

**POLITICS, SOCIOECONOMIC CONDITIONS AND THE  
WELFARE STATE: HOW POLITICS AND SOCIOECONOMIC  
CONDITIONS HAVE SHAPED THE WELFARE REGIME IN  
SOUTH KOREA**



**Seil Oh**

**A Dissertation Submitted in Partial  
Fulfillment of the Requirements for the Degree of  
Doctor of Philosophy (Development Administration)  
School of Public Administration  
National Institute of Development Administration  
2019**

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## ABSTRACT

<b>Title of Dissertation</b>	POLITICS, SOCIOECONOMIC CONDITIONS AND THE WELFARE STATE: HOW POLITICS AND SOCIOECONOMIC CONDITIONS HAVE SHAPED THE WELFARE REGIME IN SOUTH KOREA
<b>Author</b>	Seil Oh
<b>Degree</b>	Doctor of Philosophy (Development Administration)
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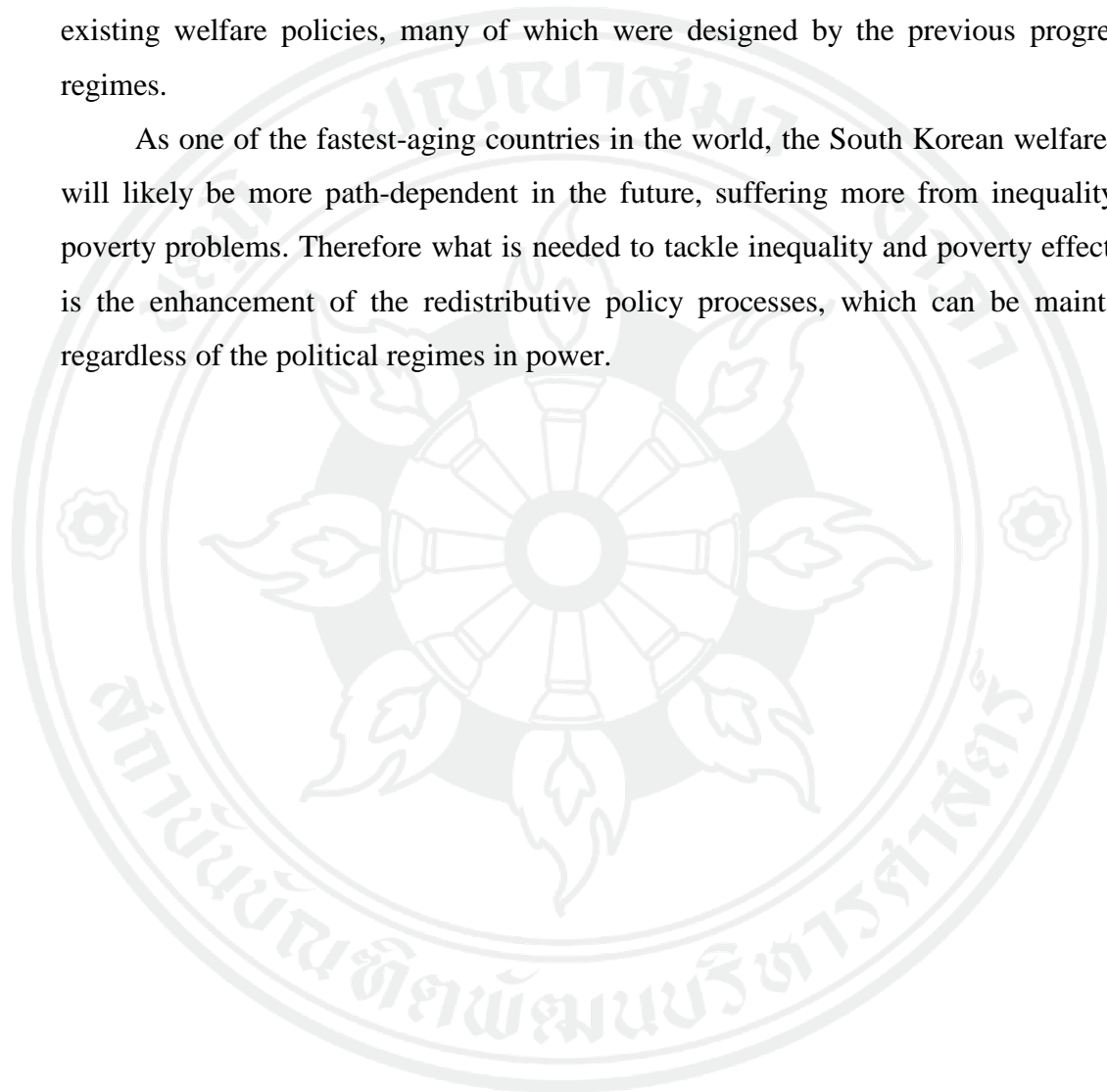
In any country with a political system based upon democracy, it has been conventional wisdom that center-left or progressive regimes tend to expand welfare programs, while center-right or conservative governments are more likely to dismantle the welfare state. However, in reality, any political party with a distinct political position on welfare policies is usually put under public scrutiny, which makes it risky for them to simply follow their traditional beliefs, without taking into account public reactions over welfare-related decision-making. Arguably, even conservative parties take progressive approaches—contrary to their beliefs—towards the welfare state, especially when elections are around the corner.

In terms of the partisan effect on the welfare state, South Korea is an interesting example in the sense that parties from different political backgrounds have had the opportunity to run the country for almost the same amount of time during the last twenty years, which is the period that this study focuses on in regard to politics, socioeconomic conditions, and the welfare state. Based on data ranging from the late 1990s to the mid-2010s, the relationship between the welfare state and political/socioeconomic conditions is evaluated alongside policy implications, revealing the extent of the political progressivism of South Korean politics in relation to welfare development.

The study reveals that South Korea's social policies are not free from path dependence, similar to other welfare states. South Korea has witnessed a conservative party radically adopting progressive welfare plans in order to maintain its political power and ditching them soon after being elected as the party in power. The country also witnessed a progressive party losing power and having almost no chance to implement the welfare policies it had drafted in accordance with its progressive beliefs.

In South Korea, conservative parties, traditionally regarded as market-oriented, are often successful in making themselves look like pro-welfare parties, even successfully winning elections. However, once they take political power, no path-breaking welfare policies are made by these regimes. The increase in social spending is rather due to natural phenomena, such as population aging or just the cost needed to maintain pre-existing welfare policies, many of which were designed by the previous progressive regimes.

As one of the fastest-aging countries in the world, the South Korean welfare state will likely be more path-dependent in the future, suffering more from inequality and poverty problems. Therefore what is needed to tackle inequality and poverty effectively is the enhancement of the redistributive policy processes, which can be maintained regardless of the political regimes in power.



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This study is dedicated to my wife and my two little daughters—these two girls just learned how to read. It thrills me to imagine the day when they find this dissertation among the many books on the bookshelf in the future.

Seil Oh  
June 2020

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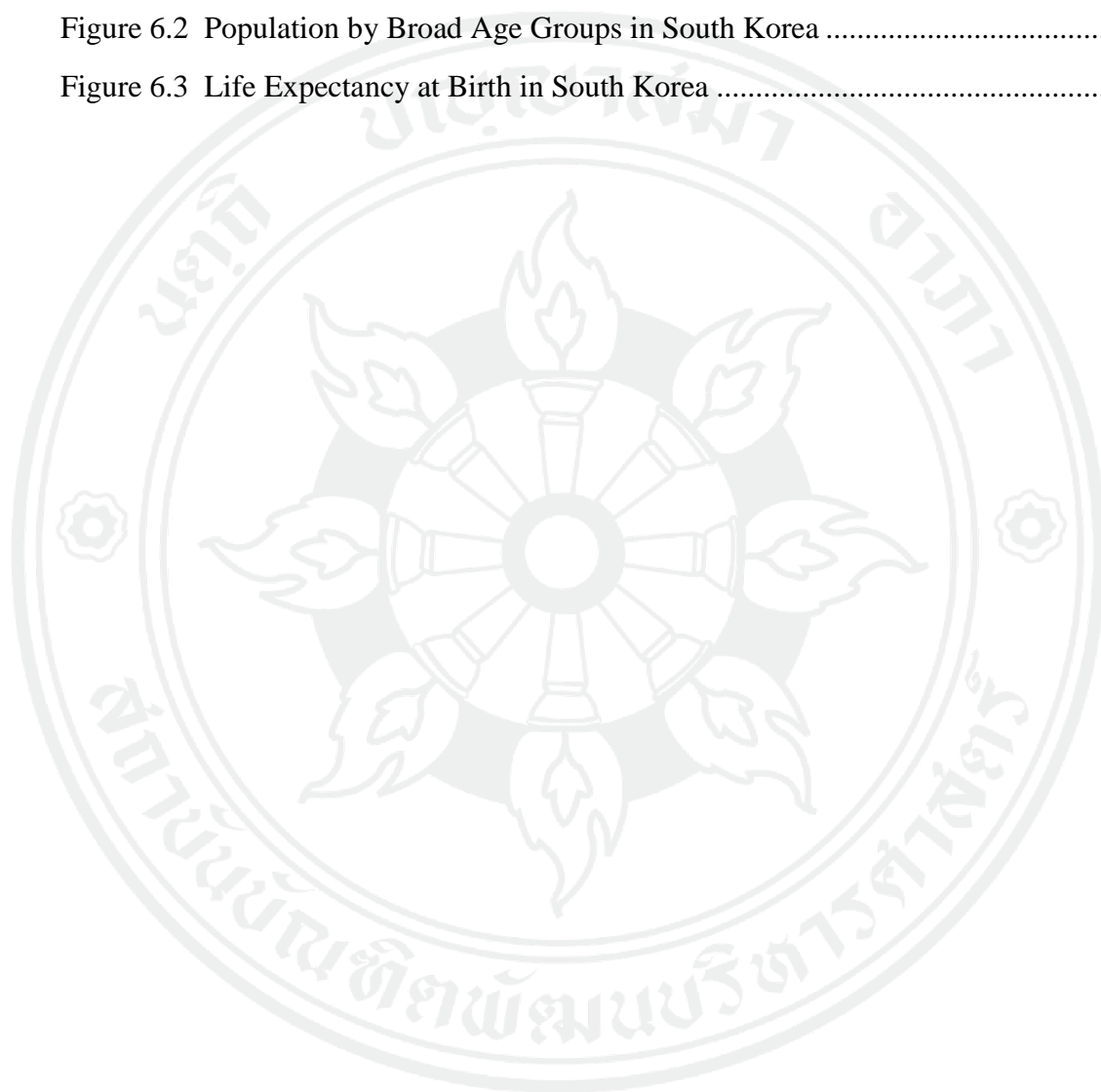
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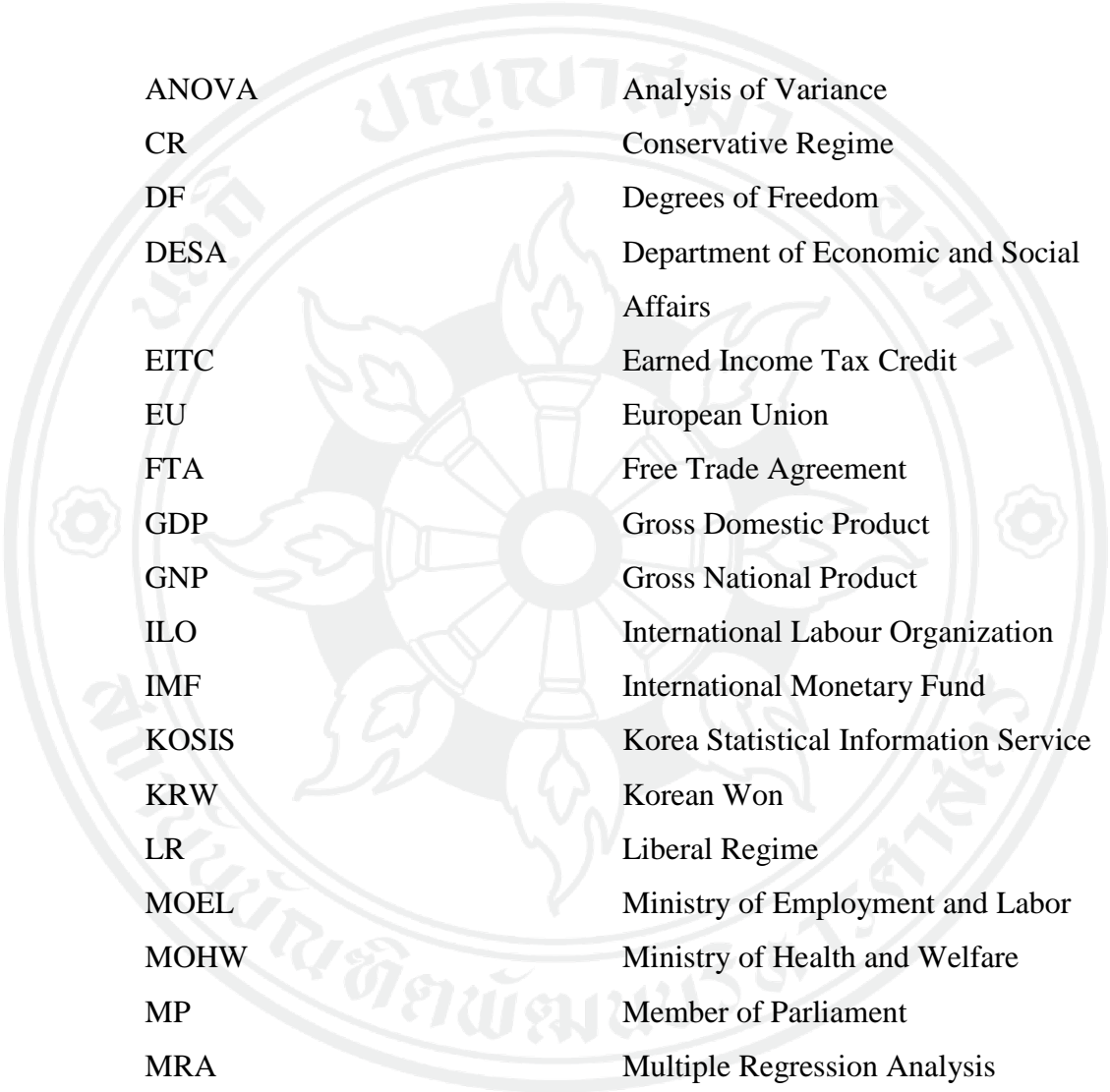
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## ABBREVIATIONS

### Abbreviations

### Equivalence



ANOVA	Analysis of Variance
CR	Conservative Regime
DF	Degrees of Freedom
DESA	Department of Economic and Social Affairs
EITC	Earned Income Tax Credit
EU	European Union
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GNP	Gross National Product
ILO	International Labour Organization
IMF	International Monetary Fund
KOSIS	Korea Statistical Information Service
KRW	Korean Won
LR	Liberal Regime
MOEL	Ministry of Employment and Labor
MOHW	Ministry of Health and Welfare
MP	Member of Parliament
MRA	Multiple Regression Analysis
OECD	Organization for Economic Cooperation and Development
SDR	Social Democratic Regime
SOCX	Social Expenditure Database
UN	United Nations
US	United States
USD	United States Dollar

## CHAPTER 1

### INTRODUCTION

#### 1.1 Importance of the Research

It has been conventional wisdom that leftist or progressive governments tend to expand and develop welfare programs, while rightist or conservative governments are likely to dismantle the welfare state (Pierson, 1994). However, it has also been true that any political positioning on welfare policies could be placed under heavy public scrutiny, which makes it risky for political parties to simply follow their traditional ideologies, without taking into account public reactions. Thus, it might be possible that conservative parties—contrary to traditional beliefs—could take relatively progressive approaches toward welfare states, which would make people suspicious of their intentions. It might also be possible that progressive parties would take a market-oriented approach in relation to the welfare state, as was seen in Britain under the New Labor government from 1997 to 2010. It should be noted that political parties usually begin to take a more progressive position regarding the welfare state than they have been when elections are “around the corner.”

In regard to the study of the partisan effect on the welfare state, South Korea is a good example in the sense that both progressive and conservative parties have run the country for almost the same period of time during the last twenty years. As mentioned above, South Korea is no exception to the fact that political parties have usually taken somewhat progressive positions toward the welfare state, regardless of their traditional political beliefs, in order to win an election. Some remarks made by sitting presidents or presidential candidates from conservative parties, such as “Korea



is now a welfare state,”<sup>1</sup> or “welfare should be expanded without raising taxes!,”<sup>2</sup> have been newsworthy with regard to political argumentation in terms of welfare<sup>3</sup>.

Unlike most Western countries, there has been a lack of labor parties and social democratic parties based on fundamental support from the working class in South Korea (Kam, 1989). It has often been pointed out that the main reason that South Korea has been regarded as one of the laggards in in terms of welfare development might lie in the weak political buildup by the working class (Hong, 1999). The South Korean welfare state has been based neither on social classes nor on political parties, whose top agenda has rarely been welfare issues. This particular situation has made room for civil society and some interest groups to play relatively active roles in discussions of the welfare state (Kim, 2002; Shin, 2012).

It should be noted that, even though there has arguably been a clear left-right division of political beliefs among major parties, the parties actually rely on a strong regional base, with few organizational ties with labor (Haggard & Kaufman, 2008), which could at least partly explain why welfare issues have often been ignored where they deserved much more attention from the public than they actually received. The question “which regional part of the country is a politician from?” has always had to be answered first, prior to questions about his or her political beliefs, including those about welfare policies.

However, even with such a powerful regional orientation of politics, it is undeniable that South Korea’s political system consists of two major groups of parties, one of which is conservative, with its roots in previous authoritarian regimes, and the other is progressive, with a background squarely in the pro-democracy movement. This competition between conservative and progressive parties has also

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<sup>1</sup> This comment was made by president Lee Myung-bak on December 22, 2010. It is noted that Park-Geun-hye also made similar comments pointing out that her father, Park Chung-hee, the president of South Korea from 1963 to 1979, had a dream of establishing a welfare state (Joo, 2014).

