform impetus from the Ministry and the President, but it made a visible impact on members of the National Assembly. Although this bill was initiated by presidential order and strongly supported by organised business, the members of the National Assembly eliminated the centrepiece of the bill (the temporary agency work) during the review process against the direction of the government. Employers criticised that legislators were blinded by the fear of losing wage earners' votes (Choi et al., 2000b). Although this rebellion of parties against the developmental alliance curtailed quickly as the conservative party was again subjugated to the demand of the alliance, it demonstrated that democratisation and electoral competition could increase the sensitivity of politicians to the demand of organised labour. This point will be elaborated further in the later part of the chapter.

However, until this point, the developmental alliance did not comprehend the scale of change in Korean welfare politics – that is the 'crumbling' of the developmental alliance. Soon after the failure of reform initiative by the Ministry of Commerce, Industry and Resources, the President of the KEF confirmed its determination to "keep pleading to the government until when working-time accounts and layoffs are legislated" (Korea Employers Federation, 1995a). Neither did the government discard its charge for the labour market reform. This time, the developmental alliance attempted to materialise the reform through the establishment of social consensus among the government, employers' associations and trade unions. The President's Office carefully orchestrated policy deliberation at the Presidential Commission. As forming consensus on the reform agenda faced an impasse in the Commission, the government took the matter into its hand. The cabinet was reshuffled, and the so-called 'economic team' (Minister of Finance and Economy and Secretary of Economy) was replaced with 'hardliners', who took an explicit pro-business stance. After the appointment of a new Minister of Finance and Economy and a new Secretary of Economy, employers' associations increased their lobbying for labour market liberalisation. In addition, an ad-hoc Interministerial Committee was established to finalise the reform bill. The ruling conservative party resorted to a controversial voting tactic to pass the government bill. In other words, the developmental alliance thought the resistance of organised labour could be overridden, only if it increased its pressure for labour market liberalisation. However, the alliance was proven wrong. In the face of the General Strike of 1997, the implementation of labour market liberalisation had to be put on hold. In the following, the chapter turns to the rise of organised labour to a veto player challenging the developmental alliance (interview nos. 14; 15; 16; 21).

4.4.3. Rise of Organised Labour to a Veto Player

The series of reform failures during the Kim Young-Sam government signifies the rise of organised labour to a veto player, which is defined as individual or collective "actor(s) whose agreement is required for a change of the status quo" (Tsebelis, 2002: 17). The episodes of labour market reform in the Kim Young-Sam government show that consensus from organised labour became an indispensible factor determining the success of reform. Although the developmental alliance mobilised every possible means of the 'old politics', it could not realise its reform agenda in the absence of consent from organised labour. The implementation of labour market deregulation had to be postponed by two years, shifting the reform implementation to the hand of the next government. Besides, organised labour managed to moderate the scope of labour market liberalisation against the preferences of the developmental alliance. The second revision of legislation tightened the conditions of deregulation measures; layoffs were not to be permitted in case of merger and acquisition. Also, a 12-hour cap on daily working hour was introduced to further restrict the use of working-time accounts. Organised labour could not nullify labour market liberalisation, but managed to slow down liberalisation. Furthermore, trade unions were granted their demands with regard to the legalisation of union activities. The General Strike not only held back the implementation of labour market liberalisation, but also endowed independent unions with the much awaited state recognition and trade unions with more freedom in activities.

The rise of organised labour to a veto player in the aftermath of democratic transition challenges the conventional wisdom that trade unions played a marginal role in the policy process (Deyo, 1989, Pempel and Tsunekawa, 1979). The substantial increase in policy influence of organised labour came from the fact that it could inflict costs on the economy through collective action in democratised Korea (Mo, 1996, Koo,

2001). Prior to democratic transition, collective action of organised labour was highly repressed by the authoritarian governments. In the absence of a viable political party representing the interests of labour, government oppression on collective action effectively deprived organised labour of means to exert its influence in policy-making. With the arrival of democracy, the government could not oppress collective action of organised labour as blatantly as the previous authoritarian governments did; organised labour could effectively increase its bargaining power by the threat of general strikes. Eventually, organised labour firmly secured its place in the labour market policy-making, and put an end to the 'old' politics of labour market policy, in which the developmental alliance overrode organised labour.

4.4.4. Insignificant Policy Influence of Parties

Whilst trade unions and employers' associations were able to increase their policy influence in post-transition Korea (paradoxically simultaneously), political parties remained largely insignificant. The findings from the early reform initiatives support the conventional view that political parties, and the legislature, did not play an important role in the policy process in the immediate years after the transition (Mo, 2001, Haggard and Kaufman, 2008, Jaung, 2000). In all reform episodes that this chapter analysed, reform bills were proposed by the government ministries and not by parties. Even in the case of the institutionalisation of unemployment insurance, which was adopted by all major parties in their election manifestos, the overall policy development was led by bureaucrats – from agenda setting to implementation stage. After the election, parties quickly disappeared from the scene of policy deliberations. Political parties remained silent and produced no input in the bureaucrats-driven policy process. Neither were they consulted during the deliberation process, nor did they express their opinion about the

design of unemployment insurance. The weak influence of parties over policy-making translated into the insignificance of the legislature. In all reform episodes, which were scrutinised in this chapter, except the one, the National Assembly was simply asked to approve government reform proposals negotiated elsewhere. Thus, it can be said that, as Jaung (2000) argued, the National Assembly and parties continued to play a subordinate role in the policy process by acting as a rubber stamp of the executive branch in democratised Korea.

It is worth mentioning, nevertheless, the one exceptional episode demonstrates that democratisation and electoral competition could provide a momentum for parties. The 1995 reform attempt is the case in point that demonstrates the potential of parties to behave independently from the government. When the Ministry of Commerce, Industry and Resources pushed deregulation measures in order to facilitate the restructuring of SMEs, members of the National Assembly deleted the temporary agency work provision from the government bill. Examining remarks of the members of the National Assembly, we can see that the rationale behind the 'rebellion' was not to provoke wage earners, which took up a great portion of the electorate: "opinion of workers should be fully reflected", "employment security should be protected" and "the proliferation of temporary agency work should be avoided" (National Assembly, 1995a: 67-68; National Assembly, 1995b: 5). Put differently, some forces in political parties, including the conservative party, became more sensitive to the interests of wage earners. It should not be neglected, of course, that the ruling party complied with the direction of the developmental alliance, when it pushed harder the reform agenda. And eventually, the government pushed its legislation through the National Assembly. However, we can establish that parties, though with limited success, demonstrated their ability to oppose the direction of the developmental alliance in the face of electoral competition. It

denotes nascent party politics, with political parties more proactively participating in policy-making for electoral reasons.

One might wonder then why democratic transition and electoral competition did not lead to a substantial increase of parties' influence over policy-making. The most convincing explanation would be that parties did not offer visions alternative to that of the developmental alliance. As the analysis of policy preferences of parties shows, no major party had an articulated platform that differed substantially from the stance of the developmental alliance. As the chapter clearly demonstrated, it was the developmental alliance, not parties, who had ownership of the reform agenda. When parties do not have different ideas from the developmental alliance, it is unlikely that parties could make a difference in the outcomes of policy deliberation process driven by the developmental alliance.

Why, then, did parties not develop a position different from that of the developmental alliance? First, I point out the weak political mobilisation of labour, especially in terms of a labour party. The legacy of long authoritarian rule severely hampered the ability of trade unions to ignite mass political mobilisation, which could have nurtured a genuine social-democratic political force – the protagonist of welfare state building according to the mainstream welfare state literature (Shalev, 1983, Stephens, 1979, Korpi, 1983, Esping-Andersen, 1985). In tandem with heavy regulation on union activities, fragmented organised labour failed in successful political mobilisation of workers (Kim and Lim, 2000). Thus, a connection to the labour movement was not critical to electoral success in democratised Korea (Mo, 1996, 2001). Not a single major party emphasised redistribution of wealth or the decommodification of labour. In the absence of a viable social-democratic political force, all major parties were essentially 'conservative' parties in terms of their social policy stance. Second, we

need to highlight the presence of a strong regional divide in Korean electoral politics. Scholars argue that parties adopted electoral strategies building upon the charisma of party leaders, who represented certain regional forces rather than programmatic party platforms. Hence, regionalism was the most critical determinant of voting behaviour (Mo, 2001, Kim, 2000). When the ruling Democratic Justice Party lost the absolute majority in the 1988 National Assembly election, which took place immediately after the democratic transition, it engineered the creation of the 'grand conservative coalition'. The merger of three conservative parties in 1990 created the Democratic Liberal Party, combining regional support of the Kyoungsang and Chungcheong provinces. The loyal voters of these regions secured the conservative party at least one third of the total electorate (Kim, 2008a: 171). The sheer majority support that the party enjoyed in the two regions allowed the party to pursue the policy direction by the government even if the direction was deemed unpalatable among workers.

4.5. Conclusion

The labour market reforms during the Kim Young-Sam government suggest a transformation of Korea welfare politics – the nascent new politics of the Korean welfare state. In contrast to the emphasis of the mainstream literature on bureaucrats as protagonists in social policy, we observe social partners moved to centre stage of labour market policy-making. Organised labour rose to a veto player in the labour market policy. In the face of the opposition of trade unions, the developmental alliance could not materialise its most pressing agenda – the deregulation labour market. The democratic transition empowered organised labour to the extent that it could curtail reform efforts of the developmental alliance. Furthermore, the status quo within the developmental alliance was broken, with greater input from businesses. After economic

liberalisation (which allowed businesses far greater financial independence than it enjoyed during the authoritarian era), organised business raised its voice more independently in labour market policy. Employers' associations began to explicitly and forcefully put forward labour market liberalisation as their policy priority. These two findings indicate that the Korean welfare politics underwent the first transformation; the bureaucrat-led policy process is undermined in the post transition Korea as social partners could constrain the autonomy of bureaucrats in the labour market policy–making. Therefore, I conclude that the 'old' politics, suggested by the developmental state thesis, does not hold true in the labour market policy-making in the aftermath of dual transition of democratisation and economic liberalisations.

Although Korean welfare politics underwent its first transformation, democratisation did not yet lead to a substantial growth of the welfare state for the following reasons. First, government ministries adhered to the developmental logic. The expansion of welfare state was only promoted to the extent that it could facilitate economic growth. Even when the Ministry of Labour promoted the institutionalisation of unemployment insurance, it did so in pursuit of organisational interests (i.e., expansion of budgets and size of bureau). Second, no actor emerged as a viable political force to champion the welfare state. In line with the conventional wisdom, political parties did not matter in labour-market policy-making. Not only did parties largely remain insignificant in labour market policy, but also they were all 'conservative' parties in terms of their stance on labour market policy. Thus, parties could not be an alternative political force to the developmental alliance. But what about social partners, whose policy influence increased significantly in the post-transition era? Did employers' associations promote generous social policy, as the VoC line of argument would suggest? The chapter did not find any support for the VoC claim of employer support for

generous social policy in the CMEs. The first-order preference of Korean employers was no unemployment insurance at all, but they consented to the introduction of unemployment insurance on strategic grounds. For them, it was a price to pay to realise the more pressing agenda of labour market liberalisation. Then, did trade unions, the champion of the welfare state according to the Power Resources approach, promote the welfare state? The chapter did not find strong evidence for this approach, either. In spite of its rise to a veto player, organised labour did not utilise its new position in pursuit of welfare state expansion. Trade unions rather focused on utilising their newly gained power to achieve material gains at the company level and the full freedom of union activities. Taking everything together, this chapter concludes that the first transformation of the Korean welfare state, which took place in the Kim Young-Sam government, denotes that the democratisation and economic liberalisation set in motion irreversible changes in Korean welfare politics, which destabilised the political equilibrium of the developmental welfare state with the rise of social partners.

5. The Second Transformation of Korean Welfare Politics: Labour Market Reforms under the Kim Dae-Jung Government 1998-2003

5.1. Introduction

This chapter scrutinises the politics of labour market reforms in the Kim Dae-Jung government, which came in power approximately a decade after the democratic opening in 1987. In this chapter, I further the investigation of the political underpinnings of labour market reforms to examine as to whether the process of democratic consolidation advanced the transformation of Korean welfare politics and made a clear break away from the conventional 'developmental welfare state' model (Kwon, 1999, Holliday, 2000). As the election of Kim Dae-Jung to president marked the transition of power from conservative elites to progressive opposition forces for the first time in the Korean modern history, it signalled a profound change in the political landscape and policy environment. The chapter, hence, examines as to whether welfare politics has changed during the Kim Dae-Jung government and if so, how the new dynamics of social policy-making has shaped labour market reforms differently from the reforms during the previous Kim Young-Sam government. To this end, the chapter analyses the role of key actors in social policy-making, as in the previous chapter (namely, government bureaucrats, employers' associations, trade unions, and political parties).

The welfare reforms of the Kim Dae-Jung government generated a great deal of debates on the change and continuity of the Korean developmental welfare state. Proponents of 'change' thesis claim that the reforms indicate a clear break away from the developmental welfare state (Kim, 2008b, Kuhnle, 2004), while opponents highlight the prevalent developmental logic behind the reforms (Holliday, 2005, Kwon and Holliday, 2007). Others position their stance between the two and underline

simultaneous change and continuity of the developmental welfare state in which the Korean welfare state evidently became inclusive, on the one hand, but still incorporating developmental elements, on the other hand (Kwon, 2005a, Gough, 2004, Kuhnle, 2004). Regardless of their arguments and diagnosis of the trajectory of the Korean welfare state, works on the topic tend to focus on the state (although some point out the civil society for social policy reforms) as political drivers of reforms.

The existing analysis, however, fails to fully capture the dynamics of the social policy-making in the new political environment by adhering to the same state-centred perspective. If it was the bureaucrats who steered the labour market liberalisation, how were they able to materialise it when they had not been able to do so in the previous government? Furthermore, how can a bureaucrat-centred framework explain the universalisation of unemployment protection, something that bureaucrats were against in the previous government? At the same time, the existing literature tends to neglect the role of social partners in the reform processes. According to the finding of the previous chapter, trade unions opposed and effectively blocked the implementation of labour market liberalisation in the Kim Young-Sam government. Why, then, did they let it happen this time? What was their role in the labour market reforms of the Kim Dae-Jung government? Also one might wonder about the role of employers' associations in the reform process of the Kim Dae-Jung government. Lastly, the existing accounts for the reforms do not provide any satisfactory answer to the question as to whether the change of government and democratic consolidation had an ample impact on the reforms because it focuses on the same old politics (i.e., bureaucrats-led policy-making). As the relations between democratic consolidation and transformation of Korean welfare politics is the central inquiry of the thesis, the neglected question as to whether the centre-left party coming into power made difference at all in social policy-

making is of paramount importance to the thesis.

Hence, this chapter seeks to answer the abovementioned questions with reference to the labour market reforms of the Kim Dae-Jung government by investigating the political underpinnings of the reforms. The first part of the chapter analyses the policy preferences of actors in the two domains - employment protection and unemployment protection. This part also pays attention as to whether there was change or continuity in the policy preferences of actors and their theoretical implications. The second part investigates the policy influence of actors by examining whose preferences were accepted to what extent. In doing so, this part scrutinises how the change in the actors' bargaining power shaped the reforms differently from the developmental welfare state trajectory. The chapter concludes that the politics of Korean welfare state underwent a second transformation during the Kim Dae-Jung government. The old driver of the labour market reform, the developmental alliance, was replaced with a new reform coalition between the centre-left party and organised labour. The result was the Korean version of flexicurity reform towards the increase of the flexibility of the labour market and the expansion of unemployment protection at the same time, which was qualitatively different from that of the developmental welfare state.

5.2. Understanding Labour Market Reforms under the Kim Dae-Jung Government

Korean labour market underwent its most comprehensive reforms during the Kim Dae-Jung government. At the onset of the economic crisis of 1997-8, the Tripartite Commission was set up to draw a blue print of a set of policy reforms, which was deemed essential to overcome the crisis. The first phase of the Commission produced a

social pact in an unprecedentedly speedy manner – after only a few weeks of policy deliberations. To be precise, the Tripartite Commission was actually convened at the very end of the Kim Young-Sam government. However, it was under the strong initiative and leadership of the president-elect Kim Dae-Jung and the centre-left party that social consensus on the reform proposals was achieved in the Commission. For this reason, policy deliberation at the Tripartite Commission with regard to the reforms is treated as the work of the Kim Dae-Jung government in this chapter.

The Asian economic crisis began to unfold at the end of the Kim Young-Sam government. Signs of recession became visible in the second half of 1996. A series of firms went into bankruptcy, including industrial conglomerates (which were believed "too big to fail"). At the same time, the economic crisis brought forth an occasion to bring to light the 'dark-side' of the economic growth strategy pursued by the developmental alliance; The East Asian model of state-led economic development was criticised as 'crony capitalism', in which big business was nurtured by political favouritism. Anti-sentiment towards the *chaebol* was widespread, since it was accused of being responsible for inducing the economic crisis with its ill management. Furthermore, the currency crisis, which was hitting South East Asian countries hard, took its grip on the Korean economy, too. The drastic depreciation of the Korean Won in a few months led to an extra-ordinary liquidity crisis. As foreign exchange reserves hit a record low in November 1997, the government decided to request the International Monetary Fund (IMF) for a bail out. On 3 December 1997, two weeks before the presidential election, the Korean government signed a Memorandum of Understanding with the IMF, which granted Korea a bailout of 55 billion US Dollars. The core policy prescriptions attached to the bailout were as follows: deregulation of the financial sector, corporate restructuring, and labour market liberalisation (International Monetary Fund,

1998). In addition, foreign creditors, especially the US government, put forward economic restructuring in line with neo-liberal principles as conditions for the renewal of debts (Kim and Moon, 2000). The unfolding of the Asian economic crisis left the newly elected government in great need of extending the deadlines of debts, as well as implementing the policy prescriptions. Smooth and rapid implementation of the policy prescriptions was deemed critical to restore the trust of foreign investors in the Korean economy.

Against this background, the president-elect Kim Dae-Jung resorted to the Tripartite Commission in order to build social consensus on the reform agenda. The Tripartite Commission was set up on 15 January 1998, bringing representatives from both labour federations –the Federation of Korean Trade Unions (FKTU) and the Korean Confederation of Trade Unions (KCTU)–, employers' associations –the Korea Employers Federation (KEF) and the Federation of Korean Industry (FKI)–, and representatives of the government to the table. Of the reform agenda, labour market reform became one of the most important one. The chairman of the Tripartite Commission said that the legalisation of dismissals and temporary agency work was at the core of the agenda (Kyung-Hyang Daily, Jan 7, 1998). The Presidential Transition Team also confirmed that the legalisation of layoffs was of supreme importance to regain the confidence of foreign creditors and investors in the Korean economy (Emergency Committee for the Economic Crisis, 1998). After weeks of intense debates, the Tripartite Commission agreed on the Social Pact on 6 February 1998, which outlined five main points of the reform agenda (see Table 4).

Table 4. Key Contents of the 1998 Social Pact

Management transparency and corporate restructuring	• improvement of the corporate financial structure by reducing debt-to-equity ratio • more responsible and more transparent corporate governance • promotion of business competitiveness
Enhancing labour market flexibility	• permission for employers to dismiss workers in cases of managerial need • permission for the establishment of temporary work agencies
Policies to promote employment stability and combat unemployment	• expansion and improvement of employment insurance • livelihood support for the unemployed • expansion and improvement of the public employment service • expansion of vocational training • job creation through public works and business start-up subsidies • consultation and rehiring requirements in case of redundancy dismissals
Enhancing labour rights	• permission for public servants to form workplace associations

	• permission for teachers to join trade unions • permission for trade unions to engage in political activities • right of dismissed and unemployed workers to join trade unions
Extension and consolidation of the social security system	• integration of social partners in social security steering committees • wage guarantee in bankruptcy cases • extension of social insurance coverage to nonstandard workers

Source: adapted and edited from OECD, 2000: 49

The implementation of the Social Pact brought fundamental changes to the Korean labour market. First, employment protection was seriously undermined by the legalisation of layoffs and temporary agency work. Prior to 1998, dismissals were illegal; employers had to obtain approval from the courts to shed workers unless companies went into bankruptcy. Dismissals for managerial reasons were legalised at the end of the previous Kim Young-Sam government, but its implementation was put on hold owing to the General Strike of 1997, which brought the country to a grinding halt for a month. The Social Pact contained not only an immediate implementation of layoffs but also the relaxation of terms and conditions of layoffs. Under the Pact, dismissals were now allowed in the case of merger and acquisition, handovers, corporate restructuring, and corporate emergency. The Social Pact also included the permission of temporary agency work for both specialised professions and labourers. These measures

were designed to increase flexibility of the Korean labour market by making hiring and firing easier. After the measures became effective, employment protection was substantially eroded. According to the OECD Employment Protection Legislation indicator, which measures the rigidity of labour market institutions, the score of Korea dropped from 2.74 in 1997 to 2.03 in 1998. Given that the score goes from 0 to 4, a drop of 0.71 implies significant deregulation of the labour market institutions. By international standard, in the aftermath of the labour market reform, Korea ranked in the middle of OECD countries below high employment protection countries (e.g., Greece 3.5, France 2.98, Germany 2.34) and low employment protection ones (e.g., United Kingdom 0.60, United States 0.21) (OECD, 2011b). From a micro perspective, one can observe that the labour market reform created a disproportionate effect on non-standard workers; they experienced greater decrease of employment security than standard workers. Right after the reform, the job retention rate for non-standard workers fell by 41 per cent and has not recovered to the pre-reform level. In contrast, for standard workers, the rate decline was less dramatic at 15 per cent and job retention also recovered close to the pre-reform level in the 2000s (Cho, 2008: 107). That is to say that employment security gap between standard and non-standard workers widened after the labour market reform of 1998. As a result, the duality in the Korean labour market became more pronounced.

