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The Economic Crisis and The Politics of Welfare Reform in Korea

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Abstract

Since the economic crisis of 1997-98, Korea has witnessed a rapid expansion of the welfare state following a series of reforms. This paper examines the reform policies on income maintenance programmes for the unemployed and the poor and in the public health care system, including the reform of National Health Insurance and the policy for redefining the work of health care professionals. It tries to answer why these reforms went beyond the functional minima necessary to cope with social problems caused by the economic crisis. This paper pays particular attention to the advocacy coalition of the welfare-idealists, who were the driving force behind such reforms. At this historical juncture of the economic crisis, the advocacy coalition of the welfare-idealists had successfully grabbed a number of strategic points of decision-making, including the presidential office. This was an illuminating contrast with the welfare-idealists of the past, who were small in numbers, scattered in the different ministries and universities and unable to form an effective advocacy coalition. The present-day welfare-idealists who share the same belief are different from the predecessors in that they are prepared to take to the street, engage in legal disputes with the government, and interfere with strikes by trade unionists, and were also able to implement a strategic plan in pursing their policy. More importantly, however, President Kim needed the welfare-idealists in order to carry out structural reforms, and to win the general election. This ultimately provided the advocacy coalition of the welfare-idealists with the strategic edge to produce the policy outputs they wanted.

Introduction

While many OECD countries have tried to reduce the size of their government and social spending in particular, the welfare states in East Asia have expanded the scope and commanded an increasing bulk of their public financing. The governments in this region have begun to take active responsibility for social welfare in recent years (Eto 2001; Goodman et al. 1997; Kunhle and Hort 2000; Kwon 2001). This trend has been further strengthened after the Asian economic crisis of 1997-1998. In particular, Korea, one of the victims of the crisis, has witnessed the rapid expansion of the welfare state since the economic crisis. The Employment Insurance Programme has been extended to small-scale workplaces to cover the newly unemployed amidst the economic crisis. Emergency public works programmes have been implemented to create jobs for the low-skill workers who would otherwise have been unemployed with no social protection. The Korean government has also introduced a new income support programme for the poor. This programme, the Minimum Living Standard

Guarantee (MLSG), will give benefits to those below the poverty line, increased to a much higher level than previously defined. It also aims to cover the wider population of the poor. The health care system was also reformed during the period of 1998-2000. A quasi-governmental agency was set up to manage integrated National Health Insurance, and the functional division of health care professionals, notably between physicians and pharmacists, was redefined. The question arising from this observation is why Korea has extended its welfare state, at a time when neo-liberal ideology has been predominant in public policy discourse in Korea and abroad.

A prima facie account for such policy responses could be a crisis-and-response theory, based on the explanation that the economic crisis increased the demand for social welfare and that the Korean government, in response, extended the welfare programmes to alleviate the hardship of its people. This explanation would be consistent with the IMF policy recommendation, which advised the Korean government to improve its social safety-net in order to carry out structural reforms. This explanation is true to a large extent, but it leads us to further questions. First, the policy strengthening the welfare state was not the only option to choose in order to overcome an economic crisis. A number of Latin American countries resorted to authoritarian politics to contain popular demand instead of adopting welfare policies when they were faced with economic crisis (Stallings 1999). Some European countries, such as the UK, implemented austere policies when they were faced with economic recessions in the 1970s and 1980s. We need to look into the political and economic context in which Korea chose the welfare option rather than other options. Secondly, the crisis-and-response theory cannot explain why some of the welfare reforms that were not directly related to economic restructuring took place. The reforms in some areas of social policy dealt with long-term structural issues rather than short-term requirements arsing from the economic crisis. There was also a major shift in the policy approach to public assistance, which used to be like that of the poor law. Under the newly introduced income support programme, the MLSG, those whose income falls below the poverty line can claim income support as their social right, and the state is obliged to provide such support. The poverty line, which used to be defined in terms of absolute poverty, has been raised to a level near to relative poverty. This was a change in principle.

Welfare reforms since the economic crisis cannot be fully explained by the crisis-and-response theory, since reforms have been carried out beyond the functional minima required by the economic crisis. To answer the question as to why Korea attempted to carry out the reform towards a more comprehensive welfare state in the wake of the economic crisis, it is necessary to look into the politics of welfare reform in Korea, in which two different advocacy coalitions have competed for the policy paradigm since the 1960s.

'Advocacy coalition', here, refers to the group of actors from various public and private organisations who share a set of beliefs and who seek to realise their common goals over time (Sabatier 1986). Of course, an advocacy coalition cannot spring up simply because some political actors, policy experts and concerned citizens share a belief system and policy goals. An advocacy coalition needs a closer network of contact, co-operation and organisational structure, though often informal.

This article will examine the way in which those advocacy coalitions competed with each other and achieved success or failed to produce the policy output they pursued. It will examine political strategies of advocacy coalitions from an historical-institutional perspective, which will enable us to look into the institutional dynamics in which individual actors as well as groups of political actors interact with each other (Hall 1986; Steinmo and Thelen 1992). I will argue that, after the long period when economic-pragmatists exercised a strong influence in policy making, the advocacy coalition of the welfare-idealists was able to grab the effective point of decision amidst the economic crisis of 1997-98, which had altered the course of political competition and to a great extent changed the socio-economic conditions in Korea. Once the welfare-idealists had gained the strategic advantage over the economic-pragmatists, they were able to produce the policy outputs that had eluded them for the last four decades. Before we move to the politics of reforms in social policy, it is necessary to look at the social impact of the economic crisis, since it set the context of the politics of welfare reform since the 1997.