<sup>2</sup> This was the slogan used by presidential candidate Park Geun-hye, which was made famous during a television debate with another candidate, Moon Jae-in, in 2012.

<sup>3</sup> It is also noted that both sides take a progressive attitude toward the welfare state, especially when elections—either presidential or regional—are imminent.

started tackling welfare issues, especially since the end of the authoritarian regime. These issues have become closer to being part of the main political debates over time.

From the perspective of the socioeconomic side of South Korea, it was the Asian financial crisis of the late 1990s that pushed welfare issues into the spotlight of society. Given the aftermath of the crisis, including a high unemployment rate and heavily affected labor conditions<sup>4</sup>, “welfare” was no longer an issue that could be simply ignored. This change in the situation, however, was still not enough for welfare issues to become the top priority of political parties. Why were the welfare issues not able to gain political attention in South Korea, unlike in many Western welfare states where welfare policies are almost always fiercely debated in the major political arena? Kang (2013) argues that, in the political context of authoritarian vs. pro-democratic conflicts, welfare has been neither an attractive nor an effective topic in terms of winning votes or gaining public support for anti-government protests. Welfare issues have been discussed more in the context of each specific policy area, rather than under consistent approaches toward welfare in general by political parties (Kang, 2013).

It was in the context of recent conservative vs. progressive regimes that welfare issues began to be discussed in a more serious manner. After the arrival of the Kim Dae-jung regime in 1998, South Korea experienced ten years under a pro-democratic administration, after which pro-market conservative parties represented by Lee Myung-bak came to power, arguably reducing the expansion of the welfare state (Powell & Kim, 2014). During the Lee Myung-bak regime, the heavily debated issue about the so-called “free meals for school children”<sup>5</sup> showed how distinctively different each political party’s position was toward welfare policies (Kang, 2013). In addition to the “free meal” case, which was so controversial because of its strong

---

<sup>4</sup> In 1999, the unemployment rate of South Korea reached 8.7%, which was the highest level in modern South Korean history (“The unemployment rate reached 8.7%,” 1999).

<sup>5</sup> When the 2010 regional election was near, the issue of free meals for school children was heavily debated between the progressive party, seeking universal protection (for “all” the school children), and the conservative party, with its targeted approach (for the school children only from the low-income households) (Ma, 2012).

association with education, which thus heavily attracted public attention in South Korea, there have been other seriously discussed topics, such as universal vs. targeted welfare and taxation with regard to welfare policies during these politically contrasted regimes since 1998 (Kang, 2013). Having experienced much controversy in relation to welfare, it has become clearer to the public how each party (or regime) takes either a conservative or a progressive approach toward specific welfare policies, given some of the socioeconomic conditions that the parties have faced and their political identities.

Kim Dae-jung was able to come to power in 1998, and is regarded as important in welfare development in South Korea, because Kim's regime was the first politically progressive regime with its roots in the pro-democracy movement, promoting so-called "productive welfare" as a salient aspect of its policy design (Hong & Song, 2006). This has also been reflected in social spending, which rapidly increased under Kim's regime. If one focuses on the Kim Dae-jung era alone, it would seem that the more democratic a state is, the more it spends on welfare. It should also be pointed out that statutory welfare expenditures exceeded non-statutory expenditures for the first time during this regime, which could be regarded as an indicator of the expansion of state welfare (Hong & Song, 2006).

The expansion of the welfare state was exacerbated under the Roh Moo-hyun regime, which finally made welfare policies one of the top priorities of the government in terms of state expenditure. Both of the progressive regimes preferred balanced approaches toward welfare, also taking into account economic growth, rather than forming entirely redistribution-based welfare policies that could have been regarded as too "leftist" or "progressive" by conservative electorates in South Korea.

As one of the most controversial periods of welfare development in South Korea, the welfare policies of the Lee Myung-bak regime have been generally criticized, due to the regime's neo-liberal approaches and market-oriented attitudes towards welfare (Joo, 2008; Kim & Kim, 2012; Kim, 2009). In contrast, President Lee Myung-bak himself famously argued that South Korea had become a welfare state under his regime, pointing out the expansion of the welfare budget designed by his government. Despite his passionate remarks on the welfare state, it should be noted that the welfare state he sought to establish was based not on redistribution, but on

economic growth. According to the Lee Myung-bak regime, most of the welfare problems could be automatically resolved, if some amount—say 7%—of economic growth were to be accomplished.<sup>6</sup> Under his pro-market regime with its emphasis on free competition, thus allowing opportunities to compete, rather than on easy access to free meals, welfare policies were not top priorities but just minor issues that could be dealt with once certain economic growth targets were met.

It should be noted that, even though Lee Myung-bak's successor, Park Geun-hye, had a politically conservative background, she explicitly emphasized the importance of welfare, even confidently suggesting she might be able to expand it without any related raises in taxes. In relation to her famous slogan, “welfare expansion without raising taxes,” which was actually effective in winning the presidential election in 2012, her government has been heavily confronted by opposition parties with doubt concerning the feasibility of such an approach. Further, the Park Geun-hye regime argued that the taxation needed to finance the expansion of welfare could be realized through the formalization of an informal economy. However, throughout her term, which ended dishonorably earlier than officially expected due to a scandalous event related to Park Geun-hye's improper and hidden relationship with Choi Seo-won<sup>7</sup>, there was hardly any evidence that the expansion of welfare—if there had been any—was financed by the mechanism of the formalization of the informal economy.

In sum, South Korea's welfare development experienced two distinct periods consisting of progressive governments focused on welfare expansion and conservative governments with positions on welfare quite different from those of previous regimes. However, as figure 1 shows, taking a simple glance at the welfare statistics of social spending as a percentage of GDP does not quite confirm expectations about the welfare development during these two distinct periods.

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<sup>6</sup> Presidential candidate Lee Myung-bak's election manifesto was called the “747 manifesto” because the candidate aimed for a 7% economic growth rate, USD 40,000 GDP per capita, and achieving 7<sup>th</sup> highest rank among the economic power states, none of which has been realized under his regime.

<sup>7</sup> Previously known as Ms. Choi Soon-sil

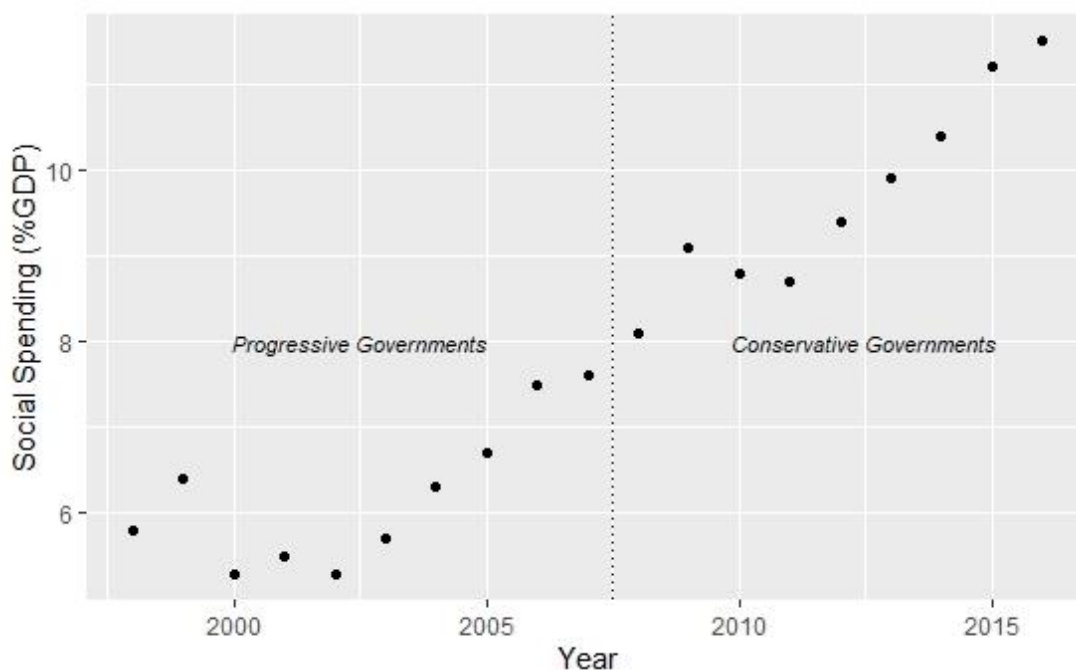


Figure 1.1 Social Spending as a Percentage of GDP in South Korea, 1998-2016

Source: KOSIS, n.d.

Figure 1.1 illustrates that social spending as a percentage of GDP has been generally increasing regardless of the change in regimes in South Korea. Does this mean that the development of welfare has not been significantly affected by each regime's attitude toward welfare? That question is the starting point of this study, as discussed below.

## 1.2 Objectives of the Study

This study aims to find answers to the research questions concerning the relationships among politics, socioeconomic conditions, and the welfare state. The basic research questions of the study are as follows:

In South Korea,



1) are political conditions, such as partisanship, associated with the development of the welfare state?

2) are socioeconomic conditions, such as GDP growth rate, associated with the development of the welfare state?

3) will income inequality and the poverty rate be reduced under a political regime with more social spending?

These research questions are based on basic hypotheses in accordance with the conventional wisdom discussed above. The basic hypotheses are as follows:

In South Korea,

1) progressive governments will contribute more to the development of the welfare state than conservative governments.

2) politics will have a greater positive effect on the development of the welfare state than socioeconomic conditions.

3) income inequality and the poverty rate will be reduced more under a regime with greater social spending.

The detailed hypotheses developed from the basic ones above are discussed in 2.5 (Hypotheses of the Study).

This study aims to evaluate the relationship between politics and the development of the welfare state, while also taking into account some socioeconomic conditions regarded as having an influence on the welfare state. In terms of this relationship, South Korea is a good example in the sense that both the progressive side and the conservative side have had the opportunity to run the country for almost the same amount of time during the last twenty years.

In regard to welfare policies, a politician's rhetoric is one thing, but the real development of welfare programs is another. In order to test whether welfare programs are being maintained, adjusted, designed, and implemented in accordance with political parties' rhetoric or their traditional beliefs, the development of South Korea's welfare will be examined based on two distinct periods, during one of which (1998-2007) the country was under a progressive government, and during the other, it was under a conservative government (2008-2016).



Table 1.1 Political Regimes in South Korea (1998-2016)

Progressive Regimes		Conservative Regimes	
Kim Dae-jung	Roh Moo-hyun	Lee Myung-bak	Park Geun-hye
1998 – 2002	2003 – 2007	2008 – 2012	2013 – 2016

With the basic research questions and hypotheses above, finding any differences (or no differences) between progressive and conservative regimes in the welfare state will make it possible to evaluate all of the political arguments, either from progressive or conservative side.

### 1.3 Scope and Limitations of the Study

The research questions and hypotheses will be examined in the context of Korea, from 1998, when the first pro-democratic, human-rights-oriented president came to power, putting an end to the long period of military-based authoritarian regimes, to the year 2016, when some revelations concerning the scandals surrounding president Park Geun-hye caused huge demonstrations against her and her government across the country, finally leading to an early presidential election due to the impeachment decision by Korea's Constitutional court the next year.

The data from less than a 20-year period have limitations in the sense that the more data a study has, the more statistically accurate the results will be. Therefore, it is important not to jump to conclusions just from analyzing a limited amount of data. Any statistical results should also be examined from qualitative perspectives in order to avoid inaccurate and unreliable conclusions.

This study has further limitations in the sense that the meaning of political progressivism in Korea is not exactly the same as that in the Western context. Korea's political parties are cross-class in nature, rely on a strong regional political base, and do not have direct organizational ties with labor (Haggard 2008). This region-

oriented party has been one of the reasons why welfare issues have often been ignored in the political arena.

#### **1.4 Benefits**

Korea is meaningful as a case study in the sense that it suffered heavily from economic collapse in the late 1990s after the period of rapid development. This experience increased public concern about welfare issues. Public interests shape politics in a democracy that is mostly dominated by two distinct parties with different political beliefs. It should be noted that, during the last 20 years, political power in Korea has been seized either by conservative parties or progressive ones, almost exactly dividing the period in halves from a political perspective.

This study intends to understand the association among politics, socioeconomic conditions, and the welfare state in the context of South Korea. Arguably, given that the people's perception of conservatism and progressivism (liberalism)<sup>8</sup> in South Korea might be slightly different from that in the Western context, where almost certainly political progressivism plays a positive role during the period of welfare expansion, understanding the interactions and associations among politics, socioeconomic conditions, and the welfare state would reveal the "real" extent of the political progressivism of South Korea.

#### **1.5 Types of Data and the Unit of Analysis**

Quantitative research has been employed in this study using secondary data. Given the fact that the data mainly cover only approximately twenty years of one country, South Korea, coming to generalizations based on the results of the quantitative analysis alone is not what is intended with this study. Therefore, it was necessary to examine some of the conceptual and qualitative dimensions of the

---

<sup>8</sup>The meaning of the term "liberal" is quite confusing. It usually means pro-market and free competition in the field of social policy, while in US politics it means pro-activist (close to the conception of progressivism) (Garland, 2016).

welfare state. The unit of analysis in this paper is the “annual political and socioeconomic indicators of South Korea.”

## **1.6 Organization of the Research**

This study consists of seven chapters. Chapter 1 is an overview of the necessity of the study and the research objectives. Chapter 2 reviews the relevant theoretical and empirical studies in order to formulate conceptual framework. Chapter 3 focuses on the research design, including the quantitative methodology as well as the rationale for the chosen variables for the research model. Chapter 4 discusses the analysis of political regimes and the welfare state. Chapter 5 focuses on the statistical results of the research based on the quantitative estimations. Chapter 6 discusses, first, the overall effect of politics and socioeconomic conditions on the welfare state; second, political conservatism and the welfare state; and lastly, political progressivism, the aging society, and path dependence in relation to the welfare state. Chapter 7 summarizes the results and discusses some of the theoretical findings and suggests further follow-up research points.

## CHAPTER 2

### LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

#### 2.1 Political Regimes and the Welfare State: Theoretical Background

Concerning the relationship between politics and social spending, previous studies usually have focused on issues such as democratic vs. authoritarian regime arguments or conservative vs. progressive regime arguments. In the case of democratic vs. authoritarian regimes, electoral pressures are regarded as an important factor in encouraging democratic politicians to move resources away from investment (Brown & Hunter, 1999; De Schweinitz, 1964; Dornbusch & Edwards, 1991; Malloy, 1987; Skidmore, 1977). In contrast, there have been arguments that there is “no systematic relationship between regime type and the room politicians have to maneuver” (Brown & Hunter, 1999, p. 779), and the simple distinction between authoritarianism and democracy does not tell the whole story about the factors that have a potential influence on political behavior (Geddes, 1995; Stephen Haggard & Kaufman, 1992, 1995; Nelson, Joan M., 1990; Przeworski & Limongi, 1993; Remmer, 1986, 1990). It should be noted that in the context of European welfare states, there have been a number of studies suggesting that the political power of social democratic and Christian democratic parties has played a crucial role in the expansion of the welfare state (Allan & Scruggs, 2004; Castles, 1998; Huber & Stephens, 2001; Ross, 2000).

### **2.1.1 New Institutionalism Theory**

As a starting point for recognizing the importance of political institutions, not just the state, March and Olsen (1983) focused on a “state-centered” approach. Instead of the sociological analysis of a state, the impact of political institutions on public policies is the main issue in this theory (Immergut, 2010). Tsebelis (1995) argues that if any legislation is to be passed, there should be agreement from veto players. Veto players consist of partisans—if they are political parties—or institutional decision-makers—if they are just any institution with potential control over the enactment or implementation of a policy. In regard to the association between the welfare state and partisan veto players, the issue of “which party seizes power” is one of the main topics of new institutionalism theory, since the attitude towards the welfare state has been one of the criteria for categorizing political parties as either conservative or progressive. In this study, political parties are regarded as one of the independent variables as a dummy variable (1 = progressive party, 0 = conservative party) in the regression analysis.

### **2.1.2 Partisan Theory**

Pointing out that parties are the major determinants of welfare development, partisan theorists argue that people should be regarded as consumers in a market of welfare policies (Castles, 1982; Hibbs, 1977; Huber & Stephens, 2001; Schmidt, 2010). Social spending as a percentage of GDP and the party composition of governments are usually measured as indicators in welfare evaluation (Schmidt, 2010). A party that has a large majority in a government and faces fewer veto players has greater political impact on the welfare state (Schmidt, 2010). In this study, social spending as a percentage of GDP was regarded as a dependent variable in the regression analysis. This theory also justifies our attention to political parties as a dummy variable.

### **2.1.3 Historical Institutional Theory**

Historical institutionalist theorists argue that today’s parties are different from previous parties with distinct policy positions, increasingly taking converging



attitudes, especially toward the welfare state (Schmidt, 2010; Seeleib-Kaiser, van Dyk, & Roggenkamp, 2008). Explaining all welfare state issues with traditional party positions would not be meaningful or even possible, which is the reason that proper attention should be given to this theory. However, it should be noted that many other studies are still finding the significant role that conventional party politics play in terms of the welfare state (Schmidt, 2010).

#### **2.1.4 Path Dependence Theory**

Well-established welfare states cannot be easily dismantled even under very hawkish conservative politicians, such as Thatcher and Reagan (Pierson, 1994).<sup>9</sup> Whenever conservative regimes seek retrenchment to abide by their political beliefs in terms of the welfare state, they usually risk losing votes in elections. Voters are more sensitive to losing what they already have than to gaining something they did not have before (Pierson, 1994). Therefore, retrenchment advocates hesitate putting their beliefs into practice in a visible way (Hacker, 2004a, 2004b), which is the reason Pierson (1994) focuses on systemic retrenchment such as defunding, policy-induced changes in public opinion, the modification of political institutions, and the weakening of pro-welfare state interest groups. If the political regimes as a dummy variable make little difference in terms of social spending as a percentage of GDP, the theory will be confirmed in the case of South Korea.

