

I

Introduction

PUZZLES AND RESEARCH QUESTIONS

The past few decades were the era of neo-liberalism. Since the 1980s, two central prongs of state institutions – their regulatory power over markets and their protective functions as a collective safety net for citizens – have been under serious attack, initiated, on one hand, from the forces of global capitalism, and on the other hand, from the domestic agents benefiting from globalization.

After the Golden Era of economic growth and welfare state expansion in rich democracies, these two main components of state institutions have faced retrenchment. Social democracy and leftist politics, which had long thrived on strong and comprehensive unions and their allied parties, face serious challenges from centrist and right-wing political forces carrying out market reform agendas encompassing privatization, deregulation of labor markets, and the retrenchment of welfare services.

In contrast to rich democracies, in developing societies the era of neo-liberalism coincidentally overlapped with the era of democratization and democratic consolidation. The advent of democratic political institutions dramatically facilitated democratic contestation among different social forces in middle to upper-middle income developing societies in Asia, Latin America, and other non-Western parts of the world. As a result, the need to respond to citizens' demands for redistribution via social welfare became one of the most important items on the political agenda; this was so for leaders of political parties and other formal organizations, such as labor unions, in many 'democratized' developing countries. In other words, the institutionalization of democracy "provides subordinate classes and reformist elites with better opportunities to channel and

realize their (re)distributive demands” via progressive taxes and social policy programs (Lee 2005, p.163). Democracy makes it possible for middle and lower classes to perceive the existence of alternative political parties and policies. Eventually, democratic political contestation enables “actors committed to redistribution” to rise and consciously pursue their policy goals (Huber and Stephens 2012, p. 11).

However, accelerated economic globalization in the late twentieth century drove leaders and citizens of new democracies into increasingly vulnerable positions vis-à-vis economic crises, shocks, and fluctuations in world markets. This implies that the social forces that drove civil society’s resistance and challenge to authoritarianism in the 1980s, simultaneously or very soon after democratization, had to face pressures for neo-liberal market reforms. In some countries, therefore, the main pillars of state institutions were under construction with democratization, when neo-liberal agendas started permeating both the market and civil society, greatly constraining the opportunities for the politics of redistribution.

Under these opportunities and constraints, the newly emerging leaders of democratization and labor movements were forced to solve several puzzles regarding the expansion and the retrenchment of existing labor market and social policy institutions – sometimes as challengers, and other times as allies to government incumbents. They had to make choices regarding (1) which policies to defend or relinquish; (2) which social and political forces to ally with; and (3) which strategies to utilize in challenging or lobbying the incumbent state. Under such circumstances, political elites in new democracies, just as in developed countries, have shown markedly different responses to these pressures from below and outside. Some countries have enjoyed dramatic expansion of the welfare state, while others have suffered radical retrenchment in the public sector. While some labor-based party leaders, as incumbents, chose to introduce radical neo-liberal market reforms to existing pro-labor regulations, others chose to protect or expand regulations. What factors account for these strikingly different trajectories of the development and retrenchment in social policies and labor market institutions in emerging economies with newly institutionalized democracy? Why do some labor movements successfully defend their core labor market institutions and social policies even under the pressures of neo-liberal market reforms, while others do not? Why do some unions (and their allying parties and civic associations) succeed in building more universal and comprehensive

social policy regimes, while others (that are equally large, strong unions) fail to do so?