Economic Crisis and Its Social Impacts

Although the economic crisis of 1997-1998 pushed the Korean economy near to collapse, Korea managed to come out from the crisis rather well by implementing a series of structural reforms, compared to other Asian economies hit by the crisis. Those reforms dealt with a wide range of economic and social issues ranging from government bureaucracy, corporate governance, and the financial market, to the labour market. Most of the reform programmes were in line with the IMF directives (Ministry of Economy and Finance 1998), and some commentators like Cummings argued that the IMF directives were harsher than was necessary. He contended that the IMF was instrumental for the US to regain its strategic leadership in East Asia (Cummings 1998: 45), as some of the reform programmes had unsuccessfully been pressed by the US government before the crisis (Chung 2000). Nevertheless the Korean government vigorously carried out structural reform programmes, partly because a successful structural reform would enhance foreign investors' confidence in the Korean economy, which would in turn persuade them to come back to Korea. The Korean government also saw most of the reform programmes as necessary for the economy

and already overdue. For example, a legislative package aiming at the labour market reform was blocked by the opposition parties at the first attempt in 1997 and was toned down at the second attempt in 1998 (Koo 2000).

Three and a half years after the economic crisis, it is still controversial whether those reform programmes have produced their intended outcomes (Islam and Chowdhury 2000; Park 2000b). It is, however, certainly true that the economic crisis of 1997-98 and subsequent reforms have had a significant social impact. It is worth noting, *inter alia*, three immediate impacts of the economic crisis, which subsequently set the context of the politics of welfare reform. In terms of political impact, first, the economic crisis altered the course of the presidential election, which took place at the end of 1997. In this election, the long-time opposition leader Kim Dae-jung was elected to the presidency. During the campaign prior to the emergence of the economic crisis, the governing candidate was leading the race, while Kim Dae-jung was struggling to mend his broken promise that he would retire from politics after his defeat in the 1993 presidential election. His support remained confined to his strongholds, leaving him to trail the front-runner. As the economic crisis unfolded, he successfully presented himself as a national leader who could deal with this unprecedented crisis, which resulted in electoral success.[1] To be sure, one cannot argue that the economic crisis was the only important factor deciding the electoral outcome. Many other factors should be taken into account, such as building a coalition between the opposition parties, and defection from the governing parties. All these events, however, unfolded against the background of the economic crisis, which discredited the governing party and devastated the prospects of its candidate. In the end, the 1997 presidential election produced a victory for the opposition. The transition of political power to the opposition, in turn, changed the political dynamics between political actors and advocacy coalitions in public policy making including that of social policy, although the constitutional configuration remained the same.

Secondly, the Korean bureaucrats were blamed for much of the failure of economic management. Although there are two strands of explanations, they both pointed a finger at the bureaucrats for the mismanagement of the economy (Weiss 1999). The neo-liberal view, which the IMF and the World Bank shared, argued that too much state intervention and opportunistic behaviour had resulted in political favouritism and a lack of competitiveness, which in turn undermined international investors' confidence in the Korean economy. The second view contended that the crisis had taken place due to the weakening of the regulatory role of the state (Chang 1998). Running up to the economic crisis of 1997-1998, the

[1] Before the economic crisis hit the country, Kim Dae-jung was in the second position (Joongang Daily 21st July 1997) but he led the opinion poll in 24th November (Joongang Daily 24 November 1997).

bureaucrats in the economic ministries failed to monitor the rapid increase of short-term loans from foreign lenders, which was an immediate cause of the economic crisis. What also undermined the credibility of the bureaucrats was their initial response to the crisis. According to Kim's study (2000), which observed the behaviour of senior officials running up to the economic crisis, senior officials in the economic ministries were complacent about the possibility of economic crisis, and too arrogant to listen to different views while there were already signs of an imminent crisis. They denied that Korea would ask the IMF to bail out until the US Treasury Secretary refused publicly to provide a bilateral-loan to Korea.

Lastly, the reform package following the IMF bail-out made a great number of people unemployed. The IMF advised the Korean government that interest rates should be maintained at a high level to avoid capital flight. The interest rate even reached twenty-two per cent at one point in 1998. Since Korean firms traditionally maintained a high debt-to-equity ratio, they were vulnerable to the sharp rise in interest rates. Indeed, a great number of firms went into default during the period of 1998. This inevitably resulted in the sharp rise of unemployment. The labour market reform was, however, the most direct cause of unemployment. Considering that the main purpose of the labour market reform was to make the labour market more flexible, the sharp rise in unemployment was at least in the short term, inevitable. The reform had two strands of programmes. One was to allow firms to lay off workers easily, while the other legalised the private agencies to supply labour for other business on a contract basis.

The labour market reform had an immediate impact as shown in Table 1. Considering the Korean economy had slowed down from 1996, the fact that the unemployment rate was kept was at a low level before the crisis showed that the labour market did not indeed have much flexibility.

Table 1. The Trend of Unemployment in Korea (in percent)

Year	Participation	Unemployment	Male	Female
1990	60.0	2.4	2.9	1.8
1991	60.6	2.3	2.5	1.9
1992	60.9	2.4	2.6	2.1
1993	61.1	2.8	3.2	2.2
1994	61.7	2.4	2.7	1.9
1995	62.0	2.0	2.3	1.7
1996	62.0	2.0	2.3	1.6
1997	62.2	2.6	2.8	2.3
1998	60.7	6.8	7.6	5.6
1999	60.5	6.3	7.1	5.1

Source: Ministry of Labour, *Yearbook of Labour Statistics, 1996, 1999, 2000*.