As a starting point of the theory of welfare resilience and as a milestone in the history of welfare studies, Pierson (1994, 1996, 1998) raised the issue of the path dependent nature of the welfare state, establishing a theoretical framework for further studies of welfare development throughout the world (Bonoli, 2007; Korpi, 2006; Weaver, 2010). Inspired by the new institutionalism theory discussed above, path dependence theory explores how veto points in the decision-making process play a

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<sup>9</sup> Pierson (1994) explains the conception of path dependence with the example of the dominance of the QWERTY keyboard design. There has been no scientific evidence that the QWERTY design is superior to other kinds of designs. People use the QWERTY design simply because they have always used the same design. There has been no other reason.



significant role in maintaining pre-existing welfare models (Pierson, 1994, 1996, 1998).

Even with all the pressures that most OECD (the Organization for Economic Co-operation and Development) governments have been under, political support has usually been “deep reservoirs” (Pierson, 1998) for the welfare policies. There has not been an incidence in any country where the retrenchment effort has successfully been able to gain majority support from the public. Pierson (1998) even argues that any attempts to dismantle the welfare state in a clear and direct way can be suicidal in a political sense.<sup>10</sup>

In contrast, questioning the resilience of the welfare state, Allan and Scruggs (2004) criticize two the important assumptions in the study of path dependence, indicating, first, that almost all welfare states remain stable despite all efforts to dismantle them, and second, partisanship plays mostly an ineffective role in shaping welfare states. They argue that some evidence can be found, showing how considerably welfare states have changed since the 1980s.<sup>11</sup>

### **2.1.5 Supply- and Demand-Side Theory**

This theory consists broadly of two arguments, one of which is that the states play an active role in realizing their political beliefs in terms of social spending (supply-side), and the other is that socioeconomic conditions, rather than the states, affect the level of social spending while making it necessary for governments to adjust their welfare policies in accordance with those conditions (demand-side)

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<sup>10</sup> However, even after confirming that there is hardly any evidence of meaningful curtailment of welfare expenditure in Britain, Germany, Sweden, or the United States from 1974 to 1990, which is usually regarded as a period of austerity, Pierson (1996) hesitates to come to the conclusion with a quantitative analysis that there has been no retrenchment in these welfare states, due to the possibility of “lagged cutbacks that do not show up in spending figures” (Pierson, 1996, p. 159).

<sup>11</sup> Allan and Scruggs (2004) argue that expenditure data as a percentage of GDP alone are likely to miss the important retrenchment impact of politics, which is the reason they attempted to evaluate the wage replacement rates of unemployment insurance.

(Buracom, 2011). Given that this theory takes into account multiple sub-theories with a number of possibly related variables, the variables in this study could be arranged either on the supply-side (partisanship of the government, partisanship of the parliament) or on the demand-side (union membership, political freedom, GDP growth rate, trade openness, unemployment rate, population aging).

## **2.2 The Hypothetical Relationship between Political Progressivism and Socioeconomic Conditions: Conceptual Framework**

As expected, these theories concerning the partisan effect on the welfare state were put to an empirical test with comparisons of the social policy positions held by political parties, using variables such as taxation (Benoit & Laver, 2006; Schmidt, 2010). More precisely, the research question of whether a party would be willing to raise (or lower) taxes to expand (or reduce) welfare services would be an effective starting point to reveal how progressive the party is in terms of welfare policies. The argument that “liberal and secular conservative parties” are likely to be in favor of welfare retrenchment has usually been confirmed by empirical studies (Schmidt, 2010). It should be noted that a significant partisan effect has been recognized by some studies in the context of European countries (Huber & Stephens, 2001), arguing that some conditions, such as a strong leftist party and the weakness of the market-oriented party, are favorable conditions for welfare expansion (Castles, 1982, 1998; Schmidt, 2010).

For non-European states, the relatively low level of social protection has been the most common issue (F. Castles & Obinger, 2007; Schmidt, 2010, p. 216). The reason that these states remain welfare laggards has been explained by their relatively strong pro-market parties, along with other socioeconomic factors (Castles, 1998; Esping-Andersen, 1990; Hicks & Swank, 1992; Korpi, 2006; Schmidt, 2010: 216).

### Political Progressivism of the Government

		Low	high
Socioeconomic Conditions Favorable to the Welfare State	Low	Low social expenditures ↓ High income inequality ↓ High poverty rate	Moderate social expenditures ↓ Moderate income inequality ↓ Moderate poverty rate
		High	Moderate social expenditures ↓ Moderate income inequality ↓ Moderate poverty rate

Figure 2.1. Conceptual Framework

The hypothetical relationship between the political progressivism of governments and socioeconomic conditions can be conceptualized as above. As the conceptual framework illustrates, it is expected that the more progressive a government is, the higher the social spending will be, resulting in low income inequality and a low poverty rate, which will be further exacerbated as the socioeconomic conditions become more favorable toward the welfare state. This conceptual framework can be put to a test in the context of South Korea, where the two major political parties, with distinctively different levels of progressivism (or conservatism), both had a chance to run the state for almost the same length of time.

### **2.2.1 Progressive Regime and Welfare State Expansion**

The progressivism of politics should be always understood in the context of the state. Any political party that is regarded as progressive in one country could be regarded as conservative in another. For example, a party has a relatively progressive identity in South Korea, but this identity could be a relatively conservative one, say, in Sweden.

However, there are some common positions that progressive parties have. Especially the social democratic parties in Europe such as the Labor Party in Britain are characterized by such keywords as mixed economy, collectivism uniformism, regional devolution, public share of ownership, nationalism, social equity, representative democracy, state monopolism, redistribution, social responsibility, direct welfare support, positive public spending, partnership with trade union (Jung, 2013, p. 107; Yang, 1997, p. 144). Notably, a number of studies argue that the advancement of welfare programs has been deeply related to social democratic or progressive governments in the context of Western European states (Blais, Blake, & Dion, 1993; Castles & Merrill, 1989; Jung, 2013).

### **2.2.2 Conservative Regimes and Welfare State Retrenchment**

Contrary to progressive or social democratic counterparts, conservative governments in Western Europe such as Britain's Conservative Party are characterized by keywords such as free market, individualism, choicism, patriotism/strong state, private ownership, privatization, social hierarchy, rule of law, competition, economic growth, individual responsibility, trickle-down effect, passive public spending, free enterprise (Jung, 2013, p. 107; Yang, 1997, p. 144)

Table 2.1 Ideological Differences between Progressives and Conservatives<sup>12</sup>

Progressive	Conservative
Mixed Economy	Free Market
Collectivism	Individualism
Uniformism	Choicism
Regional Devolution	Patriotism/Strong State
Public Share of Ownership	Private Ownership
Nationalisation	Privatization
Social Equity	Social Hierarchy
Representative Democracy	Rule of Law
State Monopolism	Competition
Redistribution	Economic Growth
Social Responsibility	Individual Responsibility
Direct Welfare Support	Trickle-down Effect
Positive Public Spending	Passive Public Spending
Partnership with Trade Union	Free Enterprise

Source: Jung, 2013, p. 107; Yang, 1997, p. 144

<sup>12</sup> This table was slightly modified due to the fact the original one was focused on the case of the UK.

### **2.2.3 Socioeconomic Conditions and the Welfare State**

The social protection system that the welfare states have established can be arguably regarded as a result of socioeconomic factors such as economic growth (Cutright, 1967). This argument is based on empirical studies. Based on the analysis of 40 nations, Cutright (1967) argues that the condition and characteristics of the national population explained 86 percent of the variance in the percent of GNP allocated to social security expenditure. Further, Wilensky (1975) argues that political ideologies hardly have a significant impact on the development of welfare states, rather pointing out the importance of GNP per capita, demographic change, and bureaucratic structure as major causes of any changes in welfare states. Rather than any political conditions, GDP per capita, government expenditure, unemployment, and the aging population have usually been regarded as major factors with a potential influence on the development of welfare states (Hage & Hanneman, 1977).

On the other hand, there have been arguments that socioeconomic conditions would have only an indirect influence on the development of welfare states, based on the political/ideological structure of a society. According to such arguments, political conditions such as the unionization of the labor class and social democratic parties could have a greater decisive impact on welfare states (Carmines, 1974; Castles, 1982; Hecló, 1974; Park, 2005). However, any arguments about either socioeconomic or political conditions would be less meaningful without taking into account the group of target countries for the analysis, due to the expectations that political conditions would have a much greater influence on the welfare states of advanced economies than the groups of countries consisting of both advanced and developing economies, where socioeconomic conditions would have a more significant impact on welfare.

### **2.2.4 Other Considerations**

Cnudde and McCrone (1968) argue that a hybrid model could be the best possible explanation of the welfare state, due to the fact that both politics and socioeconomic conditions contribute to the development of the social protection system. The hybrid model points out the independent impact of either political or socioeconomic factors on the welfare state (Park, 2005).



## 2.3 Effects of Welfare State Expansion: Theoretical Background

Generally, the aim of the welfare state is the reduction of poverty and inequality through extended social protection. Whatever the real intention of governments in adopting and introducing any kind of welfare programs, it is officially made public that those programs are designed to protect as many people as possible, who are exposed to, say, market forces, helping those people not to suffer from poverty, finally enhancing the equality of the society.

### 2.3.1 Coverage Extension

The development of the welfare state definitely leads to the extended coverage of social protection, which could be a precondition of poverty reduction. As one of the aims of the welfare state, the main issue with regard to coverage would concern the question of the extent of the population that is protected from the side effects of market forces. In regard to the relationship between the type of welfare state and coverage, social democratic regimes, which are more politically progressive compared to liberal or conservative regimes, show the highest coverage of protection in most of the major social insurance programs such as pension, unemployment, sickness, and accident insurance, as illustrated below.

Table 2.2 The Coverage of Major Social Insurance Programs (Proportion of Labor Force Covered) in 2000

	Pension coverage	Unemployment coverage	Sickness coverage	Accident coverage
Aver. LR	.84	.58	.45	.88
Aver. CR	.71	.69	.78	.85
Aver. SDR	1.00	.91	1.00	.92
Average	.84	.69	.70	.87

Sources: Kersbergen & Vis, 2014, p. 83, modified by the author

Note: LR is liberal regime, CR is conservative regime, SDR is social democratic regime.

In relation to retrenchment, adjusting coverage could be the better choice than social spending cutbacks due to the fact that it could be implemented in an almost indirect or invisible manner (Pierson, 1994). Furthermore, if a program, for example unemployment insurance, is not so popular among the population and the beneficiaries are regarded as the least deserving people (Kersbergen & Vis, 2014), coverage limitations could be implemented even in a pronounced way. On the other hand, in a conservative society (not government) where any welfare-enhancing issues are sensitive topics, progressive policymakers could also choose coverage extension as an indirect method of welfare development. Coverage extension would be associated with increased social spending in the long run.

### **2.3.2 Poverty Reduction**

Even in modern society with advanced technologies and highly productive economies, poverty problems are yet to be resolved. As the most important aim of the welfare state (Fraser, 1994; Kenworthy, 1999; Kersbergen & Vis, 2014), poverty can be measured in a variety of ways (World Bank, 2002). The possibility that policymakers could choose ways to measure poverty in a state document makes it difficult for the public to evaluate the welfare policies. Even though a politician could insist that he or she has resolved poverty problems, where the poverty line had been drawn by the politician or his or her government would not be strongly questioned by the public. Simply by drawing poverty lines, the welfare state could resolve or fail to resolve poverty problems in a society.

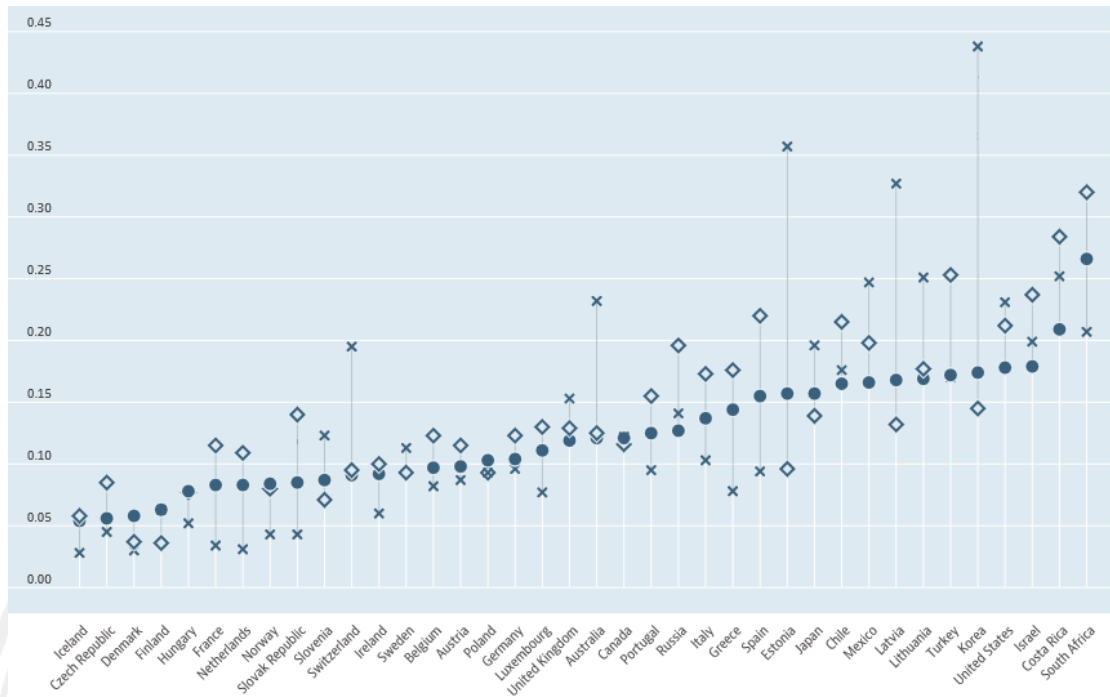


Figure 2.2 Poverty Rate: Total/0-17 year-olds/66 year-olds or more, Ratio, 2018 or latest available

Note: Total ● / 0-17 year-olds ◇ / 66 year-olds or more x

Source: OECD, 2020.

According to an international comparison, the total poverty rate of South Korea is relatively high; however, it is a more serious issue in regard to old-age poverty, as the figure above shows that South Korea belongs to the highest-level group of countries, along with Estonia and Latvia, in this category. Even in the highest-level groups, South Korea tops the chart.

### 2.3.3 Inequality Reduction

As a usual example of explaining inequality issues, there have been discussions concerning the reason that people born with same amount of initial resources usually end up with significantly different amounts of them. Alongside poverty problems, income inequality problems are tricky issues even in advanced

economies. Using the Gini coefficient is the most frequently used method, which makes it possible to conduct inter-group inequality estimations, with higher Gini coefficients meaning more unequal groups. More specifically, a Gini coefficient of 0 would be drawn from a perfectly equal group (or society); on the other hand, a Gini coefficient of 1 would be drawn from a perfectly unequal group (or society) (Kersbergen & Vis, 2014).

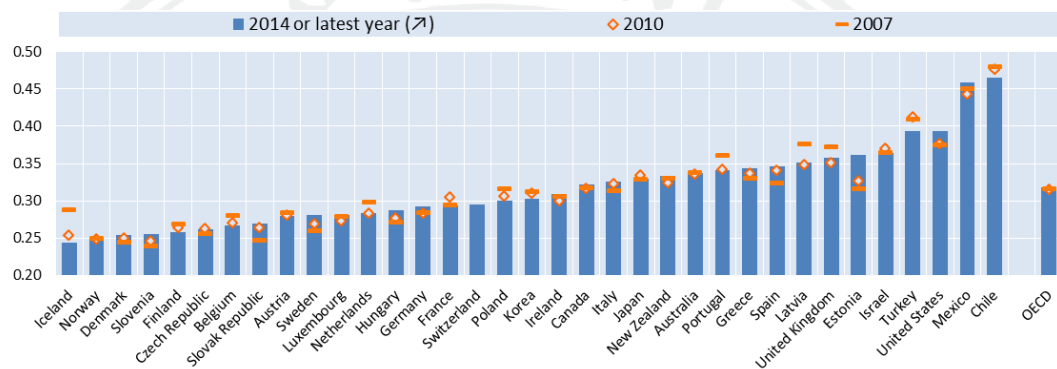


Figure 2.3 Gini Coefficient of Disposable Income Inequality in 2007-14 (or latest year), Total Population

Source: OECD, 2016

From the international comparison above, it can be seen that South Korea is located almost in the middle and has even gotten better recently; however, the national social protection plan of South Korea (2019) points out that inequality is still a huge problem in South Korea, given that related policies such as taxation and social spending contributed to just a 13.5 percent reduction of the Gini coefficient in 2015, while the policies of the OECD countries contributed to a 32.4 percent reduction on average.

## **2.4 The Hypothetical Relationship between Welfare State Expansion and Its Effects**

In order to justify its *raison d'être*, the welfare state should take coverage extension and the reduction of poverty and inequality as its aim and seek to implement a variety of social protection programs. The more progressive a regime is, the more it is expected that social protection coverage will be extended, and poverty and inequality will be reduced. It should be noted that political rhetoric, either from conservative or progressive politicians, is usually progressive—hardly any election candidates will explicitly argue for reducing social protection coverage.<sup>13</sup>

### **2.4.1 Coverage Extension Effect**

For policymakers that are willing to achieve something related to the welfare state, coverage extension can be a relatively easy target, due to the fact that it will be a question of legal framework adjustments, not other policy implementations, the effect of which is not guaranteed and sometimes out of government control. If the welfare state is expanded by governments with some hidden intentions of retrenchment, there can be some newly designed social programs covering a wide range of the population (potential voters' groups), however with a limited length of protection, rather than some programs with virtuous cycles, as ideally conceptualized by the ILO social protection floor initiatives below.<sup>14</sup>

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<sup>13</sup> There have been exceptions as can be seen in the case of Thatcherism (Pierson, 1994).