RESEARCH QUESTIONS AND PUZZLES FROM CASES

To answer these questions, this study initially conducts a deep case study of South Korean labor movements and their roles in developing or defending social and labor market policies. While the book devotes significant attention to the comparative studies of four cases in its latter parts, I initially put a heavy weight on the South Korean case. The case provides an ideal historical laboratory to test my theories: South Korea not only witnessed one of the most rapid economic developments in modern history but it also saw the institutionalization, in only a couple of decades, of one of the strongest labor movements and civil society sectors among developing countries. The strength of the Korean labor movement was astonishing in its heyday, as its general strike in 1996–97 played a decisive role in toppling four decades of authoritarian rule. In the late 1990s, South Korean labor–civil society solidarity achieved the creation of a universal social insurance scheme unprecedented among developing countries for its comprehensive scope. The South Korean story of social and labor market policy development also provides one of the most intriguing ‘negative’ cases, as its neo-liberal turn in the 2000s under the (first and) second reformist regime(s) was stunningly deep and abrupt. However, here too, the case offers interesting variations to explore: its pension program and labor market regulations were vulnerable and subject to the retrenchment drive by the state and capital, but its national health care program has been well-defended by a durable labor–civic solidarity. The growth and decline of South Korean labor movements, their heroic solidaristic endeavors as well as tragic internal struggles and subsequent declines, are at the center of these institutional changes in social and labor market policies¹. Under this framework, what factors account for the dramatic expansion and equally dramatic retrenchment of social and labor market policies in South Korea over the nearly three decades following the transition to democracy? Do the same factors explain both the expansion and the retrenchment outcomes, or are different factors at play in each case? What roles have labor and civic organizations played in those policy changes and what were the contents of the labor–civic solidarity? What can the South Korean case teach scholars of social movements and welfare states in general?

Next, the study extends its focus to a comparative historical analysis of four countries: Argentina, Brazil, South Korea, and Taiwan. I justify my case selection as follows: they have achieved medium (Argentina and Brazil) to upper (South Korea and Taiwan) levels of development, and thus social demands for public provisions of welfare have emerged in functional, demographic, and political contexts; in turn, the expansion or retrenchment of social policies has become a critical battleground in formal politics. In addition, all four countries experienced democratization in the 1980s and subsequently consolidated democratic political institutions in the 1990s and the 2000s. Significantly, all four countries suffered economic crises in the late twentieth century: the two Latin American cases have had endemic and chronic debt crises and extremely high inflation, situations that were exacerbated in the 1980s and 1990s, while the two East Asian cases suffered from the Asian Financial Crisis in 1997 and subsequent recessions, though the degree was less severe in Taiwan. These similarities allow us to control for some alternative economic, political, and structural factors that might otherwise account for variations in the dynamics of welfare states among these countries. Second, I intentionally chose two East Asian and two Latin American countries with relatively similar cultural and geopolitical histories. In this way, I can readily control for several known or unknown region-specific factors. Taiwan and South Korea share very similar modern histories such as colonization by Japan; American political and military influence during the Cold War and ensuing ideological confrontation; rapid state-led, export-oriented economic development under authoritarian regimes; and strong Confucian culture. Argentina and Brazil also share geographical and cultural similarities such as Catholic-dominant religious identities, as well as highly unequal and volatile economic structures; traditions of populist politics; and the pronounced influence of large landlords and international capital.

Finally, despite their similarities, these four developing countries have considerable and potentially quite illuminating diversity in the histories of their social welfare regimes. First, the development and retrenchment of welfare states in Argentina and Brazil provide intriguing cases for comparison. These two countries have followed sharply different trajectories of social, political, and economic transformations in the 1990s and 2000s. While Argentina has embraced neo-liberal market reforms on public sector and social policies after experiencing a serious debt crisis, Brazil has not adopted them wholeheartedly. Argentina has launched a relatively radical privatization of pensions, cut the public share in total health spending, and decreased benefits in family allowances. Brazil, by

contrast, has not only durably resisted market-oriented reforms of key social policy areas such as pensions but it has also dramatically increased government spending for total health care expenditure.

The recent development stories of the welfare states in South Korea and Taiwan are no less intriguing. During the course of democratic consolidation both countries introduced not only universal health care and national pension programs but also basic old-age pension and long-term care insurance, mainly targeting the disabled and the elderly population living under the poverty line (basic income and pension) or those of middle-class origin (long-term care insurance). In addition, both countries introduced government-guaranteed basic income as a social assistance program. However, even if these two countries share many pre-existing conditions and commonly operating causal forces, such as the growth of influential pro-welfare civil society groups, there is also a growing and significant difference in how they deliver on their social policies. On the spending side, Taiwan has maintained its overall social expenditure at a higher level than South Korea, thanks to its generous income-maintenance policies, mainly in the form of direct cash transfer programs. On the institutional side, however, South Korea has succeeded in launching more universal types of programs with greater potential to increase spending in the future.