Second, unemployment protection policies underwent a considerable expansion in parallel to labour market liberalisation. The coverage of the unemployment insurance scheme extended at a fast pace, resulting in the universalisation of the scheme. Not only all full-time workers but also some non-standard workers (part-time workers whose work hours were more than 50 per cent of full-time work, and temporary workers whose contract was longer than one month) were made eligible for unemployment

insurance. Qualifying conditions were relaxed first temporarily and later permanently, making workers who had an employment record of 6 out of 18 months prior to unemployment eligible for unemployment benefits (Ministry of Labour, 2005). The level and duration of unemployment benefits also increased, providing the unemployed with more generous income protection. In order to finance the expansion of the scheme, the contribution rate increased from 0.3 to 0.5 per cent of gross wages. Furthermore, comprehensive unemployment protection policies for those who fell outside of the contribution-based unemployment insurance scheme (due to insufficient contribution records or employment condition) were introduced. The government budget for these policies increased from 1 trillion Won in 1998 to 2 trillion Won in 1999 (Kwon, 2001). Public assistance programmes, which had strictly excluded the 'able-bodied' prior to the economic crisis, were extended to include this group. At the beginning of the economic crisis, the eligibility of public assistance programmes was temporarily relaxed, thereby expanding social protection to the unemployed of working age. The temporary expansion of public assistance became permanent when the National Basic Livelihood Security scheme replaced the old livelihood protection programme in 2000. In order to provide social protection for the young unemployed and new entrants into the labour market, public works and training programmes were introduced as well. Beneficiaries of public works programmes grew quickly from 440,000 in 1998 to 780,000 in 1999. Training programmes were provided to around 360,000 people during the same period (Lee, 2001). As of 1999, the share of the unemployed covered by public works and vocational training programmes was 22.6 per cent and 9.6 per cent, respectively (OECD, 2000). It should be underscored that the reform of unemployment protection denotes radical transformation of the Korean welfare state. As the reform, especially the reform of non-contributory unemployment protection programmes, was considerably funded by

general taxes, the reform entailed substantial increase in the state commitment to the provision of social protection. According to Lee (2008), the reform denotes a shift in the role of state in social welfare provision from a 'regulator' towards a 'provider'.

In short, we have been witnessing a flexicurity strategy in the reform of the labour market, in which policies aimed at increasing the flexibility of the labour market whilst providing greater social security at the same time (Wilthagen and Tros, 2004, Wilthagen, 1998). This reform approach of the Kim Dae-Jung government came with some surprise; it was not envisioned by any key policy actor. Where, then, did the flexicurity strategy come from?

5.3. Policy Preferences of Actors

The labour market reform during the Kim Dae-Jung government took a rather unexpected turn from the perspective of the developmental welfare state thesis. Whereas institutions ensuring a high level of employment protection, which was regarded as the foundations of the 'welfare through employment' model of the developmental welfare state (Yang, 2008), were immensely undermined, unemployment protection, whose institutionalisation was highly unpopular among growth-oriented bureaucrats due to its work disincentives, was universalised. This begs the question of what triggered the unexpected direction of the reforms of the Kim Dae-Jung government. In the following, the policy preferences of key actors in social policy-making are analysed to identify the sources of change in employment and unemployment protection policies.

5.3.1. Employment Protection Policy

The first section examines actors' preferences in employment protection policy. As demonstrated in the earlier part of the chapter, layoffs, which were legislated during the

previous government but whose implementation was postponed, came into an immediate effect, and temporary agency work was legislated and implemented during the Kim Dae-Jung government. Therefore, this section focuses on these two measures in the investigation of actors' preferences in employment protection policy.

Trade Unions

At first, trade unions denounced in one voice the government proposal for the labour market liberalisation. Unlike the Kim Young-Sam era when they had held subtle differences in their positions, this time two labour federations became one in expressing their fundamental objection to the legalisation of layoffs and temporary agency work (Federation of Korean Trade Unions, 1998, Korean Confederation of Trade Unions, 1998c). At the Tripartite Commission, organised labour officially opposed the immediate implementation of layoffs, let alone any further liberalisation of their terms and conditions. Both the FKTU and KCTU argued that it was unfair to ask workers to bear the consequences of the ill behaviour of 'big' business (Tripartite Commission, 2008). Nevertheless, during the policy deliberation in the Tripartite Commission, organised labour changed its stance from fundamental opposition to consent at the very last minute. At the final meeting of the Standing Committee, the two labour federations reluctantly agreed to the deregulation of employment protection (Tripartite Commission, 1998e). Now their priority was to impose rigid terms and conditions on layoffs and temporary agency work. For layoffs, employers should seek trade unions' consent on the details of dismissals. Employers should also be obliged to give 60 days notice, to state what efforts were made to avoid dismissals, to inform about the selection criteria for laid-off workers, and to make an effort to re-employ redundant workers. (Tripartite Commission, 1998b). With reference to temporary agency work, trade unions strongly

put forward the “positive list system”, which would allow temporary agency work for only a few listed occupations but leave it illegal otherwise. They also insisted that dispatched workers be granted a permanent position after two years of employment. Furthermore, organised labour advocated better social protection for dispatched workers, especially with respect to work injury protection (Tripartite Commission, 1998a, b).

Why did trade unions change their stance on labour market liberalisation? In spite of their official rejection to the deregulation of employment protection, union leaders understood that it would be impossible to defend high employment protection. In fact, by and large, they had been prepared to agree to the labour market liberalisation from the time of the previous government (as demonstrated in chapter four). However, the radical and hostile approaches that the KCTU took against the government had prevented them from taking a more flexible stance toward the labour market reform. Entering into 1997, meanwhile, the economy underwent a rather abrupt downturn: the soaring number of firms filing bankruptcy and the rising unemployment pointed to deep turmoil that the economy was in. This acute sense of crisis turned the union leadership around and made them consent to the labour market reform. Witnessing a series of bankruptcy of industrial conglomerates, union leaders were convinced that even the job security of the employees of *chaebol* firms, once regarded as safeguarded, could be at risk. Similarly, the fast growth of temporary agency work also made it more difficult for trade unions to maintain its objection. Although it was illegal, it was estimated that more than 200,000 people were engaged in temporary agency work in the mid 1990s (Tripartite Commission, 1998c). The sheer number of dispatched workers made it increasingly difficult for union leaders to defend themselves from the criticism that they had turned a ‘blind eye’ to dispatched workers, who were at great danger of exploitation due to the illegal nature of the terms of employment.

Furthermore, the change of government also provided organised labour with political motive to consent to the deregulation of the labour market. With the election of a centre-left government for the first time in modern Korean history, organised labour was willing to cooperate with the government. President Kim Dae-Jung, perceived as a pro-labour politician, was highly respected across the labour movements. In particular, the FKTU established a close relationship with the centre-left party. Prior to the 1997 presidential election, the FKTU entered a "policy alliance" with the centre-left party, which effectively denoted its endorsement of presidential candidate Kim Dae-Jung (Federation of Korean Trade Unions, 1997a). At the first phase of Tripartite Commission, thus, leaders of the FKTU were rather supportive of the new government's reform initiatives. In a similar vein, the independent unions were also less hostile towards the Kim Dae-Jung government as his government was considered a pro-labour one within the working class. Representatives of the KCTU revealed that its leadership was more inclined to accept the reform proposal this time since the new government was sympathetic towards independent union movement. In fact, the KCTU gained full state recognition as its two sub-groups – teachers' and public sector workers unions – obtained legal status by the 1998 Social Pact. To sum up, organised labour had a stake in showcasing the governing ability of the centre-left government since it was viewed as a better environment to advance their interest. Facing the economic crisis, unions perceived that successful crisis management was imperative in proving this ability. Organised labour, thus, became a reluctant consenter to labour market liberalisation in the Tripartite Commission for pragmatic and strategic reasons (interview nos. 34; 37; 39; 40; 41).

Political Parties

During the Kim Dae-Jung government, the two major parties took a similar stance on labour market liberalisation, as they had done in the Kim Young-Sam government. Both the conservative party and the centre-left party considered the labour market liberalisation to be necessary to revive the Korean economy. In the initial stage of the economic crisis, meanwhile, marginal difference in the position of parties was observed; the centre-left party preferred more gradual and restricted labour market liberalisation (such as introducing layoffs in the financial sector, which found itself in the deepest trouble at the beginning of the 1997-8 recession, or temporary permission of layoffs during the recession), whereas the conservative party favoured a more comprehensive deregulation of employment protection (Choi et al., 2000b).

As the economic crisis deepened, however, the centre-left party began to pursue a faster and wider form of labour market liberalisation. Empirical evidence, including my interviews, underlines the imperative of labour market liberalisation, perceived by the party, in turning the troubled economy to recovery. Borrowing the expression from a senior economic advisor to the president-elect at that time, "foreign capital was flying away from Korea like a low tide even after the Korean government signed an MOU with the IMF for a bail-out…. [if the capital flight had kept the pace] international reserve was about to dry up within 2-3 days" (Seoul Economy, January 10, 2007). It was the perceived threat of capital flight, which changed the position of the president-elect and his party on labour market liberalisation. My interviews confirmed that the number one priority of the incumbent party was to stabilise the Korean economy by stopping capital flight from it. As the prediction, that obtaining the IMF bailout would stop the capital flight, turned out to be wrong, the president-elect and his party understood the gravity of demonstrating the new government's determination to

implement economic restructuring thoroughly to regain the confidence of foreign creditors. To this end, the centre-left party began to push fervently for immediate implementation of labour market liberalisation. Not only did the president-elect publicly address firm intention to effect layoff provision immediately[11], but his party also tried to effect the postponed layoff provision during an extra session of the National Assembly in January 1998 (Tripartite Commission, 2008). Facing strong resistance against such a move from organised labour, however, the centre-left party decided to pursue a consensus-based approach to labour market reforms via deliberations at the Tripartite Commission.

To sum up, one can say that there was no fundamental difference in the policy preferences on employment protection among major parties. Until this point, the behaviour of Korean parties did not correspond with the parties patter thesis, claiming that parties of the Left and the Right have distinctively different positions on social policy (Korpi and Palme, 2003, Huber and Stephens, 2001a, Castles, 1982).

Government Ministries

The government ministries were in favour of labour market liberalisation, as they were in the previous government. The two ministries – the Ministry of Finance and Economy and the Ministry of Labour – which participated in the Tripartite Commission, shared the same preference for the deregulation of employment protection. In comparison to the previous government, differences between the two ministries became narrower as the position of the Ministry of Labour moved towards the Ministry of Finance and Economy. At the Tripartite Commission, the government ministries were in consensus

[11] During the meeting of the centre-left party, the president-elect said that failure to implement economic restructuring, notably allowing dismissal for management reason, meant failure to regain international confidence in Korean economy which would lead to national insolvency (Kyung-Hyang Daily Jan 6, 1998).

on the point that labour market liberalisation should be implemented at a fast speed and in an economy-wide scope (Tripartite Commission, 2008). In particular, they strongly advocated that layoffs be permitted in a variety of situations including a case of merger and acquisition.

Why, then, did the government ministries stand united for wider and faster implementation of labour market liberalisation in the Kim Dae-Jung government? The finding of empirical investigation pinpoints that there was a shared notion of the immediate implementation of labour market liberalisation being of paramount importance to the successful crisis management within the government ministries. Bureaucrats were convinced that implementing labour market liberalisation was the key to regaining the trust of foreign investors in the Korean economy. During the meetings of the Tripartite Commission, the government bureaucrats urged social partners to reach an agreement on reform agenda including labour market liberalisation, arguing that it would greatly help the success of meetings between the representatives of the Korean government and foreign creditors on extending the deadlines of debts, which were simultaneously held in New York at that time. They also expressed a view that labour market liberalisation would draw in more foreign direct investments, which would help to resolve the monetary crisis caused by the drying up of international reserves. It can be said, thus, that the imperative of economic recovery led the government ministries to unanimously promote the far-reaching deregulation of employment protection in the Kim Dae-Jung government. Put differently, the government's preferences and rationale for labour market liberalisation was predominantly structured by the concerns about the economic growth as they were in the previous government. The developmental logic in which social (and labour market) policy should be subjugated to the imperative of economic growth (Goodman et al., 1998, Holliday and Wilding, 2003, Kwon, 2005b)

was still resilient within the government ministries (interview nos. 4; 28; 45).

Employers' Associations

Organised business continued pushing the deregulation of employment protection during the Kim Dae-Jung government. Despite the prevalent animosity towards big business during the economic crisis (which held big business largely responsible for increasing vulnerability of the Korean economy with its ill management), employers pressed hard for labour market liberalisation from the onset of the crisis. Employers' associations pointed out the rigidity of the Korean labour market as one of the core causes of the economic crisis, insisting that excessive regulation on employment hampered the efficient functioning of the labour market (Federation of Korean Industries, 1999: 41). As organised business sought a way out of the recession through labour shedding strategies, it demanded the government to fully implement the policy prescriptions by the IMF, which recommended to increase labour market flexibility (Tripartite Commission, 2008: 143). On the terms and conditions of labour market liberalisation, employers put forward a wholesale liberalisation. They wanted to broaden the scope of layoffs as wide as possible. Especially, employers emphasised the necessity of labour shedding in case of merger and acquisition. In the same vein, they preferred the "negative list system" for temporary agency work, which legitimises temporary agency work across all work categories unless listed by the government. In short, employers' associations essentially called for abandoning the old institutions of the Korean labour market. This finding contradicts theoretical propositions of the VoC approach on the behaviour of employers in the co-ordinated market economies (CMEs), according to which employers support the labour market institution of employment protection for purposes of (specific) skills formation (Estévez-Abe et al., 2001,

Ebbinghaus and Manow, 2001a). Other scholars, who do not necessarily belong to the VoC school of thought, also argue that Japanese employers voluntarily upheld life-time employment, in spite of labour market liberalisation, for the sake of productivity (Vogel, 2005, Rebick, 2005). Thelen (2001) shows that German employers supported not only high employment protection but also the system of workplace co-determination for the very same reason. Quite the contrary, Korean employers had no interest in protecting high employment protection, but rather pushed strongly labour market liberalisation.

Why, then, did the Korean employers continue to push labour market liberalisation in the Kim Dae-Jung government? The chapter found that they were under pressure to substantially reduce the debt-to-equity ratio in a short span of time, as it was not only the policy prescription of the international financial institutions and foreign creditors, but also the demand of the government. The government saw the practice of high-level debt financing, which was widely spread among industrial conglomerates, as ill management caused by 'crony capitalism'. To eradicate crony capitalism, the president Kim Dae-Jung advocated 'market principles', of which the thrust was to end extensive government intervention in the market. Instead of the government choosing national champions, a company should thrive or collapse based on its own performance in the market. In other words, the government wanted to establish the 'clean politics' image by ending the collusion between a government and big business. For this reason, the government took a tough stance on debt financing as exhibited in the breakdown of Dae-Woo. The fourth largest industrial conglomerate went bankrupt during the economic crisis after the government rejected the firm's request for a bailout. From employers' point of view, hence, allowing layoffs in case of merger and acquisition was of critical importance when the selling-off of subsidiary firms seemed to be an only viable option to meet the challenge of debt reduction (interview nos. 25; 26; 27; 28; 29).

To conclude, policy preferences of all key actors on employment protection converged. During the Kim Dae-Jung government, social consensus was established that the deregulation of the labour market was an unavoidable choice to revive the Korean economy. Put differently, key actors in the labour market were in agreement of discarding the foundations of the developmental welfare state, in which social protection is primarily provided through high levels of employment security.

5.3.2. Unemployment Protection Policy

Moving on from employment protection, the following section investigates actors' policy preferences on unemployment protection policy. During the Kim Dae-Jung government, unemployment insurance was universalised and other tax-funded policies of unemployment protection were introduced. In light of the finding from the previous chapter that there was no broad alliance advocating unemployment protection, the far-reaching reform of unemployment protection during the Kim Dae-Jung government poses a question as to whether a broad alliance emerged in favour of unemployment protection. With this question in mind, the chapter now turns to the investigation of actor's preference of unemployment protection and consequently examines how their preferences changed.

Trade Unions

The most visible change in the policy preferences of actors of social policy-making during the Kim Dae-Jung government was that trade unions became the champion of universal unemployment protection. This is in contrast with their half-hearted advocacy on unemployment protection in the previous era, when they prioritised material gains at the company level. This time both the FKTU and KCTU wholeheartedly pursued the

expansion of unemployment protection as a priority, asking for the '10 trillion budgets for unemployment protection' (Tripartite Commission, 1998a). This request by organised labour to expand unemployment protection is two-pronged. First, trade unions demanded the expansion of unemployment insurance in terms of benefit generosity and coverage. They requested the increase of the unemployment benefit by raising its floor from 50 to 70 per cent of an average wage (Federation of Korean Trade Unions, 1997b: 124). Furthermore, they insisted on extending benefit duration by 30 days and introducing a special benefit extension of 30 days if the unemployment rate exceeded four per cent (Tripartite Commission, 1998b, Federation of Korean Trade Unions, 1998). For coverage, trade unions put forward the expansion of the unemployment insurance scheme to all firms. When the scheme was introduced in the previous government, its compulsory coverage was scheduled to gradually extend to firms with 10 or more workers by 1998 and to all firms by July 1999 (Ministry of Labour, 2005). At the onset of the recession in 1998, however, trade unions demanded immediate expansion of the scheme to all firms (Federation of Korean Trade Unions, 1997b). In addition, trade unions also championed the inclusion of non-standard workers (namely, part-time workers and temporary workers) in the unemployment insurance. Similarly, they sought to expand the scheme's coverage to include those who, due to frequent career interruption, had irregular patterns of employment by relaxing the qualifying condition from 18 to 12 months of employment record within 24 months prior to unemployment (Federation of Korean Trade Unions, 1997b). Again, however, the inclusion of the self-employed in the unemployment insurance was not promoted by organised labour (Tripartite Commission, 1998a).

Second, the FKTU and the KCTU demanded the introduction of non-contributory unemployment protection policies for precarious workers who would still

fall outside of the unemployment insurance scheme, despite its expansion, such as new entrants in the labour market, the self-employed, etc. New entrants to the labour market and marginal workers did not qualify for the unemployment benefits because of their short work records. Hence, trade unions strongly advocated the introduction of public assistance and vocational training programmes for the unemployed (Korean Confederation of Trade Unions, 1998c, Tripartite Commission, 1998b, c).

Trade union's championing of unemployment protection, especially for precarious workers, marks a watershed in the Korean labour movement. It signifies that Korean organised labour shifted its focus from material gains at the company level to the welfare state. This finding indicates that Korean organised labour became the 'belated' champion of the universal welfare state, as the Power Resources theorem would expect (Stephens, 1979, Esping-Andersen, 1985, Korpi, 2006). Furthermore, trade unions finally began to pursue the interests of a wider range of workers as it moved away from its previous sole interest in the representation of insiders of the labour market during the Kim Young-Sam government. Quite different from its behaviour in the previous Kim Young-Sam era, which was consistent with Rueda's (2005, 2007) claim that organised labour prioritised the interests of insiders of the labour market, organised labour broadened its scope of interest representation towards outsiders of the labour market.

What should be noted here is that organised labour began to put forward social democratic model of the welfare state. It specifically demanded tax-funded inclusive unemployment protection. As to financing the expansive reforms of the unemployment insurance scheme, organised labour suggested not only raising the contribution rate of employers and employees (from 0.3 to 0.5 - 0.7 per cent of gross wages) but also introducing government contributions financed by general tax revenues (Federation of

Korean Trade Unions, 1997b; Tripartite Commission, 1998b, c). Particularly, in order to facilitate the extension of the scheme to small firms (which small employers strongly resisted on the grounds of financial burden), trade unions asked for the introduction of temporary government subsidies for small employers to reduce their contributions (Korean Confederation of Trade Unions, 1998b, Federation of Korean Trade Unions, 1998). Trade unions also demanded for an increase in government budget on unemployment protection programmes for marginal workers, as explained above. In short, policy preferences of organised labour on unemployment protection policies moved towards the social-democratic model of universal tax-financed social protection, which was in accordance with the Power Resources theorem (Esping-Andersen, 1990, Korpi, 1983).

What, then, caused the previous narrow-minded Korean organised labour to become the champion of the welfare state? Empirical evidence indicates that the renewal of the labour movement became a priority during the Kim Dae-Jung government. After the immediate post-transition era, union leaders realised the need "to develop new mobilization strategies and, more important, new ways of thinking about labour issues and social policies" (Wong, 2004b: 147). The recession of 1997-8 created an acute sense of the crisis of the labour movement in Korea; mass unemployment and the liberalisation of the labour market posed a tangible pressure to reduce the size of the internal labour market. This is to say that the traditional support base of the Korean labour movement, namely standard employees of large enterprises, was subject to a significant decline. To make the matter worse, the public support for the labour movement had been waning since unions were regarded as self-serving, neglecting the interest of outsiders of the labour market (Shin, 2010). Facing the fall of union density and public support, renewing the support for labour movement became an important

task for organised labour. To achieve this, organised labour shifted its priority from particularistic interests towards social issues at the national level - in particular social welfare for marginalised workers. For this reason, unions strived to extend unemployment protection towards outsiders of the Korean labour market (such as employees of small firms, non-standard workers and the unemployed), as well as demanding the right of the unemployed to join labour federations (Tripartite Commission, 2008; interview nos. 34; 37; 39).

Political Parties

What is most striking about the preferences of parties for unemployment protection in the Kim Dae-Jung government is that the centre-left party supported the expansion of unemployment protection, which was put forward by organised labour. The findings of my empirical investigation points out that the president-elect and the centre-left party granted the demand of trade unions for '10 trillion won budget for unemployment protection' as an exchange to its consent to the labour market liberalisation. Participants of the Tripartite Commission described that it was the incumbent centre-left party which 'approved' the request of organised labour for the reform of unemployment protection and ordered the Ministry of Labour to work out the details of the reform with organised labour. It is not surprising that the party endorsed the drastic increase of budgets for unemployment protection programmes considering that it put forward the increase of welfare budget by 30 per cent as a major pledge for 1997 presidential election (National Election Commission, 2009a: 354-7). Suffice it to say that the centre-left party put forward the increase of financial commitment of the government for unemployment protection, going beyond the fiscal conservatism which was prevalent in the labour market policy-making.