<sup>14</sup> Coverage extension has not been taken into account with the statistical analysis in this study due to the lack of an established measurement model of coverage, which can be equivalent to SOCX for social spending, with too wide a variety of sectors, populations, and level of protection for each of them.



Figure 2.4 The Conceptualization of the ILO Social Protection Floor  
Source: ILO, 2011, p. 12

### 2.4.2 Poverty Reduction Effect

It is usually agreed that the most urgent issues in a welfare state are reducing and preventing poverty (Barry, 1990). Notably, poverty problems are not the only ones that underdeveloped countries suffer from, but even affluent countries have their own issues regarding how to tackle poverty (as can be seen below) and poverty-related social problems.

Table 2.3 People at Risk of Poverty after Social Transfers; Percentage of Total Population in 16 European Countries, 2009

	Liberal Regime	Conservative Regime	Social Democratic Regime
People at risk of poverty (% of total population)	16.2	15.7	13.0

Source: Kersbergen & Vis, 2014, p. 89, modified by the author<sup>15</sup>

<sup>15</sup> Esping-Andersen (1990) categorizes welfare states according to three groups: liberal, conservative, and social democratic states. In a traditional sense, liberal and conservative states belong to the conservative group, while social democratic states belongs to the progressive group.



In relation to the question of the difficulty in resolving poverty problems even in affluent welfare states, the biblical Matthew effect<sup>16</sup> can be discussed (Hill, 2006; Kenworthy, 1999; Kersbergen & Vis, 2014), under the conception of which it is pointed out that welfare benefits targeted at a impoverished group of people are provided to a relatively affluent group of people. This effect seems to be arguably serious and prevalent in the field of education, pensions, and other programs covering new social risks (Cantillon, 2010; Kersbergen & Vis, 2014).

According to anti-welfare sentiments, there have been arguments that the welfare state only makes people more dependent upon the benefits that the state provides, therefore leaving the poverty problems unresolved (Edin & Lein, 1997; Katz, 2013). However, there has been empirical evidence against this argument from the experiences of the most generous welfare states, such Scandinavian countries, showing the least poverty rate in the world (Kersbergen & Vis, 2014).

Arguably, the most heavily debated issues concern the relationship between poverty and economic growth (Brady, 2003; Kenworthy, 1999; Scruggs & Allan, 2006), discussing the question of whether the welfare state inhibits the economic growth of a state. Even though highly redistributive policies seem to weaken free competition, there are empirical studies noting the welfare state's positive impact on economic conditions, given the effect of automatic stabilizers and increased training support (ILO, 2015).

### **2.4.3 Inequality Reduction Effect**

Even though reducing inequality in a society through redistributive programs is an important goal of the welfare state, there have also been some arguments that redistribution does not always reduce inequality (Kersbergen & Vis, 2014), which is the reason that empirical studies are needed to measure the true extent of inequality reduction in a welfare state.

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<sup>16</sup> Matthew 25:29: “for unto every one that hath shall be given, and he shall have abundance; but from him that hath not shall be taken away even that which he hath” (Kersbergen & Vis, 2014, p. 88).

As regards the welfare state, there have been debates on the question whether universal programs will do better in reducing inequality than programs targeting specific groups (Hill, 2006). Arguably, while it is expected to be most fair and effective in terms of reducing inequality that welfare states target the groups of people that are most in need of help (Korpi & Palme, 1998), there is always the possibility that it is only the affluent groups of people that contribute to the welfare, and their not benefiting from it can make them opt out of the targeting system, finally leading to the failure of reducing poverty (Smeeding, 2005)<sup>17</sup>.

## 2.5 Hypotheses of the Study

Based on the arguments above, the detailed hypotheses of the study can be summarized as follows. Each hypothesis will be tested with statistical analysis. The hypotheses are as follows:

H1: The level of social spending is significantly different between progressive and conservative groups of regimes.

H1-1: Progressive groups of regimes have a positive effect on the level of social spending.

H2: Income inequality is significantly different between progressive and conservative groups of regimes.

H3: The poverty rate is significantly different between progressive and conservative groups of regimes.

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<sup>17</sup> It should be noted that social democratic (here progressive) regimes usually prefer universal protection, while liberal (here conservative) regimes mainly have targeting systems (Kersbergen & Vis, 2014).

H4-1: The partisanship of the parliament is significantly different between progressive and conservative groups of regimes.

H4-2: The progressive parliament has a positive effect on the level of social spending.

H5-1: Union membership is significantly different between progressive and conservative groups of regimes.

H5-2: Union membership has a positive effect on the level of social spending.

H6-1: Political freedom is significantly different between progressive and conservative groups of regimes.

H6-2: Political freedom has a positive effect on the level of social spending.

H7-1: GDP growth rate is significantly different between progressive and conservative groups of regimes.

H7-2: GDP growth rate has a positive effect on the level of social spending.

H8-1: Trade openness is significantly different between progressive and conservative groups of regimes.

H8-2: Trade openness has a positive effect on the level of social spending.

H9-1: Unemployment rate is significantly different between progressive and conservative groups of regimes.

H9-2: Unemployment rate has a positive effect on the level of social spending.

H10-1: Population aging is significantly different between progressive and conservative groups of regimes.

H10-2: Population aging has a positive effect on the level of social spending.

### **2.5.1 Political Regimes, and the Welfare State and Its Effect**

Based on each group of political parties' characteristics discussed above (Jung, 2013; Yang, 1997), it is expected that progressive governments will contribute more to increased social spending, reducing the poverty rate, and income inequality than conservative governments.

In regard to political conditions, it is expected that progressive parliaments, union membership, and political freedom have a positive effect on the level of social spending. It should be noted however that only those variables confirmed as significantly different between progressive and conservative groups of regimes will be put into the multiple regression equation.

### **2.5.2 Socioeconomic Conditions in Relation to the Welfare State**

In regard to socioeconomic conditions, it is expected that GDP growth rate, trade openness, unemployment rate, and population aging have a positive effect on the level of social spending. It should be noted however that only those socioeconomic conditions confirmed as significantly different between progressive and conservative groups of regimes will be put into the multiple regression equation.

## CHAPTER 3

### METHODOLOGY

#### 3.1 Research Approach

From 1998, when the first progressive president, Kim Dae-jung, came to power, to 2017, when the Constitutional court upheld the impeachment<sup>18</sup>, removing last conservative president, Park Geun-hye, from office, there have been four governments in South Korea, the first two of which can be categorized as a progressive group, and the latter two can be categorized as conservative groups.

Based on the yearly data from each government, this study focuses on the two groups, attempting to find any significant differences between them, and finally evaluating the effect of political or socioeconomic conditions on the welfare state.

#### 3.2 Model Specification

The first part of the analysis reveals some factors with significant differences between progressive and conservative regimes. In an ANOVA (analysis of variance) test, among some variables with potential influences on the welfare state, only those showing statistical significance in accordance with each group of political regimes were put into the regression equation for the second part of the analysis. Given the limited number of samples from the period covering less than twenty years, it is important to focus on variables with significant differences between both groups of

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<sup>18</sup> It was a unanimous 8-0 ruling with immediate effect on March 10, 2017.

political regimes rather than taking into account every possible variable with some potential influence on the welfare state. ANOVA is one of the best methods for selecting meaningful variables from a number of variables.

ANOVA, first, examines whether there has been a significant difference in social spending, income inequality, and poverty between both groups of political regimes; among these factors, any variables found to be of significant difference from each other are regarded as the dependent variables for the second-stage analysis. Second, it is also examined whether there has been significant differences in some other variables with potential influence on the welfare state, such as partisanship of the parliament, union membership, political freedom, GDP growth rate, trade openness, unemployment rate, and population aging, between the two groups of political regimes; among these factors, any variables found to be of significant difference are regarded as independent variables for the second-stage analysis.

The second-stage analysis was designed to examine the association between the variables found to be of significant difference between the two groups of political regimes. Through multiple regression analysis, the extent to which each independent variable affects the dependent variables is estimated. Third, quantitative results are used to understand what actually happened to the South Korean welfare state during the period dominated by these two different groups of political regimes.

The aims of the research are, first, to reveal any significant association between political/socioeconomic conditions and the welfare state and, second, to test whether there have been any significant differences between two groups of political regimes in terms of their approaches to the welfare state. From the specifications of the dependent and independent variables in the table, the regression equations can be formulated as follows:

(In case that all of the variables are regarded as significantly different between the two groups of political regimes using the ANOVA test)

Social spending (or income inequality, poverty rate) =  $a + b_1$ Partisanship of the government +  $b_2$ Partisanship of the parliament +  $b_3$ Union membership +  $b_4$ Political freedom +  $b_5$ GDP growth rate +  $b_6$ Trade openness +  $b_7$ Unemployment rate +  $b_8$ Population aging +  $e$



### 3.2.1 Test of Significance

In regard to the test of the significance of ANOVA, it is common practice to state the null hypotheses, to select the sampling distribution, to establish the critical region, and finally to make a decision. For ANOVA, the null hypotheses, stating that the means of the population from which the samples were drawn are equal, would be as follows:

$$H_0: \mu_1 = \mu_2$$

where  $\mu_1$  represents the mean for the progressive group, and  $\mu_2$  is the mean for the conservative group.

The alternative hypothesis states that one of the population means is different.

$H_1$ : one of the population means is different.

After stating the null hypothesis, the sampling distribution should be selected and the critical region should also be established. For ANOVA, sampling distribution is the F distribution and a table for the alpha of 0.05 will be chosen. It should be noted that the value of the critical F score will vary by degrees of freedom. By locating degrees of freedom within (dfw) and degrees of freedom between (dfb), the critical F score will be specified. If the test statistic does not fall into the critical region, the decision will fail to reject the null hypothesis.

### 3.2.2 Variables and Measurements

In relation to the issues of measuring welfare expansion with social spending (dependent variable), there has been some criticism, pointing out that measures of social spending cannot provide proper evaluation of welfare state development (Castles, 2002; Esping-Andersen, 1990; Pierson, 1994). However, contrary to the

alternative measures other than social expenditure, such as the decommodification index, which is not usually available, the measures of social spending, such as the social expenditure database (SOCX), are quite established and regularly updated by the relevant offices in each country and international organizations (F. G. Castles, 2002).

Social spending as a percentage of the GDP provided by the KOSIS, which is also reported to the OECD, consists of nine policy areas, such as old age, survivors, incapacity-related benefits, health, family, active labor market policies, unemployment, housing, and other social policy areas. It should be noted that not only public social expenditure but also mandatory private social expenditure are also included in the data. Arguably, using these social expenditure data is one of the established ways of measuring the welfare expansion of a state.

Income inequality (a dependent variable) is measured using the Gini coefficient of households with two or more members living in cities, which is a widely used and quite established way of measuring inequality<sup>19</sup>. It should be noted that the higher the Gini coefficient is, the more unequal the distribution of income in a society is. For instance, a state with a Gini coefficient of 1 is regarded as one with perfect inequality, while a state with a Gini coefficient of 0 is regarded as one with perfect equality.

In order to measure poverty, poverty rate was used. The poverty rate is the ratio of the number of households with two or more members living in cities whose income falls below the poverty line (taken as half of the median household income of the total population). This way of measuring poverty has been widely used by many countries and adopted by the OECD as an official indicator of poverty.

The partisanship of the government, which is one of the independent variables, is measured simply as a dummy variable (1 = progressive parties, 0 = conservative parties) for the regression analysis. Actually, the progressivism of a party (or a

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<sup>19</sup> In South Korea, comparatively accurate information about household income, which is used to calculate the Gini coefficient and poverty rate, is usually collected from the Urban Family Income and Expenditure Survey (Hong & Song, 2006).

government) is a contentious issue, making it difficult to measure the extent of. Furthermore, as in the case of South Korea, if a party's electoral basis is closer to the regional one, rather than a certain sector of the electorates, such as workers, it would be likely that the party would maintain ambiguous attitudes toward redistribution or welfare. However, given all the electoral basis issues, it is quite clear that South Korea has two major parties, one of which has been regarded as conservative in general, the other of which has been regarded as progressive compared with its major competitor. Even though the conservative party occasionally shows progressive attitudes toward welfare, it has never been regarded as having its political identity converted to a progressive identity. Undoubtedly, there are two groups of political parties with traditionally different identities in terms of the political progressivism in South Korea.

The partisanship of the parliament has been measured using the proportion of MPs from a major progressive party.<sup>20</sup> Even though South Korea's political system is not a parliamentary one but is a presidential system with relatively more power given to the president when compared with other democratic states, the parliament has usually been regarded as an important player in the control and balance of entire political powers. Union membership is measured using the percentage of salary workers organized into unions. It is expected that union membership is relatively stronger under progressive regimes, also contributing to an enhanced social protection system with increased social spending.

In order to measure political freedom, each year's score for the political freedom of South Korea has been used. As a US government-funded, non-governmental organization, Freedom House provides the score of political freedom worldwide on a yearly basis. It is usually expected that states with more political freedom spend more on social protection. Arguably, if people have more freedom of political participation, both conservative and liberal governments may need to be more responsive to the demands of the population by expanding welfare. Political

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<sup>20</sup> In regard to the year of parliament transition, the data have been divided by 2. The related years are 2000, 2004, 2008, 2012, and 2016. The general election in South Korea takes place every four years.

freedom would include, for example, civil liberty and freedom of the press, which were measured on a regular basis by some organizations such as Freedom House.

In the case of democracy with full civil liberty and freedom of the press, politicians usually provide welfare benefits or services in order to be reelected or stay in power, while, on the other hand, with limited political freedom and authoritative politics, being reelected is not an issue, because they just get reelected (Brown & Hunter, 1999).

In relation to the socioeconomic variables, GDP growth rate, trade openness, unemployment rate and population aging are considered. The GDP growth rate is measured using the annual percentage of GDP growth, the data for which are provided by the World Bank. It is expected that increased GDP growth allows more funding for welfare policies, thus contributing to greater social spending.

In terms of the relationship between globalization and the welfare state, trade openness is measured using the ratio of trade to GDP. However, there has been a lot of controversy concerning this relationship. For example, there have been arguments that globalization places downward pressure on social spending (Glatzer & Rueschemeyer, 2005), in contrast to the counter arguments that globalization and the welfare state have mutually reinforcing relationships (Becker, 2011; Cameron, 1978; Katzenstein, 1985; Rieger & Leibfried, 2003; Walter, 2010). Given the empirical evidence of the latter type of argument (Kersbergen & Vis, 2014), it is expected that more trade openness leads to more social spending.

Unemployment is usually regarded as the cause of increased social spending. The annual percentage of unemployment is used here as the data measuring unemployment. It is expected that a high unemployment rate leads to more spending of unemployment benefits. However, unemployment benefits could be a target of retrenchment due to a lack of acceptance by the public about the people that are unemployment beneficiaries (Kersbergen & Vis, 2014, p. 86).

Given that South Korea is one of the countries seriously suffering from low fertility rates and aging problems, population aging is clearly expected to contribute to increased social spending. It is especially notable that this study uses data not from two different regimes of the same period but from two different regimes of different periods (these regimes were in power for almost the same length of time, however, as

indicated earlier), which means that the examination shows undoubtedly distinct differences between the two regimes because the regimes of the later period certainly suffered more from population aging. Population aging would contribute to increased social spending, which everybody knows. What matters would be that a certain regime would spend more in order to tackle aging problems, while the other regime could have spent even more than that to resolve the same amount of problems.

Table 3.1 Variables and Measurements: Dependent and Independent Variables Applied to Explaining Social Spending in South Korea

Variable	Expect sign	Measurement	Data source
Dependent variables			
Social spending	n.a.	Social Spending as a percentage of GDP	KOSIS
Income Inequality	n.a.	Gini coefficient of households with two or more members living in cities	KOSIS
Poverty Rate	n.a.	Ratio of households with two or more members living in cities earning 50% of the median income or less	KOSIS
Independent variables			

Variable	Expect sign	Measurement	Data source
<i>Political variables</i>			
Partisanship of the government	+	Progressive (Dummy 1)	
	-	Conservative (Dummy 0)	
Partisanship of the parliament	+	Proportion of MPs from a major progressive party	National Assembly
Union membership	+	Percentage of salary workers organized into unions	KOSIS
Political freedom	+	Each year's scores on the political freedom of South Korea	Freedom of House
<i>Socioeconomic variables</i>			
GDP growth rate	+	Annual percentage of GDP growth	World Bank
Trade openness	+	Ratio of trade to GDP	KOSIS
Unemployment rate	+	Annual percentage of unemployment	MOEL
Population aging	+	Percentage of the population greater than 60 years of age	KOSIS



### 3.3 Statistical Analysis

In order to evaluate the almost 20-year period of South Korean progressive or conservative regimes, statistical analysis is an essential part of the research.

#### 3.3.1 Analysis of Variance

In order to find out what factors are more different between groups than within each group, the best possible statistical method is the analysis of variance. Typically, ANOVA is used to evaluate the difference of a variable among more than two sample groups. However, it can also be used to find the significance of a variable between two groups (Wilcox, 2017). Even though the results will be the same with other statistical techniques targeting only two sample groups, ANOVA has a merit in that it can also be used to analyze a political system not exactly divided by two groups.

