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Advocacy Coalitions and the Politics of Welfare in Korea after the Economic Crisis

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Abstract

This paper seeks to explain the politics of social policy in Korea after the economic crisis of 1997/98, focusing the advocacy coalitions. It shows that the welfare idealists were able to succeed in introducing the Minimum Living Standard Guarantee (MLSG) by seizing a number of strategic points of decision making in Korea, explaining why Korea adopted active social policy initiatives beyond the functional requirements of the structural adjustment. The introduction of MLSG, which recognises the right of every citizen to a decent living, means that social protection has become an integral social policy goal in Korea.

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Introduction

This article seeks to explain why Korea adopted active social policy initiatives beyond functional requirements arising from structural adjustment by examining the advocacy coalitions in relation to the reform of public assistance policy. The economic crisis of 1997/98 in East Asia has made a profound impact on East Asian societies. The economic growth and full employment that many East Asian countries had achieved for many years became elusive policy goals. State bureaucracy is also now reluctant to assume the role of market guidance that was regarded as a driving force for economic growth (Johnson, 1987; Haggard, 1988). New graduates, who used to be able to pick from the best job offers are now often forced to enter the labour market at a lower level or become unemployed, while older employees are under pressure to leave the workplaces where they took it for granted that they would have a job for life. (Kwon, 2001a: 220-2).

Social and political responses to the economic crisis, however, varied to a great extent across East Asia. Some countries like Malaysia and Thailand tried to solve their problems without full-fledged economic and social reform (Lee, 1998). Indonesia and to a less extent the Philippines experienced political turmoil in the wake of the economic crisis, not to mention long-term structural reforms. In contrast, Korea, one of the countries hardest hit by the economic crisis, has undergone a series of economic reforms from labour market to corporate governance reform and vigorously implemented social policy initiatives aimed at establishing a so-called the 'Productive Welfare State' (Chung, 2001; Gilbert, 2001; Kuhnle, 2001). In Japan and Taiwan, although they were not hit directly by the economic crisis, a new approach to social policy has been tried (Eto, 2001; Wong, 2001).

In this article we will focus on the Korean case in which the government pursued

economic and social reform that addressed the long-term structural challenges rather than short-term requirements arising from the economic crisis. After such rigorous efforts for the last four years, Korea was able to repay all loans to the International Monetary Fund (IMF) by August 2001, three years earlier than scheduled, and her economy showed strong come-back compared to other East Asian countries affected by the crisis (see Table 1). The question arising from this observation is why Korea carried out this social policy reform beyond the functional necessities for economic restructuring and aimed at establishing social citizenship. To answer this, I will pay particular attention to the introduction of a Minimum Living Standard Guarantee (MLSG) in 1999, which is to give benefits as a social right to those below the poverty line, increased to a much higher level than previously defined. To analyse the politics of welfare reform, I will look into the policy process in which two different advocacy coalitions had competed for the policy paradigm since the 1960s. 'Advocacy coalition' refers here 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 close network of contact, cooperation and organisational structure, though often informal. This article will examine the way in which those advocacy coalitions competed with each other and achieved or failed to produce the policy output they pursued. I will argue that, after the long period when the 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 amid the economic crisis of 1997/98, which had altered the course of political competition and to a great extent changed the socioeconomic conditions in Korea. Once the welfare idealists had gained the strategic advantage over the economic pragmatists, they were able to produce the social policy outputs

that they had pursued.

This study was also prompted partly by dissatisfaction with the existing literature on the relationship between social policy and globalisation. Although Rodrik (1997) and Yeates (1999) among others showed that globalisation would not necessarily put downward pressure on social policy, the argument did not successfully explain the political dynamics in which active social responses were made to global pressure. Due to this failure, their argument also has a deterministic tone, as it is the case with the neoliberal explanation of globalisation. By applying the advocacy coalition approach this article attempts to show the political dynamics of social reform, which is contingent upon the political institutions and political actors' strategies within them. Before we proceed to answer the question we raised, it is necessary to put the Korean welfare system prior to the economic crisis in a comparative perspective, particularly in the East Asian context. This will help us to interpret the Korean case in a broad East Asian context and give us a clue to understanding what implications can be drawn from the Korean case.

