

THE POLITICS OF PUBLIC WELFARE IN SOUTH KOREA, 1990s-2010s: THE RATCHET EFFECT AND THE SUSTAINABILITY OF NEW WELFARE POLICIES*

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| Abstract |

This article explores a partisan and electoral dynamics of recent welfare expansion in South Korea (thereafter, Korea). Existing studies explain how and under what circumstances major welfare expansion occurred in the late 1990s and the 2000s by referring to the changing power relation between conservative and reformist parties. Little attention, however, has been paid to another important aspect of the reform dynamics: how and under what circumstances new welfare policies were *sustained* once they were introduced. The article answers the question by drawing on the notion of *ratchet effect* of welfare reform - which has been widely developed and tested in the literature of welfare policy feedback in advanced democracies. The article finds that once new policies were introduced, political parties found it electorally risky to withdraw from the policies because these efforts would likely trigger electoral setbacks from social risk groups whose interests were actively advocated by pro-welfare civil society organizations. Such an electoral consideration made not only pro-welfare reformists but the conservatives - who had been rather hostile to welfare expansion - more conciliatory to the new policies.

Key words | social welfare, new social risk groups, policy feedback, Korea

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1. INTRODUCTION

The topic of welfare reform has been explored extensively in the political economy literature of advanced democracies. While existing studies have been mostly interested in Europe and North America as core examples of advanced democracy (Armingeon and Bonoli eds. 2006; Bonoli and Natalie eds. 2012; Palier ed. 2010; Pierson ed. 2001; Scharpf and Schmidt eds. 2000), there has been a growing interest in East Asia which has exhibited somewhat different, but still comparable stories of reforms. Korea - along with Japan - has been among prominent cases in this regard (Estevez-Abe 2008; Kwon ed. 2005; Peng 2004; Rosenbluth and Thies 2010; Yang 2013).

While social welfare in Korea used to be examined with certain particularistic or region-specific, rather than general comparable perspectives (Holliday 2000; Jones 1993; Kwon 1997), many new studies have taken a different approach when they examine the changes that occurred in recent decades. These studies have found that the welfare system in Korea became more universalistic, by reducing or recalibrating major benefits for traditional welfare insiders while simultaneously expanding public services and other benefits that would serve new groups of populations that the preexisting welfare system did not cover - that is, new social risk groups who lived in insecure life conditions outside the core labor market and traditional family structures (Kim 2006; Peng and Wong 2008; Yang 2013).

The article aims to explore this expansionary side of recent welfare reforms in Korea. Existing studies have identified several structural and ideational factors responsible for the changes, including globalization, post-industrialization, population ageing, the decline of the stable family structure, and an emerging social consensus towards employment-friendly welfare (Lee and Park 2003; Peng 2005; Shin 2000; Wong 2005). Studies have also explored various political mechanisms which linked these background factors to final policy outcomes. For instance, emphasizing on electoral and partisan dynamics of the reforms, they have argued that serious welfare

expansion occurred when the conservative party suffered from major electoral setbacks and, as a consequence, pro-reform voices seized favorable momentums for universal welfare reform (Haggard and Kaufman 2008; Kwon 2005; Peng and Wong 2008; Shin 2000). Still, others have highlighted the roles of macro-political institutions, such as electoral formula and executive-legislative institutions (i.e., presidentialism vs. parliamentarism), examining how these factors affected strategic considerations of political parties who were involved in major reforms (Song and Hong 2006; Yang 2013).

The article builds on these studies on the political determinants of welfare expansion in Korea, and especially those which have focused on the electoral and partisan dynamics of the reforms. Although these studies are well suited for explaining how and why new welfare policies were *introduced* by referring to the relative electoral performances between conservative and reformist parties, the article argues, they pay little attention to another important dimension of the reforms: how and why such policies were *sustained* once introduced. The article provides an answer by drawing on a notion of *ratchet effect* of welfare reform which has been widely theorized and tested in the literature of welfare policy feedback in advanced democracies. The rationale runs as follows. Once new policies are initiated, it becomes electorally risky for political parties to withdraw from the agenda. In particular, those voters who benefit from new policies will be mostly critical of any counter-reform efforts. Such electoral pressures promote a broad cross-partisan consensus for sustaining the reform among major political parties.

The article is organized as follows. It first overviews the existing literature of welfare reforms in Korea and other advanced democracies to provide a solid theoretical and empirical ground for the analysis. It presents and examines a core political argument - i.e., the ratchet effect of welfare reform - in a context of welfare expansion which occurred in Korea through the late 1990s and the 2010s. In the conclusion, the findings of the study will be summarized along with their implications for a broader scholarship on welfare reforms in advanced democracies.

2. THE POLITICS OF WELFARE EXPANSION IN KOREA

Until the recent past, the notion of the ‘East Asian model’ was widely accepted in the studies of social welfare in Korea (Goodman and Peng 1996; Holliday 2000; Kwon 1997; Wade 1990). Emphasizing a Confucian heritage or state developmentalism in Korea (Goodman and Peng 1996; Holliday 2000; Jones 1993; Kwon 1997), the studies highlighted a full of unique characteristics in the Korean welfare system which were rarely seen in most other cases of advanced democracies. Among the widely cited features were slim and stratified social insurances, slim public service and assistances, various company-level welfare benefits, and life-long employment (Chung 2007; Manow 2001). In combination, these features produced a welfare system which heavily favored those workers (and their families) who existed inside core public and private economic sectors, while leaving out all other populations (Kwon 1999; Wade 1990).