Table 3.2 Mean and Standard Deviation of Each Variable by Group of Political Regimes

		Progressive Group	Conservative Group
Social Spending (% GDP)	Mean =	6.21	9.68
	Standard deviation =	0.85	1.16
Income Inequality	Mean =	0.28	0.28
	Standard deviation =	0.01	0.01
Poverty Rate	Mean =	11.00	11.84

		Progressive Group	Conservative Group
	Standard deviation =	0.92	1.04
Union Membership	Mean =	11.31	10.21
	Standard deviation =	0.81	0.20
Trade Openness	Mean =	68.16	96.16
	Standard deviation =	5.73	11.00
Population Aging	Mean =	8.10	11.59
	Standard deviation =	1.07	1.06
Political Freedom	Mean =	1.83	1.67
	Standard deviation =	0.25	0.25
GDP Growth Rate	Mean =	4.90	3.09
	Standard deviation =	4.43	1.53
Unemployment Rate	Mean =	4.27	3.44

	Progressive Group	Conservative Group
Standard deviation =	1.31	0.23
Partisanship of Parliament Mean =	41.22	35.94
Standard deviation =	9.39	7.06

Note: Calculated by author, based on the data from KOSIS, World Bank, National Assembly, Ministry of Employment and Labor, and Freedom House

The differences between groups can be roughly detected by comparing the mean and standard deviation of each variable of one group with the other. If the means and standard deviations of the groups are similar,<sup>21</sup> these results will confirm the null hypothesis of no difference in related variables.

ANOVA is based on the simple logic of the comparison between groups illustrated above. By comparing the amount of variation between groups with the amount of variation within groups, the differences between groups in each variable can be detected in a more sophisticated manner than by roughly comparing the means and standard deviation by “eyeballing” them. The greater the difference between groups relative to the differences within groups, the more likely it is that the null hypothesis of no difference can be rejected.

### 3.3.2 Multiple Regression Analysis (MRA)

Multiple (or multivariate) regression analysis is the most commonly used statistical technique in social science. As a best possible way to evaluate and analyze

<sup>21</sup> In other words, the average scores are almost the same, and all the groups exhibit roughly the same dispersion.

the relationship between more than two variables at a time, this technique could be available with the variables measured at the interval ratio level.

Multiple correlation techniques are used to detect the combined effects of all independent variables on the dependent variable. Especially by computing the coefficient of multiple determination, which is called R-squared ( $R^2$ ), the proportion of the variance in a dependent variable that is explained by all the independent variables combined can be calculated.

As one of the most powerful techniques for evaluating the combined effect of multiple variables on another variable, MRA assumes that the relationship between variables takes a particular form, which is a linear relationship with the dependent variable.<sup>22</sup>

### **3.4 Data Collection**

The Korean Statistical Information Service (KOSIS) provides most socioeconomic data for South Korea. In terms of the Gini coefficient and poverty rate, comparatively accurate information about household income is usually collected from the Urban Family and Expenditure Survey (Hong & Song, 2006), whose data are also provided by the KOSIS.

Some data beyond the scope of the KOSIS, which is specific to certain area or institutions, have been collected from other related sources, such as the World Bank, National Assembly, Freedom House, and the Ministry of Employment and Labor.

### **3.5 The Strengths and Limitations of the Research Methods**

The research questions and hypotheses will be examined in the context of South Korea, from 1998, when the first pro-democratic, human-rights-oriented president came to power, putting an end to the long period of military-based

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<sup>22</sup> To check this kind of linear relationship, scatter plots are used, as in this study.

authoritarian regimes, to 2016, when some revelations of scandalous issues<sup>23</sup> about president Park Geun-hye caused huge demonstrations against her and her government across the country, finally leading to an early presidential election due to the confirmation of impeachment by Korea's Constitutional court the next year.

The data from less than a 20 year period have limitations in the sense that the more data a study has, the more statistically accurate the results will be, and therefore it is important not to "jump to conclusions" just from analyzing a limited number of sample data. Any statistical results should also be examined in the context of the development of Korea's welfare state in order to avoid inaccurate and unreliable conclusions.

This study has a further limitation in the sense that the meaning of political progressivism in Korea is not exactly the same as that in the Western context. Korea's political parties are cross-class in nature, relying in the first instance on a strong regional political base, and they do not have direct organizational ties with labor (Haggard & Kaufman, 2008). This region-oriented party has been regarded as one of the reasons why welfare issues have been often ignored in the political arena. Therefore, it should be noted that the progressivism of a political party should be understood in the context of South Korea. Even a party regarded as progressive in the political context of South Korea can be regarded as comparable to a very conservative party say in the context of Scandinavian countries.

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<sup>23</sup> This presidential scandal attracted global attention, due to its complicated features, including power, friendship, corruption, and even religion ("South Korea's presidential scandal," 2018).

## CHAPTER 4

### The ANALYSIS OF POLITICAL REGIMES AND THE WELFARE STATE

#### 4.1 Descriptive Statistics

In regard to the annual increase rate of the welfare-related budget of each regime, it was under the Kim Dae-jung regime when the welfare budget increased the most, compared with other regimes, which was necessitated by the notorious Asian financial crisis to a considerable extent, while the Lee Myung-bak regime also exhibited a high increase in the welfare budget, despite being named the most pro-market government in modern South Korean history, due to the welfare systems previously established by the Roh Moo-hyun regime (Kim & Kim, 2012; Lee, 2016).

It should be noted that under progressive regimes, the welfare budget related to public assistance and social insurance increased a lot, contrary to conservative regimes, which were more focused on being service oriented policies (Lee, 2016).



Table 4.1 Average Annual Increase of the Welfare-related Budget<sup>24</sup>

(Unit: %)

	From year 1997 to 2011		
	Kim Dae-jung	Roh Moo-hyun	Lee Myung-bak
Welfare-related	23.2	9.5	14.4
Ministries			
<b>Public Assistance</b>	<b>30.1</b>	<b>14.1</b>	4.7
<b>Welfare Services</b>	11.4	9.3	<b>42.5</b>
Disability	20.2	21.7	13.0
Old Age	24.1	9.3	61.7
Children	-	-1.0	29.3
Nursery	-	40.7	22.7
Health	80.3	18.4	11.6
<b>Pensions</b>	5.2	<b>22.0</b>	17.3
Health Care	13.7	11.8	9.5
Spending			

Source: Lee, 2016, p. 129; Lee, 2014, p. 259

<sup>24</sup> This table contains budget information related to welfare, the data of which have been collected by Lee (Lee, 2014) from a huge variety of factsheets, central or regional government reports from all the relevant ministries and offices, which is why the data of the most recent government—the Park, Geun-hye government—have not been included.

#### 4.1.1 Progressive Regimes

As the first progressive regime in modern South Korean history, the Kim Dae-jung government was the one with the most pronounced welfare budget increase (Lee, 2016), which can be explained by the fact that a welfare system and budget had not been quite established during pre-Kim Dae-jung regimes (Lee, 2016). It should be noted that the increase in public assistance was especially high due to the adoption of a basic living security system<sup>25</sup> as one of the public assistance programs under the Kim Dae-jung government (Lee, 2016).

Under the Roh Moo-hyun regime, the increase in pensions, which was further enhanced by the Roh government's old age pension system, was relatively pronounced compared with other regimes. Programs such as pensions cannot be easily dismantled due to their characteristic of having long-term risk pooling.<sup>26</sup> The level of the budget for pensions was maintained at almost an even level under the pro-market and neo-liberal Lee Myung-bak regime (Kim & Kim, 2012; Lee, 2016).

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<sup>25</sup> A program providing minimum security in living, health, housing, and education to low income earners, the background of which was the Asian financial crisis in 1997

<sup>26</sup> This can be arguably regarded as a systemic expansion by the Roh Moo-hyun regime, in contrast to Pierson's (1994) conception of the systemic retrenchment by conservative regimes.

#### 4.1.2 Conservative Regimes

Due to the sharing of the welfare platform established by the Roh Moo-hyun regime, welfare spending under the Lee Myung-bak regime was not radically diminished, even with Lee Myung-bak government's pro-market approaches (Kim & Kim, 2012; Lee, 2016). However, contrary to previous progressive regimes that focused on public assistance and social insurances, the Lee Myung-bak government invested more money in general welfare services (Lee, 2016).

As can be seen in the table, there was a pronounced increase in social spending in 2009, when a special welfare budget was prepared in an urgent manner due to the global financial crisis, which began in the US, triggered by the bankruptcy of Lehman Brothers in 2008 (Kim & Kim, 2012).<sup>27</sup>

Table 4.2 Annual Social Spending in Total

	2006	2007	2008	2009	2010	2011	2012
Social Spending in Total	768,038	884,492	1,017,934	1,225,123	1,233,916	1,313,950	1,445,946

Source: Kim & Kim, 2012, p. 125, modified by the author

Note: unit: 100 million, KRW

In contrast with Lee Myung-bak, Park Geun-hye attempted to build the first conservative government with pro-welfare approaches, even prior to the presidential election. However, after being elected, the Park Geun-hye government began to diminish the protection through cutbacks in old age pensions and support for the nursing care for young people, while placing emphasis on the welfare to work approaches (Lee, 2016; MOHW, 2014). The contrast between Park Geun-hye's manifesto and policy implementation will be illustrated below.

<sup>27</sup> This urgent preparation of the budget by the Lee Myung-bak regime was just a temporary measure of social protection (Kim & Kim, 2012).

## 4.2 Welfare Manifestos and Policy Implementations

It is inevitable for welfare issues to take the top position in the agenda for presidential candidates in South Korea, one of the most aging states in the world. Furthermore, the fierce competition to win elections makes party manifestos related to welfare and social protection similar to each other, regardless of traditional beliefs (Lee, 2016).

### 4.2.1 Progressive Regimes

Prior to the Kim Dae-jung government, the first progressive regime in South Korea, there have been some welfare programs targeting civil servants, military members, teachers, etc. Welfare however has not been a big issue throughout the contests for a presidency, even though Kim Dae-jung's manifesto contained relatively detailed plans about welfare policies.

Table 4.3 Welfare-related Points of Kim Dae-jung's Manifesto

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Annual increase of welfare budget by 30 percent

Social insurance reform, including national pensions scheme

Protection for the old and disabled

Enhancing the employment of women, establishing a ministry for gender equality,

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Source: Lee, 2016, modified by the author

Coming to power in the midst of the Asian financial crisis, the policy priority of Kim Dae-jung's government was to effectively implement policies imposed by the IMF. As recommended by the IMF through the Structural Adjustment Plan, the Kim Dae-jung government began to design and implement a welfare reform, mostly

focusing on social insurance and public assistance programs.<sup>28</sup> The South Korean welfare state would have had quite a different model from the one it currently has without the financial crisis in the mid 1990s and the related intervention of the IMF (Lee, 2014).

Even though Kim Dae-jung regime's conception of "productive welfare" was within the scope of economics (Lee, 2014), by welfare reforms in social insurance and public assistance with increased social spending, the Kim Dae-jung regime established an early-stage model of a welfare state in South Korea (Lee, 2016). From basic living security to the reform of health insurance and a national pension scheme<sup>29</sup>, the basic framework of a South Korean welfare state was established by his regime (Lee, 2014).

Roh Moo-hyun's manifesto also contained welfare expansion as its policy priority, as most other competitors' manifestos did in 2002. Compared to conservative competitors, whose manifestos were based on a targeted approach to social protection, Roh Moo-hyun's manifesto was based on almost universal protection for youth, females, older-age individuals, and the disabled. The contrast between progressive and conservative parties began to be more visible regarding welfare issues.

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<sup>28</sup> Those years are referred to as the time of the Big Bang of welfare in South Korea (Lee, 2014).

<sup>29</sup> The entire population was able to be covered by the National Pension scheme by the Kim Dae-jung regime, which was an outstanding decision that could have been postponed, given the serious financial crisis of that time (Lee, 2014).

Table 4.4 Welfare-related Points of Roh Moo-hyun's Manifesto

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Increased social spending (13.5% of the GDP)

Social insurance coverage extension

Providing managed care for chronic illnesses and cancers

Enhancing employment of the disabled

Enhancing the employment of women (30% mandatory employment)

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Source: Lee, 2016, modified by the author

Inheriting the basic platform of welfare from Kim Dae-jung, Roh Moo-hyun attempted to achieve two objectives, one of which was economic growth, and the other was welfare development, based on the thinking that welfare would enhance people's purchasing power, finally contributing to economic growth. Despite often being attacked even by his people from the progressive side<sup>30</sup>, the dynamism of the welfare issues under the Roh Moo-hyun regime was a huge step forward to the welfare state.

Coming to power as a consecutive progressive president of South Korea, Roh Moo-hyun specifically pointed out that "welfare is the core value of progressivism,"<sup>31</sup> in his own words, which enhanced the expectation that the South Korean welfare state would finally have the government it deserves. However, the first two years of the Roh Moo-hyun regime had to focus more on economic growth<sup>32</sup> and political turmoil

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<sup>30</sup> Roh Moo-hyun once sought for the privatization of health care in order to make the national health system more competitive, which was heavily criticized by the progressive side.

<sup>31</sup> New Year's Greetings by President Roh Moo-hyun in January 2008 (Lee, 2014)

<sup>32</sup> South Korean big enterprises (also known as Chaebol) hesitated to enhance their investment in general at that time (Lee, 2014).



in relation to impeachment issues (Lee, 2014; “Revisiting Roh Moo-hyun impeachment,” 2016).

It was a shame that the regime with a huge potential to advance the welfare state was able to focus on welfare issues only from its third year. The issues of working poor and polarization made the government establish related special committees acting as direct advisors to the President, also adopting “Earned Income Tax Credit (EITC)”<sup>33</sup> to help people in poverty return to work, the effect of which was not properly evaluated given the limited length of time for their implementation (Lee, 2014). When the Roh Moo-hyun regime, after a number of policy makings, also reacting to related criticisms due to their sometimes compromised approaches<sup>34</sup> from the perspective of progressives, was able to draft “Vision 2030” to realize its progressive ideas in relation to the welfare state, it was coming to an end of the term, finally losing the presidential election, just witnessing a new chapter of conservatism by extremely pro-market president, Lee Myung-bak.

#### **4.2.2 Conservative Regimes**

After a ten-year rule of a progressive government, a conservative government came to power. Given that Lee Myung-bak’s regime was characterized by its emphasis on a pro-market attitude and free competition, reminding people of Thatcherism, it was expected that the Korean welfare state could be more or less dismantled. However, during the contest for the presidency, Lee Myung-bak also regarded welfare as an important issue.

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<sup>33</sup> The EITC, also known as Negative Income Tax, is a special taxation policy in the sense that the government does not raise taxes but provides benefits to people in poverty.

<sup>34</sup> Especially adopting the idea of privatization in health care policies, which was unacceptable by progressives (Lee, 2014)

Table 4.5 Welfare-related Points of Lee Myung-bak's Manifesto

---

Extension of health care coverage and basic living protection

Enhancing nursing and educational support for pregnant women and youth

Extension of the coverage of pensions for the elderly

Social protection for the aged, such as a poverty prevention system

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Source: Lee, 2016, modified by the author

Lee Myung-bak's manifesto was similar to that of his progressive competitor in the sense that social protection would be provided to the most vulnerable sector. Programs such as establishing a one-stop welfare services center, providing life-cycle specific services, and basic living protection belonged to Lee Myung-bak's manifesto.

After being elected, Lee Myung-bak began to deviate from his own welfare manifestos. Returning to his original pro-market beliefs, Lee Myung-bak mostly focused on economic growth through tax-exemptions, easing regulations, enhancing investment, privatization, flexible labor relations, free trade, etc. Policies based on less state responsibility, greater independence from the state, and employment-related welfare had been what the Lee Myung-bak regime sought during the early days of his government.

It was the global financial crisis in 2008 that put Lee Myung-bak's regime under pressure again, finally forcing the government to increase budget related to welfare policies, ironically letting the regime take the top position in social spending compared to previous progressive regimes (Lee, 2016). Under his regime, even a new type of social insurance was adopted. As a social insurance specializing in the elderly, long-term care insurance was designed to provide care services and benefits to people in their 60s or older. Given that, previously, old-aged people were dependent upon their family members, adoption of this kind of statutory long-term care could have been regarded as a path-breaking approach, especially under a conservative regime. However, it should be noted that most of the research, discussions, and related

administrative preparations had been almost completed under a previous progressive regime, the Roh Moo-hyun government. As a reasonable solution to the rapidly aging society, the adoption of long-term care insurance was certainly a decision with potentially a positive effect on the welfare state, the credit of which, however, should mostly belong to the Roh Moo-hyun regime rather than Lee Myung-bak's regime, which had no choice but to implement it during the early days of the regime.

Another fundamental change had been made to the funding system of social insurance under the Lee Myung-bak regime. The Lee Myung-bak regime made it a law that all social insurance premiums were to be collected exclusively by the National Health Insurance Service, which is still regarded as a contentious decision, given that this kind of fundamental change hardly contributed to the effectiveness of the social insurance administration, only leading to confusion in that each social insurance service is not any longer consistently connected to the related funding. This decision made only the body of the National Health Insurance Service a lot larger than before, and hardly any positive evidence has been found concerning the effectiveness of the general social insurance management that this change of policy should have brought about (Lee, 2017).

In regard to the National Pension Fund, the Lee Myung-bak regime established the Fund Management Committee in order to enhance expertise in investment and related matters. However, this committee has been criticized heavily due to its pro-market approaches and attitudes not based on social solidarity (Lee, 2017).<sup>35</sup> His regime adopted pro-market approaches also for nursery services based on the idea that competition among nursery services would have positive effects on the quality enhancement of nursery services in general (Lee, 2017).

Having noticed public disillusion with Lee Myung-bak's neoliberal approaches, Park Geun-hye, still maintaining her conservative identity, swiftly launched a campaign for the full and complete welfare state during her contest for presidency. With the election manifesto being made public, she took initiative regarding stated welfare issues.

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<sup>35</sup> Park Geun-hye is even facing charges of intervention in this committee's decision-making, which should be independent in theory ("Prosecutors raid NPS, Samsung in Choi scandal," 2016).

Table 4.6 Welfare-related Points of Park Geun-hye's Manifesto

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Double amount of old age pensions and change in the retirement age to 60
Providing free health care for four major illnesses
Providing nursing care for youth
Enhancing employment of the disabled and other disability-related services
Raising the minimum wage

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Source: Lee, 2016, modified by the author

Finally, when Park Geun-hye was elected as the President of South Korea, the expectation was high for the implementation of welfare policies. The welfare state, ready to provide universal protection such as free nursing care, basic pensions, and minimized tuition fees, was about to be realized, people believed.