Table 1 GDP growth rates in East Asian Countries

Country	1997	1998	1999	2000	2001
Japan	1.9	-1.1	0.8	1.5	-0.5
Korea	5.0	-6.7	10.9	8.8	2.5
Taiwan	6.7	4.6	5.4	6.0	-1.0
Malaysia	7.3	-7.4	6.1	8.3	1.0
Thailand	-1.4	-10.8	4.2	4.4	2.0
Philippines	5.2	-0.6	3.4	4.0	2.5
Indonesia	4.5	-13.1	0.8	4.8	3.0

Source: World Economic Outlook (WEO) database, October 2001.

http://www.imf.org/external/pub/ft/weo/2001/02/data/growth_a.csv

(visited on 27th November 2001)

The Korean welfare system in the East Asian context

In recent years, a growing body of published literature has analysed the East Asian welfare systems from a comparative perspective. It also emerges from these studies that East Asia

includes at least two distinct clusters of welfare systems: North East Asian and South East Asian systems. Kwon (1998) compared the welfare systems and the political dynamics behind them in five East Asian countries: Singapore, Hong Kong, Taiwan, Korea and Japan. He concluded that the three North East Asian countries, Japan, Korea and Taiwan, shared many distinctive characteristics in their welfare system. He argued that the state in these three countries largely played the role of regulator, which enforced the social policy programme as compulsory but did not take responsibility for financing it through state expenditure (Kwon, 1998: 66-7). Most social policy programmes in these countries are based on a social insurance mechanism such as health insurance, pension, industrial accident insurance and unemployment programmes. Kwon (1997) also pointed out that the lion's share of the redistribution went to the high income earners, reflecting the fact that the wage earners in large scale business and the state sector employees were the first groups of people covered by the social policy programmes. Holliday (2000) goes further, arguing that North East Asia comprises a fourth welfare regime of 'productivist' welfare capitalism in relation to the much discussed three welfare regimes of Esping-Andersen.¹ Although it is a matter of debate to justify a fourth regime type, Holliday is certainly right in emphasizing that the developmental state always placed its policy priority on economic development and that social policy was only considered in that context.

Regarding South East Asia, Ramesh and Asher (2000) pointed out that social welfare systems in South East Asia are still rudimentary, except in Singapore and Hong Kong. In Singapore, the Central Provident Fund introduced by the British colonial government in 1953 includes schemes for housing, healthcare, education and income maintenance for retirement. Malaysia also has a similar provident fund scheme, the Malaysian Employees' Provident Fund, and Hong Kong has been considering a similar mandatory provident scheme for some time, on top of its welfare system predominantly consisting of public assistance programmes financed by

the state. In short, South East Asian countries rely heavily on provident fund schemes, whose effects on redistribution are negligible², in contrast to North East Asian welfare systems that are mainly based on a social insurance mechanism.

Despite some differences between North East and South East Asian clusters, they share two important characteristics in the development of social policy. First, authoritarian (and conservative) governments dominated social policy making, often using it as an instrument for legitimation (Ku, 1998; Ramesh and Asher 2000;). These political elites in East Asia placed their policy priority on economic development, and social policy was usually perceived as an instrument for economic policy. Second, the East Asian countries by and large achieved good records on economic growth and welfare outcomes for the last two or three decades while they spent very little on social welfare. These characteristics can be well captured by the notion of the developmental welfare state, in which elite policy makers set economic growth as the fundamental goal, pursue a coherent strategy to achieve it, and use social policy as an instrument for attaining that goal (Gough, 2001).

Korea, having some North East Asian characteristics in her welfare system, also shares these commonalities of the developmental welfare state. Most social policy initiatives in Korea came from the top rather than from below prior to democratisation in the late 1980s. At the same time, social policy was only considered within the developmental context. Over the 1980s and 1990s, however, as the country made progress toward democracy, there had been strong criticism of the structure of the welfare system. Although the government extended the coverage of those social policy programmes in an incremental manner, the basic thrust of the welfare system remained as before. In particular, social protection for poor, disabled, older and unemployed people remained rudimentary until the recent social policy reform, which we are to examine in the following section.