In recent years, studies have taken a different approach to the social welfare in Korea. They have noted that important changes occurred in the late 1990s to 2000s, which made welfare benefits more universalistic. Social insurance benefits – which had mostly favored those populations with medium-to-high incomes with job security – were reduced or recalibrated, whereas other benefits for new social risk groups (such as women, the aged poor, the working poor, etc.) increased by means of various social insurance reforms and provision of public services and other means-tested assistances (Kim and Guak 2011; Peng and Wong 2008). With these changes, the Korean government not only improved the fiscal sustainability of existing social insurance benefits, but also made the whole welfare system more equitable by expanding new benefits to those populations who were placed in peripheral life conditions. (Shin 2000; Song and Hong 2006; Yang 2013).

The article builds on this overall assessment of welfare reforms in Korea, and focuses more on the expansionary side of the policy reforms. To account for such

changes, existing studies have found various structural conditions that provided strong pressures for expansionary reforms. Globalization, along with a large-scale external economic crisis as occurred in Korea at the turn of the century, expanded social demand for public welfare by increasing the number of citizens whose life became vulnerable under a new open economy (Shin 2000; Song 2003; Yang 2000). Other structural changes – such as post-industrialization, female labor force participation, population ageing, the decline of the stable family structure – added further to this pressure by reducing the size of the core populations who supported traditional welfare benefits, while increasing the number of peripheral populations who were not covered by existing benefits (Lee and Park 2003). Last but not least, an ideational consensus for inclusive welfare reforms – which was promoted by various civil organizations such as social media and voluntary civil groups – also facilitated welfare expansion by mainstreaming the new reform agenda into public policy debates (Wong 2005).

Studies have also explored diverse political mechanisms which played important parts in mediating those structural pressures toward final policy outcomes. Here one influential account examines the role of partisan and electoral competition among political parties, in particular paying close attention to the changing electoral fortune of the conservative party in Korea. The dominance of conservative voices had been the main feature of the Korean politics throughout the post-war periods. Entering the late 1990s to the 2000s, however, a series of political earthquakes resulted in the conservative party losing its dominant position in the national political scene. Considering that the party had long favored the status quo of the existing particularistic welfare system, the decline of its political power – coupled with the ascendance of pro-reform voices from opposition parties and other civil organizations – created a strong political momentum for welfare expansion (Kwon 2005; Peng and Wong 2008; Shin 2000, 2001a).

Meanwhile, other studies have emphasized a role of macro-political institutions in the reform politics. In their efforts to examine how such institutions intervened to

shape strategic considerations of political parties, those studies have found various evidence that worked against welfare expansion. For instance, the simple plurality rule in Korea produced an institutional bias against universal welfare expansion by motivating political parties to reinforce their personalistic rather than general programmatic ties with citizens. A check-and-balance mechanism, as featured in the Korean presidential system, also produced a similar dampening effect. Often resulting in political deadlocks between the legislative and executive branches, the system made it difficult for even reformist governments to focus on their agenda on welfare expansion (Song and Hong 2006; Yang 2013).

3. THE RATCHET EFFECT AND THE SUSTAINABILITY OF NEW WELFARE POLICIES

1) Assessment of Existing Accounts

The article revisits these recent studies on the political determinants of welfare expansion in Korea. Focusing on the studies which have explored the partisan and electoral dynamics of the reforms, the article aims to further improve their explanatory power. It first acknowledges that existing partisan and electoral studies have contributed to our understanding on the dynamics of welfare expansion, especially on why major welfare policies were *introduced*. To answer this question, the studies have mostly relied on classic partisan theory of party behaviors (cf. Haggard and Kauffman 2008) - which asserts that political parties compete on social policies by drawing on their relatively fixed partisan preferences (Allen and Scruggs 2004; Amable, Gatti, and Schumacher 2006; Korpi and Palme 2003). Building on this perspective, the studies have presented a testable hypothesis which attend to the changing power relation between conflicting partisan forces (Kwon

2005; Shin 2000; Yang 2000). A considerable power shift toward reformist political parties and civil organizations occurred in the late 1990s, which put the voices for welfare expansion on a more favorable political ground. Major reform events then occurred following the initiatives of these pro-welfare voices. Even conservative politicians were pressed to introduce or support similar measures, reflecting the new political reality.

While such account explains why major welfare expansion occurred in Korea, it does not tell us much about why the new policies were *sustained* thereafter. Various case studies have confirmed that new welfare policies, which were introduced under two reformist governments (1998-2007), continued to maintain their core features in following years to come (Joo 2008; Kim and Kim 2012; Kim and Lee 2015; Kim and Nam 2011; Lee and Kim 2016; Lee and Park 2015). True, the present study covers only a limited time period (namely, it covers only several years or more until the mid-2010s since the new policies were introduced) and cannot answer how longer those policies will remain in the future. But the years that those policies survived were when the conservative party came back in power, and the existing partisan/electoral studies do not seem to provide a plausible explanation of how the policies survived these arguably hostile periods of the conservative rule.