The plan of providing a certain amount of pension benefits to all people aged 65 years or over was changed to a plan restricting the upper 30% of income classes. The 100% free health care for the four major illnesses has not been realized but was changed to a program with limited coverage. All the failures to abide by the manifesto were due to a lack of funding for the related programs. Against Park Geun-hye's expectations, some funding strategies other than raising taxes were not effective in reality ("Welfare under Debt: Park Geun-hye's Poor Performance," 2017).

Park Geun-hye's ideas concerning the welfare state have often been criticized for their inconsistency regarding the direction of welfare policies in terms of either poverty relief or income maintenance (Lee, 2017). In regard to Park Geun-hye's welfare policies, what is repeatedly pointed out is that this kind of disorientation in policy-making made this regime's welfare policies only remembered for its once-powerful political slogans, such as a welfare state without taxation.

### 4.3 Analysis

The case of South Korea could be an almost ideal model for a comparison between conservative and progressive groups in terms of the policy approaches and results.

#### 4.3.1 Social Spending

As political power moves from progressives to conservatives in South Korea, social spending keeps increasing contrary to the expectation that conservatives would seek to dismantle the welfare state. It should be pointed out that social spending also increased significantly even under the most market-oriented regime in modern Korean history, which was the Lee Myung-bak regime.

Arguably, increased social spending was not intended by Lee Myung-bak himself, but the result of the long-term implementation of policies designed by previous progressive regimes (Kim & Kim, 2012; Kim, 2012; Lee, 2016), among which the most distinguished welfare program is pensions (old age pensions). Once a social program, especially with long-term effect, is established, it is usually maintained under any political or socioeconomic conditions.

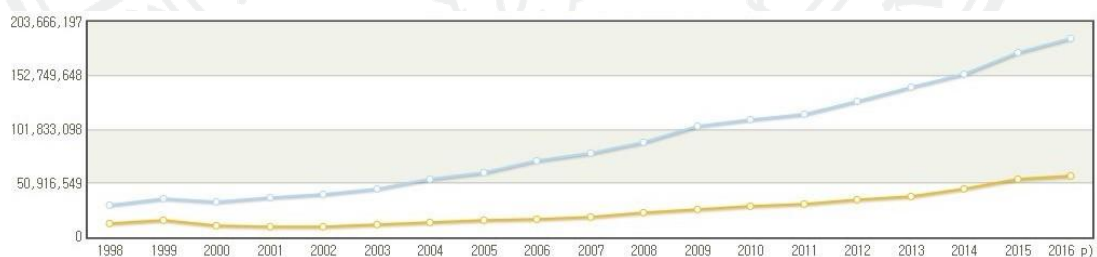


Figure 4.1 Social Spending (KRW million, Total, Old Age)

Source: KOSIS, n.d.



### 4.3.2 Income Inequality and Poverty

Recovering from the aftermath of the Asian financial crisis under the guidance of the International Monetary Fund, South Korea had no other choice but to abide by the requirements from the IMF, such as neo-liberal reform of the economy and welfare system, which left the state with deepened inequality and poverty.

With the increase of social spending, one might argue that there would be some effects of the reduction of income inequality and poverty. However, this study examines the last four governments' policies and enactments in Korea with regard to welfare development. If, despite the increase of social spending, income inequality and poverty were the same or even got worse, the question remains as to whether the spending increase was sufficient to deal with changed political/socioeconomic conditions.<sup>36</sup>

As can be seen below, there are multiple ways to measure income inequality and poverty. These figures are based on the data of households with two or more members living in cities. From an "eyeball" estimation, it is not clear where there has been a significant difference between progressive (1998-2007) and conservative (2008-2006) regimes. However, it should be noted that the Lee Myung-bak regime (2008-2012) shows a relatively high level of income inequality and poverty.<sup>37</sup>

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<sup>36</sup> This point brings attention to the concept of "drift" (Hacker & Pierson, 2010). Pointing out the importance of "drift" in regard to the government's attempts to tackle inequality and poverty, Hacker and Pierson (2010) argue that "non-decision," even under mature conditions in need of any decision-making or enactment, can be regarded as a type of retrenchment. "Drift" can be defined as the intentional avoidance of taking actions or updating pre-existing arrangements, regardless of any progress of surrounding conditions, especially economic development. According to Hacker and Pierson (2010), modern American politics provides a good example of drift in relation to the polarization of party politics and increasing involvement by interest groups with organizations.

<sup>37</sup> It slightly decreased during the latter years of the Lee Myung-bak regime.



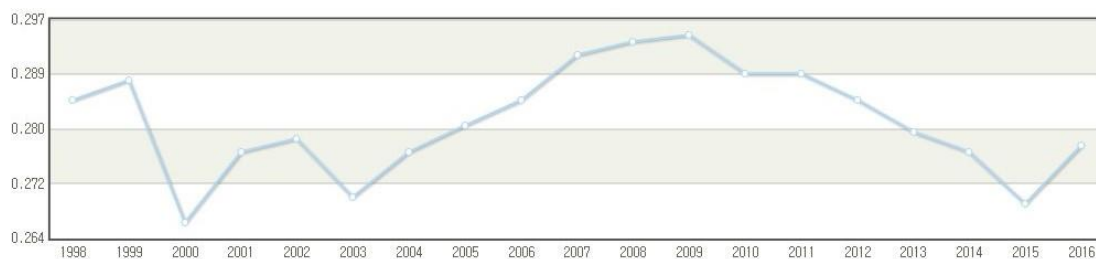


Figure 4.2 Gini Coefficient

Source: KOSIS, n.d.

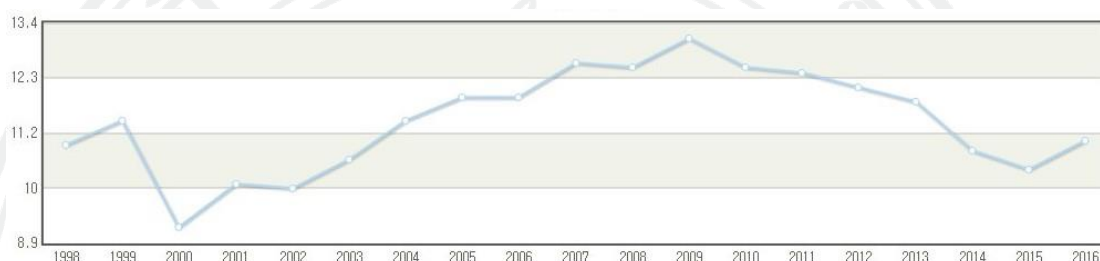


Figure 4.3 Poverty Rate<sup>38</sup>

Source: KOSIS, n.d.

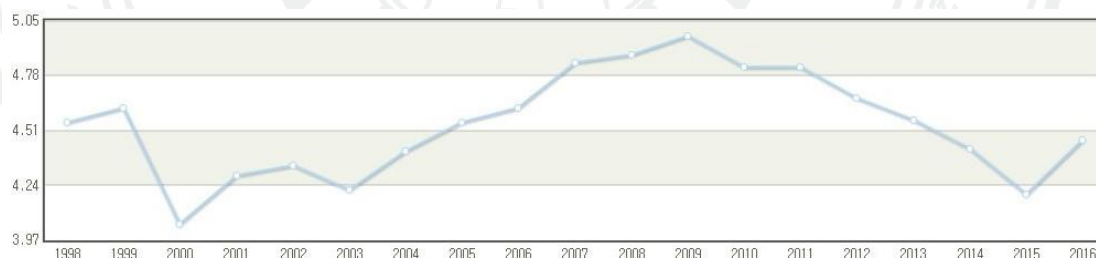


Figure 4.4 Income Quintile Share Ratio<sup>39</sup>

Source: KOSIS, n.d.

<sup>38</sup> Ratio of households earning 50% of the median income or less.

<sup>39</sup> The ratio of the total income received by the 20% of the population with the highest income to that income received by 20% of the population with the lowest.

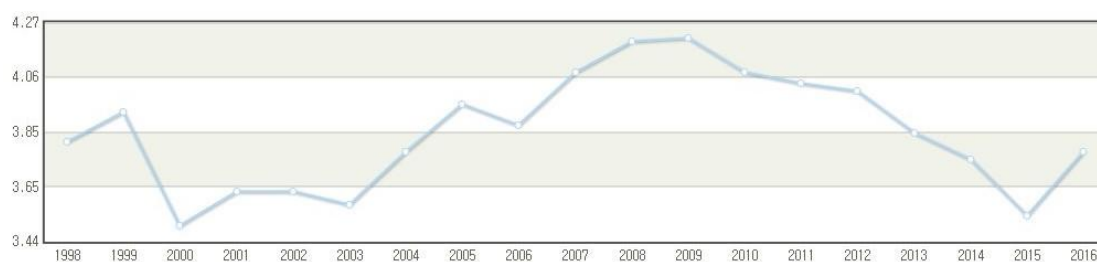
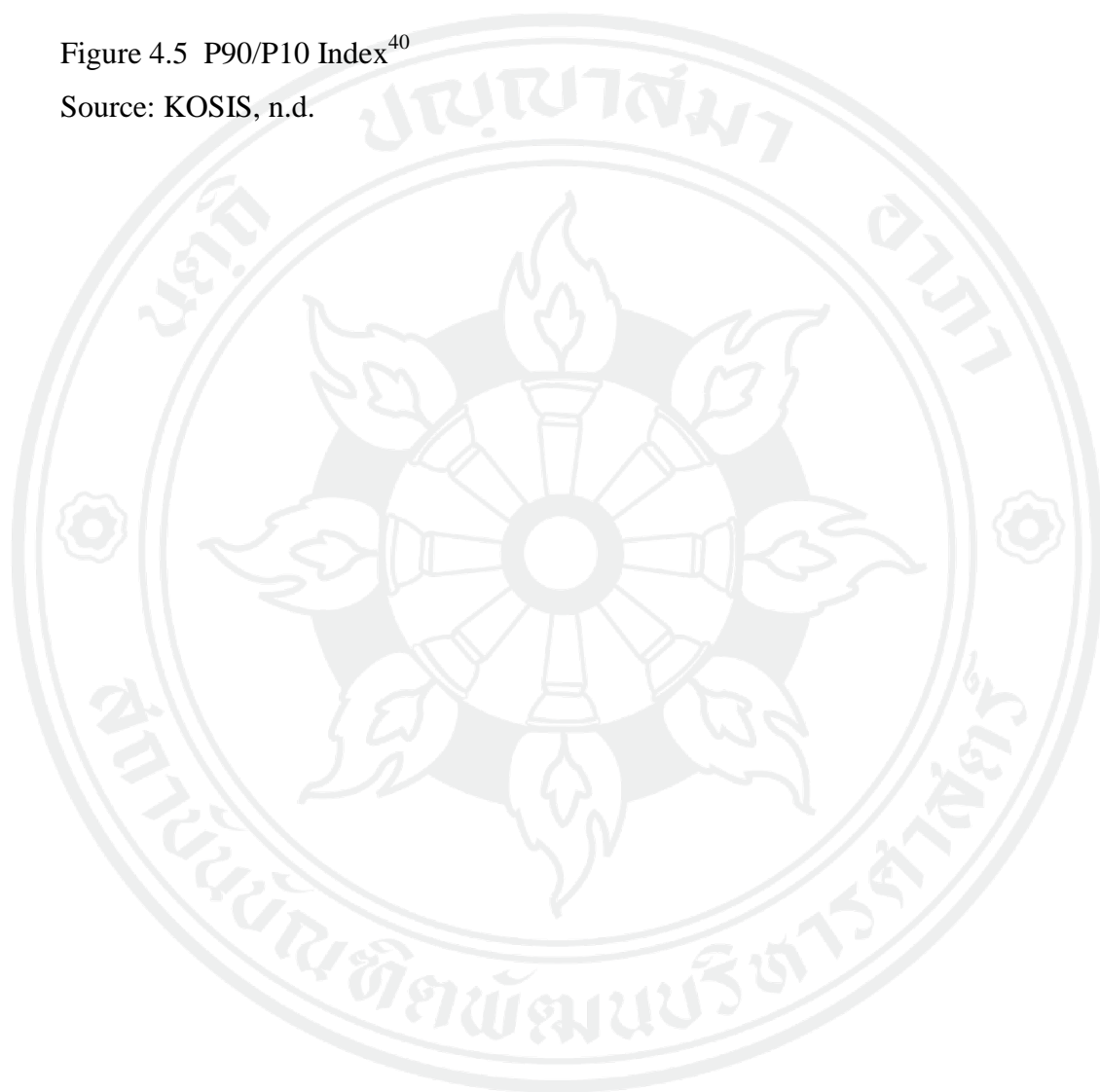


Figure 4.5 P90/P10 Index<sup>40</sup>

Source: KOSIS, n.d.



<sup>40</sup> The ratio of the disposable income of the top 10% with that of the bottom 10%.

### 4.3.3 Political Progressivism and the Welfare State

Even though the first two governments during last twenty years were widely regarded as progressive regimes, they also had some characteristics of neo-liberalism, such as privatization and deregulation (Lee, 2016). However, having their roots in democracy, which is arguably regarded as a precondition for the welfare state (Lee, 2014; Marshall, 1950), it is beyond doubt that the progressive regimes acted as a starting point for the ensuing fierce arguments about the welfare state. In regard to the progressivism of the Kim Dae-jung and Roh Moo-hyun regimes, it has usually been pointed out that those two governments took limited approaches to the welfare state, which can be arguably explained by the situation dominated by globalization and neoliberalism during that time. The so-called “dual strategy”<sup>41</sup> was the measure that the two progressive regimes were able to take in the aftermath of the complete breakdown of the national economy at the end of the 1990s. Coming to power for the first time in modern South Korean history, the progressive regime’s immediate priority was to implement economic restructuring under the control of the IMF, while at the same time the successive progressive regime had to face globalization issues, negotiating Free Trade Agreements (FTAs) with the US, EU, China, and Japan.<sup>42</sup>

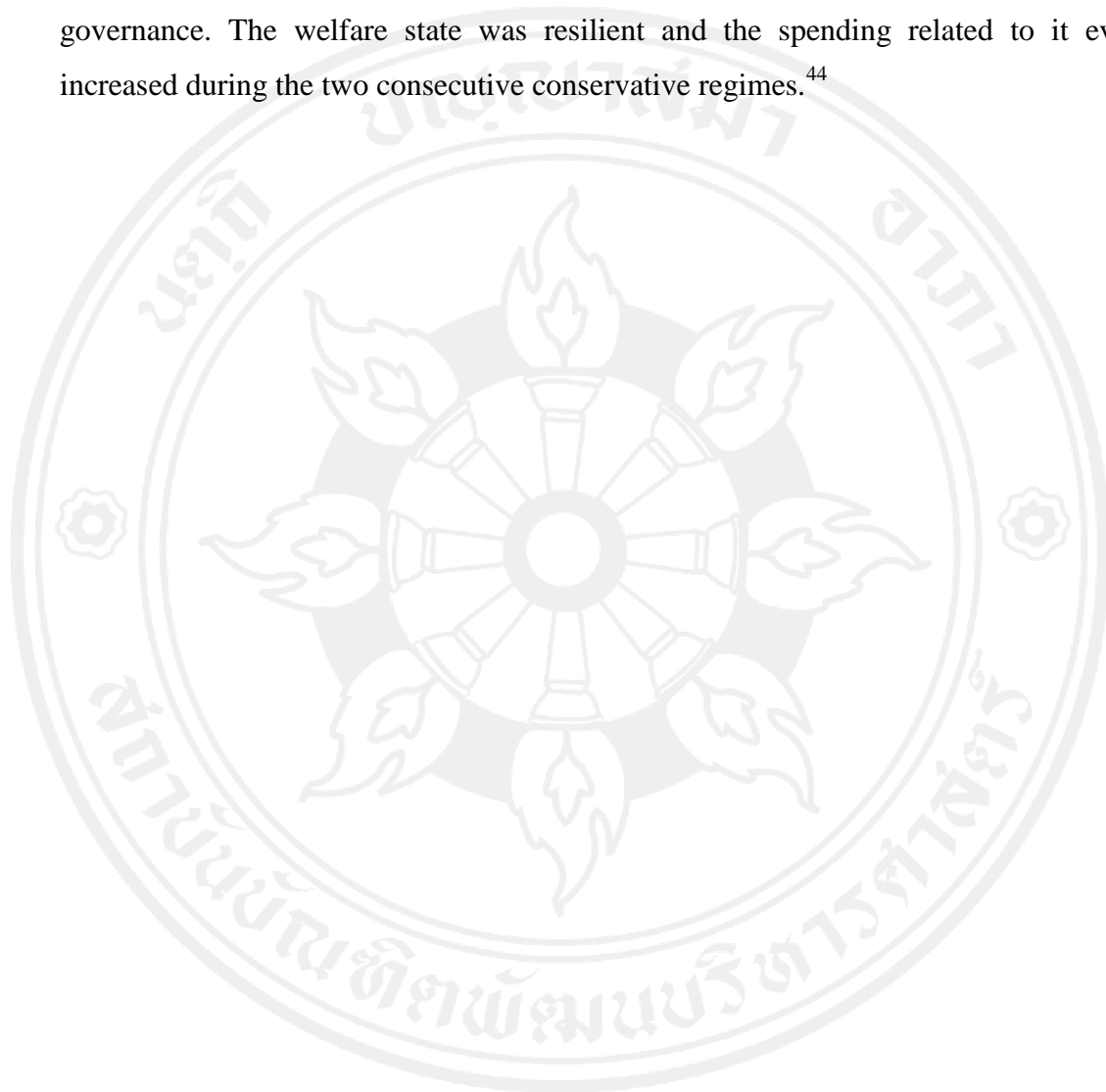
Even though Korean progressive ideas about the welfare state was finally made public as a huge plan entitled “Vision 2030” in 2006, with emphasis on a streamlined economic cycle, from balanced taxation to economic growth and welfare, the progressive regime was coming to an end, losing power to Lee Myung-bak, one of the most pro-market politicians in South Korea. The approaches contained in Vision 2030 had to face indifference from the public, with little expectation of its realization, given increasing inequality throughout the Roh Moo-hyun regime (Lee, 2014).