These differences between Argentina and Brazil and between Taiwan and South Korea become even more puzzling given that the major retrenchment in Argentina was propelled by a labor-based party, the PJ (the Justicialist Party), whereas the implementation and expansion of key social policies in Taiwan were driven by the right-wing (semiauthoritarian) party, the KMT (the Kuomintang, the Chinese Nationalist Party). Why did a formerly labor-based party suddenly betray the poor and working class in Argentina but not in Brazil? Why did the right-wing (formerly) authoritarian party initiate the expansion of key social policies in Taiwan? Why are universal social policies gaining increasing popular support in South Korea, deepening traditional right-wing versus left-wing partisan confrontations along the line of targeted versus universal policies, while politicians in Taiwan have been jockeying to provide more generous cash transfer programs, regardless of partisan affiliation?

Answering these puzzles requires the introduction of further complexities into the cases. In Brazil, both the centrist government (Cardoso) and center-left government (Lula and Dilma) introduced moderate reforms with varied levels of support from unions. In Argentina, however, different segments within the same PJ introduced completely

TABLE 1.1. *Expansion and Retrenchment of Income Maintenance Policies in Four Developing Countries*

	Argentina	Brazil	South Korea
Major Expansion			
Health Care	None	Administrative rationalization (progressive allocation to municipalities) (2002)	National Health Insurance (Long-term care insurance)
∞ Old-Age Pension	Privatized pensions reappropriated by the state by 2008	None	National Pension (1999) (Simultaneous Basic old-age allowance and Basic (non-contributory) Pension (2000))
Family Allowance and Social Assistance	Assistance to unemployed Expansion of Conditional Cash Transfers in the 2000s	Conditional Cash Transfers (Bolsa Familia) ^a Non-contributory Pension for elderly, disabled, and rural poor gradually Expanded	Government-guaranteed minimum income (2000) Care Subsidy expanded (2010)

Major Retrenchment

Health Care	Public benefits decreased	None	None (privatization attempts failed)
Old-Age Pension	Partial privatization (1993) Reduction in minimum pension guarantee (1995)	Eligibility and benefits adjusted (1998) Pension reform (eligibility) attempt failed (2012)	Pension replacement rate lowered (40%)
Family Allowance and Social Assistance	Benefits decreased	None	None

Source: USA Social Security Administration 2014/15.

Note ^a: Conditional upon children's school attendance and vaccination.

Note ^b: The official title of the law is the National Basic Livelihood Security Scheme (NBLSS).

different levels and forms of reforms: the Menem regime launched one of the most radical market reforms in modern developing economies, as just discussed, while the Kirchners reversed course as drastically as Menem, restoring existing labor market institutions and social policies (see Table 1.1). While labor market reforms in Latin America followed similar trajectories to their social policy reforms, in the East Asian cases they diverged: although Taiwan introduced more moderate reforms gradually, South Korean democratic reformist regimes enacted an abrupt lifting of existing labor market regulations, allowing lay-offs, and introduced radical flexibilization measures such as laws on dispatched workers and indirect employment. Particularly, the second reformist regime (Rho regime) introduced a significant number of market-oriented elements into pensions and health care systems: a strong impetus behind building a universal welfare state in South Korea suddenly halted after the turbulent 2000s. One of the most impressive stories of the expansion of universal social policy provisions suddenly moved to become a story about the serious retrenchment of several key social policy areas during the 2000s and after.

How could these marked differences and ideological incongruences between parties and policies (i.e., radical reforms under labor-based or labor-friendly regimes) be explained? What theoretical resources do modern social sciences (especially political sociology, political science, comparative political economy) provide to account for these variations?