2) Core Arguments and Contributions

The article addresses this challenge faced by existing partisan/electoral studies, by adopting an alternative framework of party behavior, i.e., rational partisan theory. It argues that political parties adjust their partisan preferences constantly to meet the requirements of electoral feasibility (Garrett 1998; Muller and Strom 1999). Widely accepted in the studies on welfare reforms in advanced democracies (Armingeon 2006; Bonoli 2001; Gigger and Nelson 2010; Pierson 1994), the perspective is logically compatible with the existing partisan accounts of welfare expansion in Korea, which find that major welfare expansion occurred when

pro-welfare reformists seized an electoral momentum to push for their preferred agenda. More importantly to our study, the alternative perspective is well suited for explaining how new welfare policies were eventually sustained.

More specifically, the article presents a testable hypothesis for reform sustainability in Korea. Called a hypothesis of *ratchet effect*, it builds on the notion of welfare policy feedback which predicts that certain policies, once adopted, create broad beneficiary groups who support the policies and also press politicians in the same direction by making it electorally risky to repeal the policies (Huber and Stephens 2001; Pierson 1994). Looking more closely at how such dynamic effect worked in Korea, once new welfare policies were introduced, they became very popular among a broad range of social risk groups (such as the poor elderly, women, the working poor, and young families). Political parties were therefore concerned that any efforts for deviating from the established policy path would likely invite massive electoral backlashes from the newly emerging constituencies. Considering that the size of these populations was growing fast in the wake of globalization, post-industrialization, female labor force participation, demographic changes, etc. (Lee and Park 2003), no major parties could feel immune to this social pressure.

Such political consideration became even more prominent when various pro-reform societal organizations, such as social media and voluntary civil activist groups, were actively involved in the reform process. As external advocacy forces to social risk groups, they provided a strong ideational ground for welfare reform. They in particular criticized traditional welfare policies for not only being fiscally unsustainable, but also being normatively unjustifiable by leaving many vulnerable people uncovered (Kwon 2005; Wong 2005). Once new welfare policies were introduced, those voices of pro-reform groups gained more solid ground as they witnessed the merit of their claim in the real life experiences. Politicians also became more attentive to their voices, finding it electorally costly to deviate from the new policies.

Under these circumstances, not only did the hitherto pro-welfare parties continue

their emphasis on the major reform path, but also conservative politicians who had been less sympathetic to the welfare expansion began to change their position in favor of it – a clear indication that the classic partisan perspective did not work. While in some cases conservative politicians did attempt to undo the welfare measures, their efforts did not last long. Instead, they began lending active support for the reform agenda by joining in the search for feasible specific solutions for welfare expansion.

Their changing attitude became evident when they suffered from major electoral defeats. To avoid further deterioration of electoral popularity, the conservatives were desperate not to jeopardize the reform process that was set with the rise of pro-reform voices. Even more striking was that the conservatives' position did not change when they returned to power with their enhanced electoral popularity. Given their improved power position, conservative politicians could have used the momentum as an opportunity to revive their traditional partisan approach. However, this scenario was not realized. Understanding that any attempt at rolling back the new reform measures would likely invite major setbacks from various risk groups – which in turn would dampen their general electoral popularity, conservative politicians did not return to their traditional agenda. Instead, they took only a moderate partisan approach whereby they stayed with or, sometimes, even actively promoted existing reform policies while refusing to pursue further agenda.

It should be noted that there are precedents in the existing scholarship which adopted the same notion of policy feedback to account for the politics of public welfare in advanced democracies. Pierson (1994), for instance, applied it in the context of welfare retrenchment in recent decades, explaining why it was difficult for political parties to cut income-transfer policies for core welfare recipients even when significant cutbacks seemed unavoidable. More recent experiences in the 2000s and 2010s seemed to challenge his thesis, demonstrating that many governments in advanced democracies finally began to embrace the reform agenda in order to take credits for tackling enormous fiscal challenges that social insurance programs

had faced (Armingeon and Bonoli eds. 2006; Bonoli and Natalie eds.2012). These episodes tell us that, once retrenchment was conceived unavoidable by most citizens and politicians, the feedback effect began to be overshadowed by other forces to overcome the status quo.

However, the feedback hypothesis still worked well for accounting for welfare programs in the phase of welfare expansion, rather than retrenchment. Huber and Stephens (2001), for instance, applied the notion to the cases of welfare expansion in the post-war Europe. They demonstrated that, once new welfare policies were introduced, political parties with different partisan ideologies were electorally motivated to continue or expand the policies in efforts to solicit support from voter groups who began to benefit from the policies. While the present study builds on this same idea of welfare feedback in the phase of welfare expansion, it provides a distinctive take on the issue as follows.

While Huber/Stephens (also, Pierson) dealt with welfare policy feedback in the contexts where core mainstream workers, active or retired, from well-established labor market (namely, those workers from major private manufacturing and public service sectors) played a primary role, this article examines the same feedback in a different context of a post-industrial economy - where voices from various risk groups from outside the core labor market are taken into account (Armingeon and Bonoli eds. 2006; Bonoli and Natalie eds.2012; Hausermann 2010). While these voters exhibit strong preferences for public welfare to address their disadvantaged economic situations (Blekesaune and Quandagno 2003; Svallfors 2006), they nevertheless have serious challenges in making their voices heard. Compared to traditional welfare insiders, who exhibited a strong capability of collective action and electoral mobilization by relying on strong organizations, various privileges from the management of major welfare programs, and strong ties with political parties, new risk groups do not benefit from these advantages. They are heterogeneous in composition, diffuse in organization, and marginalized by the existing welfare system (Armingeon 2006; Hausermann 2010; Van Kersbergen and Vis 2013, 155-159).