With regard to the preference of the conservative party, it is not easily observable since the party's official stance on this issue was not well documented. For 1997 presidential election, unemployment protection was not even mentioned in the conservative manifesto whereas other social policies, such as the expansion of the National Pension Scheme, were (National Election Commission, 2009a: 354-7). Although, on the public front, the party remained rather silent, my interview with participants of the Tripartite Commission indicate that it did not oppose the expansion of unemployment insurance at the Commission. Given the fact that the party shared the very similar (if not the same) policy preferences with the developmental alliance, we could assume that it would have adhered to fiscal conservatism. In this light, one can expect that the party would have not given a first order preference to the expansion of general tax-based unemployment programme for precarious workers. Therefore, I derive that the party took a position of (rather reluctant) consenter to the reform.

This finding signifies the emergence of differences in stance of major parties. Quite in contrast to the similar position that the two major parties took with regard to employment protection, their positions on unemployment protection began to diverge as the centre-left party shared policy preferences with organised labour. It is noteworthy that the centre-left party explicitly advocated the expansion of non-contributory schemes in line with the demand of trade unions. Put differently, we observe the centre-left party begin to take a lead in social policy debates within parties over the course of the late 1990s. Quite the contrary to the conventional wisdom that political parties in East Asia are not programmatic (e.g., Haggard and Kaufman, 2008, Wong, 2004b) and thus their positions on social policy are not divergent, a cleavage began to emerge in Korean parties' platforms on social policy in the Kim Dae-Jung government.

Employers' Associations

In contrast to trade unions and the centre-left party, employers' associations opposed the expansion of unemployment protection. On most reform proposals for the expansion of unemployment protection, employers expressed their rejection. Employers were strongly against the extension of unemployment benefits, arguing that the policy objective of the benefits was to provide short-term protection against unemployment (Korea Employers Federation, 1998a). For extending the coverage of unemployment insurance to all firms, they asked the government to slowdown the pace of extension (ibid.). With regard to the relaxation of qualifying condition, employers did not resist when it was proposed as a temporary measure in 1998. In the following year when it was proposed to be a permanent measure (6 months of employment record and 18 months reference period), employers opposed it on the grounds that it would be a financial burden on business. They argued that the unemployment benefit was to protect 'deserving workers' who had a strong will to work, and this measure would only increase work-disincentives for 'those who are frequently in and out of the labour market' and their dependence on unemployment benefits (Korea Employers Federation, 1999). In short, from the timing to the scope of unemployment insurance reform, organised business consistently put forward no expansion of unemployment insurance as their first order preference.

To reiterate, employers did not support generous unemployment protection. It is not surprising given that they expressed the very same preference during the previous government. Their preference was clearly given to meagre unemployment protection. This finding refutes the claim of the employer-centred approach, especially the Varieties of Capitalism theorem, that employers in CMEs promote generous unemployment protection for skill formation and retention of skilled workers (Mares, 2001, Estévez-

Abe et al., 2001). My empirical investigation did not find any evidence that Korean employers endeavoured to retain skilled workers in the midst of the economic crisis, when a large-scale labour shedding was implemented. On the contrary, employers did not want to insert any clause enforcing their efforts to re-hire redundant workers in the layoff provision (Tripartite Commission, 2008). That is to say Korean employers did not seem to have a perspective that generous unemployment insurance would facilitate skill formation or retention of skilled workers, as suggested by the VoC theorem. Unlike what the VoC thesis predicted about behaviour of employers in the CMEs, Korean employers did not promote generous employment protection. Quite conversely, they continued to behave as employers in the Liberal Market Economies, as they did in the previous Kim Young-Sam government

What was different this time about employers' preference in comparison to that of the previous government was that employers began to demand government subsidies for social protection. Although their first order preference was no unemployment insurance during the previous government, employers strategically gave consent to the introduction of unemployment insurance in order to facilitate the labour market liberalisation. In contrast to their consent to the introduction of the unemployment insurance scheme in the previous government, this time employers' associations exhibited a strong reluctance to bear the financial burden of unemployment insurance expansion. They insisted that the government should bear at least some of the costs incurred by the expansion of unemployment insurance, in particular, the introduction of the special benefit extension which was to provide 30 more days of unemployment benefits if unemployment exceeded 4 per cent (Korea Employers Federation, 1998a). This shows that employers lost incentives to endorse the government's cost shifting of social protection as the close alliance between the government and business came to an

abrupt end with the Kim Dae-Jung government (which will be explained in a more detailed manner in the next part of the chapter).

In a similar vein, employers did not oppose the expansion of tax-based unemployment protection programmes, while they rejected most reform proposals for the expansion of unemployment insurance - namely, the extension of the benefit duration, the relaxation of the qualifying condition for benefits, and the inclusion of atypical workers (Korea Employers Federation, 1999, 1998b). In light of the finding presented above, it can be interpreted that employers did not reject reform proposals as long as it did not involve direct costs for them. To sum up, Korean employers shifted their preference from consenting to the government cost shifting of social policy to promoting cost externalisation (interview nos. 24; 25; 26; 28; 29).

Government Ministries

With reference to the policy preferences of government ministries, the chapter found ambivalence towards the expansion of unemployment protection. On surface, the two government ministries which participated in the Tripartite Commission, the Ministry of Labour and the Ministry of Finance and Economy, all expressed either explicit or implicit consent to the expansion of unemployment protection. The Ministry of Finance and Economy did not raise strong objections in relation to the expansion of unemployment protection policies as it did in the previous government. On the meeting minutes, there was no mention of the Ministry's opposition to the expansion of policies. The Ministry of Labour exhibited more explicit support for the reform of unemployment protection. It put forward wider coverage of the unemployment insurance scheme, although its proposal for coverage expansion was rather limited and gradual in comparison to that of trade unions (Tripartite Commission, 2008). The

Ministry also proposed temporary relaxation of the qualifying condition (which was halving the employment record from 12 to six months) at the beginning of the economic crisis, and later on it advocated to make the temporary measure permanent with even further relaxation (an employment record of six out of 18 months prior to unemployment). Furthermore, the Ministry of Labour also supported the increase of unemployment benefits. Although it preferred a more modest increase at first, it eventually endorsed the trade unions' proposal of a higher increase (Ministry of Labour, 2008a). In addition, my interviews with the participants confirm that the two ministries were in agreement to support the expansion of unemployment protection.

However, closer examination exhibits the lingering existence of developmental logic within the government ministries as bureaucrats displayed continued reluctance to spend general taxes on unemployment protection and growth-oriented ethos (Goodman et al., 1998, Kwon, 2005b, Yang, 2008). It is obvious that the Ministry of Labour was reluctant to finance the expansion of the unemployment insurance scheme by general tax revenues. Instead, it put forward the increase of user contributions (Tripartite Commission, 2008). Also, the Ministry was reluctant to subsidise the contributions of small firm's employees and employers (ibid.). Even from the abovementioned support of the Ministry for the reform, we can observe that the Ministry was in favour of modest expansion of unemployment insurance unlike trade unions which advocated far-reaching expansion; the Ministry of Labour did not want to extend unemployment insurance towards atypical workers. Furthermore, the elements of developmental logic (for instance, the growth-oriented ethos, emphasis on activation and minimising work disincentives), were very visible in the policy preferences of the Ministry. The Ministry put forward a strong workfare element with reference to the unemployment protection for marginal workers, barring the able-bodied from receiving any sort of unemployment

benefits without taking up work. For the Ministry of Finance and Economy, it was obviously in favour of modest expansion of unemployment protection. The Ministry put forward the reduction of budget for unemployment protection, arguing that the 10 trillion won budget was out of proportion in light of the current government's fiscal ability. In order to curtail the scope of expansion of social protection for precarious workers and the unemployed, the Ministry insisted that the expansion should be only made in an incremental fashion (Tripartite Commission, 1998d, e; interview nos. 2;4).

How, then, can we explain the ambivalence of government ministries with regard to their policy preferences? The above analysis indicates that although the developmental logic was resilient within the government ministries, it was undermined by a broader political context (which will be illuminated further in the later part of the chapter). Given that economic bureaucrats had strongly opposed the introduction of the unemployment insurance scheme in the previous Kim Young-Sam government on the grounds of fiscal conservatism, it is plausible that they maintained the same first order preference during the Kim Dae-Jung government. Taking into account interview material, which indicates that the Ministry was not in a position to raise a strong objection as it was held responsible for the economic crisis and mass unemployment by failing to regulate the ill management of big business, it can be said that economic bureaucrats were reluctant consenters to the expansion of unemployment protection. Even the Ministry of Labour exhibited fiscal conservatism as it was only willing to promote the expansion of unemployment protection as long as it could be financed by the increase of user contributions. Furthermore, the Ministry was reluctant to expand unemployment insurance towards atypical workers due to fiscal implication. It was concerned that the inclusion of atypical workers, whose job security was low, might lead to the drying up of employment insurance fund. However, it should be highlighted

that it was easier for the Ministry to endorse the demands of unions for the reform of unemployment protection as it was broadly in line with advancing organisational interests of the Ministry. For this reason the Ministry eventually supported many demands of trade unions for wider reform, although it advocated more modest expansion in the first place (interview nos. 2; 3; 4; 19).

To sum up the section on policy preference of unemployment insurance, I conclude that trade unions were the champion of inclusive unemployment protection. The centre-left party strongly supported the advocacy of organised labour as a concession to trade unions for their consent to labour market liberalisation. Government ministries continued its adherence to fiscal conservatism but they gave their consent to the reform. Employers opposed the expansion of unemployment protection. How, then, were the various preferences reflected in the reform? In the following section, the chapter turns to the analysis of actors' policy influence to investigate how the change in bargaining power of actors shaped the labour market reform.

5.4. Policy Influence of Actors

This part of the chapter focuses on the change in the policy influence of actors of social policy-making in order to identify the origins of the reform impetus. The analysis of actors' policy influence indicates that political realignment among key actors took place during the Kim Dae-Jung government due to the change in the political landscape; a new reform coalition between the centre-left party and organised labour emerged and drove the reform on the one hand, while the old developmental alliance between economic bureaucrats and organised business drastically lost their grip on the labour market policy-making on the other.

5.4.1. The Formation of a New Reform Coalition between the Centre-Left Party and Organised Labour

The first visible change in the policy influence of actors in social policy-making can be observed in the formation of a new coalition between the centre-left party and organised labour. The former was in great need of establishing a coalition with the latter. Despite scoring its first ever victory at the 1997 presidential election, the political left was rather weak in pushing its own grand reform agendas, such as corporate restructuring and labour market reform, as the conservative party still had majority in the National Assembly. Furthermore, the centre-left party learnt the lesson from the failed labour market reform initiatives of the Kim Young-Sam government; that reform initiatives were highly likely to fail without the consent of organised labour (Tripartite Commission, 2008: 42). Hence, the centre-left party needed trade unions on board for a smooth implementation of labour market reform. The incumbent centre-left party was ready to concede to organised labour most of their demands, only if it consented to immediate implementation of labour market liberalisation. Furthermore, as it was shown in the earlier part of the chapter, the centre-left party was in favour of widely expanding unemployment protection, in contrast to the conservative party which was in line with the preferences of organised labour. Lee (2008) interprets the establishment of the new reform alliance as political manoeuvrings of the left party and its leader Kim Dae-Jung. For the left party, entering into an alliance with organised labour in the wake of the economic crisis was strategic behaviour to realise its progressive agenda – the expansion of social protection. As the crisis temporarily weakened the power of the old alliance, which would have otherwise resisted the expansion, the party used the demand of organised labour for unemployment protection reform to their advantage in this window of opportunity. Therefore, from the centre-left party's point of view, entering

into a political alliance with trade unions was a winning strategy.

For organised labour, entering into a political coalition with the incumbent centre-left party enabled it to be in the driving seat of the labour market reform. It was the advocacy of organised labour which expanded unemployment protection beyond the intention of the government - in terms of both the timing and the scope of the expansion. In particular, the institutionalisation of unemployment protection for outsiders of the labour market is ascribed to the advocacy of trade unions. While the Ministry of Labour was rather reluctant to introduce unemployment protection for precarious workers, trade unions spearheaded it wholeheartedly. Besides, organised labour was able to limit the scope of labour market liberalisation against the preferences of the old developmental alliance. As trade unions materialised their demands, overall terms and conditions of layoffs became tighter than what the previous reform legislation stipulated. Employers ought to follow rather lengthy procedures before undertaking layoffs, involving thorough consultation with representatives of employees. Likewise, temporary agency work was introduced in a “positive list system” format whereby the use of temporary work remained illegal, but was allowed in listed 26 work categories only. The use of dispatched workers was also tightly regulated, being limited to up to two years for professional positions and six months for manual positions. In order to open an employment agency, the approval of the Labour Minister needed to be obtained. Although the government ministries and employers’ associations preferred less regulative terms and conditions of labour market liberalisation measures, demands of trade unions on stringent terms and conditions materialised (Tripartite Commission, 2008). It shows that trade unions had an upper hand in policy deliberation of the labour market reforms.

This finding challenges not only the conventional perspective on social policy-making in Korea in which the developmental alliance assumes predominance, but also the claim that the labour market reform during the Kim Dae-Jung government was largely led by the government or external pressures (Weiss, 2003, 2005, Holliday, 2005, Kwon and O'Donnell, 2001). This line of argument depicts organised labour as a weak and passive actor who was simply forced to yield to demands for labour market liberalisation and other requests as concessions. Put differently, this line of argument contends that flexicurity reform equates the fall of organised labour because it had to give up its most valuable bargaining chip, namely employment protection. As J.-H. Lee (2008) illuminates how the forces from below, which organised labour comprises the core, functioned as a driving force of welfare state expansion in the Kim Dae-Jung government, however, I present an alternative view that organised labour was a powerful and proactive actor in the reform. Organised labour did not passively consent to labour market liberalisation due to neither its weakness nor strong external pressures. As explained in the earlier part of the chapter, organised labour changed its stance on labour market liberalisation at the bargaining table of the Tripartite Commission in order to co-operate with the centre-left party. It proactively consented to labour market liberalisation because it had a stake in the political success of the first left government, which it regarded as a 'pro-labour' government. In exchange for its important bargaining cheap (i.e., employment protection), organised labour realised the far-reaching reform of unemployment protection beyond what bureaucrats had initially envisaged to achieve.

Therefore, I contend that the economic crisis of 1997-8 and the election of the centre-left government provided organised labour with an immense leverage to increase its influence over labour market policy, although it came at the expense of employment

security, and organised labour actively seized the opportunity. The political coalition between the centre-left party and organised labour brought forth the flexicurity reform which would have not taken place had the developmental alliance still been in power (interview nos. 2; 4; 19; 34; 37; 45).

5.4.2. The Demise of the Old Developmental Alliance

The second most visible change in terms of actors' policy influence during the Kim Dae-Jung government is the decline of the old developmental alliance between the government and business. The core of the old developmental alliance, the Ministry of Finance and Economy and the *chaebol* (industrial conglomerates), was held responsible for inducing the crisis by the government, media, and academics (Tripartite Commission, 2008). The developmental alliance, which had been praised as the key to nurturing 'patient capital', was criticised as the very cause of 'crony capitalism' that fostered ill management on the business side. Also, it was the dominant public opinion that the political favouritism and the failure of the financial authorities in regulating the behaviour of business resulted in the high-level debt-financing practice of the *chaebol*. According to the 1998 Korea Democracy Barometer Survey, respondents singled out the collusive business-government relations as the factor which contributed the most to the outbreak of the crisis (Kim and Shin, 2004: 58). This political atmosphere had an immense impact on the bargaining power of the Ministry of Finance and Economy in the policy process. During the policy deliberation in the Tripartite Commission, economic bureaucrats kept their head low, while labour bureaucrats and trade unions led the policy deliberation. This situation significantly differs from the previous government, in which the substantial policy influence of the economic bureaucrats resulted in the developmental design of unemployment insurance. In turn, the decline of the policy

influence of economic bureaucrats allowed labour bureaucrats to be less constrained by the developmental logic in the policy deliberation in the Tripartite Commission. Under these circumstances, in which combating mass unemployment became a top priority and economic bureaucrats who strongly adhered to fiscal conservatism became politically weak, the new reform alliance and, to some extent, the Ministry of Labour were able to have considerable room for manoeuvre in the pursuit of unemployment protection expansion. This finding that the all powerful economic bureaucrats were constrained in the policy process because of the public attitude confirms H.-Y. Kwon's (2005c) claim that bureaucrats were no longer insulated from political interferences in democratised Korea due to the new political dynamics brought by electoral competition.

The decline of the old developmental alliance also means that the policy influence of business substantially decreased. The policy preferences of employers' associations on unemployment protection hardly materialized. In spite of employers' resistance, the mandatory coverage of the unemployment insurance scheme was extended rapidly and finally universalised in October 1998, advancing the timing of the universalisation by nine months (Tripartite Commission, 1998b, Korea Employers Federation, 1998a). In the same vein, despite employers' opposition, the qualifying conditions for unemployment benefits were permanently relaxed in 2000. The resistance of employers' associations to the increase of the contribution rate turned out futile as well; the contribution rate increased by 67 per cent, although the implementation was postponed by six months. This fall of business influence over labour market policy was clearly augmented by the election of the centre-left government. From the onset of the presidential election of 1997, the leader of the centre-left party, Kim Dae-Jung, distanced himself from the old developmental alliance, which was tainted by rumours of corruption, in order to establish himself as a candidate of integrity for the presidential

election. In conjunction with the animosity towards big business in the public, the election of the centre-left government made organised business aware of the possible decline of their policy influence (Chung, 2008). In the new political landscape, businesses could no longer enjoy greater policy influence than other societal actors as had been the case in the past (Koo and Kim, 1992; Kim, 1997).

To reiterate, the chapter found that the drastic expansion of unemployment protection policies was possible due to the substantial fall of the policy influence of old developmental alliance over labour market policy-making. As the dominion of the alliance over labour market policy dwindled, the labour market reform could have been less restricted by the developmental logic (interview with 2; 4; 25; 26; 45).

5.4.3. Impact of Exogenous Shocks

It is important to analyse the role of exogenous shocks in labour market reforms of the Kim Dae-Jung government since a good deal of literature portrays the economic crisis of 1997 and the related external pressures to have shaped the labour market reform decisively. Although one cannot deny that the crisis provided a policy environment quite different from that of the previous government, it should be emphasised that external pressures functioned only as a catalyst. Scholars who focus on policy processes argue that external factors outside the realm of domestic policy-making institutions can function as a catalyst in the domestic policy process (Kingdon, 1995, Sabatier, 1988). As we have seen from the above analysis of policy preferences of actors, most actors maintained their preferences by and large from the previous government. In particular, the centre-left party shared the view that labour market liberalisation was necessary for continuous economic growth. Therefore, it is highly misleading that the centre-left party and the Kim Dae-Jung government were forced to implement labour market reform

according to policy prescriptions of international financial intermediaries, something that they did not want at all. As Kim Dae-Jung himself affirmed in his scholarly work, he regarded 'rationalisation' of the Korean market economy, including the labour market, to be necessary for sustainable economic development (Kim, 1985). One might argue that the Kim Dae-Jung government could have initiated a more gradual labour market reform or postponed the timing of the reform had the crisis not take place in 1997. It would be safe to argue, nevertheless, that the Kim Dae-Jung government would have pushed labour market reforms in a similar (if not the same) direction, once it embarked on the reform. At the same time, I acknowledge that the crisis produced what Weiss (2003, 2005) called the 'state-augmenting effects', although I highlight the new reform alliance between the centre-left party and organised labour as a political driver instead of 'state'. My findings indicate that the president-elect and his party were able to utilise the economic crisis (and the perceived 'threat' of foreign capital flight) as a tool to induce social consensus on the flexicurity reform in a very short span of time. Therefore I reiterate that the exogenous shocks only played a role of catalyst in the labour market reform during the Kim Dae-Jung government (interview nos. 4; 34; 40; 45).

5.5. Conclusion

The second transformation of welfare politics under the Kim Dae-Jung government led to the flexicurity reform, which was unexpected from the developmental welfare state perspective. On the one hand, the developmental welfare state, which was built on the 'welfare through employment' model, became untenable when employment protection was severely undermined by labour market liberalisation. On the other hand, unemployment protection policies achieved universalisation, bringing in not only

insiders but also outsiders of the labour market under the social safety net. From a theoretical point of view, the reform substantially undermines central characteristics of the developmental welfare state. First, the selective nature of social protection system was challenged by the universalisation of unemployment protection which expanded social protection beyond the productive population (insiders of the labour market) towards the less productive population (outsiders of the labour market). Second, the prevalence of fiscal conservatism diminished as a series of general-tax-financed programmes of unemployment protection were introduced.

The chapter has shown that the unexpected reform could be ascribed to the new political dynamic of social policy-making which emerged in the Kim Dae-Jung government. First and foremost, political realignment among key actors in social policy-making led to the establishment of a broader support for the inclusive welfare state. When the centre-left party came in power for the first time, it formed an alliance with organised labour. Proactively seizing the opportunity, trade unions put forward expansion of unemployment protection beyond what it previously had promoted and what bureaucrats initially wanted in exchange of its the most important bargaining cheap, employment protection. That is trade unions became the champion of the welfare state as they shifted their priority from their traditional agenda (i.e., material gains at the company level) to new agenda (i.e., social policy).

Quite the contrary, the change of the government, coinciding with the economic crisis, resulted in constraining the political space for fiscal conservatism. In awareness of unfavourable public opinion towards the old developmental alliance which was sharpened over the period of economic crisis, the governing centre-left party maintained an arm's-length relation with the economic ministries and organised business. The result was the drastic fall of policy influence of economic bureaucrats and

employers' associations. Under the new political landscape in which the new reform coalition between the centre-left party and trade unions steered the reform towards the inclusive welfare state, moreover, the economic ministries had to compromise on its stance on fiscal conservatism whereas employers' associations began to develop its interest in cost externalisation (i.e., support to non-contributory tax-based unemployment protection).