In February 1999 the official unemployment rate rose to 8.6 per cent. There were, *inter alia*, three important characteristics in this massive unemployment, which we need to

look into. First, the unemployment rate among young people was very high and the sheer number of young unemployed people was also massive. In 1998, the number of the unemployed aged between 15-34 was about 781,000, which was about 53.9 per cent of all the unemployed. The majority of them were new graduates from high schools and colleges. The Korean government was concerned about the worst scenario that militant students and college graduates would organise mass demonstrations, sparking off protests from trade unions, the urban poor and many others.[2] Secondly, the sharp rise of unemployment left no safe-haven. Before 1998, full employment was maintained among the male working population aged over 35. The male unemployment rate went up to six per cent in all age groups between 35 and 59. Considering that a great number of people among them were the main breadwinners in households, social stress was much higher that the figure suggests. For example, the increase in crime and divorce in 1998 was markedly higher than in previous years.[3] Thirdly, there have also been noticeable changes in employment status (see Table 2). The proportion of regular workers was considerably reduced while the proportion of the temporary and daily workers increased. For temporary and daily workers, employment security is fragile in addition to the low level of compensation. Of course, this trend had already emerged some time before the labour market reform, but reform measures such as the legalisation of private agencies that provide temporary workers made it irreversible.

The sharp rise of unemployment and its characteristics create a great pressure for the Korean government to act quickly. It is also worth noting that there was a sweeping change in the public perception of the role of the state in social welfare over this period. According to the survey research conducted twice in May 1997 and in October 1998, 83 per cent of the respondents replied that the state was responsible for citizens' social welfare in 1998, whereas 49 per cent responded in that way in 1997 (Shin 1997; 1998).[4] All in all, these social impacts of the economic crisis set the context of the politics of welfare reform, to which we now turn.

Table 2 Changes in employment status (in per cent)

	1995	1996	1997	1998	1999
Regular workers	58.1	56.6	54.1	53.0	48.3
Temporary workers	27.7	29.5	31.6	32.8	33.4
Daily workers	14.2	13.8	14.3	14.2	18.3

Source: Ministry of Labour, *Yearbook of Labour Statistics 2000*.

[2] Interview with a senior officer at the Presidential Office, May 1998.

[3] Crime increased by 11% in 1998 compared to 6.3% in 1997 and the increase in divorce was up by 25% in 1998 compared to 0.9% in the previous year (National Statistical Office, 2000).

[4] This work was recited from Shin (2000).

The Emergence of the Welfare- Idealists and The Welfare Reform

In my previous work (Kwon 1997), I argued that in the history of the contemporary Korean welfare state, economic development was the overwhelming concern, taking priority over social protection. For instance, Industrial Accident Insurance was chosen as the first social welfare programme by the Park Chung Hee (in office 1961-1979) government in 1962. This programme was regarded as an essential requirement for a country embarking on an ambitious economic development plan. In the case of National Health Insurance, industrial workers employed in big business were the first group of people to be protected while the more vulnerable were left unprotected. It was also clearly shown that economic growth was given overwhelming priority in policy making when the National Pension Programme was first considered in 1973. The National Pension Programme was seen as an effective measure for mobilising the capital much needed for economic development. In this policy paradigm, the economic-pragmatists had dominated social policy making until the economic crisis of 1997-98. The economic-pragmatists included bureaucrats in the economic ministries, policy experts in the government think-tanks, notably the Korea Development Institute (Park 1975). Of course, most of the incumbents of presidency strongly supported the economic-pragmatists' approach since they wanted to enhance their weak political legitimacy through economic performance (Kwon 1999).[5] Given the authoritarian institutional setting in which the president occupied the most effective point of decision, it was very difficult for different voices to be heard in policy-making.

There were, of course, policy experts and bureaucrats who took what I called a welfare-idealist approach. These were a group of people who were mainly concerned with issues like social citizenship and social protection. The Committee for Social Security was a case in point. It was an advisory committee for the Minister of Health and Welfare in the 1960s and 1970s. It played an important role in introducing Industrial Accident Insurance in the early 1960s, but its role in policy making became marginalized soon after. Its proposal for National Health Insurance was rejected since it was unable to incorporate its welfare-idealist approach into the prevailing policy paradigm. President Park did not give any opportunity for the Committee for Social Security to put forward its case when he considered the National Pension Programme in 1973. The Committee for Social Security was abolished in 1980 when it made a strong case for the reform of National Health Insurance against the policy taken by the economic-pragmatists. Some bureaucrats, such as

[5] It is certainly true that Presidents Park and Chun Doo-whan (in office 1980-1988) lacked in political legitimacy since they took power through the military coup. Although President Rho (in office 1988-1993) was elected in a democratic contest, he also suffered, though to a lesser extent, from weak legitimacy since he took part in the military coup in 1980.

those in the Ministry of Health and Welfare and academics specialising in social policy, took this view but they were unable to form an effective advocacy coalition.

In a nutshell, the economic-pragmatists including the presidents dominated social-policy making, because they were well positioned in the institutional configuration, whereas the welfare-idealists were unable to form an effective policy coalition. In other words, the debates on social policy were scarcely conducted on an equal footing. This was changed after the economic crisis.

Unemployment Policy and the Tripartite Committee

In February 1998 amid the economic crisis, the President-elect Kim Dae-jung convened a tripartite committee to carry out an urgent labour market reform based on a social consensus. This was a kind of corporatist committee, which included delegates from the government, the Korean Federation of Business, the Korean Federation of Trade Unions and the Korean Confederation of Trade Unions. What made this committee special was not only that it made employers and employees talk each other, but that it brought two hostile national trade unions together to represent diverse views of labour. The President-elect Kim should get credit for this, since it was his political ability, which brought trade unions into the tripartite committee. In the end, the committee was able to sign a social pact on 98 measures, including the revision of the Labour Standard Law and social policy programmes for unemployment. From the point of the Korean Confederation of Trade Unions, which had been a target of harsh treatment from the previous government, it was also an opportunity to put forward its case for labour market reform, which was seen as inevitable.