Under these circumstances, pro-reform civil organizations as external advocates to social risk groups play an important part in mobilizing social support for the disadvantaged groups. They can contribute to formation of a coherent policy coalition for policy reform. They also can expand the policy consensus for new welfare policies, by normatively legitimizing the reform agenda over the status quo in various policy debates. To the extent that such involvement is in effect, electorally-sensitive political parties will more readily appreciate the political importance of the policies at issue. This article traces this distinctive feature of policy feedback in a post-industrial society, analyzing the interaction between political parties and pro-reform civil organizations as the focal point of the policy feedback.

4. RESEARCH STRATEGY

This section outlines the research strategy that the article employs to demonstrate the validity of the ratchet effect hypothesis as applied to the Korean case of welfare expansion. First, it covers all major events of welfare expansion that occurred during the late 1990s and the 2010s, although only selected cases will be given closer attention. To provide a more rigorous empirical analysis, it also examines the ratchet effect hypothesis in explicit comparison with a potential alternative hypothesis which provides a different causal account for reform sustainability. This latter hypothesis is drawn from the classic partisan framework, the dominant approach thus far in the study of the electoral dynamics of welfare expansion in Korea. While having been employed to explain why new welfare policies were introduced, the framework nonetheless presents a plausible implication for the question of reform sustainability. Namely, it suggests that new policies will survive or demise depending the relative power distribution among the political parties involved. If pro-welfare reformists

continue to maintain a stronger electoral position, the policies will remain in effect. If conservatives regain power, however, the policies will be repealed or, otherwise, be modified for significant cutbacks. The implication is that there will be no such room for the ratchet effect to play out in the reform process.

In testing these competing hypotheses, the article presents the following substantive analysis. It first identifies the initial policy preferences held by the conservative and reformist parties as regard public welfare. It then explores how these preferences were affected once new welfare policies were introduced. If it turned out that the parties indeed adjusted their original preferences to the new reality, the hypothesis of ratchet effect will be confirmed. If the parties still maintained their original preferences, then the alternative hypothesis will be given more validity.

1) The Focus of Analysis

In pursuing the empirical analysis, the author pays particular attention to the case of the conservative party, which called Democratic Liberal Party (1990-1995), New Korea Party (1995-1997), One Nation Party (1997-2012), or Saenuri Party (2012-2017), depending on time periods. This party provides a case whereby the ratchet hypothesis and the alternative classic partisan hypothesis present conflicting expectations: the former expects a change in the party's preference whereas the latter does not. Meanwhile, the case of reformist parties do not carry as much analytic importance. Both hypotheses will present the same prediction (although for different reasons) that reformists would stay with their initial emphasis on welfare expansion - a point which has been confirmed repeatedly by many expert studies (Kim and Guak 2011; Seon 2005).

Interestingly enough, the conservative party faced diverse electoral fortunes throughout the reform process. When new welfare policies were introduced, it suffered from electoral setbacks. Later, it recovered popularity and managed to return to power and stay there toward the end of the periods that the present study

examines. These changing electoral configurations provide an ideal ground for testing the ratchet hypothesis against its alternative. The former predicts that the conservative party would start to change its preference on social welfare and hold the new idea even after it recovered electoral power. The alternative hypothesis however expect that the party would stay with its initial preference. Even if the party happened to agree with expansionary welfare policies, it would have done so because the lack of power vis-à-vis its competitors forced to do so. As soon as the party recovered power, it would return to its original position.

2) Controlling for Other Hypotheses

To further ensure the validity of the empirical analysis, this section refers to existing studies to control for other plausible alternative explanations for the reforms. First, it is possible that a series of structural changes in society and economy – such as globalization, post-industrialization, demographic change, and family change – could have affected the reforms by generating a broad consensus for welfare expansion among major political parties. While not denying this potential intervening effect, the author emphasizes that these pressures have been on a steady trajectory since the 1980s (Kwon 2005; Lee and Park 2003; Peng 2004) – meaning that they cannot provide a sufficient explanation for the timing and specific dynamics of welfare expansion. In particular, they cannot explain why and how the conservative party began changing its preference in the late 1990s and maintained the new idea thereafter.

The article also addresses another potential claim that welfare insiders (such as core workers and other organized welfare beneficiaries) and other government bureaucrats could have intervened in the reforms by affecting the policy preferences of political parties over social welfare. The author however casts doubt on this possibility on the following grounds. First, core welfare programs in Korea had been only narrowly focused on certain target groups – such as public employees, teachers,

and male workers in big businesses (Chung 1996; Kwon 1999; Shin 2001a). As a result, these small-sized insiders could not form strong voices when political parties embarked on major welfare reforms in the late 1990s and 2000s to address various emerging social risks (Shin 2000; Yang 2013). Government bureaucrats, who once had played an important role in policy making, also lost much of their power to politicians in the course of intense electoral competition and social mobilization which occurred in the 1990s and 2000s (Ahn 2000; Kim and Kim 2005; Peng and Wong 2008; Wong 2005). All these circumstances suggest that politicians were given relative freedom when they promoted welfare reform - without being significantly checked by other possibly omitted players.