Lastly, the chapter has also shown that parties matter in Korean social policy-making as the centre-left party which came into power made an ample difference in the trajectory of the welfare state reform. The support of the centre-left party to the demands of trade unions for the expansion of unemployment protection during the Kim Dae-Jung government demonstrates that an incumbent party matters in social policy-making. In addition, we observe a cleavage in party platforms on social policy begin to emerge as the centre-left party begin to advocate more generous welfare state in comparison to the conservative party. With a cleavage in social policy stance emerging within the major parties, the prospect for political parties to play an indispensible role in social policy-making came into existence.

Therefore, this chapter concludes that the Korean welfare politics underwent the second transformation during the Kim Dae-Jung government in which the old driving force of social policy (the developmental alliance between economic ministries and employers' associations) was replaced with the new reform alliance (between the centre-left party and trade unions).

6. The Third Transformation of Korean Welfare Politics: Work/Family Reconciliation Policy Reforms under the Roh Moo-Hyun and Lee Myung-Bak Governments 2003-Present

6.1. Introduction

This chapter investigates the reforms of work/family reconciliation policy during the Roh Moo-Hyun and Lee Myung-Bak governments. East Asian welfare states are often described as 'Confucian welfare states', in which greater responsibility for welfare provision lies in families – especially in female members of the family (Jones, 1993, Walker and Wong, 2005b). Highlighting this familialism of the Japanese welfare state, Esping-Anderson (1997: 187) contended that a policy reform which is geared towards the reduction of care responsibility of family would signify a "regime shift". In this light, the expansion of Japanese work/family reconciliation policy since the 1990s, notably the expansion of childcare and care leave and the introduction of long-term care, is pointed out as a "regime shift" (Campbell, 2002: 9-10) or "policy shift" (Estévez-Abe, 2008: 225). In Korea, a similar trend is observed in the 2000s. Rignen and others (2011: 99) indicated that work/family reconciliation policy "is becoming a new pillar of the welfare state in Korea and can be expected to be a strong government preoccupation in the years ahead". The development of work/family reconciliation policy over the last decade suggests a significant turning point of the Korean welfare state: it signifies a break away from the Confucian welfare state as well as from productivist social policy. First, it alters the gender dimension of the welfare state by freeing up women, in particular mothers, from care burden. Second, in terms of finance mechanism, the reforms do not comply with the productivist characteristic of the East Asian welfare model. The significant expansion in tax-financed childcare and the introduction of

government subsidies for the maternity leave scheme contradict fiscal conservatism (that is, minimising the financial commitment of the state in social protection). Third, recipients of the policy – women and children – were not typically considered 'productive' populations.

Scholarly efforts to explain the reforms of work/family reconciliation policy in Japan and Korea highlight socio-economic as well as political underpinnings. For the former, particular attention is paid to demographic change such as population ageing and fertility decline (for socio-economic drivers of the introduction of the long-term care insurance, see Campbell and Ikegami, 2003 for the Japanese case and Kwon, 2008 for the Korean case; also see Schoppa, 2010 for the expansion of childcare in Japan). It should be mentioned that policy needs created by socio-economic change do not automatically translate into policy reform. Although it is widely acknowledged that the demographic change created a window for new policy, political actors and institutions often play a mediating role, shaping specific policy outcomes. Providing a political explanation of the Japanese work/family reconciliation policy reform, Estévez-Abe (2006: 234) underscores that "shifts in the political structure are necessary if new policies are to be enacted regardless of the socio-economic factors at work". In a similar vein, Peng (2004) emphasises regime shifts in Japan and Korea – the demise of conservative party dominance – as a political factor of the reforms. Building on the body of work illuminating political mechanisms of the reform of work/family reconciliation policy in Japan and Korea, this chapter scrutinises the reforms of work/family reconciliation policy in the last two Korean governments.

The Roh Moo-Hyun and Lee Myung-Bak governments offer an opportunity where one might observe different political dynamics since they are viewed as the democratic-consolidation period. There exists a range of definitions concerning

democratic consolidation but a number of scholars contend that democratic consolidation is associated with peaceful change of government by fair and open election – in particular, when the opposition political force comes into power (Powell, 1982, Duverger, 1954, Huntington, 1968, 1991, Sartori, 1976). In this regard, the election of Kim Dae-Jung to presidency, the first time for an opposition party to win office, is most often referred to as the beginning of democratic consolidation era (Diamond and Shin, 2000, Ringen et al., 2011). Here I argue that the two subsequent governments led by Roh Moo-Hyun and Lee Myung-Bak respectively denote further democratic consolidation. The Roh Moo-Hyun government was the first time that the centre-left party won a successive presidential election. The inauguration of the Roh Moo-Hyun government allowed the centre-left party another five years of incumbency. With the inauguration of the Lee Myung-Bak government, the conservatives came back to power after a lost-decade. As democratic consolidation is a gradual process that takes place over a long period of time, it is important to make observations at different temporal points. In the context of democratic transition in Korea, the election of the second left government and the return of the conservatives to office via democratic election certainly signify a greater degree of democratic consolidation. During the two government periods, power was transferred from the progressives to the conservatives for the first time. Through the transfer of power, the two parties demonstrated their ability to shift from opposition to ruling roles, which is an important indicator of democratic consolidation (Stepan and Skach, 1993). Examining the two government eras, which demonstrated a greater degree of democratic consolidation, would also increase the robustness of the research design.

Making observations within the span of two governments, it is evident that the focus of labour market development has shifted from employment protection and

unemployment protection policies to work/family reconciliation policy. Since work/family reconciliation was pursued with the objective of promoting female employment participation, policy measures in this domain are considered to be labour market reforms. Looking at recent policy developments, one finds remarkable changes have been made in work/family reconciliation policy area since 2001. Care leave schemes underwent expansion in both the amount and the duration of leave benefits. Tax-based childcare benefits extended to the middle class, doubling childcare expenditures from 0.09 to 0.17 per cent of GDP between 2000 and 2005[12] (OECD, 2011a). The ratio of parental payment to total costs for childcare decreased to 46 per cent in 2007 from 69 per cent in 2004. Out of children enrolled in childcare facilities in 2007, the ratio of those who receive childcare benefits went up to 70 per cent (Choi, 2009: 338). In marked contrast, policy developments in the domains of employment protection and unemployment protection were at a standstill after the transformative reform of the late 1990s[13]. Although social partners continued to raise issues for further reform of the employment insurance (including the enhancement of their participation in the management of the insurance), these attempts did not lead to substantial reform up to now[14]. Given the absence of major reform in employment and unemployment protection policies versus substantial policy changes in work/family reconciliation policy, I therefore contend that the latter provides an ideal case in examining the politics

[12] Childcare expenditures are calculated as the sum of childcare services and pre-school services from the database.

[13] The Act on protection for non-standard workers was legislated in 2005 toughen the use of no n-standard workers by limiting the employment of atypical workers to two years. Despite the sali ence given to the legislation because of severe conflicts arose among actors of the labour market policy-making process around it, however, it is controversial if the legislation brought substantial change in the labour market.

[14] For instance, labour federations and employers' associations demanded of greater participation i n the ruling committee of the Employment Insurance Scheme (Employment Insurance Committee of The Tripartite Commission (2009) An Agreement among Labour, Management and the Govern ment on Improvement Plan for Eemployment Insurance. *Annual Report 2008*. Seoul: Korea Empl oyers Federation.).

of the labour market reform during the time of the Roh Moo-Hyun and Lee Myung-Bak governments.

The structure of the chapter is as follows. The first part presents the development of work/family reconciliation policy in light of the welfare/care regime typology, taking into account the socio-economic underpinnings of recent policy developments. The second and third parts analyse the policy preferences and policy influence of actors during the Roh Moo-Hyun government. By doing so, the chapter will show that political parties were in the driving seat of the reforms. To substantiate this argument, the chapter will also demonstrate what enabled the parties to emerge as a critical driver: the change of the electorate in the last decade incentivised political parties to become more policy-oriented as well as increasing the importance of work/family reconciliation policy for electoral victory. The chapter concludes with discussing the implications of the findings for Korean welfare politics. The core argument of the chapter is that the reforms of work/family reconciliation policy of the Roh and Lee governments denote a third transformation of the Korean welfare politics in which political parties emerged as a critical driver of policy reform.

6.2. Understanding the Work/Family Reconciliation Policy Reforms

As briefly shown earlier, the reforms of work/family reconciliation policy that occurred under the Roh Moo-Hyun and Lee Myung-Bak governments indicate that the Korean welfare state may no longer conform to the developmental ethos. In order to fully grasp the departure from the developmental welfare state, this chapter brings in another dimension of the Korean welfare regime, that is, gender. The following section, therefore, introduces the welfare/care regime typology and delineates the development of work/family reconciliation policy and its implication on the welfare/care regime in

Korea.

6.2.1. Welfare/Care Regime in Korea

East Asian welfare capitalism has been defined as a hybrid between liberal and conservative regime (Esping-Andersen, 1997, 1999, Bonoli and Kato, 2004), 'Confucian welfare states' (Jones, 1993), or 'developmental welfare state (Kwon, 2005b)'. Esping-Anderson (1997, 1999) points out that the East Asian welfare regime has both elements of liberalism (the strong role of the private sector in welfare provision) and conservatism (occupational segmentation and familialism). A group of scholars contend that the liberal and conservative approaches of East Asian countries to welfare are attributed to Confucianism. Goodman and others (1998) argue that Confucian welfare ideology assigns a prominent role to the private sector, family, and community in welfare provision. Jones (1990, 1993) insists that the newly industrialised economies of East Asia (Hong Kong, Singapore, South Korea, and Taiwan) have family-/community-based welfare systems, heavily influenced by Confucianism which regards the family as the key unit of society and the society as a big family. Saunders (1996: 4) also argues that 'the principle of familial responsibility and obligation' is the foundation of Confucian welfare states. Confucian ethos prescribes strong familialism in the welfare mix, since the family is regarded as the main provider of welfare. At a closer examination, one can also observe that it is especially women in the family on whom the care burden falls, as the Confucian ideas of the family are based on a strict separation of gender roles and female subordination (that is, men engaging in public space and women being confined to the domestic space) (Goodman and Peng, 1996, Ahn and Lee, 2005). Therefore, it can be said that Confucianism is consistent with the principle of subsidiarity in conservative welfare states of Continental Europe, as Jones

describes it as “subsidiarity without the church” (1993: 214). Similar to the Catholic thinking in the West, Confucianism provides a conservative ideology underpinning the gendered division of labour in which women are the primary carers (Walker and Wong, 2005a: 219).

Against this background, Korea, as other East Asian welfare states, might be best described as a strong male-breadwinner country, according to Lewis’s (1992) gender and welfare regime typology[15]. In Korea, state intervention into the care domain was marginal and predominantly means-tested. Childcare was largely regarded as a private matter, limiting public childcare support to families on very low incomes. The public childcare was seen as an anti-child poverty programme, and thus the eligibility depended on family incomes, not on mothers’ employment status. If middle-class families needed childcare support, they had to rely on the private market or the voluntary sector. Policy measures to facilitate mothers’ employment rarely existed. As argued, the Confucian ethos played a great role in shaping the care regime into a strong male-breadwinner model (Won and Pascall, 2004, Sung, 2003, Pascall and Sung, 2007; Ahn and Lee, 2005). It is worth mentioning, however, that the Korean welfare state generally does not strongly intervene in family affairs. Unlike conservative welfare states such as the German exemplar, which sought to proactively facilitate the male-breadwinner family with ‘general family support’ policies, these policies did not feature prominently in Korea; it was rather characterised by the non-interference we know from

[15] Lewis (Lewis, J. (1992) 'Gender and the Development of Welfare Regimes', *Journal of Europe an Social Policy*, **2(3),** 159-73.) introduced the distinction between the male-breadwinner model fa mily and adult-worker model family. While the former assumed that male adults of the family ar e in the labour market and female adults stay in the family providing unpaid care work, the latt er assumed that all adults are in the labour market irrespective of gender.

the British case (see Korpi, 2000 and Ostner, 1993 for the German case, and Lewis, 2009 for the British case; interview nos. 10; 11; 12).

Among the sub-domains of social policy, therefore, the state effort is found least frequently in work/family reconciliation policy. According to the developmental welfare state thesis, the state has an entrenched interest in providing as many resources as possible for economic development while economising on social security programmes. Even then, when major social insurance programmes – national pension, health, and unemployment insurance – were universalised in the 1990s, work/family reconciliation policy still remained rudimentary in comparison. Some scholars argue that the Korean state modelled after the Bismarckian model and fostered the development of a fragmented social security system for the exclusive protection of core workers (namely, civil servants and industrial workers of large enterprises, whose role was deemed more important for economic growth and regime stability) (Goodman and Peng, 1996, Hort and Kuhnule, 2000, White and Goodman, 1998). Also, social policy was introduced during the pre-democratisation and transition period to pre-empt the political mobilisation of the working class by increasing workers' support for the regime (Ahn and Lee, 2005). As a result, while occupation-based social security schemes were relatively well developed, work/family reconciliation policy did not feature prominently in the Korean welfare state, because women were not viewed as a working population. Rather women were seen as those who were primarily engaged in the domestic domain and were economically dependent on men (Kim, 2004: 31). Thus women were not typically regarded as recipients of social protection. A rare exception was 'women's welfare policy' (*bu-nye bok-ji jung-chaek*) which provided social protection for vulnerable women, such as single mothers, who did not have a male provider.

6.2.2. Socio-Economic Changes and the Emergence of Work/Family Conflict

Since the 1980s, Korea has undergone substantial changes in its demographic profile. A notable change is observed in fertility rates. Until the early 1970s, Korea recorded a high fertility rate, well above 4 per cent. Since the mid-1970s, however, the fertility rate has been rapidly declining; it dropped by half within a decade, from 3.43 in 1975 to 1.66 in 1985, and remained below the replacement level of 2.1 in the 1980s and onward. With the fertility rate as low as 1.15 in 2009, Korea ranks as the lowest in fertility among OECD countries (OECD, 2011d).

Table 5. Trend of Fertility Decline: 1970-2009

	1970	1975	1980	1985	1990	1995	2000	2005	2009
A	4.53	3.43	2.82	1.66	1.57	1.63	1.47	1.08	1.15
B	1,006	874	862	655	649	715	634	435	444

A. Total fertility rate

B. Number of new born children (1,000 children)

Source: Korea National Statistical Office (2012), Childbirth Trend.

This rapid decline in fertility expedited population ageing, in turn, as the decrease of the youth augmented the proportion of the elderly in total population. Between 1980 and 2000, the percentage of population over the age of 65 doubled, from 3.8 to 7.2, and it is expected to record two-fold increase by 2020. Although the current level of ageing population in Korea is relatively lower than that of other industrial economies, the pace of population ageing is much faster than others. According to Korean National Statistical Office' population projection, by 2050 Korea's ageing population will be the

largest in the world, at 38.2 per cent, whereas average size of ageing population of other industrialised economies will be 25.9 per cent (Korea National Statistical Office, 2011b).

Table 6. Trend of Ageing Population: 1980-2020

	1980	2000	2020
Percent of population over 65	3.8	7.2	14.5

Source: Korea National Statistical Office, Future Household Projection (2003)

These demographic trends, fertility decline and population ageing, are deemed highly problematic as they appear to have negative impact on economic growth. The First National Plan for the Low-Fertility and Ageing Society states that "due to the world's lowest birth rate and rapid population ageing, there is growing concern as to whether the Korean society can achieve sustainable growth" (Government of the Republic of Korea, 2009:13). The Second National Plan for the Low-Fertility and Ageing Society elaborates on the inimical implication of these trends on the economy as follows: "the problem of low-fertility and population ageing [….] will lead to worsening of the quality and quantity of the labour force and contract in consumption. This in turn will weaken the growth potential of the economy, increase the dependency ratio and financial burdens of future generations" (Korea Institute for Health and Social Affairs, 2010a: 4).

Among the possible causes of these demographic shifts, work/family conflict is underlined as an important factor contributing to fertility decline. The conflict is understood as one of "new social risks" which are associated with post-industrialisation (Taylor-Gooby, 2004, Bonoli, 2005). Coinciding with deindustrialisation and the growth of the service sector, the number of women entering into the labour market increased

remarkably. In the 1970s and 1980s, most of the advanced industrialised economies in the Western world witnessed a 'take-off' in female labour force participation (Daly, 2000). With some time gap, East Asian countries have also experienced a rise in female employment since the mid-1980s (Peng, 2004). While the tertiarisation of employment induced women to enter into paid employment on a large scale, the change of household structures and the resultant decline of the average household size put considerable constraints on care provision by family.

Table 7. Female Employment Rate: 1980-2008

	1980	**1985**	**1990**	**1995**	**2000**	**2005**	**2008**
Female employment rate	46.9	46.8	50.9	52.6	52.9	56.1	57.1

Source: OECD Labour Statistics

Conflicts arising from combining work and family life have become ever more pronounced since the mid-1980s in Korea. Recording an almost nine per cent increase within a decade between the 1980s and the 1990s, female employment rate exceeded 50 per cent in the 1990s and reached near 60 per cent at the end of the 2000s. Meanwhile, the traditional role of the family in care provision has marked a downturn (Choi, 2009). A decrease in family size (caused by the decrease of three generation families and the increase of nuclear or single person families) makes it difficult to resolve work/family conflict within the family (see Table 8). To make the matter worse, meagre care leave and limited availability of childcare left working mothers in a "Confucian war over childcare" (Won and Pascall, 2004).

Table 8. Composition of Family in Korea: 1980-2005 (by type)

	1970	1980	1990	2000	2005
Nuclear family	71.5	72.9	76.0	82.0	82.7
Three generation family	17.4	10.4	9.3	6.8	5.7
Other types of family	11.1	16.7	14.7	11.3	11.6

Source: Korea National Statistical Office (2011a)

Work/family conflict brought a formidable challenge for many working mothers. A survey among low-income female heads of households revealed that 68.4 per cent of them faced difficulties in finding a better job due to the care burden of pre-school children (Kim, 2001). Furthermore, the high degree of duality between the internal and external labour markets also poses a significant barrier to working mothers for reconciling work and family (Grubb et al., 2007). The line dividing the two Korean labour markets coincides with the gender segregation of employment with a higher share of women in the external labour market (where the low-skilled sector provides low-wage jobs) than in the internal one (where the high-skilled sector provides high-wage jobs) (Ministry of Labour, 2002). Motherhood and child rearing are reported to cause interruptions in a woman's career, hampering her stay in or move to the internal labour market (Goodman and Peng, 1996, Choi, 2009). Under these circumstances, it is not surprising that working women were highly discouraged to have children (Ministry of Gender Equality and Family, 2006b, Ministry for Health Welfare and Family Affairs, 2009).

6.2.3. The Development of Work/Family Reconciliation Policy

As mentioned earlier, despite the 'welfare explosion' under the conservative governments of 1988-1997 (notably, the expansion of social insurance programmes) (Ahn and Lee, 2005), the development of work/family reconciliation policy remained modest in the democratic era. In response to the steady increase in female employment, the government attempted to increase childcare mainly through private means. In 1991, the government mandated large workplaces (with 500 and more female employees) to establish workplace nurseries. The development of work/family reconciliation policy during this period was in line with the strong male breadwinner model; the eligibility of workplace nurseries and parental leave was limited to mothers who were assumed to be primary caregivers; fathers could only use parental leave when working mothers could not take it up. The rudimentary development of work/family reconciliation policy is not surprising, since the issue of reconciling work and family featured rather low on the political agenda. In its presidential election campaign of 1997, the conservative Grand National Party pledged 'housewife-friendly' policies, which highlighted the party's deep commitment to the male breadwinner ideology (Kim et al., 2007).

With the election of the centre-left government (1998-2002), however, the development of work/family reconciliation policy began to take a different trajectory. Maternity leave was extended to three months with the third-month benefit paid by the Employment Insurance Fund (with a cap of 1.35 million won; approximately 108 percent of the average female wage as of 2001). Furthermore, parental leave was extended to all workers with children under age one. The parental leave turned into a paid-one, although the flat-rate leave benefit was as modest as 200,000 won (approximately 20 per cent of the average urban worker's wage), and the benefit was to be paid by the Employment Insurance Fund for up to twelve months. Tax-based free

childcare for children aged five was introduced for low-income families. Private childcare was also significantly deregulated in order to increase childcare provision through the market (Ministry of Health and Welfare, 2009). Despite such visible advances made in the policy domain, the scope of reforms appears too narrow to erode the male breadwinner model. The market-oriented approach to childcare in particular, which led to little expansion of affordable childcare, failed to trigger a shift towards the adult-worker model of family (Won and Pascall, 2004). More importantly, compared to extensive reforms undertaken in other domains of social policy during this time, which were geared towards protecting family wages earned by male breadwinners (in particular, the universalisation of unemployment insurance and national pension schemes). The extent of work/family reconciliation expansion appeared rather modest to qualify as a departure from the male breadwinner model.