They also expected that President-elect Kim Dae-jung's policy toward labour would be different from that of the previous government (Park 2000a: 165), and they successfully pushed the government to legalise the school teachers' trade unions, which had long been opposed by the Ministries of Education and Labour. What is worth noting here is that in this body of decision-making, the economic-pragmatists such as bureaucrats in the economic ministries, policy experts in the government think-tanks and notably the outgoing president Kim Young-sam, played virtually no part in this process. In contrast, trade unions whose influence on policy making had been marginal, if any, were able to push through social policy measures to protect the unemployed when they accepted the labour market reform.

The Kim Dae-jung government after moving to the office carried through the labour market reform based on the 'social consensus'. The unemployment rate rose sharply after the reform as seen in Table 1. As agreed in the tripartite committee, the Korean government introduced a package of social policy, the 'Master Plan for Tackling Unemployment', to deal with unemployment and protect those made redundant. First, the Korean government

extended the Employment Insurance Programme to cover those previously outside the programme and loosened its eligibility requirement for unemployment benefits to take up people who were made unemployed. Although a great number of people benefited from the change, this effort was not, however, very effective in helping the unemployed previously working in small-scale workplaces and informal sectors, since the Employment Insurance Programme only covered the large-scale workplace. Nor could relaxing rules for eligibility be effective, since most of the unemployed had not paid contributions to the Employment Insurance Programme. At the introduction of the Employment Insurance in 1995, one needed to contribute for at least a year to be eligible for unemployment benefits (Yoo 1995). This minimum period of contribution was reduced to six months in 1998, but nevertheless it was necessary to pay a premium first. In others words, the Employment Insurance Programme was still of no use for the unemployed who had not previously paid unemployment contributions. Other social assistance programmes, such as the Public Assistance Programme, did not play much of a role, since the Korean government maintained its strict means-test system.

Table 3 Unemployment benefit recipients within the Employment Insurance Programme (in per cent)

Year	Recipients/ The unemployed	Recipients/The unemployed with prior job experiences
1997	2.4	4.1
First half 1998	5.6	6.1
Second half 1998	9.6	10.3
1999	10.5	11.2

Source: (Hwang 2000: 10).

Secondly, the Public Works Projects were launched and targeted at those people, who were outside of the Employment Insurance Programme and the Public Assistance Programme.[6] In other words, this programme was for those unemployed who were not eligible for unemployment benefits and at the same time not poor enough to get public assistance benefits. It did not, however, mean that this group of people did not need help. They were not eligible for public assistance benefits, simply because the means testing of the Public Assistance Programme was very strict in Korea. In fact, the World Bank also recommended the Public Works Projects to fill this gap, and President Kim Dae-jung could

[6] There are four categories of work (Lee, Joo-hee 2000: 7). First, infrastructure-maintaining projects include cultivating forest, building small public facilities and repairing public utilities. These are kinds of work that have been, by and large, considered for some time before by the local authorities but postponed due to their low priority and budget constraints. Secondly, the Public Works Projects provide a work force for social service and charity organisations such as community centres and welfare institutions. This sort of work includes a variety of jobs, such as maintaining the facilities of those institutions and teaching children in after-school classes. Thirdly, there is environment-cleaning work, which includes roadside cleaning and rubbish collection. Lastly, there are information-technology related projects, which are targeted at the young, and computer-literate people. These projects provide timely help for many central ministries and local authorities, which have a great deal of backlog in digitalising their databases.

not ignore this constituency, since he was able to take a grip of power in the 1997 election on the basis of the support from the low-income groups as well as people from the South West. President Kim needed to continue the Public Works Projects because of his unsuccessful efforts to gain a majority at the general election scheduled for April 2000.

To target the right people, the Korean government set up the guidelines for the selection of applicants for the public works projects since the number of available jobs in the projects was small compared to the number of applicants (see Table 4). According to these guidelines, there are a number of criteria by which each applicant's situation is evaluated. For instance, the main breadwinners of the household, those aged between thirty to fifty, and the disabled would get a more favourable review than others in the process. In contrast, those who had previously participated in the public works projects would have some disadvantage. (People who participated in the Projects in three consecutive periods would be disqualified for the next period.) The evaluation is then quantified, and those who have more points according to those criteria will be selected for the Public Works Projects. There are also people who would not be allowed to apply for the Public Works Projects: the recipients of unemployment benefits, pensioners within the National Pension Programme and people whose spouses are earning incomes. In order to check all these details, the local officials have access to the 'Work-net', which is a collection of data for the labour force, compiled by the Ministry of Labour. Since a phase of the Public Works Projects lasts for three months, people need to apply for the work every three months.

Table 4 Applications and selection for the Public Works Projects

Year	1st 1998	2nd 1998	1st 1999	2nd 1999	1st 2000	2nd 2000
No of Applications	133,000	435,000	1,156,000	784,000	716,000	427,000
No of those selected	77,000 (57.9%)	273,000 (62.7%)	832,000 (71.9%)	607,000 (77.4%)	543,000 (75.8%)	252,000 (59.0%)

Source: MoGH (1999): The Progress Report of the Public Works Projects; http:n4000-01.mogaha.go.kr:3374/work/ (February 2001).