Lastly, the article also considers potential influences that macro-political institutions would have produced in the reform process. As already discussed above in the literature review section, these political variables played a significant role in the phase of welfare expansion in Korea (Song and Hong 2006; Yang 2013). It is therefore plausible that the same institutional variables could also have made significant differences in the subsequent periods for policy maintenance. For instance, the presidential system, as an institutional check-and-balance mechanism, could have produced veto players in the Executive or the Congress, making it difficult for politicians to seek a change from the newly introduced policies. In reality, however, these potential interventions did not pose serious challenges to our causal analysis. Despite the separation of power between the executive and the legislature, the institutional check-and-balance was not in effect in Korea for most of the 2000s because the president's parties mostly maintained a legislative majority. The personalistic ties between voters and parties which were prevalent in the plurality-based electoral system in Korea might have played a part in welfare stabilization, but in a way far from disconfirming the ratchet effect hypothesis. As discussed in the literature review, the personalistic ties generally discouraged political parties from pursuing programmatic appeals to voters. At the stage of reform stabilization, this would imply that politicians would be less interested in maintaining

universal welfare programs. If we still observe these policies being maintained, it would then provide a stronger case for the ratchet mechanism at work.

5. THE RATCHET EFFECT AND THE CONSERVATIVE PARTY'S POLICY CHOICES IN KOREA

This section presents an empirical analysis of welfare policy feedback in Korea. It starts by identifying the initial policy preferences held by major political parties regarding public welfare. It explores how these preferences were affected once new welfare policies were introduced. Focusing on the case of the conservative party and its government, the analysis confirms that the ratchet effect played an important part in making new welfare policies sustainable in Korea.

1) The Initial Constellation of Preferences: Conservative vs. Reformist Parties

The conservative party's policy position on public welfare had long been rooted in the notion of particularistic welfare (as predominantly conceptualized with Confucianism or developmentalism). From this perspective, generous benefits were provided only for those populations from inside core labor markets (such as those who were in the public sector and other core economic sectors), while leaving all others outside the system (Chung 1996; Kwon 1997). In the wake of the democratic transition in the late 1980s, conservative politicians began changing their approach. They expanded the coverage of pension and health benefits, and also introduced new unemployment benefits. All these policies reflected their effort to compensate for their lack of political legitimacy in the post-transition period (Chung 2007). They

also hoped that these policies would help moderate the potential social costs of their new economic project of globalization and liberalization - which they pushed hard for throughout the 1990s (Yang 2013). One should however note that except for the case of health care, most social insurance benefits that the conservative party introduced or extended did not yet provide full coverage for citizens (Shin 2001a; Woo 2011). In addition, most insurance benefits were set at a residual level. If not, as in the case of national pension, benefits were set at such an unrealistically generous level (if compared to contributions) that a major overhaul for significant benefit cuts became unavoidable when the number of recipients increased sharply toward the end of the 1990s (Shin 2000; Yang 2000). All these evidences suggest that conservative politicians were not seriously interested in taking a fundamental break with the existing system of particularistic public welfare. They rather preferred only moderate adjustment within the status quo of the system.

Meanwhile, the situation was different for the reformist opposition. Its charismatic leader, Kim Dae Jung, was known for his life-long commitment to generous welfare and participatory democracy (Shin 2000; Yang 2000). Under his leadership, the opposition maintained a close relationship with other major civil organizations, which lobbied for comprehensive and progressive welfare reform (Kwon 2005). Criticizing the existing particularistic welfare system for its bias towards small exclusive groups of core beneficiaries, the opposition searched for more universal welfare which would cover a vast majority of welfare outsiders with more generous income maintenance and tax-financed assistance (Peng and Wong 2008, Kwon 2005).

2) Welfare Expansion and the Response by the Conservative Party

As confirmed by exiting partisan/electoral studies, a serious welfare reform began with the electoral decline of the conservative party and the rise of pro-reform opposition. Two reformist governments - first led by Kim Dae Jung (1998-2002) and then by Rho Moo Hyun (2003-2007) - introduced various reform policies.

They not only aimed at improving the fiscal sustainability of conventional welfare programs (mostly social insurances), but also sought to make these benefits and other public services and assistances more available to social risk groups. Looking more closely at this expansionary side of the reforms, Kim extended the coverage of pension and unemployment benefits to include virtually all populations. He also introduced a statutory public assistance scheme that would provide a guaranteed basic standard of living for various segments of poor populations (Shin 2001b; Seon 2005). Rho continued this reform effort. He adopted flat-rate tax-financed basic pension benefits to cover about 60% of retired people. He also introduced an earned income tax credit scheme for the working poor, along with a long-term care insurance scheme (the LTCI) for the elderly. Last but not least, he expanded childcare and daycare services and facilities targeting poor working families (Kim and Guak 2011). While all these benefits were not generous enough, coverage was clearly expanding (Kim and Kim 2005; Lee 2011; Song and Hong 2006).

Interestingly enough, the conservative party in opposition did not resist these reform efforts. Defying its long-maintained pessimism on universal welfare, the party began taking a more conciliatory approach to the policy initiatives. Its new approach continued even when it returned to power in 2008. It did not return to its old particularistic welfare agenda, but rather stayed with the new framework of social welfare that had been set during the past years of the reformist governments. We explain this process of reform stabilization by relying on the logic of the ratchet effect.