Economic crisis, welfare initiatives and the advocacy coalitions

New government and social consensus

At the end of 1997, the Korean economy was on the brink of collapse, and the Finance Minister first went to the US Treasury for help only to find that the US would not provide emergency funding. In the end, the IMF promised the much-needed help but with a string of conditions (Ministry of Economy and Finance, 1998). One should not forget that Korea was in the midst of campaigning for the presidency during this period of economic crisis, and the country was vulnerable on both economic and political fronts. As in many Latin American countries in the 1970s and 1980s, Korean democracy could have fallen into turmoil and consequently a dictatorial regime could have taken over. Instead, Korean democracy showed its resilience and survived this difficult time. What the economic crisis altered, however, was the outcome of the presidential election. In this election, the long-time opposition leader Kim Dae-jung was elected to the presidency. During the campaign prior to the onset 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, however, he successfully presented himself as a national leader who could deal with this unprecedented crisis, which resulted in electoral success.³ To be sure, many other factors other than the economic crisis should also be taken into account, such as building a coalition between the opposition parties and defection from the governing parties. The election of Kim Dae-jung to the presidency meant a significant change in policy paradigms at the top of the decision-making structure. Kim Dae-jung was the long-time opposition leader who had fought against the authoritarian regimes and criticised the 'putting-economy-first' paradigm of policy

making. He had been in the left within the mainstream of Korean politics, keeping at arms' length from civil and trade union movements.

In addition to the governmental change, the economic crisis led to a string of criticisms directed toward the state bureaucracy, which had long been regarded as a driving force of economic development. 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 neoliberal view, which the IMF and the World Bank shared, argued that too much state intervention and the opportunistic behaviour of business 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 regime of the state (Chang, 1988). Running up to the economic crisis of 1997-98, the bureaucrats in the economic ministries had 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 in the period running up to the economic crisis, the senior officials in the economic ministries were complacent about the possibility of economic crisis, and too arrogant to listen to different views when there were already signs of an imminent crisis. They denied that Korea would ask the IMF to bail out until the US Treasury Secretary publicly refused to provide a bilateral loan to Korea. It is worth noting that this failure relegated the bureaucrats at the economic ministry who used to dominate social policy making to a marginal influence under the Kim government, as we will discuss later in this paper.

The change in political leadership and the failure of the state bureaucracy paved the

way for a new approach to structural reform, different from the past. Given the agreement with the IMF, the Korean government set out the reform programmes in five areas of macro-economic management: the financial market, corporate governance, international trade, bureaucratic structure and the labour market. It was a daunting task for the new government to carry out these reform programmes. In terms of social politics, the labour market reform posed the greatest challenge to the government. In fact, before the economic crisis, the Korean National Assembly passed the revision of the Labour Standard Law in March 1997, which included the provision for the lay-off of redundant workers. The opposition party, then led by Kim Dae-jung, boycotted the vote in the National Assembly. The then governing party, at the last minute, halted the provision of lay-off for two years in an effort to gain support from the opposition. Nevertheless, it was not certain that the provision could be implemented at the company level in two years' time since strong trade unions were determined to block its implementation.

With a democratic mandate, the new government was able to try a new policy option - structural reform with social consensus. In February 1998, the President-elect Kim Dae-jung established a tripartite committee, the Employees-Employers-Government Committee, to forge a social consensus for the reform of the labour market. 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' organisations talk to each other, but that it brought two hostile national trade unions together to represent the diverse views of labour. In the end, the committee was able to sign a social pact on 98 measures including the revision of the Labour Standard Law. It also recommended that the government should introduce social policy programmes to protect the unemployed. The

President-elect Kim should get credit for this, since it was his political ability that brought two hostile trade unions into the tripartite committee. From the point of view of the Korean Confederation of Trade Unions, which had been a target of harsh treatment from previous governments, it was also an opportunity to put forward its case running up to the 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 2000, 165).