The Public Works Projects provided jobs for those who otherwise would have lost their source of income. As shown in Table 5, the amount of expenditure devoted to the Public Works Projects was higher than for any other social assistance programme in Korean history. The total number of participants varied in each phase of the year; for example, in 1999 the Public Works Projects provided on average 400,000 jobs at a certain point in time, which accounted for two per cent of the reduction in unemployment rate. Since the jobs within the Public Works Projects have been assigned on the basis of means testing, there have been equalising impacts on income distribution, as the preliminary assessment reported by the World Bank research suggests (Atinc 2000).

The whole package of programmes under the 'Master Plan for Tackling Unemployment' accounted for ten per cent of Korean government expenditure. The total outlay of the government in the social policy area rose by 22.1 per cent from 1997 to 1998 and 28.3 per cent from 1998 to 1999[7].

Table 5. Implementation of the Public Works Projects in Korea

Year	No of Participants[1]	Expenditure[2]
1998	350,000	0.71
1999	1,439,000	1.62
2000	795,000	0.89

[1]: total in all phases in each year. A phase lasts three months.
[2]: as percentage of Government Expenditure
Source: Ministry of Public Administration and Local Autonomy (1999), 'Implementation of Public Work Projects', mimeo; http:n4000-01.mogaha.go.kr:3374/work/ (February 2001)

Despite such effective participation in policy-making as in the case of unemployment policy, the Employees-Employers-Government Committee began to falter after the country came out from the emergency situation. There emerged a critical weakness in this tripartite committee after the initial success. The participants in the committee were often unable to get their house in order to carry out the reform measures, an essential requirement for honouring the compromise. As for the government, the Kim Dae-jug government was in a minority in the National Assembly, and the opposition Grand National Party often blocked the Kim government from carrying through the compromise made in the tripartite committee after the worst situation had gone. As for the trade unions, unions on the shop floor did not follow the national union's policy in many occasions. This was particularly the case regarding the Korean Confederation of Trade Unions, since it did not institutionalise the national structure, due to its short period of existence as legalised unions (Park 2000a: 171). For this reason, the unions became uncompromisingly hard in negotiating with government, and they often walked out from the negotiating table. Given such weakness, the committee's main agenda were not social policy issues but labour market reform and corporate governance. In short, the tripartite committee lost its effectiveness in policy making soon after its initial success.

The Minimum Living Standard Guarantee and the welfare-idealists

The advocacy coalition of the welfare-idealists, which was mainly concerned with social protection emerged as an influential force during the process of policy making for the Minimum Living Standard Guarantee (MLSG). This advocacy coalition clearly took the stance of pursuing the idea of citizenship rights rather than economic concerns. It included

[7] The figures are calculated from the *Korea Statistical Yearbook, 2000*, based on the current price.

activists from the social pressure groups, academics, political advisers to the President in the Presidential Office, and some of the National Assemblymen. They successfully pushed the bill through the National Assembly and the MSLG was implemented from October 2000. What is the underlying logic for this success of the new emerging welfare-idealists?

As discussed in the previous section, it became clear during the economic crisis that there was a gap in income maintenance policy in Korea. The Public Assistance Programme introduced in 1961 (implemented from 1965) was based on the idea of poor relief, and provided cash or in-kind support to the poor as officially defined, depending on the recipients' situation. In 1997, people receiving benefits from the Public Assistance Programme were 3.1 per cent of the population (Ministry of Health and Welfare 2000). The level of cash benefits was estimated at half of the official poverty line defined in absolute terms (Kwon 2001), and it had a strict mean-test provision. For this reason, the Public Assistance Programme was a mere relief and not sufficient to prevent people from falling below the poverty line. The Public Assistance Programme also had a 'demographic-test', in which those aged between 18 and 65 were automatically disqualified for cash benefits. They were regarded as having earning ability and not deserving income support. During the time of economic growth, some of them managed to find sources of modest income, either from jobs or from family members or relatives. During the period of economic crisis, those private incomes became harder to get since there were fewer jobs available for them and family help did not come as often as it did before. The Public Works Projects was intended to help these people but could not help all those in need.

The MLSG was aimed to address these two issues. First, it changed the concept of poverty from an absolute to a relative one. This means that those who were previously not qualified would be entitled to it, since the poverty line rose significantly. It also means that the level of benefits would increase, because the MLSG would guarantee a living standard equal to the relative poverty line. Secondly, the MLSG abolished the 'demographic-test' and would provide benefits to those aged between 18 and 65 if their income fell below the poverty line. There are, however, conditions that require these people to participate in job training programmes, public works projects or community services. These are similar conditions to those welfare-to-work programmes. In a nutshell, the MLSG recognised the social rights of citizen to a minimums living standard.

Table 6 Welfare-to-Work Programmes within the MLSG

Programmes	Activities
Job Placement	Regular consultation with job placement agencies
Job Training	Participation in training programmes according to need and capability
Fostering business	• Self-employed programmes • Co-operative programmes
Public Works Projects	Participation in the Public Works Projects

Community Services	Contributing to the community and maintaining work ethic
Counselling	Problem solving and maintaining work ethic

Source: Ministry of Health and Welfare (2000), Planning the MLSG for 2001.

This was an obvious shift in policy paradigm regarding the social policy in general and income maintenance in particular. The welfare-idealists played an important part and more importantly institutional dynamics in Korean politics worked to their advantage. The Citizens' Coalition for Participatory Democracy played the pivotal role in this process. When it convened a conference on poverty in 1995, the MLSG was regarded as a mere idealist proposal. There were also a small number of National Assemblymen sympathetic to the reform, but there was no concerted effort to put the reform on the legislative agenda. The Kim Yong-sam government (in office 1993-1998) did not pay attention to this meeting demanding the reform of the Public Assistance Programme.