Under the second left government (2003-2007), however, a series of transformative reforms was implemented in the work/family reconciliation policy domain, which could be interpreted as a move away from the liberal trajectory. The most notable expansion was made in the childcare domain wherein various tax-based childcare benefits were introduced and extended towards middle-class families for the first time. In particular, universal childcare benefits were introduced, covering half of childcare costs of every child under age two enrolled in childcare facilities. In order to increase affordable quality childcare, the government drew up the National Childcare Strategy, which pledged to double the number of public childcare centres from 1,352 to 2,700 by 2010 (Ministry of Gender Equality and Family, 2006b). Accordingly, the childcare budget increased fourfold from 235 billion won in 2003 to 1.04 trillion won in 2006. The mandatory workplace nursery policy was extended to smaller firms, that is firms with 300 or more female workers and firms with 500 or more workers (Ministry

of Gender Equality and Family, 2007). Care leave schemes also underwent visible expansion. Parental leave was extended to parents with children under age three, doubling the total duration of the leave for a couple up to 24 months. The parental leave benefit was gradually increased to 500,000 won (approximately 40 per cent of the average urban worker's wage) (Ministry of Gender Equality and Family, 2005). Three-day unpaid paternity leave and the right for parents to claim reduced working time (between 15 and 30 hours a week) were introduced. Whether a worker used either parental leave or reduced working time, the total duration of time using such policies could not exceed 12 months (Ministry of Labour, 2008c). The financial burden of the maternity leave scheme that small employers had was significantly reduced with the Employment Insurance Fund funding the whole duration of statutory maternity leave for employees of small firms. Furthermore, various grants for female employment promotion, including ones targeting the re-integration of mothers into the labour market, were established. Consequently, family services expenditure recorded an almost twofold increase from 0.3 to 0.5 of GDP during the time (OECD, 2011a).

In 2007, the conservative Grand National Party won the presidential election, which terminated ten years of the centre-left government. From the perspective of the parties matter thesis, the conservative government should have discontinued the work/family reconciliation policy expansion its predecessor pursued. Yet, the conservatives carried on with considerable policy expansion. The most noticeable expansion was once again made in childcare policy. After coming into power, the conservative government published the "more babies" (*a-i-sa-rang*) white paper on childcare, which effectively revised the National Childcare Strategy set up by its predecessor. The initial Strategy set a plan to extend the tax-based childcare benefits to every child under age five by 2012 (Ministry for Health Welfare and Family Affairs,

2009). Although the conservatives adopted the *universal* childcare benefits as their election pledge, the white paper scaled down the scope of the childcare benefit extension by excluding families whose household income fell into the top 20 per cent In addition, at-home-care allowances were introduced. Families whose household income fell below 120 percent of poverty line and did not send children under age two to childcare centres were to receive 100,000 won (approximately 50 pounds) monthly from July 2009 (Ministry for Health Welfare and Family Affairs, 2009)[16]. The revised Strategy also pledged to extend the allowances to 80 per cent of all children who are not enrolled in childcare centres by 2012. Accordingly, the budget for the Strategy now doubled from 6 trillion to 11.7 trillion won (Ministry for Health Welfare and Family Affairs, 2009: 7, 30).

Further expansion took place in work/family reconciliation policies, especially care leave schemes, when the conservative government published the Second National Strategy of the Low-Fertility and Ageing Society in October 2010. Parental leave benefits were transformed from flat-rate (500,000 won) to earnings-related benefits with income replacement rate of 40 per cent for twelve months. Also, the eligibility of parental leave was extended to parents of children under age six. In addition, measures were introduced to incentivise the early return to work by paying 15 per cent of unpaid leave benefits for those who return to work before exhausting the duration of their parental leave. The paternity leave was expanded from three to five days with benefits paid for the first three days. The right to claim working time reduction for parents was strengthened in conjunction with incentives to use the right to claim working time reduction, as parental leave benefits are to be paid in proportion to reduced work hours.

[16] The amount was approximately 30 per cent of public childcare fees and 19 per cent of privat e childcare fees.

All new measures were scheduled for full implementation in 2011 (Korea Institute for Health and Social Affairs, 2010a, b).

6.3. Policy Preferences of Actors

This section examines actors' policy preferences on work/family reconciliation policy. In the study of the policy, the Swedish case is considered as an archetypal example of work/family reconciliation policy reform, which transformed a Swedish care regime from the male-breadwinner model into the adult-worker model. As it is argued that the women's movement played a critical role in the Swedish case, here women's groups are investigated as well.

Women's Groups and Trade Unions

In the Swedish case, the establishment of the adult worker model through the extensive reform of work/family reconciliation policy is ascribed to the pivotal role played by women activists both in the labour movement and the social-democratic party (SAP) (Huber and Stephens, 2001a, Naumann, 2006, Mahon, 1999). Likewise, women's groups and trade unions in Korea are long-standing champions of female employment promotion and the socialisation of care. The women's movement and labour movement in Korea have been intricately intertwined as they have fought together for democratisation and rights for female workers under the broader theme of "people's movement" (in Korean, *minjung* movement): anti-authoritarian regime civil society movement. The achievement of industrial democracy (especially improving working conditions of industrial workers) was one of central aims of the movement, which consists of the working class, especially factory workers, intellectuals, university students and various Christian labour organisations (Lee, 2007). In the 1970s, female

workers led the labour movement, as they comprised the majority of rural migrants entering into burgeoning light industries at that time, although male workers took over the leadership in the 1980s in tandem with the growth of heavy industries (Koo, 2001). It has been these female (industrial) workers, according to a representative of the women's movement, who have comprised the majority of progressive women's organisations until now. Sharing the same interests of promoting female employment, women's organisations and trade unions established an explicit alliance in the late 1980s. Having the two national labour federations (the FKTU and KCTU) and two women's umbrella organisations (the Korean Women's Associations United and Korean National Council of Women) as core members, eight representative organisations from the labour and women's movements constituted the Women's Solidarity Council for Labour Law Revision. Their most notable efforts are campaigns for equal employment legislation in 1987 and maternity protection for female workers in 2001 (interview no. 51).

Entering into the 1990s, the issue of female employment promotion gained greater importance within the women's movements. The Korean Women's Association United, an umbrella association of progressive women's organisations, declared "lifetime and equal employment rights for women" as a central goal for them to achieve (Kim, 2004: 46). The Korean National Council of Women also called for policy measures to realise gender equality in the labour market, especially the enactment of anti-discrimination legislation, the increase in the number of workplace nurseries, and the expansion of care leave schemes (National Assembly Commission on Women's Affairs, 1998: 257-258). During the Kim Dae-Jung government (1998-2003), women's groups and trade unions proposed the care leave reform (Women's Solidarity Council for Labour Laws Revision, 2001, Federation of Korean Trade Unions, 2001). Their proposal was adopted by the incumbent centre-left party, and resulted in greater

generosity of the leave benefits.

During the Roh Moo-Hyun and Lee Myung-Bak governments, women's groups and trade unions continued to champion the expansion of childcare and care leave. On childcare reform, trade unions and women's organisations advocated the expansion of public childcare, insisting that public childcare provide better quality care at a lower price. In particular, women's groups explicitly put forward the Nordic model of childcare, whose core element – in their understanding – was affordable and quality public childcare. Similarly, both trade unions (the FKTU and KCTU) also demanded that the proportion of public childcare be increased to 50 per cent among all childcare facilities (Federation of Korean Trade Unions, 2007, Korean Confederation of Trade Unions, 2007). In addition, organised labour advocated the expansion of childcare benefits: The FKTU argued that childcare for every child aged 3-5 should be provided free of charge (Federation of Korean Trade Unions, 2007). Women's organisations and unions furthermore demanded that childcare benefits be targeted at dual-earners, not at low-income families, as they promoted (full-time) female employment as a policy goal of childcare benefits (Korea Institute for Health and Social Affairs, 2010b). For this same reason, they fought against the introduction of the at-home-care allowances, arguing that it would generate work disincentives for women. At a public consultation meeting for the Second National Strategy of the Low-Fertility and Ageing Society, progressive women's organisations and trade unions argued forcefully that the budget for allowances should be rather used for expanding public childcare centres (Korea Institute for Health and Social Affairs, 2010b: 282, 455-6).

On care leave reform, women's organisations and trade unions demanded further expansion of maternity, paternity and parental leave schemes. The FKTU specifically advocated for the parental benefits to be increased up to 50 per cent of

average wage. For financing of the reform, women's organisations and unions insisted that the government bear the costs of care leave expansion. Their argument was that if employers were to bear the costs of policy expansion, it would discourage employers from hiring women. Moreover, the tax-funded care leave was favoured as it seemed a better way to extend care leave, which was operated as contribution-based social insurance, to atypical workers. Trade unions emphasised that extending the work/family reconciliation policy to atypical workers was imperative for female employment promotion, as a vast majority of those workers were women (Korea Institute for Health and Social Affairs, 2010b: 44-50, Federation of Korean Trade Unions, 2007, Korean Confederation of Trade Unions, 2007, 2005; interview nos. 35; 36; 38; 50; 51).

Employer's Associations

Korean employers in general opposed most work/family reconciliation policies with the Korea Employers Federation (KEF) in particular continuously arguing that the reforms would disincentivise employers to hire women and thus hamper the prospect of female employment. A closer examination of employers' preferences on work/family reconciliation policy suggests that employers' resistance towards the reforms came from their discontent with the mechanism for financing policy expansion. On care leave and workplace nursery reforms, the government continuously proposed that employers should bear most of the costs. The government's cost-shifting strategy was to finance the reforms with the Employment Insurance Fund, which was largely funded by employers' contributions. The Employment Insurance Scheme consisted of three sub-programmes: the Unemployment Insurance Programme, the Employment Stabilisation Programme, and the Vocational Ability Development Programme. While the Unemployment Insurance Programme was financed by contributions made equally by

employers and employees, the Employment Stabilisation Programme and the Vocational Ability Development Programme were solely financed by employers' contributions. The government proposed that the Unemployment Insurance Fund provide the financial instruments for care leave scheme reforms. In addition, the government also proposed various subsidies for workplace nurseries and promotion grants to be financed by the Employment Stabilisation Programme. Employers, in turn, demanded that more than 50 per cent of maternity benefits be financed by general tax revenues and the rest by the Employment Insurance Fund. For subsequent reform proposals aiming to further extend leave schemes, employers demanded that the government increase its financial commitment for the care leave reforms (Korea Employers Federation, 2000, 2009, 2010). When the government proposed turning the flat-rate parental leave benefits into earnings-related benefits, employers strongly opposed the proposal and argued that, without a substantial increase of the government's financial input, the reform would seriously undermine the financial health of the Unemployment Insurance Fund, which was already in deficit. The KEF pointed out that government subsidies for the maternity and parental leave benefits were insignificant given the expenditures of the benefits. In 2009, 178 billion won and 140 billion won were paid for the maternity and parental leave benefits respectively from the Unemployment Insurance Fund, while government subsidies paid into the Fund for the leave benefits accounted for only 10 billion won (Korea Employers Federation, 2010: 4-5). In the same vein, employers opposed the expansion of workplace nurseries, for which employers were made to bear 80 per cent of the costs. Although employers' financial responsibility was reduced to 50 per cent of the costs and various grants were introduced to lessen the running costs of workplace nurseries, employers were nevertheless not pleased. The reason for their discontent is that the subsidies were paid from the Employment Stabilisation Programme Fund, a part

of the Employment Insurance scheme that was fully funded by employers' contributions (Korea Employers Federation, 2004).

Moreover, employers were not supportive of the reforms, as they viewed work/family reconciliation policies as an infringement of management prerogatives. Employers rejected the introduction of the right to reduced working time, arguing that Korean firms were not ready to operate their workforce on a part-time basis, as their work practice was predominantly full-time work. This, employers contended, would cause a serious problem in manufacturing companies in which female workers were dominant (Korea Employers Federation, 2010: 6). In pursuit of employers' greater prerogatives, the KEF also put forward a greater degree of labour market liberalisation as a solution for sustainable economic growth in the era of 'low-fertility and rapid ageing' rather than 'pro-natal' work/family reconciliation measures, since raising fertility rates takes a long time. The KEF claimed that further liberalisation of the labour market would allow more entrants to the market and hence function as a viable solution to keep the economy growing (Korea Employers Federation, 2010; Korea Institute for Health and Social Affairs, 2010b: 35-39).

Despite their first-order preference, that is, no work/family reconciliation policy whatsoever, employers nevertheless consented to the expansion of tax-based childcare benefits for strategic reasons. First, employers supported their expansion to pre-empt increasing demands on other policies, which would place a greater burden on employers. If the expansion of the childcare benefits could resolve the work/family conflict substantially, employers thought, it might take away the pressure for expanding other work/family reconciliation measures for which employers had to bear the costs, such as care leave and workplace nursery schemes. Furthermore, employers had less reason to oppose the reform, as long as it was financed by general tax-revenues, and

thus it did not involve direct employers' costs. Later on, employers exhibited explicit support for the expansion of public childcare centres as they expected that it would decrease the demand for an increase of workplace nurseries, which had persisted in spite of great increase in private childcare facilities. As was shown in the earlier part of the chapter, women's organisations and trade unions argued that the quality of private childcare was inferior to that of public childcare. Against this backdrop, the workplace nurseries were regarded to be the second best childcare option in terms of quality. Thus, the only way to alleviate the pressure to increase workplace nurseries, from the employers' point of view, was to promote public childcare for which they did not need to pay the costs. Taking the examples of advanced economies, employers argued that public childcare was the main mechanism of childcare provision in advanced economies, and Korea was the only advanced economy in which employers were obliged to provide workplace nurseries (Korea Employers Federation, 2010). According to the data presented by the KEF, the share of children in public childcare was substantially lower in Korea (11 per cent of children aged 0-5) than in Continental European countries (approximately between 70 and 90 per cent of children aged 3-5) (Korea Employers Federation, 2010: 15). In short, cost minimisation was employers' preference in work/family reconciliation policy the expansion of which employers did not support for the purpose of human capital accumulation. Employers saw work/family reconciliation policies as a burden on their shoulders and an infringement of prerogatives of employers and therefore put forward that the policies be left to voluntary agreements between employers and employees (interview no. 26).

The Ministry of Gender Equality

The Ministry of Gender Equality had a clear preference towards universal public childcare to facilitate not only work/family reconciliation but also employment creation for women. When the Ministry was put in charge of childcare policy, it spearheaded the expansion of public childcare (‘*kong-bo-yuk*’) with the ultimate policy objective to increase public childcare facilities to 30 per cent within five years. Reformist bureaucrats within the Ministry considered public childcare to be the best way to provide affordable quality childcare support for working mothers, as well as an opportunity to create jobs for women. Although the Ministry did not explicitly benchmark the Nordic model, unlike the argument by Peng (2008), it is clear that the Ministry sought a type of childcare policy that could best facilitate women’s participation in the labour market (interview nos. 11; 12; 18).

The Ministry’s preference towards public childcare remained quite resilient, even when the Ministry realised that a substantial increase in public childcare was almost impossible due to fierce opposition from associations of private childcare providers. Since increasing the share of public childcare in a relatively short period of time no longer seemed feasible, the Ministry turned its policy direction to enhancing the quality of private childcare centres up to the level of public ones, which was reportedly worse than public provision. Its intention was to turn private childcare into semi-public ones through the provision of subsidies and the imposition of quality checks in order to achieve the ultimate aim of increasing the availability of affordable quality childcare. Indeed, the rationale for introducing universal childcare benefits for the under-twos was to provide government subsidies to private childcare providers until public provision reached 50 per cent of all childcare centres available (interview nos. 10; 11).

Furthermore, the Ministry had the firm intention to limit universal childcare

benefits entitlements to working mothers in order to promote female labour market participation. However, this would have involved a complicated decision on how to set the qualifying employment conditions given the substantial proportion of women engaged in atypical work. In addition, bureaucrats perceived that excluding children of low-income families on the sole basis that their mothers were not engaged in paid-employment would be seen as discrimination against the poor and politically unpopular. As most of the children under the age of two in childcare were those of working mothers, according to the research that the Ministry commissioned, the Ministry decided to introduce universal childcare benefits for the under-twos, paying half of childcare costs which were regulated by the government (interview no. 10).

Analysing the Ministry's underlying rationale for its policy preference, empirical evidence suggests that the far-reaching reform in childcare was in its organisational interest. Although the establishment of the Ministry of Gender Equality was regarded as 'gender mainstreaming' by feminists (Lee, 2000), the Ministry did not have any significant policy tools under its jurisdiction. As Won (2007) demonstrated, the Ministry had a formidable mission of promoting gender equality in public policies through inter-ministerial policy co-ordination with little resources, particularly financial, at its disposal. Its core mission was mainly campaigning and inter-ministerial co-ordination work, which did not endow the Ministry with great financial resources. Therefore, the Ministry wanted to increase its institutional capacity through a policy domain with a sizable budget under its authority. Around this time, by the end of the first centre-left government, the perception was shared among feminists and progressive scholars that, under the Ministry of Health and Welfare, childcare policy had very limited potential to expand in keeping up with the fast-growing demand of childcare services taking into account the means-tested approach of the Ministry to childcare. For

this very reason, childcare had great appeal to the Ministry as a policy domain that could give the Ministry leverage to increase its institutional capacity. The first minister of gender equality, who spearheaded maternity and parental leave expansion during the first left government as a legislator, was very enthusiastic about having childcare policy transferred to her ministry. She ordered her staff to conduct research to develop an elaborated logic which could persuade the government and its parties that her ministry could better manoeuvre childcare expansion. The Ministry of Gender Equality argued that the Ministry of Health and Welfare would not be able to engineer substantial childcare reform due to its means-tested approach. Furthermore, the Ministry also put forward that childcare would not be given priority within the Ministry of Health and Welfare, overshadowed by large-scale programmes, such as pension and health insurance schemes. Before the inauguration of the second left government, the Presidential Transition Committee decided to transfer the childcare domain to the Ministry of Gender Equality, backed by the strong support from the left party. In 2004, childcare policy was formally transferred to the Ministry of Gender Equality. The Ministry changed its name to the Ministry of Gender Equality and Family accordingly[17] (interview nos. 10; 11; 12; 46).

The Ministry of Health and Welfare

Prior to the Lee Myung-Bak government, the Ministry of Health and Welfare exhibited a preference to modest childcare expansion, derived from the legacy of the means-tested approach to childcare policies that it operated in the past. During the second left government, when the Ministry of Gender Equality led the childcare reform, the

[17] During the Roh Moo-Hyun and Lee Myung-Bak governments, the name of the Ministry of Gender Equality and the Ministry of Health and Welfare underwent several changes as the childcare and other domain of work/family reconciliation policies transferred between the two ministries. For the convenience of analysis, I refer to the two ministries by their initial names.

Ministry of Health and Welfare neither supported nor opposed the reform officially. Underneath such a neutral official stance, nevertheless, welfare bureaucrats informally criticised that the reform, notably the introduction of universal childcare benefits, was driven by feminist ideology and organisational interests (interview nos. 7; 8).

Since 2008 when the childcare domain was put back under the authority of the Ministry of Health and Welfare by the Lee Myung-Bak government, however, welfare bureaucrats have been in favour of childcare expansion, although with a set of policy preferences different from those of the Ministry of Gender Equality. First, the Ministry of Health and Welfare favoured private childcare expansion over public provision. The Ministry preferred a liberal approach to childcare, incentivising the market to increase its provision through deregulation. Consequently, the objective of public childcare expansion, which had been pursued under the second left government, was completely discarded. Welfare bureaucrats considered increasing the share of public childcare to 30 per cent as an unrealistic goal. From observing the long battle between the Ministry of Gender Equality and the associations of private childcare providers in the course of the previous government, welfare bureaucrats learnt the lesson that any attempt to change the dominance of private provision in the Korean childcare market would be highly likely to fail. Also, childcare expansion through public means was deemed as an expensive strategy for the government, since the costs for building the infrastructure for public childcare centres in particular were substantial. Therefore, the welfare bureaucrats preferred private to public childcare and shifted the government policy towards stimulating private provision of childcare services (interview nos. 5; 7; 9).

In addition, welfare bureaucrats preferred to characterise the childcare policy under their authority as ‘pragmatic’ and ‘child-wellbeing-centred’. In order to distance its stance from the feminist agenda, the Ministry emphasised that child-wellbeing

should be given as important consideration as the promotion of female labour market participation in pursuing childcare expansion. A case in point is the introduction of at-home-care allowances, which the Ministry pursued in line with the election pledge of the conservative party. The introduction of the allowances communicated a conservative ideology that at-home care by mothers (or alternatively by grandparents) in early ages was the best way of childrearing. Welfare bureaucrats justified the introduction of the allowances, which was opposed by women's organisations and trade unions, with greater parental choice; it would allow parents to make the best care arrangement from the perspective of a child's well-being (interview nos. 5; 7; 8; 9).

Why, then, did the Ministry discard its previous preference of modest childcare and begin to promote childcare expansion in the Lee Myung-Bak government? Empirical evidence indicates that the underlying rationale was to pursue the organisational interests of the Ministry. Having witnessed the significant childcare expansion during the time of the second left government, the welfare bureaucrats' perception on childcare policy had changed; from the policy domain which had little room for manoeuvre to the one with great potential for expansion. The fast growth of childcare policy in terms of size of budget and bureau under the Ministry of Gender Equality had made the welfare bureaucrats want to have the policy back under their authority. It is not surprising, therefore, that the Ministry shifted its preference of childcare to substantial expansion (interview nos. 5; 8).

Other Government Ministries

The Ministry of Labour was also a stakeholder in work/family reconciliation policy because of the employment-related nature of the policy. It was closely engaged in the reforms of care leave and workplace nursery schemes because the reforms were

financed by the Employment Insurance Fund, which was under its jurisdiction. Overall, the Ministry took a neutral stance on the reforms for two reasons. First, it was divided over using the Employment Insurance Fund to finance the reforms. While the Bureau for Women's Employment Policy was in favour of using the Fund for the reforms, other bureaus of the Ministry were reluctant to do so, being concerned that it would jeopardise the fiscal health of the Fund (Ministry of Labour, 2008b, Kim, 2003b). Second, the Ministry was not keen on imposing the costs of reforms on businesses, either. As a result, the Ministry neither supported nor opposed work/family reconciliation policy reforms because it was divided over the issue of financing those reforms (interview nos. 6; 10; 26; 43).