After coming into office the Kim Dae-jung government carried through the reform of the labour market based on the 'social consensus'. As agreed in the tripartite committee, the Korean government introduced a package of social policy, the 'Master Plan for Tackling Unemployment', to deal with unprecedented unemployment for many decades after the structural adjustment. The Master Plan included, inter alia, the swift extension of the Employment Insurance Programme, the implementation of the public works projects, and the reinforcement of the employment services. However, one should not overemphasise the role of the 'social consensus' agreed by the tripartite committee in holding the country together. Once the financial crisis was averted by the emergency loans from the IMF and other international financial institutions, Korea witnessed the social crisis emerge partly due to the high rise in unemployment, which was an immediate impact of the labour market reform, and partly due to the collapse of many businesses because of the high interest rate artificially set to stop capital flights from the country (see Table 2). In February 1999 the official unemployment rate rose to 8.6 %. In the OECD in general such a figure would not be considered as very high, but in Korea where the social safety system was still rudimentary it posed an enormous social challenge.

Table 2. The Trend of Unemployment in Korea (%)

Year	Participation	Unemployment	Male	Female
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
2000	60.7	4.1	4.0	3.3
2001 ¹	61.4	3.2	3.7	2.7

Note: ¹ By the third quarter.

Source: *Ministry of Labour, Yearbook of Labour Statistics, 1996, 1999, 2000*; www.nso.go.kr (major statistics) visited on 5 December 2001.

The Korean government was especially 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.⁴ 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 and 34 was about 781,000, which was about 53.9 % of all the unemployed. The majority of them were new graduates from high schools and colleges. The fact that the sharp rise in unemployment left no safe haven also put the government under pressure. Before 1998, full employment was maintained among the male working population aged over 35. The male unemployment rate went up to 6 % 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 than the figure suggests. For example, the increase in crime and divorce in 1998 was markedly higher than in previous years. The public works projects within the 'Master Plan' were aimed to provide social protection for those who were outside of the Employment Insurance Programme and the Public Assistance Programme. In other words, this programme was for those unemployed who were not eligible for unemployment benefits⁵ and at the same time not poor enough to get public assistance benefits. They were not eligible for public assistance benefits, simply because the means testing of the Public Assistance Programme was very strict in Korea. The target group included a wide range of different people such as young and old; male and female; skilled and unskilled; and the

unemployed and those outside the labour market. In co-operation with the World Bank, the Korean government developed a range of public works programmes that included not only the traditional types such as road construction and forestry work but also new types designed for computer literate young people, such digitalising databases.⁶ This was intended to include different groups of the unemployed and to make the most out of the participants in the public works projects. It is also worth noting that local governments were keen to bring the public works projects to their areas. The Korean state bureaucrats at both central and local levels were up to the task of implementing the public works projects without difficulties or irregularities.⁷

Despite some initial success in the wake of the economic crisis, the Employees-Employers-Government Committee began to falter after the country came out of 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-jung government was in a minority in the National Assembly, and the opposition parties often blocked the Kim government from carrying through the compromise made in the tripartite committee after the worst situation had passed. Where the trade unions were concerned, on many occasions unions on the shop floor did not follow the national union's policy. 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 a confederation of legalised unions (Park, 2000: 171). For this reason, the unions became uncompromising in their negotiations with the government, and often walked away from the negotiating table. In short, the tripartite committee lost its effectiveness in policy making soon after its initial success.

The initiative of 'productive welfare' and the advocacy coalition of the welfare-idealists

As we discussed in the previous section, 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 government in 1962 (in office 1961-79). 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 and policy experts in the government think-tanks, notably the Korea Development Institute (Park, 1975). Of course, most of the incumbents of the presidency strongly supported the economic pragmatists' approach since they wanted to enhance their weak political legitimacy through economic performance (Kwon, 1999).⁸ 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 view. 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 marginalised soon afterwards. Its proposal for National Health Insurance was rejected since it was unable to incorporate its welfare idealist view 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 in contrast to the policy taken by the economic pragmatists. Some bureaucrats, such as 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 changed after the economic crisis.