Various case studies have already provided good evidence and narratives to support this claim. Once the Kim government initiated a series of welfare reforms, the conservative party decided supported the policies (although reluctantly at least in the beginning, as seen during the health care reform (Lee 2004; Wong 2005)) in order to restore electoral popularity. The party was particularly interested in improving its anti-welfarist reputation among many pro-welfare civil organizations who represented various interests of social risk groups (Ahn 2000; Oh ed. 2000; Yang 2004; Won

2003). The party's commitment to welfare reform became even more prominent when it lost another presidential election in 2002 and also suffered from another major defeat in the 2004 election for national congress. Following these defeats, the party began coordinating its policies even more closely with major pro-reform NGOs. These organizations were pressing hard for a breakthrough in various reform agendas that the reformist government was involved in - such as basic pension, earned income credit, long-term elderly care, and various family policies (Cho, Ku, and Na 2009; Choi and Lee 2010; Lee 2011). The conservative party joined actively in these efforts, hoping that it would help them win back the upcoming presidential election scheduled in 2007 (*Seoul Daily* 2007¹); *The Korea Economic Daily* 2007²).

The introduction of basic pension scheme presents one clear case for demonstrating the conservative activism in reform agendas. Initially, the Rho government was rather cautious about this fully tax-financed pension scheme because of its implication for long-term fiscal sustainability. The conservative party however took a more assertive approach. It demanded a universal basic pension scheme for all retired people. The benefits should also cover up to 20% of the average monthly income of national pension contributors (*Seoul Daily* 2005³). Following intense policy debates, the conservative party finally earned a compromise from the government. Starting in 2008, the new pension plan would cover 60% of those older than 65 with a monthly payment equivalent to 5% of the average income of national pension contributors. The replacement rate would then gradually increase, reaching up to 10% by 2028 (*Kyungbyang* 2007⁴). Throughout this policy initiative, the conservative party made a strategic coalition with social democrats (represented by the Korean Democratic

1) "Hannaradangeun byunsinjoong," *Seoul Daily* 2007/04/16 (in Korean).

2) "Hannara 'Soogoo image butza' zua click joon," *The Korea Economic Daily* 2007/04/16 (in Korean).

3) "Samnyunzgae Pyorue: Kookmin yeonkumgaejeongan jaengjeom," *Seoul Daily* 2005/12/03 (in Korean).

4) "Kookmin yeonkumbub eottokae baqqina," *Kyungbyang* 2007/06/30 (in Korean).

Labor Party which had small seats in the National Assembly) and other pro-welfare NGOs such as People's Solidarity for Participatory Democracy (PSPD), Women's Association United (WAU), and Korean Senior Citizens Association (KSCA). These organizations had been known for their activism in progressive welfare reform, and also had long maintained a closer relation with reformist politicians. Nonetheless, the conservative party decided to utilize their voices to draw more concession from the government (Cho, Ku, and Na 2009; Hyun 2008).

3) Resurgence of the Conservative Party and the Sustainability of New Welfare Policies

Of particular interest to the present analysis is the fact that this situation did not change even when the conservative party fully recovered electoral popularity and returned to power. The conservative governments led by Lee Myung Bak (2008-2012) and Park Geun Hey (2013-2017) provide prime cases for such political development. Among these cases, the present study will focus more on policy examples drawn from Lee government, considering the availability of more established facts and data. Welfare policies by Park government is still an on-going process, meaning that it will require more scholarly efforts to reach a broad consensus as to what happened with the government in most recent years. The author will therefore lay out only limited information for the policy developments under Park government, paving a ground for a future analysis.

The conservative party returned to power with Lee's landslide victory in the 2007 presidential election. Considering the enhanced power position for the conservatives after the election, one could expect that the new government would return to the old conservative agenda on social welfare. This scenario, however, was not realized. Although the government did not introduce further reform agenda, it did stay with the reform path that had been established during the past ten years of the reformists' rule. It continued to support all flagship welfare policies introduced by Kim and Rho

governments, including social insurance benefits with full coverage, flat-rate payments for the targeted poor, income tax credits, the LTCL, and leave and family/child care policies - although the new government sought to finance and deliver these benefits in a more market-oriented way than the reformists did (Joo 2008; Kim and Kim 2012; Kim and Nam 2011). In the beginning, Lee government took a rather passive approach whereby it continued the existing welfare measures but with no further spending. Later, as its popularity declined, Lee government took a more active approach by increasing public spending on the existing policies (Choi 2010; Kim and Nam 2011). The expansion of family spending such as child allowances, child care, and day care was among the widely cited examples of such activism (Kim and Kim 2012).

This overall assessment lends support for the claim that new welfare policies survived even in the potentially hostile periods of the conservative rule. Nonetheless, the author notes that in certain areas the conservative government indeed made considerable efforts to cut back on the benefits for the risk populations. This was clearly the case in their early days in power following the 2007 presidential election, the periods in which it enjoyed their highest level of political popularity. Even during these periods, however, the government soon worried about the electoral consequences of its policy drive, eventually returning to the reformist path set by the previous governments. Considering that the feedback hypothesis built on the idea of policy inertia and could therefore be best tested when the new policies were explicitly challenged by anti-reform efforts, the analysis in this section focuses on these early cases of policy reversals as clear evidence that the policy feedback worked even under the conservatives' rule.