While the labour ministry took an ambivalent position on the reform of work/family reconciliation policy, economic ministries[18] expressed clear opposition for two reasons. First, their liberal approach to welfare provision (that is targeting welfare benefits at low-income groups) made them adamantly reject any reform proposal expanding welfare benefits beyond low-income families. With reference to childcare reforms, the economic ministries persistently argued that childcare benefits should be restricted to low-income families, and not be expanded to the well-off. During the Roh Moo-Hyun government, the Bureau of Planning and Budget was against the introduction of universal childcare benefits, which was proposed by the Ministry of Gender Equality, insisting it would be inappropriate to subsidise the childcare costs of affluent families. In the same vein, the Ministry of Strategy and Finance under the Lee Myung-Bak government also opposed the implementation of the ruling party's election pledge of universal childcare benefits, arguing that it would be a 'luxury' for the

[18] Government organisations (including Ministries and Bureaus) dealing with economic policies ex perienced several changes of name during the Roh Moo-Hyun and Lee Myung-Bak governments. For convenience of analysis, therefore, I refer them to economic ministries unless specified.

government to finance childcare of the rich. Such a view was well summarised in the often cited phrase “why should the government pay the childcare costs of the grandchild of Mr. Lee Kun-Hee, the chairman of Samsung group? Moreover, the Ministry was determined to exclude middle-class families from at-home-care allowances entitlement, which was the initial plan of the ruling party, and called the allowances ‘one of the top ten policies whose budgets must be axed’. Second, economic bureaucrats held a strong market-oriented perspective that the expansion of affordable quality childcare could be best achieved through incentivising the market by deregulation. By the same reason, they preferred a type of work/family reconciliation policy that could minimise the use of general tax-revues. Economic bureaucrats were opposed to financing the care leave reform in 2001 by general tax-revues (Kim, 2003b). Also, during the time of the Roh Moo-Hyun government, the Bureau of Planning and Budget rejected the public childcare strategy pushed by the Ministry of Gender Equality. Because the strategy would not only entail significant size of government expenditures but also disincentivise the childcare market, the Bureau continuously opposed the strategy (interview nos. 5; 10; 12; 18; 46; 49).

Political Parties

With the democratic transition, political parties began to give serious consideration to women’s issues. In 1987, the ruling conservative government (then-called the Democratic Justice Party) introduced the Equal Employment Act in order to increase its electoral appeal for the impending first direct presidential election at the year-end. As democratic elections became the only game in town, political parties started to incorporate women’s issues into their party platforms in order to broaden electoral appeal, although no concrete party platform on women’s issues actually emerged until

the 1997 presidential election. Platforms of main parties at that time were no more than normative statements, lacking concrete substance, as follows: ‘promote women’s economic participation’, ‘enhance women’s welfare policy substantially’, ‘reform gender discriminatory policies and legislations’, and ‘enhance maternity protection’ (Kim, 2004; Korean Women's Development Institute, 2001).

With the 1997 presidential election campaign, the centre-left party began to push a ‘feminist’ agenda. Work/family reconciliation agenda was adopted into the party’s manifesto such as the promotion of women’s entry into paid work, the socialisation of the costs of maternity protection and childcare, the extension of maternity leave to three months, the introduction of seven-day paternity leave, and the expansion of childcare centres (National Election Commission, 2009c, Kim et al., 2007). The party also promised to create a feminist agency within the government, the Presidential Committee of Women’s Affairs (which later became the Ministry of Gender Equality), and the position of equal employment officer for “the realisation of participatory society where gender equality is achieved” (Segye Daily 25 November 1997; Munhwa Daily 10 December 1997). By doing so, the centre-left party and its presidential candidate, Kim Dae-Jung, succeeded in establishing an image of ‘progressive force’ for women’s issues. The party’s incorporation of a feminist agenda into its manifesto was attributed to its leader’s close relationship with progressive women’s associations. These associations were part of the support base of Kim Dae-Jung, as they were his long-time allies dating back to the democratic struggle in the authoritarian era. In fact, his wife was a leading figure of the Korean women’s movement. In contrast, the ruling conservative party continued campaigning on a conservative platform. The party’s first election pledge in the women’s policy area was ‘to promote a housewife-friendly society’, followed by the statement ‘to enhance the

economic status of women' (Kim et al., 2007). The party promised to elevate the legal standing of homemakers by giving housework the legal recognition of paid work (interview no. 46).

In the aftermath of the 1997 presidential election, however, the two main parties converged in promoting female employment and the work/family reconciliation as the conservative party began to modernise its platform after its first presidential election defeat. For the 2002 National Assembly election, the conservatives incorporated concrete and specific pledges to advance work/family reconciliation policy in their election platform; for instance, the socialisation of the costs of maternity and paternity leave schemes, and the increase of childcare facilities (Korean Women's Development Institute, 2001). For the 2002 presidential election campaign, the conservative party made bold pledges on childcare, promising to double childcare budgets and to provide free childcare for all children aged five. In response to the modernisation by the conservatives, the progressives proposed an even greater expansion of work/family reconciliation policy. The party pledged childcare reform, providing not only free childcare for all children aged five but also the state paying up to 50 percent of childcare costs for children under the age of five, in addition to a care leave reform (Kim et al., 2007). '*Kong-bo-yuk*' (which signified the expansion of public childcare) was adopted as a catchphrase, well captured in a famous TV campaign advertisement where the presidential candidate of the centre-left party said, "all you need to do is to give birth to a child, then the country will raise the child for you." His party won the election and became the second left government in the Korean history (interview no. 47).

In the 2007 presidential election, the two parties exhibited deeper commitment on the work/family reconciliation issue. The conservative party presented its most

comprehensive platform on work/family reconciliation. As shown in their catchphrase, 'childcare as the state responsibility' (*guk-ka ui-mu bo-yuk*), it pledged to further expand state-supported childcare. The party promised to extend tax-based childcare benefits to all children aged 0-5 by 2012, which would expand the benefits to middle-class families. With regard to the leave schemes, the conservative party proposed to increase the state's contribution to maternity and parental benefits. For working parents who could not take up parental leave, they should have enhanced rights to reduced working hours. Moreover, policies to promote female labour market participation were included, such as the creation of 500,000 social service jobs for women whose career were interrupted due to care-giving (Grand National Party, 2007). Likewise, the centre-left party proposed further socialisation of childcare as follows: free childcare for every children aged 0-5, the expansion of public childcare centres to accommodate 30 per cent of all children enrolled in childcare centres, the increase of parental leave benefits to one million won (27 percent of average urban worker's household income), the enhancement of the right to reduced working time for parents with dependent children, and the establishment of paternity leave benefits and a 'daddy' quota. In addition, the party promised to extend the workplace nursery mandate to all public companies and 80 per cent of private companies (Kim et al., 2007).

It is worth mentioning that the conservative party's promotion for the work/family reconciliation is accompanied by catch-all party strategy. While the policy preferences of the centre-left party more closely resembled those of the social democracy in Western Europe (e.g., public childcare and universal childcare benefits), the conservative party exhibited catch-all party strategy combining the proposals of the left (notably, the socialisation of care) with the conservative ideology (e.g., increasing childcare provision through the market, means-tested approach to childcare benefits).

Furthermore, the conservative party introduced at-home-care allowances in its manifesto, which progressive women's groups severely opposed. The allowances were something that male-breadwinner families could also benefit from. Therefore, it can be said that the party introduced the allowances to strengthen its electoral appeal to traditional conservative supporters.

6.4. Policy Influence of Actors

This section focuses on the change in the policy influence of actors in the labour market policy-making process in order to investigate the origin of the reform impetus. The analysis of actors' policy influence indicates that the conventional wisdom of the bureaucrat-led policy process does not hold in the reform episodes of work/family reconciliation policy under the two governments. Instead, parties have emerged as a new political driver of policy-making in this area of new social policy.

6.4.1. Policy Influence of Societal Actors

In the previous chapters, it was demonstrated that societal actors (namely trade unions and employers' associations) took on an active role in labour market policy-making in the post-transition era. Employers' associations were in the driving seat in the deregulation of employment protection, while trade unions spearheaded the expansion of unemployment protection to include the outsiders of the Korean labour market (typically employees of small firms and atypical workers). However, it is questionable as to whether social partners were a political driver behind the reforms of work/family reconciliation policy, as they had been in the labour market reforms of the1990s. In light of actors' policy preferences, it is evident that employers' associations did not actively pursue public policies to help with the reconciliation of work and family. Instead, we

find strong advocacy of women's organisations and, to somewhat less extent, trade unions for work/family reconciliation policies. Yet, closer examination casts doubt as to whether the reform impetus came from these two actors for two reasons. First, the work/family reconciliation issue was never given great weight within trade unions due to the patriarchal nature of the leadership. The labour movement has been led by male workers since the 1980 and female members still comprised less than 30 per cent in the 2000s (Lee et al., 2009: 167). Women's policy officials of trade unions confirmed this view and further informed me that male members tend to regard childcare as women's, not their, issue. Given the low priority placed upon the issue among agendas pursued by organised labour, it is safe to say that trade unions were only 'half-hearted' promoters of the issue, and did not exert their policy influence to drive the reforms. Second, women's organisations were the most passionate advocates of the issue, but they lacked the political resources to drive the reforms. Considering the claim that feminist movements in East Asia did not achieve policy gains as prominent as their counterparts did in the Western world (Goodman and Peng, 1996: 197), it is not surprising that a decade-long advocacy of the Korean women's organisations for work/family reconciliation issue had not produced many policy gains until the first left government. Even when important policy reforms were made to enhance gender equality, for instance, the enactment of the Equal Employment Act of 1987, it was argued that pressures from the international organisations were more critical than those from domestic women's groups (e.g., Kim, 2004). When it came to the ten years of the left government, women's movements appeared to gain momentum as a number of feminist agendas, including work/family reconciliation, were adopted into the election manifestoes of the centre-left party. However, as far as work/family reconciliation policy reform is concerned during this period, I would like to underline the obvious interaction between the incumbent centre-

left party and feminist agency, which displays some similarities with the early Swedish case of 'social democracy cum feminism', rather than highlight the role of feminist agency alone as Peng (2004, 2009) did[19]. Although women's organisations played a critical role, the reform would have not happened had not the centre-left party been in power (interview nos. 35; 36).

The point that feminist agency alone could not be ascribed the reform impetus becomes even more evident when we examine work/family reconciliation policy expansion under the conservative Lee Myung-Bak government. The conservative government clearly had no close relationship with progressive women's associations, which was well illustrated by the episode in which the government attempted to abolish the Ministry of Gender Equality but failed to do so due to strong opposition from women's groups. Moreover, the conservative government not only transferred childcare policy from the Ministry of Gender Equality to the Ministry of Health and Welfare, but also intentionally excluded experts with 'strong ideological inclination' (in other words, feminists) when it appointed members of the Central Childcare Policy Review Committee, an advisory board to the government on issues relating to childcare. The confrontational relationship between the conservative government and progressive women's associations could be also seen in the introduction of the at-home-care allowances, a policy which was fiercely opposed by feminists due to its possible work-disincentives for mothers. Hence, the women's movement cannot be considered a source of reform impetus during the conservative government. Taking all these findings

[19] As one can see from the 2001 care leave expansion, the most comprehensive reform in the domain of work/family reconciliation policy during the first centre-left government, it was the strong support of the incumbent party which enabled the reform, in the face of strong resistance from employers and economic ministries.

into account, it is safe to argue that societal actors remained 'low-profile' in the reforms of work/family reconciliation policy (interview nos. 5; 50; 51).

6.4.2. Power Shift in the Government-Party Relations

As societal actors turned out to remain low-profile in the reform processes, the following section turns to government ministries as the possible driving force of the reforms. As seen in the previous section, no government ministry other than the Ministry of Gender Equality had keen interests in the reforms in the first place. Driven by the ideology of gender equality and, more importantly, by organisational interests, the Ministry promoted the expansion of work/family reconciliation policy – particularly regarding childcare. The transfer of childcare policy to the Ministry of Gender Equality from the Ministry of Health and Welfare during the Roh Moo-Hyun government opened a new chapter of childcare policy in Korea, as the middle-class became the beneficiaries of tax-based childcare benefits for the first time. Was it the Ministry, then, which drove the reform during the Roh Moo-Hyun government?

Considering that the Ministry of Gender Equality was given an ample opportunity to manoeuvre childcare expansion with the transfer of the policy authority, it is easy to think that the Ministry was the driving force of the reforms. Besides, the government approach to childcare also shifted towards public childcare with universal access, which was promoted by the Ministry. In this light, it is quite plausible that the Ministry steered the childcare reform in accordance with its ideology of gender equality. Put differently, the childcare reform of the Roh Moo-Hyun government seems like a case supporting the 'femocrats' thesis, which ascribes the advancement of gender equality through policy reform to female bureaucrats (Yeatman, 1990, Eisenstein, 1995). Given that high-level bureaucrats in charge of childcare policy were mostly women, and

the bureaucrats of the Ministry I interviewed claimed that they pursued the childcare reform from the perspective of gender equality, it is tempting to underscore female bureaucrats of the Ministry as the driver of the reform. However, such an argument is refuted by the fact that the Ministry was 'powerless' to spearhead any significant policy reform (Won, 2007, Won and Pascall, 2004). Empirical evidence that I obtained from interviews also confirms that the power of the Ministry alone would not have been strong enough to secure historically large budgets for childcare expansion against the opposition of the Bureau of Planning and Budget, when there was no broad support across government ministries.

Furthermore, for care leave and workplace nursery schemes, it is unlikely that the Ministry drove the reform of these schemes since the Ministry was not in charge of either. Recall that the Ministry of Labour, which was in charge of these domains, was reluctant to promote the reform because it had internal division over the financing methods of the reform. The fact that the Ministry of Labour was not entirely willing to pursue the reform indicates that the reform impetus did not come from government ministries but from elsewhere (interview nos. 10; 44; 46).

Expanding the scope beyond the government ministries, we find that parties played a proactive role in the reform processes. First, parties provided political saliency to work/family reconciliation agenda by bringing it to centre stage of electoral campaigns. As demonstrated earlier in the chapter, main parties set the reform in motion by making bold election pledges on the expansion of work/family reconciliation policy. According to their representatives, the parties were clearly aware that they – or their policies – had to "compete" with one another; while the conservatives endeavoured to catch up with the progressives, the centre-left party made every effort to outbid its competitor. In the run-up to the 2002 election, the conservative party – mindful of the

centre-left party's progressive platform on work/family reconciliation policy – turned away from its previous "housewife-friendly" platform and pledged the expansion of policy. This, in turn, created pressure on the centre-left party to promise even greater expansion in order to maintain its lead in the work/family reconciliation debate. For the 2007 presidential election campaign, the conservatives made an ambitious pledge of comprehensive reform that could appeal to all voters – the progressive, centrist, undecided and conservative. The conservatives' pursuit of catch-all-party strategy on work/family reconciliation policy resulted in an even greater reform (interview nos. 46; 44; 47).

In addition to providing political salience to the issue, parties also created favourable policy-making environment for the reforms. To implement their election pledges, parties seized the window of opportunity opened by demographic changes – notably fertility decline and population ageing – and successfully brought the issue of work/family reconciliation high up on the government agenda. During the time of the Roh government, fertility decline was dubbed as a major crisis, similar to the Japanese "1.5 low fertility shock" of 1989 (Estévez-Abe, 2008: 225). It should be noted that, despite reaching the record low rate of 1.18 in 2003, fertility decline was not a new social trend at all. In fact, academics and welfare bureaucrats had been pointing it out since the time of the Kim Dae-Jung government. It was only during the Roh government period that the fertility decline was branded as crisis with a heightened sense of urgency. Based upon the fact that each woman was having only 1.18 children during her child-bearing years, much below the replacement level of 2.1, it was underscored that fertility decline would not only cause labour shortage but also worsen the dependency ratio. These negative implications of fertility decline for economic growth was highly emphasised during the Roh government as well as the Lee

government. As the discourse of "low-fertility crisis" turned out to be an effective means to gain public support, the expansion of work/family reconciliation policy was promoted as pro-natal policy strategy. Since work/family conflict was pointed out as one of the core causes of fertility decline, work/life reconciliation policies – especially regarding childcare – received broad political support as pro-natal measures. Even feminists partially adopted the discourse of the low-fertility crisis and used pro-natalist appeal to broaden the public support for the expansion of work/family reconciliation policy (interview nos. 11; 44; 47; 51).

Furthermore, incumbent parties restructured the bureaucracy to implement the reforms. After the progressives came into power in 2002, reform-minded legislators, pro-welfare academics, and leaders of progressive women's groups were appointed to cabinet positions such as the Prime Minister, the Secretary of Social Policy, and the Minister of Gender Equality. Presidential Committee on Low-Fertility and Ageing Society was established in 2005 to set an overall policy framework to raise fertility. The Secretary of Social Policy Yong-Ik Kim, an advocate of a generous welfare state, became the first chair of the Committee. The childcare policy was transferred from the Ministry of Health and Welfare to the Ministry of Gender Equality, as the left party regarded the latter a better apparatus to promote childcare reform in line with its platform. In a similar vein, there was a reshuffling of bureaucracy when the conservative party won the presidential election of 2008. Once again, childcare policy was placed back under the Ministry of Health and Welfare. Jae-Hee Chun, senior member of the party and champion of work/family reconciliation reform, was appointed to the Minister of Health and Welfare. The National Childcare Strategy was revised in accordance with the conservatives' platform. As the conservative government wanted to differentiate its childcare policy from its predecessor's, the Strategy was revised in order

to incorporate ‘pragmatic’ and ‘child-wellbeing-centred’ elements, and the public childcare strategy was eliminated. Childcare benefits were restructured by replacing universal childcare benefits with means-tested benefits to exclude families who were well-off. The reformed childcare benefits subsidised from 15 to 100 per cent of total childcare costs to every child under age five for low- and middle-income families. At-home-care allowances were adopted in the Strategy. After the revision, the budget needed for the Strategy almost doubled from 6 to 11.7 trillion won (Ministry for Health Welfare and Family Affairs, 2009) (interview nos. 5; 7; 8; 44; 46; 49).

Parties also played a critical role in materialising the reforms by securing necessary budgets. During the Roh government, aware of their weak policy influence, bureaucrats at the Ministry of Gender Equality asked the incumbent party to fight for the childcare budget against the Bureau of Planning and Budget. According to representatives of the left party, the leadership of the party strongly pushed the Bureau not to reduce the proposed childcare budget at incumbent party-government meetings (*dang-jung hoe-ui*), wherein leadership of the party met with high-level bureaucrats to make decisions on high priority agendas. During the Lee government, the conservatives exerted great pressure and secured the budgets required for childcare expansion against the stiff opposition of the Ministry of Strategy and Finance, which was determined to cut escalated childcare budgets and also the ruling party (interview nos. 5; 7; 8; 49).

The shifting dynamics between bureaucrats and parties became even more evident when the reforms of care leave and workplace nurseries were examined. Recall that the Ministry of Labour did not actively champion the reforms. The financing mechanism of reform proposals (either using the Employment Insurance Fund or imposing the costs on employers) made many labour bureaucrats reluctant to push the reform because of its financial impact on the Employment Insurance Fund and

businesses. Facing the reluctance of Labour Ministry, the centre-left party bypassed bureaucratic apathy by spearheading reforms through the legislature: parties submitted a number of bills for care leave and workplace nursery expansion to the National Assembly. In fact, parties have become proactive in legislative matters in the aftermath of democratic transition. Among the bills, either presented to or passed by the National Assembly, the ones submitted by parties began to outnumber the ones submitted by government ministries in the 2000s (National Assembly, 2012). This clearly demonstrates that parties evolved from being a mere 'rubber stamp' of the government proposals and became a key actor in policy-making (interview nos. 6; 26).

The finding that the reforms were driven by parties poses a great challenge to the conventional understanding of the policy process in East Asia, where the policy deliberations are dominated by the executive branch and the legislative branch is typically reduced to giving formal approval to government bills (Chan, 2000, Mo, 2001, Jaung, 2000, Haggard, 1990). In particular, it has been argued that bureaucrats are insulated from other actors such as political parties and other societal groups (Amsden, 1989, Johnson, 1982, Wade, 1990, Woo-Cumings, 1999). Furthermore, much of the literature insists that parties are unable to play an important role in the policy-making process as their election campaigns are centred on personality rather than policy issues (Kim, 2008a, Yang, 2008, Shin, 1999). Contrary to the bureaucrat-led policy development model, the reforms of work/family reconciliation policy show that political parties were in the 'driving seat' and steered policy expansion against the resistance of government ministries, especially economic bureaucrats. Thus, political parties not only pushed reform initiatives in the first place, but also added enough reform impetus to disrupt the status quo within government ministries, which was an impediment to the reforms. To engineer the reforms in line with their platforms, parties restructured

government ministries and transferred policy domains from one ministry to another. These findings not only refute the conventional wisdom of bureaucrat-led policy-making in East Asia, but also challenge the claim that bureaucrats are free from political interference. What is worth noting here is that scholars who argue that party politics is largely irrelevant to the policy process in Korea do not normally expand the scope of their empirical analysis beyond the first centre-left government (1998-2003). In the last two governments, we have been observing the emergence of parties as a critical political driver in the reforms of work/family reconciliation policy. But what has enabled parties to take on this new central role in the reforms?

6.4.3. The Generational Change of the Korean Electorate and Increasing Importance of Policy Issues in Electoral Competition

The conventional wisdom that Korean parties play a marginal role in policy-making holds during the authoritarian era when the Office of President and bureaucrats had strong control over the policy process. In the realm of social policy-making, policy ideas were developed by a narrow range of policy expert groups – notably government think-tanks (e.g., the Korea Development Institute, the Korea Labour Institute, and the Korea Institute of Health and Social Affairs) and government advisory committees (e.g., the Committee for Social Security) – under the direction of the Office of President and ministries. Parties were not policy-oriented as the authoritarianism-democracy divide and regionalism were at the centre of electoral competition (Chan, 2000, Park, 1988). The irrelevance of parties' policy stance to electoral competition persisted for some time after the democratic breakthrough of 1987, when regionalism became the most critical determinant of electoral behaviour in the absence of the authoritarianism-democracy divide (Mo, 1996, 2001, Heo and Stockton, 2005, Kim, 2011). In the 1990s, main

political parties were identified with the three long-standing politicians (Kim Young-Sam, Kim Dae-Jung, and Kim Jong-Pil) giving the period the name 'three Kim era' (Im, 2004). Each politician could draw loyal support from his region. For this reason, parties were incentivised to exploit this regional patronage for voter mobilisation. As a result, charismatic leadership of party leaders often featured more prominently in electoral campaigns than policy specific issues.