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. The coalition referred to Clause 34 of the Constitution that stipulates “Every citizen has rights to live as a human being”. Provision 5 under Clause 34 also reads “the disabled, the elderly and people who cannot make their own living for other reasons shall be protected by the state...”. The five principles for the MLSG, which were advanced by the advocacy coalition of the welfare idealists, also show what it stood for:

- First, the state should be responsible for the minimum living standard for every citizen (state responsibility);
- secondly, citizens’ rights to a minimum living standard should be recognised as legal

rights (social rights);
thirdly, the minimum living standard should be applied not only to income but also to all aspects of every day living (inclusiveness);
fourthly, the right to a minimum living standard should be guaranteed for every citizen (universal coverage); and
lastly, citizens' participation must be secured for the policy making and implementation of the MSLG (participation). (Lee, 2000: 147, author's translation).

The advocacy coalition of the welfare idealists included activists from the social pressure groups, academics, political advisers to the President in the Presidential Office, and some of the National Assemblymen and women. 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 newly emerging welfare idealists?

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 % of the population (MoHW, 2000a). The level of cash benefits was estimated at half of the official poverty line defined in absolute terms (Kwon, 2001b), and it had a strict means 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 from 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 before. The Public Works Projects were intended to help these people but could not assist all those in need. They were also temporary emergency measures, which were intended to end after urgent needs had been met. In this context, the welfare idealists aimed to introduce a new programme replacing the Public Assistance Programme with wider coverage and a higher benefit level: the MLSG.

The MLSG was aimed to address these two issues. First, it changed the concept of poverty from an absolute to a relative one. This meant that those who were previously not qualified would be entitled to benefits, since the poverty line rose significantly. It also meant that the level of benefits would increase, because the MLSG would guarantee a living standard equal to the relative poverty line. Second, 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 (see Table 3). In a nutshell, the MLSG recognised the social rights of citizens to a minimum living standard.

Table 3: 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: MoHW (2000b)

This was an obvious shift in policy paradigm regarding 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 merely as an idealistic proposal. There were also a small number of National Assemblymen and women 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 1993-98) 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 National Assemblymen and women (Ahn, 2000: 6). This *ad hoc* committee was spearheaded by a social policy academic and a veteran civil activist.⁹ They maintained a close relationship with a small number of the National Assemblymen and women sympathetic to the idea from both the governing Democratic Party and the opposition Grand National Party. Although the number of those National Assemblymen and women was small, the cross-party support was instrumental in getting the bill into the National Assembly. These Assemblymen and women proposed a Bill to the Health and Welfare Committee of the National Assembly in December 1998. At this time, however, the Bill did not progress beyond the committee floor at the National Assembly. Most Assemblymen and women 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, H., 2000: 146). The economic ministries were also unenthusiastic

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 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, the so-called 'Productive Welfare', in his address on National Liberation Day. This new idea placed emphasis on welfare that could be instrumental to the rise of economic productivity, like active labour market policy in Scandinavian countries. It "takes the right to work seriously" (Presidential Office, 2000: 9). At the same time the idea of productive welfare recognised citizenship as the basic principle of the welfare system (Presidential Office, 2000: 7). In other words, the productive welfare claims that it regards social protection as well as economic growth as overarching policy goals.

Whereas 'Productive Welfare' was a political catchword, a subtler political manoeuvre had been 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.¹⁰ 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.¹¹ The de-listing campaign 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 parties. The majority targeted by the campaign lost at the general election, which took place in April 2000.

From the point of view of those who pressed for the MLSG, the appointment of those two key posts provided strong allies located in critical positions within the decision-making process. President Kim also appointed as the Minister of Health and Welfare a former bureaucrat, who had been dismissed because of his welfare idealist views under the Chun government (in office 1980-87). 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 media, especially those critical of the Kim government, noted their concerns, but they were unable to derail the MLSG.