Soon after the electoral victory in December 2007, the conservative government made a series of policy announcements laying out its plans to review some of public pensions and healthcare benefits (Joo 2008; Presidential Transition Committee 2008, 43-4). Regarding public pensions, the government proposed a change in the benefit formula for low-income populations. The system in place at the time provided small,

tax-financed flat-rate payments for 60% of the retired people with low incomes. On top of that, the National Insurance Fund provided contribution-based benefits depending on the recipients' qualifications. While this type of multi-tiered pension formula was not rare in advanced democracies, the government considered it an unnecessary form of double payment. Therefore, it proposed a policy change by which the Fund would subtract the amount of basic pension paid to the recipients when providing them with pension benefits. The conservative government also made another effort at policy change, focusing on the health insurance system. Up until that point, it had been mandatory for the public scheme to provide insurance benefits for all covered medical services: no hospital was allowed to bypass this scheme when providing covered services to patients. The government promoted a plan to relax this constraint, allowing certain qualified hospitals to legally refuse patients covered by the public scheme in an effort to provide more expensive, higher-quality medical services to those with private insurances.

These proposed changes, if implemented as planned, would have meant considerable losses in welfare benefits to various segments of populations (*The Dong-A Ilbo* 2008⁵) ; *Seoul Daily* 2008⁶). The president and his political staffs took the initiative of pushing for those policy drives (Dong-A Ilbo 2008). Following a short period of tension with pro-welfare oppositions, however, the government soon withdrew its original plans (Joo 2008). We trace this process of early policy drive and reversal by focusing on the case of health insurance. In comparison with the pension debate, the policy shift in this area was more explicit, as the government officially announced that it would abandon its plans. Meanwhile, the policy reversal in the pension case was more nuanced, as the government implicitly withdrew the plan by delaying its final decision, with no specific timetable (Joo 2008).

To trace the trajectory of the healthcare reform more closely, when the

5) "Geonbo whanja anbatneun byungwon sanguinda," *The Dong-Allbo* 2008/02/22 (in Korean).

6) "Geonbo dangyeonjijeongjae hyunhangdaero," *Seoul Daily* 2008/04/30 (in Korean).

government released its plan in February, 2008 (Presidential Transition Committee 2008, pp.43-4), it therefore fell under heavy criticism from the society. Various civil organizations and especially major health advocacy groups (such as Health Right Network) led this criticism. They claimed that the proposed plan would limit the accessibility of medical services for various risk groups who were relatively poor and disadvantaged. The overall medical costs would also increase by incentivizing hospitals to focus more on high-quality, high-cost medical services outside the public insurance scheme (*Kukminilbo* 2008⁷⁾). Opposition parties joined in this criticism during their campaign for the upcoming congressional election scheduled in April. Worrying about the electoral implications of these mounting criticisms, the ruling conservative party also detached itself from the health issue during its congressional campaign (*Kyungbyang* 2008⁸⁾). The government then began to soften its policy stance to assist the ruling party. For instance, the head of the Department of Health, Welfare, and Family held a big press conference during the campaign period, emphasizing that he would not promote any policy change that would jeopardize the coverage of benefits under the current health insurance system (*Hankook Ilbo* 2008⁹⁾). The government finally renounced its plan a few days after the congressional election (*MK Business News* 2008¹⁰⁾). It instead announced a moderated version of policy change (although again criticized and blocked by pro-welfare voices), whereby it would allow high-cost medical services only in few limited areas of the country, while keeping the basic provisions of public insurance intact (*Hankyoreh* 2009¹¹⁾).

7) “Youngri bubin minbo whalseongwha: kookmin geongang palameokji mara,” *Kukminilbo* 2008/03/11 (in Korean).

8) “Geonbo minyeongwha ‘Euiryo yangkeukwha symwha’ yadangseo chongryeok gongsae,” *Kyungbyang* 2008/04/04 (in Korean).

9) “Kim seong-i bokji ‘geongang boheom teul heundeulaseaneun andwae,’” *HankookIlbo* 2008/04/01 (in Korean).

10) “Dangyeon jijeongjae wanwha choojinanhandanda,” *MK Business News* 2008/04/29 (in Korean).

11) “Bokjiboo ‘yeongri byungwon jogeonbu heoyong,’ simindanchae ‘malroman jogeonbu,’”

Meanwhile, the newly elected conservative government, led by Park Geun Hey, adopted a similar approach as Lee government did. Like its predecessors, the new government made substantial efforts to cut social insurance programs that were inherited from the past particularistic welfare regime (as demonstrated by the public-sector pension cut in 2015 (Cheon 2015)). It also continued to support all new policy areas that had been introduced by previous reformist governments and sustained by Lee government. Overall, the public social spending continued to grow as a percentage of GDP: increasing from 5.59% of the two reformist governments and 8.25% of Lee government to 9.48%. Spending on health care, family, and senior policies also continued to keep the pace with the overall spending trend.¹²⁾

Note that these numerical figures did not necessarily mean that welfare policies under Park government became more generous (because the spending could grow simply as a result of an increasing number of benefit recipients). But it was also true that there were no public efforts to roll back existing welfare benefits for social risk groups – although the government sought to make those benefits more selective ones towards needy citizens (rather than benefiting all citizens) and to expand the scope of privatization in the delivery of publicly-sponsored services and assistances (Lee 2015). Benefits from the statutory public assistance scheme were expanded to cover more low-income citizens with better benefits (Lee and Kim 2016). Family benefits became more generous, providing universal care support or cash allowances for all families with new born or young children (aged between 0 and 5) (Lee and Park 2015). The government also continued its commitment to minimum pension benefits. Although it withdrew from its electoral pledge to turn the existing selective benefit system (covering 70% of low-income elderly citizens)

Hankyoreh 2009/04/08 (in Korean).