From the 2002 presidential election, however, policy issues moved up to centre stage for electoral competition since the prominence of regionalism began to dwindle. In comparison to his predecessor Kim Dae-Jung, who received 93 per cent of support from the centre-left party's regional base Cholla province, Roh Moo-Hyun only gained 52 per cent (Kim, 2011: 102; 125). A similar decline of regional support for the conservative Grand National Party is also observed; Lee Hoe-Chang received 59 per cent support from the conservative stronghold Kyoung-Sang province in 1998, while receiving only 38 per cent in 2002 (Ibid.: 102; 125). Kim and others (2008) ascribe the decline of regionalism to a generational change of the electorate: younger voters are far less likely to be affected by personality but by policy issues. B.-K. Kim (2008a) also underscores an emerging electoral cleavage between the 5060 Generation (people in their fifties and above) and the so-called 386 Generation (those in their thirties) for the 2002 presidential election (Kim, 2008a) [20]; whereas the former demonstrated conservative leaning, the latter were progressive leaning. Furthermore, the progressively-oriented young generations became critical in elections, as it constituted the single largest age-cohort of the electorate by 2002 (Ibid: 173).

[20] The name "386 Generation" came from their age (30-39 years old), their decade of college en trance (1980s), and their decade of birth (1960s), as of December 2002 when Roh Moo-Hyun w on the presidential election with a massive support of young voters.

Against this background, parties – the centre-left party, in particular – began to put more emphasis on policy issues for the 2002 presidential election campaign. With the nomination of Roh Moo-Hyun as its presidential candidate, the party faced a greater need to consolidate support from progressive voters to win the election. Unlike his predecessor Kim Dae-Jung, Roh Moo-Hyun did not have strong regional support, which had been regarded as the most critical element in Korean electoral politics (Mo, 1996, 2001). As a man who was born and established his political career in the Kyongsang province, the stronghold of the conservative party, his tie to the Cholla province, the stronghold of the centre-left party, was rather weak. Rather, as a young politician with a reformist image (which he had earned as a human rights lawyer and legislator), his political strength lay in strong support he drew from the 386 generation. This is the age cohort that attended college when the student democratisation movement was at its peak. Hence, a substantial proportion of the 386 Generation was exposed to progressive ideology, which was deeply associated with the democratisation movement during authoritarian regimes. For this reason, consolidating support from progressive younger voters became an indispensible part of the centre-left party's campaign strategy for the 2002 presidential election.

Against this background, the work/family reconciliation policy appeared instrumental to attract young voters. Social policy had already been well established as a winning platform in the democratic era (Wong, 2004b, Peng and Wong, 2010). This time around, work/family reconciliation policy was chosen among social policy domains as a 'showcase' to demonstrate the party's commitment to social policy expansion, since it was in its early stages of development compared to 'traditional' social policies (such as pension and health insurances and public assistance schemes). Thus, the work/family reconciliation policy was considered to have more scope for

expansion than traditional social policies, which had already experienced comprehensive reforms in the time of his predecessor (Advisory Board to President on Growing Inequality and Bureau of Planning and Budget, 2007: 7)[21]. More importantly, the party considered the work/family reconciliation policy as a domain in which it could demonstrate its progressive orientation to young voters. Representatives of the party confirmed that the party recruited pro-welfare academics to develop progressive election pledges on social policy. Coinciding with the generational change of the electorate, public support for work/family reconciliation policy significantly increased in the early 2000s. The majority of the public supported the dual earner model of family and childcare benefits: 70 per cent of respondents agreed to the statement that both men and women have to contribute to household income and 79 per cent agreed to the statement that families should receive financial benefits for childcare when both parents work (Korean General Social Survey, 2003) (interview nos. 46; 47).

In this light, it is argued that the centre-left party strategically used work/family reconciliation policies to consolidate its electoral appeal among progressive voters; and in this context, the party's presidential candidate Roh commissioned his campaign team to develop a progressive party platform on work/family reconciliation policy and the promotion of female labour market participation. Hence, the expansion of work/family reconciliation policy became a major election pledge of the centre-left party, and the reform of childcare and care leave schemes became a core component of the election manifesto (interview nos. 46; 47).

[21] The centre-left party used the term "social services" instead of work/family reconciliation policy, referring to care-giving for children, the elderly, and the sick, which largely overlaps with the scope of work/family reconciliation policy. The social service sector, according to the party and the second-left government, was regarded as a new engine of economic growth with great potential to create jobs for women (especially those who with an interrupted career). Thus one can say that the thrust of the social services drive of the second-left government was to expand work/family reconciliation policy and promote female employment. For more on the Roh Moo-Hyun government's drive on social services and rationales, see National Advisory Council of Economy (2007) *New Vision and Strategy for Mutual Growth (in Korean)*, Seoul..

After coming into office, the centre-left party had to rely even more on the support of progressive voters, as it experienced political instability both inside and outside of the party. Differing from his predecessor, who established an unchallengeable leadership position in the party based upon unwavering support base that he secured through his three decades of democratic struggle, President Roh did not manage to gain a tight control of party. Having been divided by intra-party factions, the party eventually split into two when the President and reformists within the party created a splinter, the Open Uri party. Furthermore, President Roh was impeached by the conservative Grand National Party and the centre-left Democratic Party, which had been his own party before the split. Aware of his strength (that is, his popularity among progressive voters) and his weakness (that is, lacking strong regional support), the ruling Open Uri party resorted to a wide range of 'popular' policies targeting progressive voters. A case in point is the expansion of work/family reconciliation policy and the creation of the so-called 'wealth tax'. In the face of political challenges, thus, the incumbent party showed increasing reliance upon popular policies to maintain political support (interview nos. 44; 46; 43).

As for the conservative party, their first electoral defeat of 1997 brought the party to the painful realisation that the lack of reformist appeal was a main cause of the defeat (Kim, 2008a). When preparing for the 2002 presidential election, therefore, the party had to move leftward to win back centrists and undecided voters. Moreover, after five years of the centre-left government, which reformed the Korean political economy and society in a profound manner, a shift in the centre-right direction was inevitable to win the election (ibid.). In particular, the advancement made in social policy and gender equality during the first centre-left government was something the conservatives could not turn a blind eye to. The fact that the work/family reconciliation policy reform,

though modest, during the first centre-left government was well received by the public incentivised the conservative party to turn away from its traditional platform. Long-standing doctrines of social policy, especially those of work/family reconciliation policy, were called into question. The "housewife-friendly policy", a corner stone of conservative party ideology in the late 1990s, disappeared from the party's manifesto. Instead, for the 2002 presidential election campaign, the party promised expansion of childcare and care leave schemes.

This modernisation of the party platform was even furthered when the conservative lost the presidential election in 2002 for the second time. If the first election defeat taught the party the importance of 'reformist appeal', the second defeat opened up their eyes to the critical importance of younger voters. The conservative party in the past gave relatively less weight to young voters, compared to its support base, that is, the residents of the Kyongsang province and the generation over the age of 50 (Kim, 2008a). In the aftermath of the 2002 presidential election, however, the party seriously endeavoured to broaden its electoral appeal to younger voters, whose support were now deemed imperative for electoral success. Work/family reconciliation policy, in particular childcare, was identified as a critical policy domain to attract younger voters whose support for the conservative party had traditionally been weak. Jae-Hee Chun, the chairman of the party's Policy Committee, was appointed as the head of the division two of the campaign team, which dealt with social affairs for the 2007 presidential election campaign. She had a long record of advocating work/family reconciliation policy expansion since the first centre-left government[22]. For the drawing up of the conservative's 2007 election manifesto, she stressed the significance of

[22] She proposed a bill on care leave reform in 2001 in which the National Health Insurance was to finance the additional one month maternity leave benefits.

work/family reconciliation policy, urging the party to make bold election pledges in this policy domain. Accordingly, the party pledged childcare reform with a historically large budget of 3 trillion won at a time when the party decided to make ‘efficiency savings’ (in other words, budget cuts) worth 20 trillion won a central election pledge. In addition, the party endeavoured to consolidate its electoral appeal to centrist and undecided voters as well as conservative voters. Having been in opposition for a decade, the conservative party was compelled to deploy a catch-all-party strategy in order to deter the progressive from winning the support of centrist and undecided voters, while maintaining its traditional support base. A case in point was the at-home-care allowances, which were introduced as a flagship election pledge in an attempt to recalibrate the ideological underpinning of work/family reconciliation policy from ‘feminism’ to ‘pragmatism’. The conservatives anticipated that the allowances would appeal to both their traditional supporters (especially, female homemakers and their ‘bread-winning’ husbands) and non-traditional supporters (especially working mothers who would like to seek for alternative to childcare centres). Using the expression of a party policy expert, the conservatives took “the third way” on work/family reconciliation policy in pursuit of broad electoral gains (interview nos. 7; 9).

6.5. Conclusion

The reforms of work/family reconciliation policy during the time of the Roh and the Lee Myung-Bak governments came as a surprise from the perspective of East Asian welfare model. First and foremost, the reforms signal a clear break away from the developmental welfare state. In terms of financing methods, the financial conservatism was undermined by the general-tax-based financing method of reforms. From the expansion of care leave schemes to that of childcare, the reforms entailed greater

financial commitment of the state. The childcare reforms such as the public childcare drive and the expansion of childcare benefits in particular were entirely financed by general tax revenues, demonstrating that the state began to play the role of the provider. In terms of the scope of social protection, the reforms brought the non-productive population (i.e., women and children) within that scope. Moreover, the reform signals that the gender basis of the Korean welfare state is changing. The reforms have been shifting the gender basis of the Korean welfare state from the male-breadwinner model, which is embedded in the East Asian welfare model, to the dual-earner model.

By analysing the political underpinnings of the reforms, the chapter has shown that unlikely reforms can be ascribed to new dynamics of policy-making, in which parties play a critical role. In contrast to the low-profile role that organised labour and organised business played, parties now feature most prominently in the reform processes. Parties set the reforms in motion by making election pledges on the expansion of work/family reconciliation policy. Furthermore, parties even changed the government ministry in charge of childcare in order to engineer childcare reforms consistently with their platforms. Contrary to the conventional view on government-parties relations in which parties simply approve of government bills in the legislature, incumbent parties during the Roh and Lee governments had an upper hand over the government ministries in the reform process. The fact that the source of reform impetus shifted from the government to parties indicates that parties became a key actor of social and labour market policy-making a decade and a half after the democratic transition. It should be noted that the generational change of the electorate incentivised parties to be more policy-oriented in election campaigns. Specifically, the increasing importance of young voters and demographic trends moved the work/family reconciliation policy to centre stage of electoral competition. In short, the reforms of work/family reconciliation

policy were driven by parties. The emergence of parties as the political driver of the reforms denotes the third transformation of the Korean welfare politics.

7. Conclusion: the New Politics of Korean Welfare State

In the preceding chapters, the thesis has shown that the Korean welfare state has undergone fundamental changes since the early 1990s, which denote its departure from the developmental model in the following three ways. First, the high level of employment protection, which restricted the discretionary power of business to adjust human resources operation in accordance with business cycle, was dismantled. Beginning with the introduction of working-time account, which allowed the management more leeway for flexible operation of production lines without paying overtime allowances, measures to increase the flexibility of the labour market were institutionalised. In particular, institutionalisation of layoffs and temporary agency work was a formidable destabilisation force to the full employment model upon which the developmental welfare state was built because the model was underpinned by high level of economic growth and employment protection. Second, in marked contrast to the erosion of employment protection, unemployment protection, which was argued as the least likely social policy one would find in the developmental welfare state (Kwon, 2009, Holliday, 2005), was institutionalised and universalised. Whereas the unemployment insurance scheme provided social protection for the labour force not only for those in standard employment but also for those in non-standard employment, non-contributory programmes of unemployment protection, mostly in the form of public assistance schemes, provided social protection for precarious workers who could not be covered by the contributory unemployment insurance scheme. Third, work/family reconciliation policy became a central domain of welfare reforms in the aftermath of the grand reform in employment protection and unemployment protection policies in the late 1990s, transforming the old pattern of labour market participation based on the male-breadwinner model. Attempts were made to increase the number of childcare

facilities through both the private and the public sectors. Simultaneously, care leave schemes and tax-funded childcare benefits were expanded; the latter especially reached the middle-class families, who had been excluded from all kinds of tax-funded welfare benefits in the past, for the first time. So what are the theoretical implications of the welfare reforms for the study of East Asian welfare states? Why do the three characteristics mentioned above qualify the departure of the Korean welfare state from the developmental welfare state trajectory?

7.1. East Asian Exceptionalism Challenged

Welfare capitalism in East Asia is commonly characterised in mainstream literature to be unique for having a low level of social expenditure in comparison to other industrialised countries of the world (notably, Western Europe and North America). There exist various theories explaining this East Asian exceptionalism, which largely draw on experiences of welfare states in northeast Asia (notably, Japan, Korea, and Taiwan). From the productivist perspective, the residual welfare states in East Asia can be explained by the leading role of strong interventionist government in establishing the welfare states in the region. The government was only willing to offer social protection for the core workers (i.e., workers of large firms and in the public sector), whose cooperation to the regime was critical to the economic growth and thus the regime's political survival (Kwon, 1997, Haggard and Kaufman, 2008, Holliday and Wilding, 2003). From the class-based approach, the residual welfare states in the region can be explained by the weak power of the working class. The prospect of a generous welfare state was thwarted by political repression and exclusion of the labour movement and the political left (Deyo, 1989, Pempel and Tsunekawa, 1979). From the culturist point of view, the low public outlays on welfare programmes in East Asia are due to the heritage

of Confucianism, which assigns the family and society the primary responsibility for welfare provision (Jones, 1993, Walker and Wong, 2005a). All three accounts underline the marginal role of the state in welfare provision, which was referred to fiscal conservatism (Yang, 2008) or the reluctance of the state to play the role of the provider (Kwon, 1997).

Drawing on the findings from the Korean welfare state reforms, however, the thesis suggests that East Asian Exceptionalismis under severe challenge. First of all, we observe that the basis of the traditional residual model of welfare state in the region was severely undermined. The labour market liberalisation of 1998 effectively dismantled the welfare through employment model (Yang, 2008), through which Korea was able to successfully reduce poverty with relatively low level of social expenditures by keeping people in the labour market. In spite of the residual welfare state, people were able to keep themselves afloat because the Korean economy could maintain full employment for some time. Thanks to the virtuous combination of continuous economic growth and the government enforcement of high level of employment protection, the welfare through employment model was sustainable. In this context, discarding the high level of employment protection regime means that the foundations that supported the traditional model of Korean welfare capitalism collapsed.

Simultaneously, the selective scope of social protection became more inclusive. The coverage of social protection, which was previously limited to the core workers, was expanded beyond the boundary defined by the developmental welfare state. The unemployment protection, which had been previously provided to the core workers in the format of social insurance, now also covered non-core workers. What is more striking is that a series of non-contributory schemes of unemployment protection were institutionalised to provide social protection for precarious workers, who would

otherwise have fallen out of the safety net due to the insufficient contribution records. Such a trend is documented by a number of scholars and referred to as ‘the inclusive social insurance model (Peng and Wong, 2010)’, ‘the inclusive developmental welfare state (Kwon, 2005a), or ‘the inclusive productivist model (Holliday, 2000)’.

Furthermore, the expansion of social protection is reshaping the gender aspect of the welfare states in the region. With the work/family reconciliation policy reform, women, who were not traditionally seen as part of productive population, became the beneficiaries of the welfare state. This is to say that the work/family reconciliation policy reform is altering the traditional division of labour – men engaging in the labour market and women in unpaid caretaking work – upon which the developmental welfare state was built. With increasing commitments to socialisation of care, the Korean welfare state made a departure from the male breadwinner model towards the adult worker model of the family.

Last but not least, the transformation to the inclusive welfare state is accompanied by the change in the method of financing. As the beneficiaries of the welfare state expanded from the traditionally productive population (i.e., workers of the large firms and the public sector who were typically male and in standard employment) to traditionally less- or non-productive populations (i.e., workers of small firms, atypical workers, and women), the role of state shifted from a ‘regulator’ to ‘provider’. The institutionalisation and expansion of general tax-financed unemployment protection programmes and childcare benefits signify enlargement of the state commitment in the finance of the welfare state. Consequently, the centrality of fiscal conservatism has begun to diminish, as the use of general-tax-financed programmes has become an important financing method of welfare reforms. This has greatly contributed to the transformation of the Korean welfare state from a selective one into an inclusive one.

These changes denote that the Korean welfare state moved beyond the East Asian Exceptionalism thesis as the claimed unique properties of the East Asian welfare model have been severely undermined. The question arises, then, what has made the Korean welfare state move away from the developmental variant? I now turn to the findings of the empirical investigation of the thesis to answer this question.

7.2. The Transformation of Korean Welfare Politics

The thesis notes that it was the fundamental political changes which were overlooked in the existing literature that underlie the true scale of transformation of the Korean welfare state. While the origin of the Korean welfare state is rooted in the authoritarian era when the state had dominance over the society and businesses, its transformation has taken place in the aftermath of dual transition in the Korean political economy. Not only did democratic transition since the late 1980s empower the society vis-à-vis the state, but the economic liberalisation since the early 1990s also enhanced the autonomy of businesses. Following the line of inquiry of how welfare politics has changed after the dual transition in Korea, the thesis found that it has transformed through three distinctive stages.

The First Transformation of the Korean Welfare Politics

The first transformation took place during the Kim Young-Sam government as the old politics of the developmental state, in which the developmental alliance between bureaucrats and businesses dominated the policy-process, became ineffective. The developmental alliance failed to fully materialise its most pressing reform agenda – labour market liberalisation – in the face of the opposition from organised labour. In other words, it signifies the rise of organised labour to a veto player. Unemployment

protection policy, meanwhile, was institutionalised by the introduction of unemployment insurance. The Ministry of Labour championed the introduction of the programme in pursuit of its organisational interest (notably, expansion of the Ministry), but had to design the programme in line with the 'developmental characteristics' to make it palatable to economic bureaucrats, who had considerable policy influence. Employers' associations and trade unions only half-heartedly supported the introduction of the unemployment insurance programme for different reasons; employers gave their strategic consent in anticipation that the introduction of the programme would facilitate labour market liberalisation. Meanwhile, trade unions did not strongly advocate the introduction of the unemployment insurance programme (let alone the universalisation of the programme) as they prioritised material gains at the company level, such as wage hikes, over public social policy gains at that time.

The Second Transformation of the Korean Welfare Politics

The politics of the Korean welfare state underwent a second transformation during this period as the driving force of labour market policy development completely changed. With the election of the left government, the developmental alliance completely collapsed as the incumbent centre-left party established a reform alliance with organised labour while maintained an arm's length relation with organised business. Trade unions became a champion of universal social policy and thus pushed the expansion of unemployment protection beyond what labour bureaucrats and the centre-left party wanted. They achieved universalisation of unemployment protection as the influence of their policy increased even more during the first left government by virtue of being in the reform alliance with the governing party. In contrast, the policy influence of organised business and economic ministries significantly decreased during the time of

the government as the ruling party distanced itself from them. The decrease in their policy influence contributed to the drastic expansion of unemployment protection. That is to say that the policy autonomy of government bureaucrats, who had been considered as the political driver of social policy development, was significantly constrained by the establishment of the alliance between organised labour and the centre-left party. Equally important, the chapter finds that an ideological cleavage between party platforms on social policies began to emerge as the incumbent centre-left party explicitly put forward the expansion of the welfare state while the conservative party did not do so.

The Third Transformation of Korean Welfare Politics

Investigating the political underpinnings of labour market reforms during the Roh Moo-Hyun and Lee Myung-Bak governments, the thesis found, yet again, new traits of the politics of the Korean welfare state. Work/family reconciliation policy became a major domain of labour market reforms as developments of policies in the domains of employment protection and unemployment protection came to a standstill. The chapter argues that the politics of the Korean welfare state underwent its third transformation during the two governments as work/family reconciliation policy expanded in an unprecedented manner, driven by parties. The policy was first championed by the centre-left party in order to consolidate the support from young progressive voters, whose strong support won the party the 2002 presidential election. Realising the significant importance of young voters to regain power, the conservative party pledged a profound expansion of the policy in the 2007 presidential election. The significant expansion of tax-based childcare benefits, which is unlikely to happen according to the developmental welfare state thesis, can be attributed to the emergence of the new politics of the Korean welfare state, in which parties became a driver of policy

development. The central role of partisan politics in the development of work/family reconciliation policy demonstrates that parties have moved to the centre stage of social policy-making. Having gone through the three stages of transformation, Korean welfare politics have begun a process of normalisation. As societal actors (notably, social partners and political parties) have started to play a critical role in the process of welfare reforms in Korea, the East Asian welfare Exceptionalism thesis has little explanatory power in analysing social policy-making. In contrast, the thesis has shown that the Korean welfare politics can be analysed by the political theories of the welfare state which have been widely applied to the study of welfare states in Europe.

7.3. Towards Better Embedding of the Study of Korean Welfare State into the Comparative Welfare State Research

What, then, can the transformation of the Korean welfare state tell us about the theories concerning the actors of the welfare state?