In contrast to the welfare idealists in the past, who were unable to form an effective advocacy coalition, the welfare idealists in the 1990s tried to establish an advocacy coalition in connection with opposition (and governing) 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 organising skills, the new breed in the late 1990s were prepared to take actions such as demonstrations, legal disputes with the government and union strikes — whatever was necessary to pursue their reform agenda. Many of them had had experience in the students' movement while on campus or the union movement on the shop floor in the 1980s.

Besides the introduction of the MLSG, the Citizens' Coalition for Participatory Democracy and the Korean Confederation of Trade Unions 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, H., 2000: 86).

More importantly, however, the economic crisis and the government change in 1997-98 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 introduction of the MLSG for the agenda of the above-mentioned 'productive welfare' initiative. They also took an active part in the Kim Dae-jung government, most saliently at the Presidential Office. By contrast, the bureaucrats in the government, who were by and large economic pragmatists, were not sure whether they could make their objections in public (Lee, H., 2000: 122-123). President Kim Dae-jung showed his intention clearly when he launched the initiative of productive welfare.

The future challenges for the welfare reform

Despite all the efforts, President Kim Dae-jung failed to win an overall majority in the National Assembly in the April 2000 general election. The main opposition Grand National Party was four seats short of an overall majority, which meant that President Kim could not be sure of the passage of Bills he would want. Even worse, in March 2001, the chief executive of National Health Insurance corporation 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.¹² 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 as well as the MLSG introduction, 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 sections 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 was leaning too much toward left-wing social pressure groups (Lee, 2001). 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 Ministers of Health and Welfare twice following the reform. The advocacy coalition for welfare idealists was also in retreat after this setback.

The welfare reform in Korea is also in need of consolidation in terms of financial sustainability and effective implementation. First, the programmes that were expanded or introduced during the economic crisis are to be consolidated. In particular, the Employment Insurance Programme was extended to cover almost all employees. It does so in theory, but does it really cover them all? The National Health Insurance scheme and the National Pension Programme are faced with similar challenges in enforcing programmes effectively. Table 4 shows the proportion of people who are paying for social insurance among the employed. It shows that most regular employees who are by and large employed in large-scale firms are paying contributions for their entitlements, but temporary workers who are mostly employed in medium-and small-scale firms fail to do so. The quasi-governmental agency in charge of the management of the programme seems to find it difficult to enforce the rules for all. To be sure, those who do not pay contributions to National Health Insurance as employees are likely to do so as residents. However, in the cases of the National Pension Programme and the Employment Insurance Programme, there is little possibility of this, which strongly suggests that

the effective implementation of social insurance is along way off.

Table 4: Social insurance coverage by employment status in 2001 (%)

	National Pension Programme	National Health Insurance	Employment Insurance Programme
Wage and salary earners	51.8	54.3	46.9
Regular employees	92.7	94.8	80.0
Temporary employees	19.3	22.2	20.7

Note: Wage and salary earners comprise regular employees and temporary employees

Source: Kim, Y. (2001)

Second, there is a growing concern about the sustainability of the programmes, especially for National Health Insurance and the National Pension Programme. The National Health Insurance scheme fell into deficit due to increase in benefit days and widening the range of health services available within National Health Insurance. In particular, the government decision to increase fees for physicians and hospitals dealt the finance of National Health Insurance a severe blow during 2000 (see Table 5). Regarding the National Pension Programme, the Korean government changed the parameters of the National Pension Programme in 1998, lowering the level of pensions and increasing the level of contributions. Despite this reform, some provisional estimates suggest that the financial sustainability of the National Pension Programme is still in question as (Kim, W. 2001).