During the economic crisis, the Citizens' Coalition for Participatory Democracy began to step up its efforts to introduce the MLSG. The change of government opened up various access points to policy making for the Citizens' Coalition for Participatory Democracy. In 1998 it began to organise the welfare-idealists in order to push their agenda effectively. The Citizens' Coalition for Participatory Democracy established an ad hoc committee with other pressure groups while it lobbied a number of the National Assemblymen (Ahn 2000: 6). A social policy academic and a veteran civil activist spearheaded this ad hoc committee.[8] They found a small number of the National Assemblymen sympathetic to the idea from both the governing Democratic Party and the opposition Grand National Party. Although the number of those National Assemblymen was small, the cross-party support was instrumental in getting the bill into the National Assembly. These Assemblymen proposed a bill to the Health and Welfare Committee of the National Assembly December 1998. Up to this point in time, however, the bill did not go further beyond the committee floor at the National Assembly. Most Assemblymen did not pay much attention to the bill. Bureaucrats in the Ministry of Health and Welfare were sceptical about the bill, since they thought that the delivery system for an income support programme such as the MLSG was not in place (Lee 2000: 146). The economic ministries were also not enthusiastic about the proposal, since it would cost a great deal of money, certainly more than the Public Assistance Programme.

The big breakthrough came from the presidential office. President Kim Dae-jung had led a minority government, and managed to establish a coalition with the third party in the National Assembly. His coalition was always fragile against the main opposition, the Grand National Party. President Kim found it hard to pass his reform bills through the

National Assembly. From the beginning of 1999, he focused on the general election scheduled for April 2000. Winning an overall majority in the National Assembly was an absolute priority in his political strategy in the medium-term. President Kim aimed at the low-income class to pull out political support for his government. In August 1999, he launched a new policy initiative, so called 'Productive Welfare', in his address on National Liberation Day. This new idea, influenced by the 'Third Way' as indicated by the presidential office, placed emphasis on welfare that could be instrumental to the rise of economic productivity (Presidential Office, 1999).

Whereas 'Productive Welfare' was for political rhetoric, a subtler political manoeuvre was planned by President Kim even before his launch of the new idea. In June 1999, he appointed a university professor with long experience in social pressure groups as his political adviser at the presidential office. He also appointed a protestant minister with experience in social movements to be chairman of the policy committee of the Democratic Party.[9] After appointment, they maintained a close link with a number of social pressure groups, which later ran a strong civil campaign for 'de-listing' a number of political parties' candidates from the parties official line-up for the general election.[10] The de-listing camp accused a number of candidates of involvement with the authoritarian government and corruption in the past. This dealt a severe blow mainly to candidates of the opposition Grand National Party. The majority targeted by the campaign lost at the general election, which took place in April 2000.

From the point of those who pressed for the MLSG, the appointment of those two key posts provided strong allies located in critical position within the decision making process. President Kim also appointed a former bureaucrat to be Minister of Health and Welfare, who had been dismissed because of his welfare-idealist view under the Chun government (in office 1980-1987). In other words, it completed the link of the advocacy coalition for the MLSG. In June 1999, President Kim made it clear that he would introduce the MLSG. In August 1999, the MLSG bill was proposed at a plenary session of the National Assembly, and passed with a number of opposition members backing it as well as the governing party. In this process, the economic-pragmatists at the Ministry of Finance and Economy, the Ministry of Health and Welfare and government think-tanks such as the Korea Development Institute did not voice explicit opposition. This was mainly because the MLSG was seen as the president's programme. Of course, some of the medias, especially

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[8] They are Dr Moon Jin-young at Sogan University and Catholic Minister Song Kyong-yong.

[9] They are Kim, Sung-jae and Lee, Jae-jung.

[10] The Presidential Office strongly denied that they were behind the de-listing campaign, but many commentators believed otherwise (Joongang Daily 28, June 1999).

those critical to the Kim government, noted their concerns, but they were unable to derail the MLSG.

Reform of the National Health Insurance and Its Financial Crisis

National Health Insurance, covering the whole population from 1988, has been subjected to intense policy debates. When it was introduced in 1977, it covered only employees in large-scale work places with 500 people. In 1978 government employees and private school teachers became compulsory members and the number of people covered reached 20.49 per cent of the population (see Table 7). Thereafter the National Health Insurance scheme was rapidly extended to the work places of smaller scale. However, those who had no recognised employers, for example, farmers, the self-employed, informal sector employees, the retired and the unemployed, remained outside the scheme. This was partly because of the contribution arrangements under which the employers and employees each paid half of the contributions to National Health Insurance. (In 1980, the average contribution rate was 1.9 per cent of wages and 2.62 percent of wages 1999[11].) The groups of people above mentioned did not have employers who would have paid half of their contributions. The government was not prepared to pay the equivalent of the employers' share for those without formal employers. There were also other reasons for this, as Mills [, 1985 #20: 80) explained. "Social Insurance schemes are concentrated in the industrial sector in developing countries, not least because wages and profits are high enough for compulsory levies to be paid, and the structure of wage employment makes collection of the levies feasible." National Health Insurance is a typical example of this observation. In short, the Korean governments took an economic-pragmatist approach in this period, as they did not have enough public expenditure to pay for those without employers nor a well-organised administrative structure to manage a unified health insurance programme. Such an approach, however, left a large section of the population outside the programme, most of whom belonged to low-income groups. These groups of people felt stigmatised as they had to pay much more for their treatment than the National Health Insurance patients, who paid only thirty per cent of the fees.