To answer these questions, this book introduces the notion of ‘embedded cohesiveness’ (EC) to the comparative study of the welfare state. Based on the social movements literature and organizational studies of network analyses, the book builds two theoretical concepts of solidaristic linkages, cohesiveness (unions’ ties to incumbent political parties or labor parties), and embeddedness (unions’ ties to civic associations), which will be discussed in detail in Chapter 3, and then explains how the state and unions interact with respect to the retrenchment and expansion of social policies. By these ‘ties’, I imply “interorganizational solidaristic linkages,” by which leaders and members in “multi-organizational fields” (Curtis and Zurcher 1973; Minkoff and McCarthy 2005) exchange their resources and negotiate their ideas with the goals of contentious mobilizations, policy deliberation and channeling, and electoral interventions. With this network-driven, actor-centered framework, this book explores how leaders of labor and civic organizations mobilize and institutionalize divergent repertoires of social solidarity regarding social policy agendas, and how they channel those policy agendas into state

institutions through the politics of threat and persuasion. In short, the book develops a society-based explanatory model of the welfare state, in which labor–civic solidarity and union–party alliance jointly account for outcomes of welfare state retrenchment as well as welfare state expansion. The theory and findings of this study are expected to offer a novel approach to analyzing welfare state outcomes not only in democratized developing countries, but also in a larger set of rich democracies and new democracies.

JUSTIFICATION FOR THIS STUDY: IMPORTANCE
 OF UNIONS AND THEIR LINKAGES TO
 CIVIL SOCIETY

Now I turn to the importance of unions and their linkages to civil society, respectively, before I develop the primary causal mechanism of this study. It is a well-established fact that labor unions and their influence have declined in many societies (Western 1995, 1997), and the four countries being studied in this book are no exception. Nevertheless, I find that it is still important to emphasize in each country the role of the union as a component of (civic) associations or of the larger civil society for the following reasons.

Why Unions Matter

I contend that unions are unique civic associations that play a decisive role in balancing and configuring the relationships between the state, the economy, and civil society.

First, *labor unions, in contrast to other voluntary organizations, can directly affect production activities through institutional or non-institutional means*. Unions' cooperation with employers and the state can boost overall economic activities, both via nationwide neo-corporatist institutions (Garrett 1998) and via firm-level cooperation (Hicks and Kenworthy 1998). National- or industry-level union confederations play a critical role in wage bargaining and restraint (Western 1997), which is indispensable for constant economic growth at a national level. In sum, although the connectedness of unions to other civic organizations is relatively weak, unions' political and economic significance cannot be underrated because unions are the only civic organization that can cooperate with the state and employers to improve the production and distribution of economic resources and interests.

Second, *labor unions are one of the strongest mass movement organizers that can establish a position against state coercions, and they are the framing centers for alternative viewpoints of the world.* Labor unions have the option to withdraw workers from production lines for their own interests or for more general interests. When their economic and political power is exerted beyond factories, unions can have a tremendous impact on the existing power structure and social order in a country (Fantasia and Stepan-Norris 2004) through strikes, wage bargaining, and support for political parties via funding, voting, and resource sharing. In addition, unions build collective identities, coupled with “alternative belief structures,” in the process of conflicts and bargaining with employers (Dixon *et al.* 2004; Roscigno and Danaher 2001).

Third, *unions’ organizational structure, based on democratic ballots, strengthens workers’ involvement with democratic rules and participation, which may lead to organized political participation encouraged by large industrial unions* (Marks 1989). Furthermore, the committed staff of unions, who depend on democratic ballots and material support from workers, also convey strong institutional leadership and resources to the broader community and other social movement organizations (SMOs). As a Brazilian union leader (João Cayres) whom I interviewed testifies, “everybody (social movement organizations) looks for us ... and, if we are available, we try to help within our parameters.”

Finally, *unions are one type of civic association that consciously pursue the economic interests of the subordinate or lower classes, which provides a basis for economic justice for democracy and governance.* This distributional justice inherently embraced by unions’ goals – better working conditions, higher wages, better fringe benefits, higher security for employment, and better provisions for firm- or industry-level welfare schemes – often easily develops into a societal-level general agenda. Unions’ connectedness with other SMOs transfers egalitarian ideas and movement resources through organizational and institutional channels within civil society, thereby enhancing the social legitimacy of union-led reform agendas. When unions are densely connected with other civic associations, the interests of the lower classes are more easily introduced to other political arenas. This ignites and changes the operation of procedural democracy and the way democratic political mechanisms serve the interests of the disadvantaged, as Lipset (1960) pointed out in his concept of “democratic class struggles.” Unions are a key node for workers’ counter-hegemonic organizational bases that can make up for the