Table 5: The current accounts of health insurance funds (billion won)

	1995	1996	1997	1998	1999	2000	2001
Revenue	5,614	6,631	7,554	8,230	8,892	9,529	10,953 ¹
Expenditure	5,076	6,464	7,795	8,788	9,610	10,538	13,623 ¹
Current accounts	538	167	-241	-558	-718	-1,009	-3,971 ²
Reserve fund	4,120	4,002	3,785	3,036	2,243	919	-3,053 ²

Note: ¹ By November 2001; ² projection

Source: MoHW (2000a, 2000c)

IV. Concluding remarks

Confronted with the economic crisis of 1997-98, Korea adopted active social policy initiatives to overcome problems, and appears to have succeeded with these strategies in terms of social stability, cohesion and prospects for renewed economic development. This article attempted to explain why Korea adopted active social policy initiatives beyond the functional requirements arising from the crisis. It pointed out that the advocacy coalition of the welfare idealists was the driving force of such initiatives. Political economic conditions also worked in their favour such as change of government in 1997 and new public attitude toward social solidarity. At this historical juncture, the advocacy coalition of the welfare idealists successfully seized a number of strategic points for decision-making, including the Presidential Office. This is 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 this group of people the opportunity to participate in the policy debate. The present-day welfare idealists who share the same beliefs are different from their predecessors. They were prepared to take to the street for demonstration, initiate legal disputes with the government, and intervene when unionists called a strike, and they were also able to implement a strategic plan in pursuing 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 achieve their policy agenda. Kim's failure to win the general election in April 2000 also showed the beginning of a loss of momentum in the thrust of reform.

In terms of a comparative perspective, the reform of welfare in Korea showed a clear contrast to some of the important characteristics of the East Asian welfare system: authoritarian

(and conservative) dominance in policy making and welfare developmentalism. The welfare idealist successfully challenged the existing policy paradigm and social protection also became considered as important as economic considerations, although there is still a strong instrumental view of social policy within the new policy paradigm. The Korean welfare system has moved closer towards an institutional welfare state. The social insurance programmes have been extended to cover all citizens. The state recognises the entitlement of all citizens to a minimum living standard, implemented through the new MLSG. It is also worth noting that state bureaucracy at both central and local levels played an important role in implementing emergency measures during the economic crisis. It would, however, be presumptuous to superimpose the Korean case into the wider East Asian context. In contrast to the deterministic overtone of the globalisation discourse, the Korean case shows that welfare reform is contingent upon the political institutions and political actors' ability within them to form an effective advocacy coalition to pursue their policy agenda. Although Japan and Taiwan might follow a similar path, it remains to be seen whether other East Asian countries will necessarily undertake similar reforms.

Notes

¹ Esping-Andersen (1997) disagrees with the suggestion of a fourth welfare regime. Instead, he argues that Northeast Asian welfare systems are hybrid of the conservative and liberal regimes.

² Under the mandatory provident fund schemes, individual members maintain their own saving accounts. Between these individual accounts, there is no redistribution mechanism and one can only draw money or designated benefits within the limits of savings in one's account. One exception is the state top-ups that the state occasionally transfers to individuals' accounts.

³ Before the economic crisis hit the country, Kim Dae-jung was in the second position (Joongang Daily 21 July 1997), but he led the opinion poll in 24 November (Joongang Daily 24 November 1997).

⁴ Interview with a senior officer at the Presidential Office, May 1998.

⁵ To be eligible for unemployment benefits, one needed to have contributed at least one year to the Employment Insurance Programme. Since the Employment Insurance Programme was introduced in 1995 and started only with people employed in the large-scale businesses, only seven per cent of the unemployed were eligible to the benefits in 1998.

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.

⁷ The Ministry of Government and Home Affairs issued carefully designed guidelines for the selection of participants for the public works projects and it also operated an inter-net site where complaints could be directly posted by citizens.

⁸ It is certainly true that Presidents Park and Chun Doo-whan (in office 1980-1988) lacked political legitimacy since they took power through the military coup. Although President Roh (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.

⁹ They are Dr Moon Jin-young at Sogang University and Catholic Minister Song Kyong-yong.

¹⁰ They are Kim, Sung-jae and Lee, Jae-jung.

¹¹ The Presidential Office strongly denied that they were behind the de-listing campaign, but many commentators believed otherwise (JoongAng Daily 28, June 1999).

¹² For many years it has been allowed for physicians to sell medicines as well as to diagnose patients while pharmacists have been allowed to sell medicines without prescriptions. The government wanted to correct this by the redefinition policy.

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