

The Political Economy of the Small Welfare State in South Korea

This book explains why the Korean welfare state is underdeveloped despite successful industrialization, democratization, a militant labor movement, and a centralized meritocracy. Unlike most social science books on Korea, which tend to focus on its developmental state and rapid economic development, this book deals with social welfare issues and politics during the critical junctures in Korea's history: industrialization in the 1960–70s, the democratization and labor movement in the mid-1980s, globalization and the financial crisis in the 1990s and the wind of free welfare in the 2010s. It highlights the self-interested activities of Korea's enterprise unionism at variance with those of a more solidaristic industrial unionism in the European welfare states. Korean big business, the chaebol, accommodated the unions' call for higher wages and more corporate welfare, which removed practical incentives for unions to demand social welfare. Korea's single-member-district electoral rules also induce politicians to sell geographically targeted, narrow benefits rather than public welfare for all while presidents are significantly constrained by unpopular tax increase issues. Strong economic bureaucrats acting as veto player also lead Korea to a small welfare state.

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*To Byung Young Ahn of Yonsei University and
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Preface and Acknowledgments

The origin of this book goes back to my college years (1986–1991) when South Korea was swept by democratic movements. College students were warriors. Campus was full of flying stones, Molotov cocktails, and tear-gas. Many student activists abandoned their studies and turned themselves into factory workers to organize and imbue the working class with revolutionary spirit. The 1987 Democratic transition immediately brought about a “big bang” of labor movement, radicalizing distributional conflicts. Unrealistic revolutionary slogans prevailed over the campus until the Soviet Union collapsed in 1991. Ironically, this *unacademic* environment made me begin my scholarly journey. I entered graduate school to seek an alternative state model for my new democratic country.

At that time, I realized that social democracy and welfare state building must be what democratic Korea should seek. Unfortunately, however, European-style welfare states were never touted by activists and politicians as models for Korea’s future even after the collapse of the real socialism. The gap between the Korean state’s social welfare and its economic prosperity had been growing until progressive presidents, Kim Dae Jung and Roh Moo Hyun, turned the tide during and after the 1997 economic crisis. Nevertheless, the expansion of the social security system under the progressive governments was a growth within the limit set by institutional legacies of the past authoritarian regime. It was disappointing to advocates of the European-style welfare state in Korea.

The more disappointed I was, the more I became curious about the causes of the *underdevelopment* of the Korean welfare state. I examined major theories of welfare state development and found that Korea was lacking underlying conditions that are taken for granted in the European

welfare state such as a proportional representation electoral system and industrial unionism. Meso-level institutions are quite different from Europe despite similar structural social changes toward industrialization, democratization, free labor movement, globalization, and so forth. Enterprise unionism, single member district electoral systems, presidentialism, strong economic bureaucracies, and early development of corporate welfare combined to preserve a small welfare state in Korea. This book is about how those institutional legacies of the authoritarian regime constrained an otherwise full-blown welfare state development in Korea.

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Abbreviations

ALMPs	Active Labor Market Policies
BPB	Budget and Planning Bureau
BPS	Basic Pension Scheme
CCEJ	Citizens' Coalition for Economic Justice
CFE	Center for Free Enterprise
CNPSD	Committee for National Pension Scheme Development
CPD	Council for the Promotion of Democracy
CPT	Committee of Presidential Transition
CSC	Civil Society Congress for the Realization of a Welfare State
CWED	Comparative Welfare Entitlement Dataset
DJP	Democratic Justice Party
DLP	Democratic Labor Party
DP	Democratic Party
DPH	Democratic Party of <i>Hankyoreh</i>
DRP	Democratic Republic Party
EIS	Employment Insurance Scheme
EITC	Earned Income Tax Credit
EOI	Export-Oriented Industrialization
EPB	Economic Planning Board
EPSC	Export Promotion Subcommittee
FKI	Federation of Korean Industries
FKTU	Federation of Korean Trade Unions
FSB	Financial Supervisory Board
GNP	Grand National Party
HCI	Heavy and Chemical Industrialization
HHIWU	Hyundai Heavy Industries Workers Union

HMWU	Hyundai Motor Workers Union
IAIS	Industrial Accident Insurance Scheme
ICFTU	International Confederation of Free Trade Unions
ISI	Import Substitution Industrialization
KCC	Korea Chamber of Commerce
KCIA	Korean Central Intelligence Agency
KCTU	Korean Confederation of Trade Unions
KDI	Korean Development Institute
KEF	Korea Employers Federation
KERI	Korea Economic Research Institute
KFSMB	Korea Federation of Small and Medium Business
KHMEA	Korean Health and Medical Employers' Association
KHMWU	Korean Health and Medical Workers' Union
KITA	Korea International Trade Association
KLI	Korea Labor Institute
KMICA	Korean Metal Industrial Employers Association
KMWU	Korean Metal Workers' Union
KTC	Korea Tripartite Commission
MAFRA	Ministry of Agriculture, Food, and Rural Affairs
MCI	Ministry of Commerce and Industry
MDP	Millennium Democratic Party
MIS	Medical Insurance Scheme
MOF	Ministry of Finance
MOFE	Ministry of Finance and Economy
MOGAHA	Ministry of Government Administration and Home Affairs
MOHS	Ministry of Health and Society
MOHW	Ministry of Health and Welfare
MOLIT	Ministry of Land, Infrastructure, and Transportation
MOPB	Ministry of Planning and Budget
MOSF	Ministry of Strategy and Finance
MP	Minjung Party
NALSL	National Basic Livelihood Security Law
NBLSS	National Basic Livelihood Security Scheme
NCKTU	National Council of Korean Trade Unions
NCMI	National Committee for Medical Insurance
NCNP	National Congress for New Politics
NCRK	National Commission for Rebuilding Korea
NDRP	New Democratic Republican Party
NEC	National Election Commission

Abbreviations

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NFMI	National Federation of Medical Insurance
NHIC	National Health Insurance Corporation
NHIS	National Health Insurance Scheme
NIF	National Investment Fund
NKDP	New Korea Democratic Party
NL	National Liberation
NMS	New Management Strategies
NPFOC	National Pension Fund Operation Committee
NPRB	National Pension Reform Board
NPS	National Pension Scheme
NTA	National Tax Administration
NWPS	National Welfare Pension Scheme
OECD	Organization for Economic Co-operation and Development
OLTCI	Old-Age Long-Term Care Insurance
PD	People Democracy
PFML	Public Fund Management Law
PNP	Progressive New Party
PPD	Party for Peace and Democracy
PPM	Party for the Popular Masses
PR	Proportional Representation
PSPD	People's Solidarity for Participatory Democracy
RAS	Retirement Allowance Scheme
RDP	Reunification Democratic Party
RNFTS	Real Name Financial Transaction System
RPS	Retirement Pension Scheme
SCBA	Special Committee for Budget and Accounts
SCNR	Supreme Council for National Reconstruction
SMEs	Small-and-Medium-Sized Enterprises
SMD	Single Member District
SNTV	Single Nontransferable Vote
SRS	Social Reform Struggle
SSM	Social Solidarity Movement
TUCHIS	Trade Union of Company Health Insurance Societies
TYPEI	Three Year Plan for Economic Innovation
UAW	United Auto Workers
ULD	United Liberal Democrats
UPP	United Progressive Party
UR	Uruguay Round
WABS	Workers' Asset-Building Savings
WTO	World Trade Organization