Table 7 Coverage of National Health Insurance 1977-1989 (percentage against the whole population)

	Industrial	Public	Occupational	Regional	Others	Total
1977	10.33	- -	- -	- -	- -	10.33
1978	10.34	10.15	- -	- -	- -	20.49
1981	18.70	10.27	0.06	0.47	0.19	29.69
1984	28.75	10.11	2.02	0.97	0.53	42.38
1987	36.01	10.50	3.17	0.76	0.69	51.13
1988	38.76	9.67	2.58	16.15	0.64	67.8
1989	38.96	10.55	0.00	44.69	0.00	94.2

[11] Wages here means not actual take-home payment but 35 bands of Standard Monthly Wage.

Note: per cent of members and their families respectively.
Source: National Health Insurance Agency (1990), *Health Insurance Statistical Yearbook 1990*.

Throughout the 1980s, National Health Insurance was extended to the self-employed and in 1988 covered the whole population as the government pledged to pay half of the contribution for those without employers. This change of policy was brought about after the first contested election for the presidency in 1987. Despite the universal coverage, National Health Insurance was not integrated in a single national health fund, but it comprised more than 300 financially (and administratively) separate funds that collected contributions and paid hospitals and doctors for treatment on a fee-for-services basis. People who were newly covered by National Health Insurance formed their own health funds (Regional Health Funds), whereas the existing members maintained their own (Governmental and Industrial Health Funds). This made the extending of National Health Insurance easier, since the exiting members' funds did not have to transfer financially to new ones, but the redistribution effects of National Health Insurance were very limited, as it only took place within fragmented health funds.

The welfare-idealists challenged the idea of a separate management system. They argued that the separation of funds made the pooling of health risks narrower and redistributive effects limited. They also argued that health funds for the low-income groups would not be financially viable. In fact, the health funds for farmers and urban residents who did not have employee status, such as the self-employed, urban informal workers and the retired, were financially in difficult positions (see Table 8). Throughout the 1980s the welfare-idealists argued for an integrated National Health Insurance Fund without much success. In contrast, the economic-pragmatists that maintained redistribution is not the main goal of National Health Insurance. They also pointed that the rich self-employed would be benefited most from the integration due to the deficiency of tax system in Korea. For example, practising lawyers, doctors and wealthy shop owners tend to under-report their income, and pay less taxes and social insurance contribution than they should.[12] Most wage and salary owners, their employers and their trade unions shared this view.

Table 8 The current accounts of health insurance funds (before transfer; billion won)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Governmental	87.7	72.9	68.5	70.5	60.0	52.1	-142.9	-296.6	35.6
Industrial	340.3	435.1	436.2	479.2	440.2	280.8	11.0	-172.3	-411.0
Regional	345.8	289.1	226.5	183.8	19.0	-186.1	-118.7	-114.5	-366.8

Governmental: health insurance fund for public employees and private school teachers.

Industrial: health insurance funds for wage and salary workers

[12] This is, of course, the case in most countries, but in Korea the proportion of those who are defined as self-employed and informal sector workers by the tax authority is very large, more than 40%.

Regional: health insurance for those without officially defined employers.

Source: National Health Insurance Statistical Yearbook.

In 1980, the Committee for Social Security put forward a policy proposal that would integrate all health insurance funds into one national health insurance fund. The minister of then Health and Social Affairs backed the proposal based on policy advice from his staff, who had a welfare-idealist view (Kim 1992)). The Korean Federation of Business and Industries and the Korean Chamber of Commerce made it clear that they would oppose the proposal. In contrast, the Korean Federation of Trade Unions supported the idea. This proposal was, however, rejected by the presidential office, which feared that the integration would lead the state to take direct financial responsibility for National Health Insurance. After the intervention from the presidential office, the Minister discarded the idea of integration and was dismissed after a while. It was also reported that a couple of bureaucrats at the Ministry of Health and Social Affairs were forced to resign by the presidential office due to their welfare-idealist views. The Committee for Social Security, a stronghold for the welfare-idealists, was also dismantled (Kim 1992: 62). The authoritarian government did not tolerate the welfare-idealists who seemed be at odds with government policy.

The same debate took place in 1989 with a different institutional setting. After winning the first contested presidential election in 1987, President Rho Tae-woo (in office 1988-1993) lost his majority in the National Assembly at the general election in April 1988. The election result produced an unprecedented confrontation between the president and the National Assembly. Three opposition parties managed to form an alliance, and they pressed the Rho government hard on many occasions. Regarding social policy, the alliance successfully passed the integration bill for National Health Insurance in March 1989. An integrated National Health Insurance Fund would allow financial transfer from one group to the others according to their risk. Most interested parties and social groups joined the debate, but the president vetoed the bill fearing that he would lose the support of the middle classes (Kwon 1999: 67). The Rho government, however, allow limited financial transfers between health insurance funds from 1991.

During the course of this debate, it was clear that the welfare-idealists were not able to form a strong advocacy coalition to carry out their proposal. More importantly, however, the previous presidents who occupied the most effective point of decision did not support the welfare-idealists view. In contrast to such experiences in the 1980s, the welfare-idealists in the 1990s tried to establish an advocacy coalition in connection with opposition parties, trade unions and religious groups. While the welfare-idealists in the 1980s were a small number of social policy academics and welfare bureaucrats and lacked in organising skills,

the new breed in the 1990s were prepared to take actions such as demonstrations, legal disputes with the government and union strikes - whatever necessary to pursue health care reform. Many of them had had experience in the students' movement while in campus or the union movement on shop floor in the 1980s. In 1994 the Korean Confederation of Trade Unions and the Citizens' Coalition for Participatory Democracy spearheaded the formation of a Coalition for the Integration of National Health Insurance, which included 77 social pressure groups and maintained close contact with the opposition parties (Lee 2000: 86).