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<sup>41</sup> The dual strategy means liberal and flexible economic and labor policies supported by welfare programs to resolve any social sideeffects from free competition and globalization (Lee, 2014; Nam, 2013).

<sup>42</sup> A progressive party embracing—at least partly—neoliberalism was not an isolated case of South Korea in the late 1990s. In Britain, Tony Blair’s New Labour with liberal ideas about the economy and globalization came to power in 1997. New Labour has never been defeated in elections under Tony Blair since then, winning all of the consecutive general elections in 2001 and 2005.

Despite it being expected that the welfare state would be dismantled under the Lee Myung-bak regime, social spending still increased, most of which however was due to the pre-existing welfare system designed by previous progressive regimes (Lee, 2014).<sup>43</sup> The successive Park Geun-hye regime even regarded the welfare state as a top priority policy from the pre-presidential election period, and throughout her governance. The welfare state was resilient and the spending related to it even increased during the two consecutive conservative regimes.<sup>44</sup>



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<sup>43</sup> Lee (2014) estimated that Lee Myung-bak's welfare budget increase in 2009 consisted of 87.2% from the pre-existing welfare system and 12.8% from the regime's decision-making.

<sup>44</sup> Pierson (1994) argues that even Thatcherism was not able to dismantle the welfare state in Britain.

## CHAPTER 5

### EMPIRICAL RESULTS OF STATISTICAL ANALYSIS

#### 5.1 Analysis of Variance (ANOVA)

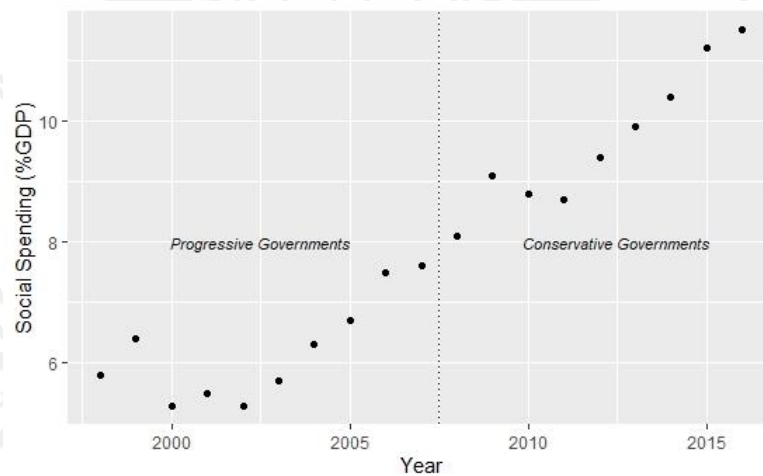
The first part of the analysis revealed some factors with significant differences between progressive and conservative regimes. By using the ANOVA test, among some variables with potential influences on the welfare state, only those showing statistical significance in accordance with each group of political regimes would be put into the regression equation for the second part of the analysis. Given the limited number of samples from the period covering less than twenty years, it is important to focus on the variables with a significant difference between both groups of political regimes rather than taking into account every possible variable with a potential influence on the welfare state. ANOVA is one of the best methods for selecting meaningful ones from a number of variables.

ANOVA, first, examines whether there has been a significant difference among social spending, income inequality, and poverty between both groups of political regimes, among which, any variables found to be of significant difference from these would be regarded as the dependent variables for the second stage analysis. Secondly, ANOVA also examines whether there has been a significant difference in some other variables with potential influence on the welfare state, such as partisanship of the parliament, union membership, political freedom, GDP growth rate, trade openness, unemployment rate, and population aging between the two groups of political regimes, among which any variables found to be of significant difference would be regarded as the independent variables for the second stage analysis.

### 5.1.1 Summary Statistics

As shown in the figures below, social spending steadily increased throughout the four regimes regardless of their political identities, with slightly greater increase during the years of the Asian and global financial crisis in late 1990s and 2000s. Even from an “eyeball estimation,” it is clear that there has been a distinct difference in the increase of social spending, with more spending under conservatives.

In relation to income inequality and poverty rate, it seems that the situation was getting worse during progressive regimes, and later was especially high during the first half of the Lee Myung-bak regime. Inequality and the poverty situation were getting better throughout the conservative regimes, except during the late years of the Park Geun-hye regime, when the Gini coefficient and poverty rate jumped up again. Any significant difference between the two groups of regimes has not been detected.





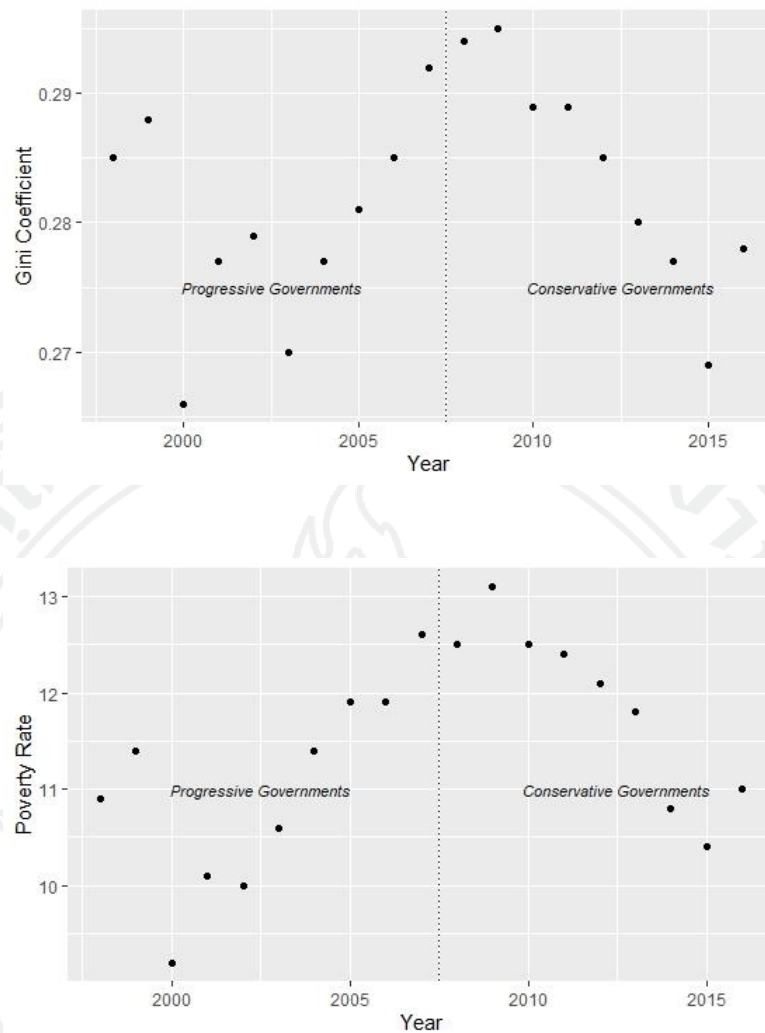
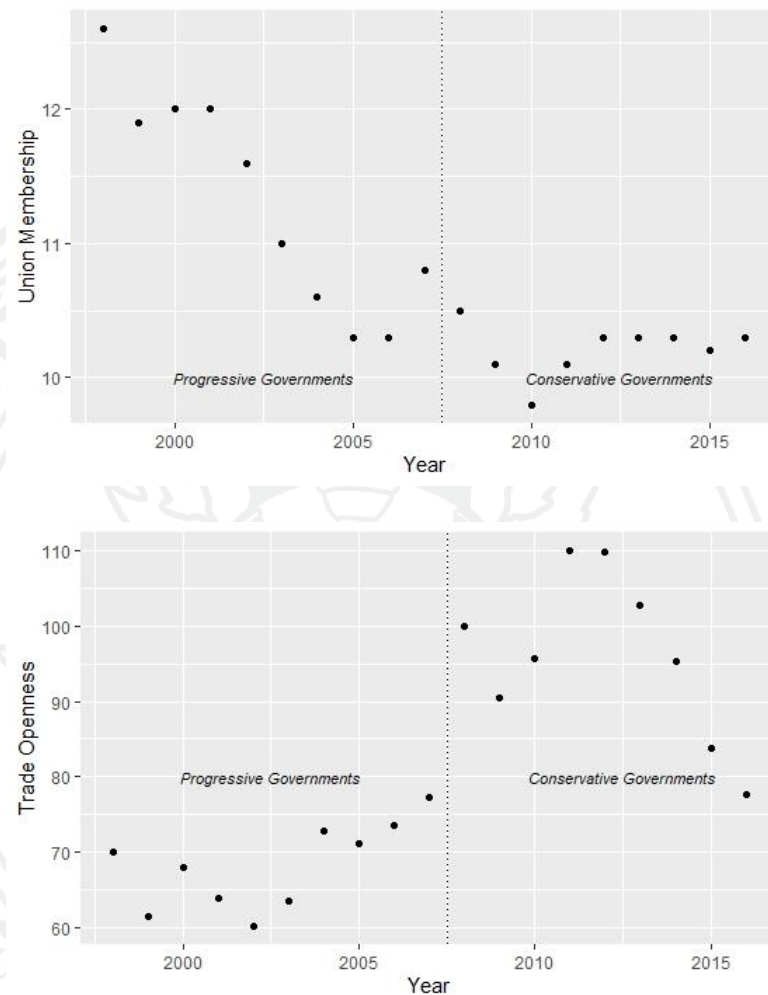


Figure 5.1 Scatterplots of Social Spending, Income Inequality, and Poverty Rate in 1998-2016

Source: KOSIS, n.d.

Union membership has been decreasing and almost never increased under conservative regimes. Trade openness had been increasing until the end of the Lee Myung-bak regime, but started to decrease from the start of the Park Geun-hye regime. Population aging, as expected, has been increasing throughout all the regimes.

Population aging is a global issue, and South Korea belongs to the countries extremely suffering from this problem (MOHW, 2019).<sup>45</sup>



<sup>45</sup> Birth rate in South Korea: 1.17 (2016), 1.05 (2017), 0.97 (2018) (MOHW, 2019)

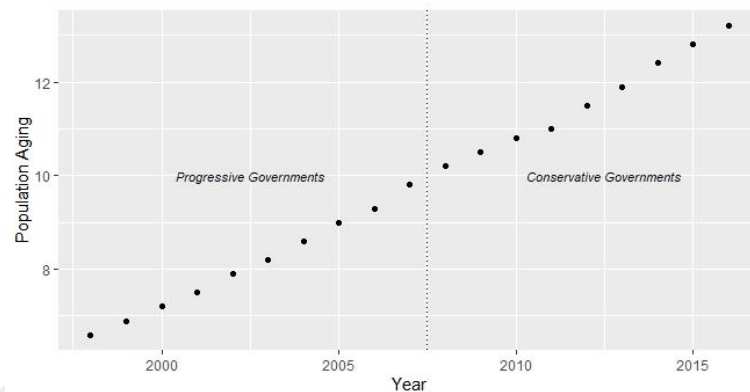
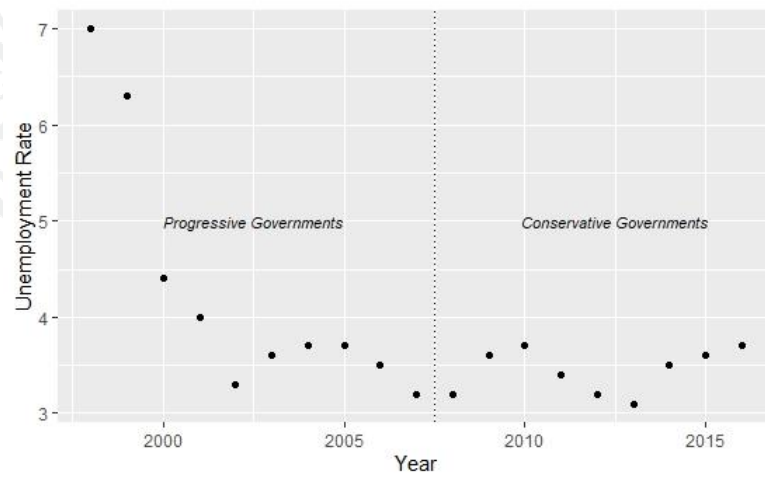
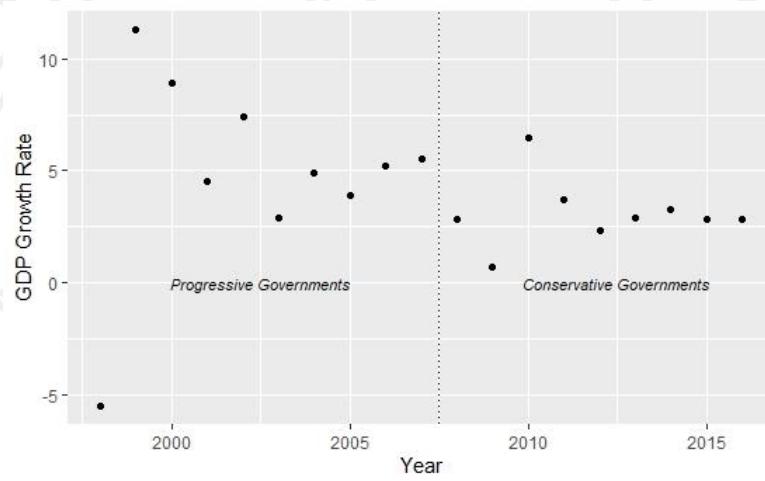
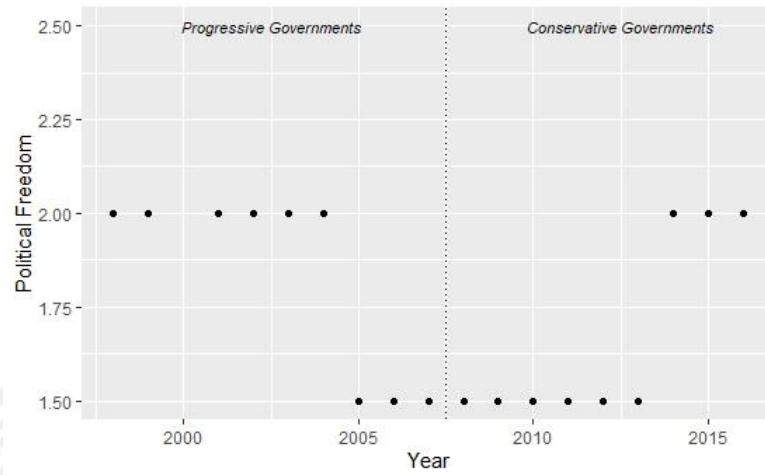


Figure 5.2 Scatterplots of Union membership, Trade Openness, Population Aging in 1998-2016

Source: KOSIS, n.d.

Hardly any meaningful difference was detected in political freedom between the two groups of regimes. The GDP growth rate very slightly decreased throughout all regimes, except during the first years of the Kim Dae-jung regime, being rocketed from the bottom to the top (thanks to the recovery from the Asian financial crisis). Similarly, the growth rate jumped right after the end of the global financial crisis (2009-2010). The unemployment rate was extremely high during the first few years of the Kim Dae-jung regime (due to the Asian financial crisis), stabilizing soon afterwards throughout all the regimes. In regard to the partisanship of the parliament, no meaningful difference between the two groups was detected.



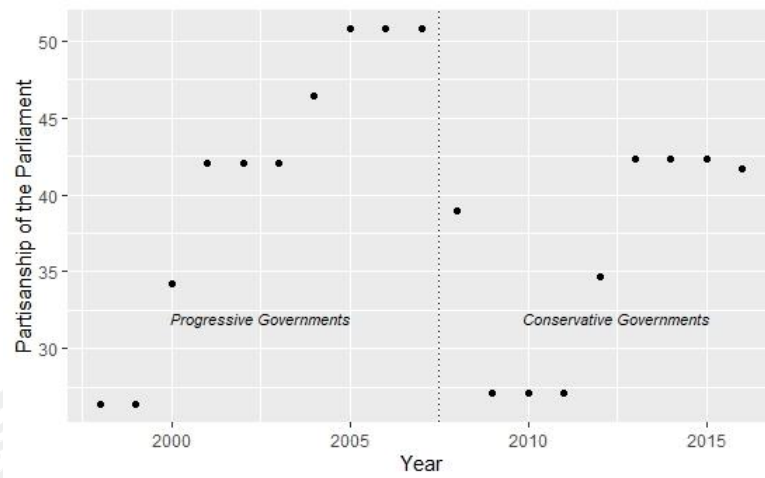


Figure 5.3 Scatterplots of Political Freedom, GDP Growth Rate, Unemployment Rate, and Partisanship of Parliament in 1998-2016

Source: KOSIS, Freedom House, World Bank, and National Assembly, n.d.

### 5.1.2 Checking Assumptions

In order to test the F ratio for significance, some of the assumptions underlying the ANOVA should be checked. The assumptions are as follows.

Table 5.1 ANOVA Model Assumptions

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Independent random samples
The level of measurement is the interval-ratio.
Populations are normally distributed.
Population variances are equal

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However, as long as the categories are almost equal in size, some violation of the model assumptions could typically be tolerated in the ANOVA test.