12) All the spending figures were drawn from Korean government statistical portal (KOSIS <http://kosis.kr/> (searched on 2017.04.01)). The portal provides the public spending data up until 2014. Therefore the spending figure for Park government covers only the data from 2013 and 2014.

to a universal one, the government continued to provide cash benefits for the target populations within the status quo (Oh and Lee 2015).

Notice that there was one notable area which diverted from this broad policy paradigm endorsed by Park government. In the presidential inauguration address, Park announced that her government would resume the privatization project for health insurance and medical service systems that had been unsuccessfully attempted by Lee government. Certain qualified hospitals would be able to bypass the public insurance scheme by providing selective medical services. They would also be allowed to enter various medical-related businesses by setting up sister companies. Again, civil society actors played a leading role in mobilizing social opposition to these proposed changes. United under an umbrella organization supporting public health care, they criticized that the government's plan would make medical services more diversified, more privatized, and therefore more expensive for ordinary and economically-disadvantaged citizens. Responding to these widespread social voices, opposition parties who had initially supported the reform plan decided to oppose it. Like in the case of Lee government, the privatization plan for public insurance and medical services marked another failure (PSPD 2014, 2016).

6. CONCLUSION

This article represents an explicit effort to account for the political dynamics of welfare reform stabilization in Korea. Relying on the notion of the ratchet effect, it has provided and confirmed a specific partisan/electoral account for reform stabilization. In doing so, it has found that political parties - even conservatives - became more steadily committed to new welfare policies once these were introduced. The electoral concern for new risk groups, as amplified by active

involvement of pro-reform civil organizations, was the key driving force behind the convergence of preferences among political parties.

This study brings the following contributions to the existing scholarship of welfare reform. First, it brings to the literature a relatively new but important topic of research. As already discussed in the article, existing studies on the political dynamics of welfare reform in Korea focused primarily on the question of how and why the reforms occurred. The situation has not been much different for the broader literature of advanced democracies (which has mostly covered core OECD countries). There, researchers have been interested in the question of how and under what political circumstances major reforms occurred, although they have noted that politicians had to overcome much stronger resistance from welfare insiders than in the cases of East Asia (Armingeon 2006; Bonoli 2012; Giger and Nelson 2010; Green-Pedersen 2002; Hauserman 2010). This study builds on these recent studies of welfare reform, and further advances research agenda by providing a clue as to how and under what circumstances the reform could be stabilized.

The study also contributes to one of the important theoretical debates in the welfare reform literature, which has revolved around the question of how political partisanship matters in welfare reform. As already discussed in the article, most existing studies on the Korean case have relied on the framework of classic partisan theory to account for the reform dynamics. The article challenges this tradition by adopting an alternative framework drawn from rational partisan theory. This alternative framework is logically compatible with the classic partisan framework in explaining the occurrence of major reforms; furthermore, it provides a better explanation for the question of reform stabilization, as demonstrated by the analysis in support of the ratchet mechanism. Overall, rational partisan theory presents a more comprehensive perspective on the political dynamics of welfare reform in Korea.

In fact, such controversy between diverse partisan perspectives goes well beyond the specific context of the Korean case. The partisan variables have indeed appeared repeatedly in the major studies of welfare reform in advanced democracies. Building

on the classic partisan framework, some studies (Allen and Scruggs 2004; Amable, Gatti, and Schumacher 2006; Korpi and Palme 2003) have argued for the persistent importance of the traditional left vs. right partisanship in the reform process. Others challenge these accounts by adopting alternative rational partisan arguments (Armingeon 2006; Bonoli 2001; Gigger and Nelson 2010; Pierson 1994). While being diverse in their specific causal accounts, these alternative partisan studies emphasize that political parties have constantly adjusted their preferences, depending on diverse electoral circumstances that they have encountered during the course of welfare reform. Our analysis adds validity to this latter perspective by elaborating and expanding its logic to a particular context of reform stabilization in Korea.

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한국의 공공복지의 정치: 역진억제 효과와 복지 개혁의 지속성

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본 논문에서 저자는 당파적 선거경쟁이론에 입각하여 최근 한국에서 나타난 공공복지의 팽창 현상을 고찰하고자 한다. 기존 연구들은 1990년대 후반 이후 한국에서 공공복지의 팽창이 본격화된 이유를 보수정당과 개혁주의정당 간 권력 관계의 변화를 통해 설명한다. 하지만 이 연구들은 새로이 도입된 복지정책들이 이후 지속적으로 안정화된 이유에 대해서는 체계적인 설명을 제공하지 못하고 있다. 본 논문에서 저자는 한국에서 복지개혁의 안정화 현상을 ‘역진억제효과 (ratchet effect)’의 가설을 통해 설명하고자 한다. 이 가설은 서구 민주주의 국가들의 복지개혁 연구에서 광범위하게 수용되는 정책 피드백 (policy feedback) 이론에 기반한 것으로, 새로운 복지정책이 도입되면 새로운 수혜자 집단이 형성되고 주요 정당들은 해당정책 철회 시 예상되는 선거 역풍을 고려하여 그 정책을 계속 지지하게 된다는 인과논리에 바탕하고 있다. 특히 역진억제의 이면에는 최근 복지개혁의 주요 수혜자로 등장한 신위험계층 (new social risk groups)을 대변하는 시민사회세력의 저항과 반발이 자리잡고 있다. 이러한 피드백 과정을 통해 친복지 개혁정당뿐 아니라 애초에 개혁을 지지하지 않았던 보수주의 정당조차도 새로운 복지정책의 지지자가 되었음을 발견할 수 있다.