The State-centred Approach

First, the state-centred approach, which emphasises the role of bureaucrats in the transformation of the welfare state, was scrutinised. The statist perspective suggests that the bureaucrats led the transformation of the welfare state. To begin with, it is erroneous to claim that transformation of the welfare state was spearheaded by bureaucrats with their considerable autonomy. In spite of the consensus within the government for labour market liberalisation, the Kim Young-Sam government could not achieve it. It only came to fruition at a later point when political realignment took place. Thus, the failed attempt of the labour market liberalisation during the Kim Young-Sam government essentially demonstrates the diminishing policy autonomy of bureaucrats. Furthermore,

the argument that bureaucrats changed their policy preferences and pursued the expansion of the welfare state is not soundly rooted in empirical evidence. This line of argument suggests that bureaucrats adjusted their policy preferences accordingly in order to continue pursuing the imperative of economic growth in a changing environment. However, my empirical investigation found that there was no change in policy preferences of bureaucrats. This confusion relating to policy preferences of bureaucrats comes from the problematic treatment of bureaucrats as one homogenous agent. The thesis found the differing interests within the government. While economic ministries consistently argued for the residual welfare state, social ministries promoted the generous welfare state, as it was seen in the case of the Ministry of Labour supporting unemployment insurance and the Ministry of Gender Equality promoting public childcare. In light of the rational actor theory, it can be understood that diverse preferences within the government are derived from different organisational interests among different ministries. If the government does not have a homogenous preference, it becomes critical to understand how different interests within the government were mediated and how the power shift within the government ministries affects the mediation. More importantly, the statist approach cannot provide a full account on reforms in which the government did not take initiative. Cases in point are the expansion of unemployment protection policy and the work/family reconciliation policy. If the proposition that the government is a homogenous and dominant agent of the welfare state does not hold true, then there is a case for broadening the scope of investigation.

The Power Resources Perspective

Overall, the Power Resources theorem is proven valid in explaining the transformation of the Korean welfare state. The thesis findings challenge the conventional wisdom that organised labour does not play a critical role in the development of the Korean welfare state. The opponents of the Power Resources approach tend to base their argument on one of the following points. First, organised labour is weak and is not properly incorporated in policy-making processes in Korea. Second, Korean organised labour is incorporated in policy-making processes but it does not promote the welfare state. Refuting the first argument is straightforward. The remarkable wage increases would not have been possible if the power of organised labour was weak. The empirical investigation of the thesis also indicates that organised labour was powerful enough to postpone the implementation of layoffs in the Kim Young-Sam government. Owing to its sheer organisational power demonstrated by the General Strike, organised labour was well incorporated in the labour market policy-making in the Kim Dae-Jung government. Subsequently, trade unions were able to realise most of their demands with reference to labour market reforms during the Kim Dae-Jung government.

The second argument, the thesis found, is only valid until the end of the Kim Young-Sam government. The opponents of the Power Resources approach argue that labour peak associations failed to promote class solidarity (Kim and Lim, 2000). They point out that unions sometimes opposed inclusion of unorganised workforce in social insurance schemes (e.g., the self-employed). Often, strong enterprise unionism is held responsible for this selfish behaviour of Korean trade unions. Yang argues that the weak disciplining power of labour federations over their member unions at the company level, which was the product of political repression of the labour movement during the authoritarian era, prevented the Korean labour movement from developing a keen

interest in the class-wide issues such as the welfare state. Nevertheless, what is neglected in this line of argument is that changes of priority have occurred within organised labour since the recession of 1997. It is true that it took organised labour some time to prioritise the welfare state over material gains at the company level. However, overlooking the important shift of its preference would lead to discounting its role in its contribution to the expansion of the welfare state. It should be taken into account that organised labour had a turning point and revised its strategy in the wake of the recession of 1997-8 when it saw a serious threat arising to undermine its traditional support base. As the size of its core members (that is, the insiders of the labour market) shrank, organised labour found itself in ever greater need of broadening its support base towards the part of the labour force, which had not been central to the labour movement in the past. In an effort to broaden its support base, Korean trade unions did shift their priority from pursuing the interest of the insiders to incorporating that of the outsiders of the labour market. Promoting social protection for the outsiders of the labour market was a critical element of this new agenda. This is to say that Korean organised labour has become the champion of an inclusive welfare state.

The essence of my argument presented above is that trade unions became the champion of the welfare state. Here, a note of caution should be attached. It should be made clear that it is not my argument that Korean trade unions became the champion of the universal welfare state. The line of argument put forward by the opponents of the Power Resources approach tends to emphasise the point that Korean trade unions did not consistently promote the universal welfare state. However, equating the welfare state to the universal welfare state is hard to justify. In other advanced economies, trade unions were never the champions of universal welfare state in the first place. As the studies of the origin of universal welfare state in Scandinavian countries show, it was

not trade unions but farmers who promoted the champion of universal welfare state (Esping-Andersen, 1990, Baldwin, 1990). To be precise, therefore, it should be mentioned that it was the alliance between organised labour and organised farmers in Nordic countries (such as the Red-Green alliance in Sweden) that pursued the universal welfare state.

The Employer-centred Approach

The thesis found that employers were not promoters of the welfare state as their first-order preference was no social protection at all. Korean employers neither promoted generous social protection nor defended high employment protection for the sake of skill formation or the retention of skilled workers. On the contrary, not long after the democratic transition, they called for wholesale liberalisation. Even when the risk of unemployment was prevalent, Korean employers did not attempt to sustain the old system of high employment protection. They pressed hard for labour market liberalisation from the onset of the crisis as they sought a way out of the recession through implementing labour shedding strategies. Thus, employers demanded that the government fully implement the IMF's policy descriptions, which were to increase labour market flexibility. Some might argue that the reason why employers strongly put forward labour market liberalisation is because labour shedding was to decide the death and life of business in the severe recession. Others might suggest that employers were forced to reduce the debt-to-equity ratio in a relatively short span of time and that labour shedding was deemed the most viable solution to achieve it. Given that employers put forward the same preferences not only during the recession but also in the period prior to the recession, however, I argue that employers had genuine interest in deregulation of employment protection. In other words, Korean employers never developed an interest

in employment and unemployment protection.

In light of the Varieties of Capitalism theorem, it can be said that Korean employers behaved rather like employers in LMEs. This finding illuminates the nature of state-led coordination in the Korean economy. Scholars contended that the Korean economy could be classified as a CME (Soskice, 1999, Hall and Soskice, 2001a). This contention is based on the assumption that a coordination mechanism was established by autonomous and mutual agreement between capital and labour to secure competitive advantage of the national economy. The alternative explanation I offer here is that the coordination mechanism in Korea was enforced by the interventionist state during the authoritarian era when the government had tools to discipline capital and labour. During the time when business was in the developmental alliance with the state, employers consented to the government's strategy of providing social protection, in which social protection was largely funded by employers, to stay in the alliance. Under the Kim Young-Sam government, when employers achieved substantial autonomy due to economic liberalisation, they consented to the institutionalisation of unemployment insurance, despite their lack of genuine interest in unemployment insurance, on the grounds that it would facilitate labour market liberalisation. When the close alliance between the government and business came to an abrupt end during the Kim Dae-Jung government, employers lost the incentive to endorse the government's cost-shifting of social protection to them. Furthermore, contrary to their behaviour in the previous government, employers exhibited a strong reluctance to bear the financial burden of the unemployment insurance expansion. Since they were no longer in the alliance with government, and they perceived that they did not gain anything from the reform of unemployment protection, employers began to strongly advocate externalising the cost of social protection. Employers' associations seriously demanded that the government

bear costs of the expansion of the welfare state. In the case of work/family reconciliation policy reform of Roh Moo-Hyun and Lee Myung-Bak governments, employers strategically supported expansion of childcare through public means (i.e., general-tax-funded childcare policies and expansion of public childcare facilities). Employers' support for the expansion was essentially cost externalisation strategy to pre-empt demand for policies that employers bear the costs. Taking all these findings together the thesis argues that the Korean case refutes the employer-centred approach, which holds employers as the promoters of the welfare state.

The Parties-matter Thesis

The thesis underlines the increasing importance of the parties' role in social policy-making process, although parties have only recently begun to play a critical role in the process. It has been quite some time since the democratic transition. During the years immediately after the transition, parties remained almost irrelevant to policy-making which is consistent with the mainstream argument that parties do not matter in the policy process in East Asia (Haggard, 1990, Haggard and Kaufman, 2008). Even during the Kim Young-Sam government, it was clearly demonstrated that the bureaucrats had the upper hand in the policy-making; the ruling party simply adopted a rather undemocratic tactic of calling for a vote in the middle of the night, in the absence of the opposition party, in order to pass the government's reform proposal in the National Assembly. Among the various reasons why parties did not have influence over the policy-making, the thesis emphasises the fact that parties were not policy-oriented at that time. Parties did not have articulated positions on social and labour market policies.

However, parties began to matter in the policy-making process under the Kim Dae-Jung government as the incumbent centre-left party took a stance to the welfare

state significantly different from that of its conservative counterpart; the party granted organised labour the universalisation of unemployment protection as concession for its endorsement of labour market liberalisation. Given that the Korean welfare state substantially expanded under the country's first left government is consistent with the parties-matter thesis, which argues that left party incumbency is one of key determinants of welfare expenditures (Esping-Andersen, 1990, Huber and Stephens, 2001a, Castles, 1982). It denotes that a new era began in Korean welfare politics in which the party composition of the government (and the legislature) marked an impact on the development of welfare state, as the parties-matter thesis contends. Moreover, the role of parties in the policy-making process underwent further evolution during the time of the Roh Moo-Hyun and Lee Myung-Bak governments. The analysis of the work/family reconciliation reforms shows that reform impetus came not from bureaucrats or societal actors, but from parties. When in power, parties proactively engineered the reforms using their leverage. Parties changed the ministry in charge of childcare policy, steering childcare reform in accordance with their party platforms. For care leave reforms, parties found a way to bypass bureaucratic apathy through their legislative activities. This finding signifies that the power balance between the government and parties shifted towards the latter as their policy influence grew to the extent where it could constrain the autonomy of bureaucrats. In short, parties became an indispensible actor of the Korean welfare state.

What, then, activated the role of parties in the Korean welfare politics? The thesis highlights the change in parties' election strategies. A number of scholars point out a few factors for parties' inability to take the lead in the policy-making process; among them, the strong presence of regionalism and the personality-centred nature of party politics are given a great deal of attention. As regionalism was the most critical

determinant of election results, parties centred their election strategies around charismatic party leaders who had strong ties to certain regions. Since they had no incentive to develop programmatic manifestos, parties did not have a strong reason to compete on the basis of programmes. Hence, developing policy ideas was left in the hands of bureaucrats. However, the demographic shift in the electorate brought an opportunity for parties to compete on the basis of something other than regionalism. With the younger generations, which had a weak attachment to regions, becoming a larger proportion of the electorate, parties had to devise a strategy to attract their votes. Since parties identified work/family reconciliation policy as a domain that had an instrumental value to broaden their electoral appeal to younger generations, whose critical voting power was proven in Korea's 2002 presidential election, the work/family reconciliation policy gained political salience. One particular fact – being out of power for ten years – galvanised the conservative party to modernise its platform to overcome its weak support among younger generations.

Therefore, the thesis contends that the significance of parties in welfare politics is largely shaped by electoral behaviour and parties' electoral strategies. As long as electoral victory is largely determined by regionalism, parties are incentivised to focus on charismatic party leaders for election campaigns. With the generational change of the electorate, regionalism was no longer considered the most important election-winning factor and parties responded to this change by emphasising policy issues. In light of recent research, which illuminates the diminishing influence of regionalism and the increasing role of policy issues in electoral behaviours, the thesis predicts that parties will consolidate their critical role in social policy-making.

7.4. Towards Building the Theory of New Politics of East Asian Welfare States

This thesis is an attempt to provide a comprehensive account of the welfare reforms in Korea. With the adaptation of a broad scope of research including state actors as well as societal actors such as trade unions, employers' associations, and political parties, the thesis has endeavoured to prove that societal actors matter as much as the state ones in social policy making in post-transition Korea. The findings of empirical investigation of the thesis suggest that Korean welfare politics has transformed into something new in which societal actors play an indispensible role in shaping the development of the welfare state. By bringing trade unions, employers' associations, and political parties into its analysis, the thesis better embeds the East Asian welfare state literature into the comparative welfare state literature. In light of the findings indicating that societal actors are key players of social policy-making in the Korea, the thesis argues that the dominant theories in the field of comparative welfare states can be applied to the Korean welfare state.

The thesis has made a step forward into developing theories of new politics of East Asian welfare states. By no means, however, is the thesis without limitations. First and foremost, the application of the thesis' findings to other countries in East Asia should be made with caution. The thesis contends that Korea is the crucial case among three Northeast Asian countries (Japan, Taiwan, and Korea) and thus expects that at least the findings will provide insights into how welfare politics in East Asia is transformed. Nevertheless, the application of the findings to other countries in East Asia should be made only with the caveat: a crucial case method is not exactly the same as a comparative research method and thus it is possible that the findings have limited applicability to the other countries. By the same token, caution should be exercised in applying the findings to other policy domains. It is possible that strong domain-specific

dynamics can exist in certain policy domains. Besides, the welfare state cannot be relegated to the three policy domains under investigation of the thesis. It should be acknowledged that there is a limit in generalising the findings towards the whole welfare state. In order to facilitate the theory building of new politics in East Asian welfare state, then, a series of research should be conducted to investigate the role of societal actors and state actors not only in other countries in East Asia but also in other policy domains.

Appendix: List of Interviewees

Government

Ministry of Labour

1. Jin, Nyeom

Former Labour Minister 1995-1997,

KPMG Korea, Executive Advisor,

Interviewed August 17, 2009

2. Jung, Byeong-Suk

Former Vice Minister, Ministry of Labour

Interviewed September 24, 2008

3. Lee, Soo-Jong

Director, Ministry of Labour

Interviewed September 26, 2008

4. Yim, Mu-Song

Economic and Social Development Commission, Director General

Delegation to the 1st tripartite commission as a representative of the Ministry of Labour

Interviewed August 3, 2009

Ministry of Health and Welfare

5. Kang, Joon

Deputy Director

Office for Social Welfare Policy

Division of Basic Livelihood Security

Ministry of Health and Welfare

Interviewed September 6, 2010

6. Cho, Choong-Hyun

Deputy Director

Division of Fertility Boosting Policy

Ministry of Health & Welfare

Interviewed September 20, 2010

7. Lee, Bong-Wha

Former Deputy Minister, Ministry of Health and Welfare, March - October 2008

President, Korea Health and Welfare Information Service

Interviewed September 16, 2010

8. Lee, Ki-Il

Former Director, Childcare Policy Division, 2008

Director, Human Resource Development Division

Ministry of Health & Welfare

Interviewed September 20, 2010

9. Woo, Jae-Joon

Former Policy Aide to the Welfare Minister, August 2008 - August 2010

Policy Aide to the Member of the Parliament, Chun, Jae-Hee

The National Assembly

Interviewed September 15, 2010

Ministry of Gender Equality and Family

10. Kim, Sook-Ja

Former Director, Childcare Policy Division, October 2003 – April 2006

Director, Family Policy Division

Ministry of Gender Equality & Family

Interviewed September 17, 2010

11. Bae, Geum-Joo

Former Director, Childcare Policy Division,

Ministry of Gender Equality & Family, January-December, 2008

Director, Division of National Pension Policy,

Ministry of Health & Welfare

Interviewed September 20, 2010

12. Lee, Nam-Hoon

Former Director, Childcare Policy Division

Director, Public Relations Division

Ministry of Gender Equality and Family

Interviewed September 9, 2010

Ministry of Commerce, Industry and Resources

13. Chu, Jun-Seok

Formal Director general, the Ministry of Commerce, Industry and Resources

Bae, Kim and Lee, LLC, Executive Advisor

Interviewed July 24, 2009

Office of the President

14. Kim, Ho-Shik

Former Director of Finance and Economics Secritariat

ShinYoung Co., Ltd. Executive Advisor

Interviewed August 20, 2009

15. Kim, Won-Bae

Former Director of Social Policy Secritariat

Korea Workers' Compensation & Welfare Service, president

Interviewed August 18, 2009

16. Park, Se-Il

Former Secretary of Social Welfare 1995-1997

Hansun Foundation, President,

Interviewed July 29, 2009

Government Research Institutes

17. Lee, Byung-Hee

Senior Researcher, Korea Labour Institute

Interviewed June 9, 2009

18. Suh, Moon-Hee

Research Fellow

Korea Institute of Child Care and Education

Interviewed September 14, 2010

19. Yoo, Kil-Sang

Former Secretary of the Planning Commission of the Employment Insurance, Korea Labour Institute

Professor, Korea University of Technology & Education

Interviewed September 2, 2008

20. Uh, Soo-Bong

Korea University of Technology & Education, Professor, Industrial Management

Former Senior Researcher, KLI

Delegation to the Industrial Reform Commission

Interviewed June 22, 2009

Employer's Associations

The Korea Employers Federation

21. Cho, Nam-Hong

Former Executive Vice Chairman of the Korea Employers Federation 1994-2004

Advisor to I&S

Interviewed June 18, 2009

22. Hwang, In-Cheol

Director of Economic Research Bureau

Korea Employers Federation

Interviewed June 11, 2009

23. Kim, Hoon-Sik

Former Director, the Korea Employers Federation in 1990s

Policy Analyst, Economic and Social Development Commission

Interviewed June 24, 2009

24. Kim, Jung-Tae

Former Director, the Korea Employers Federation in 1990s

Labour & Management Reemployment Service Centre, Head of Centre

Interviewed July 7, 2009

25. Kim, Young-Vae

Executive Vice Chairman / CEO

Korea Employers Federation

Interviewed July 23, 2009

26. Lee, Ho-Seong

Executive Director, Social Policy Bureau

Korea Employers Federation

Interviewed June 11, 2009 and September 13, 2010

27. Lee, Hyung-Jun

Director of Labour Policy Bureau

Korea Employers Federation

Interviewed June 11, 2009

The Federation of Korean Industries

28. Lee, Yong-Hwan

Former Director of the Federation of Korean Industries

Delegation to the 1st Tripartite Commission

Hansun Foundation, Secretary General

Interviewed July 14, 2009

29. Sohn, Byung-Doo

Former Vice Chairman of the Federation of Korean Industries 1997~2003

Delegation to the 1st tripartite commission

Executive Advisor, Korea Economic Research Institute,

Interviewed July 10, 2009

Korea Small and Medium Business Association

30. So, Han-Seop

Executive Director, Policy Bureau

Korea Small and Medium-Sized Business Association

Interviewed September 18, 2008

31. Jeong, Jin-Kwang

Head of Kang-Won branch,

Korea Small and Medium-Sized Business Association

Interviewed September 23, 2008

32. Shim, Kab-Bo

Samick THK Co., Ltd. Vice Chairman & CEO

Delegation to the Industrial Reform Commission

Interviewed July 27, 2009

Trade Unions

The Federation of Korean Trade Unions

33. Cho, Han-Cheon

Former Director, Policy Bureau, the Federation of Korea Trade Union

Delegation to the 1st Tripartite Commission

Former member of the Parliament, the New Millennium Party

Interviewed June 3, 2009

34. Kim, Jong-Gak

Executive Director, Policy Bureau, the Federation of Korea Trade Union

Delegation to the 1st Tripartite Commission

Interviewed June 5, 2009

35. Kim, Soon-Hee

General Director, Gender Equality Bureau

The Federation of Korean Trade Unions

Interviewed September 7, 2010

36. Kim, Sun-Hee

Director, Policy Bureau

The Federation of Korean Trade Unions

Interviewed September 7, 2010

37. Lee, Jung-Sik

Former Executive Director, Policy Bureau, the Federation of Korea Trade Union

Gyeonggi Labour Relations Commission, Ministry of Labour, Vice Chairman

Interviewed August 5, 2009

<u>The Korea Confederation of Trade Unions</u>

38. Choi, Sung-Hwa

Women's Policy Officer

The Korea Confederation of Trade Unions

Interviewed September 17, 2010

39. Kim, Tae-Hyun

Executive Director, Policy Planning Department,

The Korea Confederation of Trade Unions

Interviewed June 9, 2009

40. Kim, Yoo-Sun

Former Executive Director, Policy Bureau, the Korea Confederation of Trade Unions

Korea Labour & Society Institute, Head of Institute

Interviewed June 12, 2009

41. Yoon, Woo-Hyun

Former Policy Analyst, the Korea Confederation of Trade Unions

Teacher, Kooksabong Middle School,

Interviewed June 17, 2009

KB Bank Labour Union

42. Lee, Seung-Min

KB Bank Labour Union, researcher

Interviewed August 18, 2009

Parties

The Democratic Party

43. Jung, Choon-Saeng

Policy expert for Gender Equality

Policy Bureau

Democratic Party

Interviewed September 9, 2010

44. Lee, Kyung-Sook

Former Member of the Parliament, Uri Party, 2004-2007

Deputy Secretary General

Democratic Party

Interviewed September 13, 2010

45. Sung-Jun Cho

Former Member of the Parliament, New Millennium Party

Delegation to the 1st Tripartite Commission

Interviewed August 6, 2009

46. Yoo, Seung-Hee

Former Director, Women's Policy Division, People's Congress for New Politics Party, 1998-2004;

Former Member of the Parliament, Uri Party, 2004-2007

Interviewed September 21, 2010

47. Yoo, Song-Hwa

Policy expert for Gender Equality, Democratic Party 2002

Interviewed September 27, 2010

The Grand National Party

48. Gho, Kyung-Hwa

Former Acting Director, Women's Policy Division, Grand National Party, 2002-2004,

Former Member of the Parliament, Grand National Party, 2004-2008,

Chair of Kuro-ul constituency, Grand National Party 2008-present

Interviewed September 28, 2010

49. Park, Yong-Ju

Senior Counsellor

Health and Social Welfare Committee

Grand National Party

Interviewed September 15, 2010

Women's Organisations

50. NamYun, In-soon

Standing Representative

Korean Women's Association United

Interviewed September 8, 2010

51. ParkCha, Ok-Kyung

Director

Korean Women’s Association United

Interviewed September 6, 2010

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