The economic crisis and the government change in 1997-1998 provided a timely opportunity for the welfare-idealists to achieve their policy. Politicians of the Democratic Party, trade unionists, activists from social pressure groups and some academics managed to form a strong advocacy coalition in this period. They successfully put forward the integration of National Health Insurance for the agenda of the above-mentioned tripartite committee. They also took an active part in the Transition Committee for the New Government, which decided on the integration as one of the new government policies. As in the case of the MLSG, the bureaucrats in the government were not sure whether they could make their objections in public (Lee 2000: 122-123). President Kim Dae-jung showed his intention clearly when he appointed the former bureaucrats who were dismissed by the Chun government for his welfare-idealist views to be the Minster of Health and Welfare. Lee (2000) pointed out that it was like a military operation when the welfare-idealists tried to push through the National Health Insurance integration bill. He argued that they made the same mistake of not giving opponents due opportunity to express their views, just as the economic-pragmatists had done in the 1980s. A newly established agency began to administer the integrated National Health Insurance from July 2000.

As well as reforming National Health Insurance, the Kim Dae-jung government introduced another health care reform, which redefined the functional division between physicians and pharmacists. For many years, pharmacists had been allowed to prescribe and sell medicines to their customers without physicians' prescriptions. At the same time, patients could buy medicines from hospitals where they received prescriptions from physicians. This was a marriage of convenience, since clinics and hospitals were few and far between when Korea was poor. In fact, pharmacists played a role similar to that of general practitioners. This system led pharmacists and physicians alike to prescribe medicines beyond medical necessity. Long after Korea managed to have a reasonable number of clinics and hospitals, this system remained in operation until 2000. The Kim Dae-jung government redefined the roles of physicians and pharmacists: physicians were to prescribe and pharmacists deliver. It is, however, worth noting that this redefinition policy was already planned under the previous government. Nevertheless, the Kim government showed more

vigour in implementing this reform than its predecessor, and the public identified it as part of the Kim government's agenda.

This reform led to a series of strikes by doctors and trainee doctors throughout the second-half of 2000. Pharmacists were in support of the reform, but were not entirely happy about it. Citizens had to suffer from a number of disruptions in the health care system, and did not show strong support for the reform. It is also worth remembering that President Kim had failed to win an overall majority in the general election in April 2000 despite all his efforts. He had to establish a coalition with smaller parties, but his coalition commanded of a majority of only one seat in the National Assembly. His mandate for reform became precarious and evaporated quickly. In order to carry through the reform, the Kim government increased health care fees by almost 60 per cent to calm down doctors and trainee doctors.[13] In March 2001, the chief executive of National Health Insurance announced that National Health Insurance would be financially bankrupt in a month's time unless the government provided the extra funding. He attributed this to the increase of payment for treatment after the implementation of redefinition policy. This announcement led to a national outcry and the Kim government lost a great deal of its political support, which had already become fragile. In this reform, active members of the advocacy coalition of the welfare-idealists, such as the Citizens' Coalition for Participatory Democracy, strongly supported the government's reform policy. President Kim and the welfare-idealists became subject to strong criticisms from various corners of the public. One prominent ally of President Kim publicly criticised him by saying that the president had lost his sense of political balance and leaned too much toward left-wing social pressure groups [Lee, 2001 #19). The Korean Bar Association issued a statement that President Kim had relied too much on populism instead of the rule of law. President Kim sacked the Minister of Health and Welfare twice following the reform. The advocacy coalition for welfare-idealists was also in retreat after this setback.

Conclusion

Since the economic crisis of 1997-98, Korea has witnessed a rapid expansion of the welfare state following a series of reforms. This paper has examined the reform policies on income maintenance programmes for the unemployed and the poor and in the public health care system including the reform of National Health Insurance and the policy of redefining health professionals' work. These reforms went beyond the functional minima necessary to cope with social problems caused by the economic crisis. This paper has paid particular

[13] Increase in health care fees took place four times July 2000 (9.2%), August 2000 (6.5%), September 2000 (6.5%) and January 2001 (6.5%).

attention to the advocacy coalition of the welfare-idealists, who were the driving force of such reforms. Of course, the economic crisis changed the socio-economic conditions so that no one could be sure of avoiding unemployment. This in turn changed attitudes toward social solidarity and the role of the state in social welfare. The economic crisis has also altered the course of political striggle for the presidency, which resulted in the victory of the opposition party in 1997 for the first time in the Korean history. At this historical juncture, the advocacy coalition of the welfare-idealists successfully seized a number of strategic points of decision-making including the office of president. This was an illuminating contrast with the welfare-idealists in the past, who were small in numbers, scattered in the different ministries and universities and unable to form an effective advocacy coalition. The economic-pragmatists who dominated social policy-making in the developmental era did not give due opportunity to this group of people. The present-day welfare-idealists who share the same beliefs are different from their predecessors. They were prepared to take o the street, initiate legal disputes with the government, and interfere with unionists strike and were also able to implementing a strategic plan in pursing their policy.

More importantly, however, President Kim needed the welfare-idealists in order to carry out structural reforms, and to win the general election. This ultimately provided the advocacy coalition of the welfare-idealists with the strategic edge to produce their preferred policy outputs. The Employment Insurance Programme became more comprehensive, the MLSG institutionally acknowledged social rights for the less well-off to live with a decent income, and the integration of National Health Insurance paved the way for broader risk-pooling and redistribution. Having achieved these policy outputs, the welfare-idealists and President Kim suffered from the setbacks regarding the redefinition policy for health professionals. The failure to win the general election in April 2000 also manifested the thrust of reform beginning to lose its momentum. The presidential election at the end of 2002 looms large under the cloud of political setbacks. Nevertheless, the welfare reform undertaken during the last two years cannot be easily reversed, although some fine tuning will be necessary.

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