### 5.1.3 ANOVA Results

Table 5.2 The Summary of the ANOVA Results

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<b>Significant differences</b>	Social spending	Union membership
		Trade openness
		Population aging
<b>No significant differences</b>	Income inequality	Political freedom
	Poverty	GDP growth rate
		Unemployment rate
		Partisanship of Parliament

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(Alpha = 0.05)



Table 5.3 F Ratio Test for Significance

		Sum of		Mean		
		Squares	df	Square	F	Sig.
Social Spending (% of 3GDP)	Between Groups	56.96	1	56.96	55.96	.000
	Within Groups	17.30	17	1.02		
Alpha = 0.05, F(critical) = 4.45, <b>F(obtained) = 55.96</b>						
Income Inequality	Between Groups	.000	1	.000	1.099	.309
	Within Groups	.001	17	.000		
Alpha = 0.05, F(critical) = 4.45, F(obtained) = 1.099						
Poverty Rate	Between Groups	3.378	1	3.378	3.497	.079
	Within Groups	16.422	17	0.966		
Alpha = 0.05, F(critical) = 4.45, F(obtained) = 3.497						
Union Membership	Between Groups	5.720	1	5.720	15.54	.001
	Within Groups	6.258	17	0.368		
Alpha = 0.05, F(critical) = 4.45, <b>F(obtained) = 15.54</b>						
Trade Openness	Between Groups	3713	1	3713	49.93	.000
	Within Groups	1264	17	74		
Alpha = 0.05, F(critical) = 4.45, <b>F( obtained) = 49.93</b>						
Population Aging	Between Groups	57.66	1	57.66	51.03	.000
	Within Groups	19.21	17	1.13		
Alpha = 0.05, F(critical) = 4.45, <b>F(obtained) = 51.03</b>						
Political Freedom	Between Groups	.125	1	.125	2	.176
	Within Groups	1.000	16	.063		
Alpha = 0.05, F(critical) = 4.49, F(obtained) = 2						
GDP Growth Rate	Between Groups	15.54	1	15.54	1.35	.261
	Within Groups	195.65	17	11.51		
Alpha = 0.05, F(critical) = 4.45, F(obtained) = 2						

		Sum of		Mean		
		Squares	df	Square	F	Sig.
Unemployment Rate	Between Groups	3.228	1	3.228	3.46	.080
	Within Groups	15.863	17	.933		
Alpha = 0.05, F(critical) = 4.45, F(obtained) = 3.46						
The Partisanship of Parliament	Between Groups	131.8	1	131.83	1.88	.188
	Within Groups	1191.8	17	70.11		
Alpha = 0.05, F(critical) = 4.45, F(obtained) = 1.88						

As a starting point, it is necessary to determine whether there has been a significant difference in social spending between the two groups of regimes. Not surprisingly, the ANOVA results revealed statistically significant differences in social spending (% of GDP) between these two groups. Based on ANOVA comparing the progressive regimes with the conservative regimes in terms of social spending as a percentage of GDP, it is clear that the level of social spending has been significantly different between the two groups of political regimes. Additionally, from the scatterplot below, it can be seen that social spending has been growing steadily under both groups of political regimes in South Korea. Does this result justify the argument that conservative governments are more likely to increase social spending to enhance social protection in general? In order to answer this question, other factors beyond the regimes that could explain the difference in social spending between these two political groups should be examined.

It should also be noted that the differences in the Gini coefficient and poverty rate of different political regimes are not statistically significant. Based on the finding that the level of social spending has clearly been higher under conservative regimes than under progressive regimes, it could be expected that the level of income inequality and the poverty rate were much lower under the conservative regimes due to the increased level of spending. However, ANOVA comparing both political groups in terms of the Gini coefficient and poverty rates reveals no significant difference based on political regime. Therefore, it is evident that the conservative

regimes increased social spending, but this did not lead to the reduction of income inequality or the poverty rate in South Korea.

According to the results above, some questions arise. First, why did the increased level of social spending lead to no significant reduction in income inequality and poverty? Second, what kind of political and socioeconomic factors affected the level of social spending by each regime?

The differences in union membership between the different political regimes are statistically significant. It is usually expected that increased union membership leads to increased social spending, also contributing to a reduction in income inequality and the poverty rate. As seen below, union membership, measured as the percentage of salary workers organized into unions, has been steadily decreasing, as the political regimes have moved from progressive to conservative ones. Given that this factor has a distinct pattern during the targeted period of this study, it could be added to the regression equation in order to examine the extent to which this variable, combined with other variables, affected social spending.

The differences in trade openness between different political regimes are statistically significant. Trade openness measured as the ratio of trade to GDP steadily increased throughout the targeted period of this study (except for a few outliers during the Park Geun-hye regime). This clear pattern makes it meaningful to add this variable to the regression equation to evaluate how much of an effect this variable—compared with other variables—would have on social spending, income inequality, and poverty.

The differences in population aging between the different political regimes are statistically significant. As the variable with the clearest pattern of increase throughout the targeted period of this study, population aging is one of the major candidates believed to have contributed to increased social spending. If this variable were added to the regression equation, it would reveal how much population aging, compared with other variables, affected social expenditure, income inequality, and the poverty rate.

The differences in political freedom between the different political regimes are not statistically significant; and the differences in the GDP growth rate between the different political regimes are not statistically significant. Additionally, the

differences in the unemployment rate of the different political regimes are not statistically significant, and the differences in the partisanship of the parliaments of the different political regimes are not statistically significant.

## 5.2 Multiple Regression Analysis

### 5.2.1 Summary Statistics

In accordance with the ANOVA results illustrated above, the initial equations can be modified as follows, including only the variables with statistically significant differences between the two groups of political regimes. This simplified design for the equation is necessary, given the limited number of samples spanning a period of less than 20 years.

Modified Model 1

$$\text{Social spending} = a + b_1 \text{Partisanship of the government} + b_2 \text{Union membership} + b_3 \text{Trade openness} + b_4 \text{Population aging} + e$$

### 5.2.2 Scattergrams and Regression Analysis

Simple regression analysis shows that there has been no significant difference between the variables and social spending between the models with social spending with old age and without old age. As union membership was enhanced, social spending decreased. Trade openness seems to have raised the level of social spending, and population aging quite certainly raised the level of social spending in general.<sup>46</sup>

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<sup>46</sup> Hardly any outliers were found in regard to population aging.

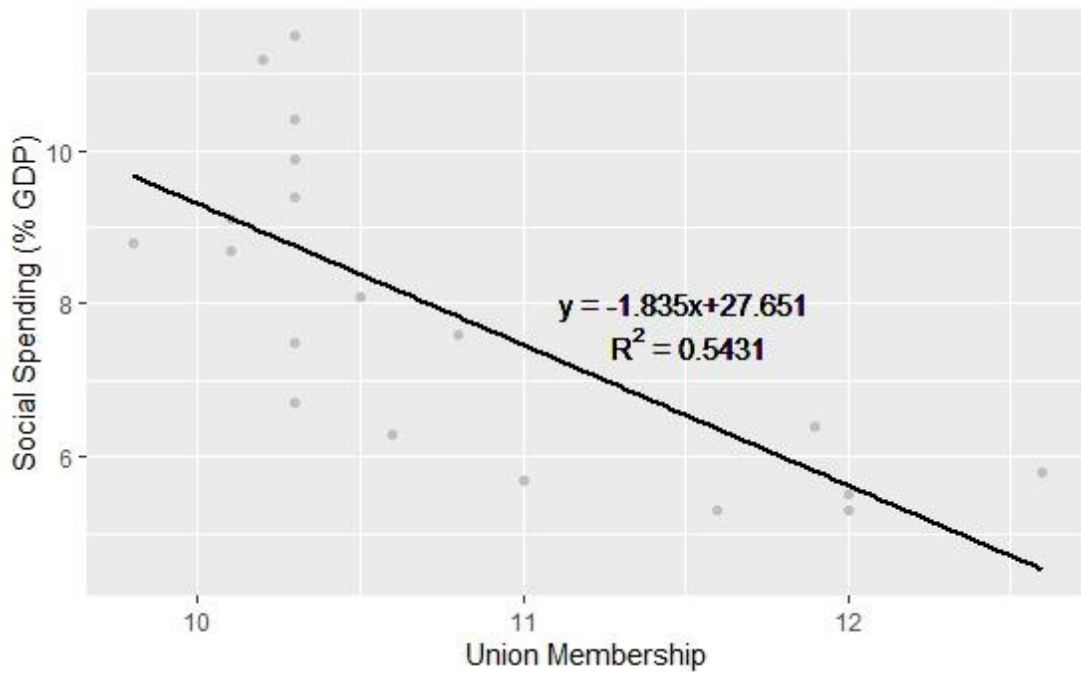


Figure 5.4 The Relationship between Social Spending (% of GDP) and Union Membership

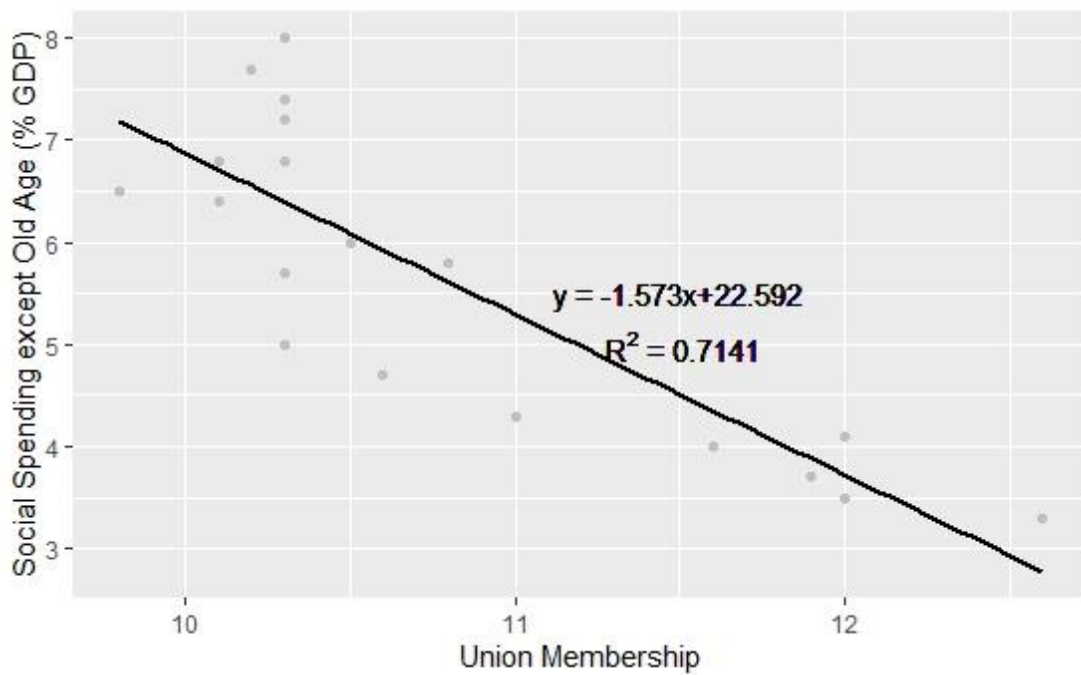


Figure 5.5 The Relationship between Social Spending (without Old Age, % of GDP) and Union Membership

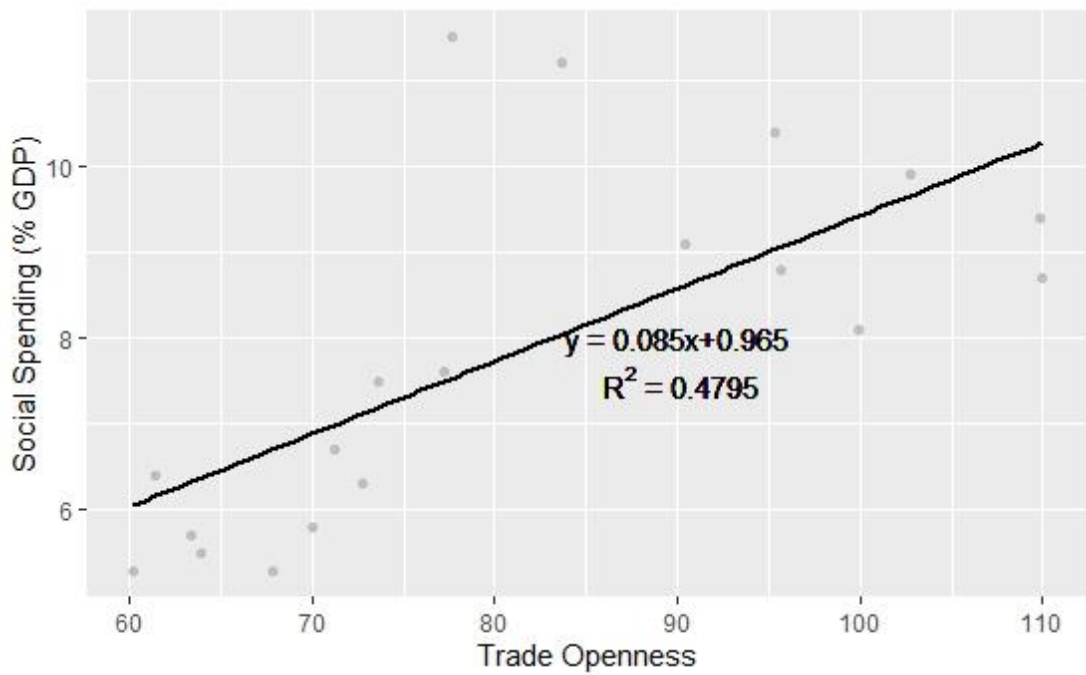


Figure 5.6 The Relationship between Social Spending (% of GDP) and Trade Openness

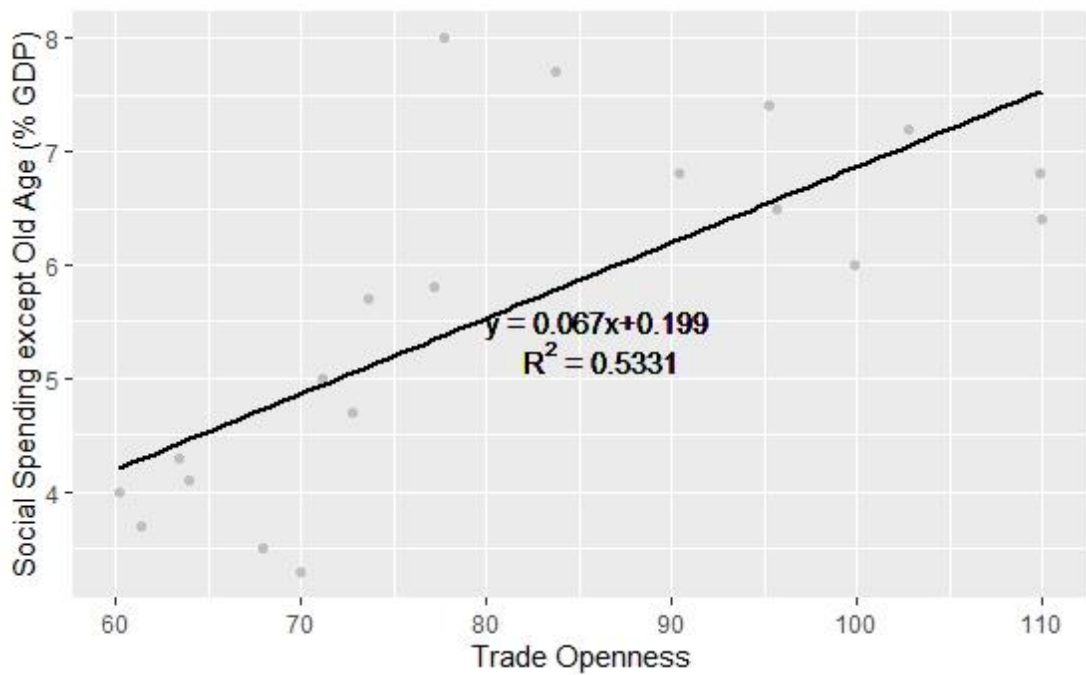


Figure 5.7 The Relationship between Social Spending (without Old Age, % of GDP) and Trade Openness



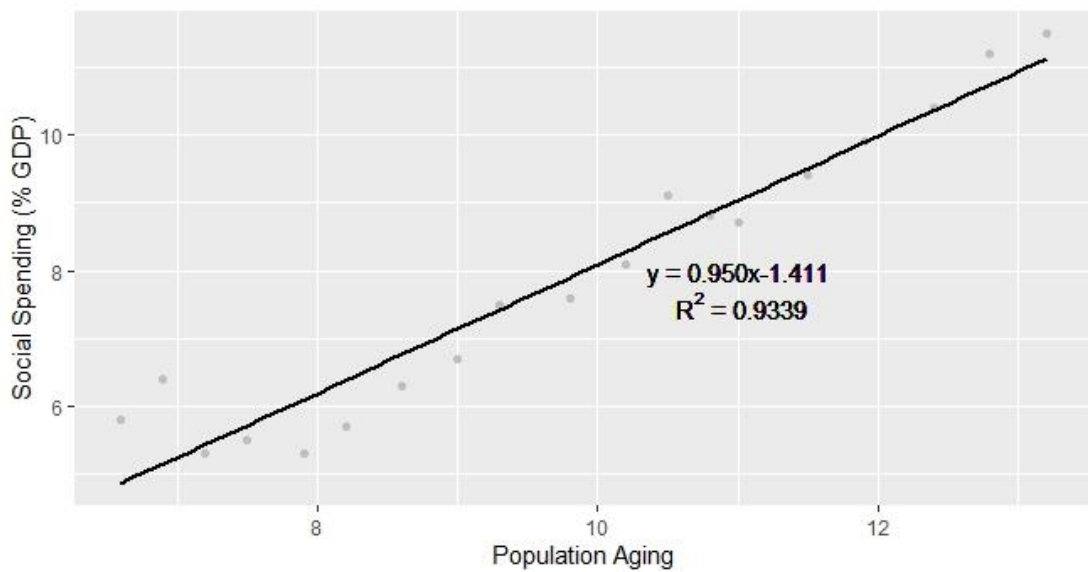


Figure 5.8 The Relationship between Social Spending (% of GDP) and Population Aging

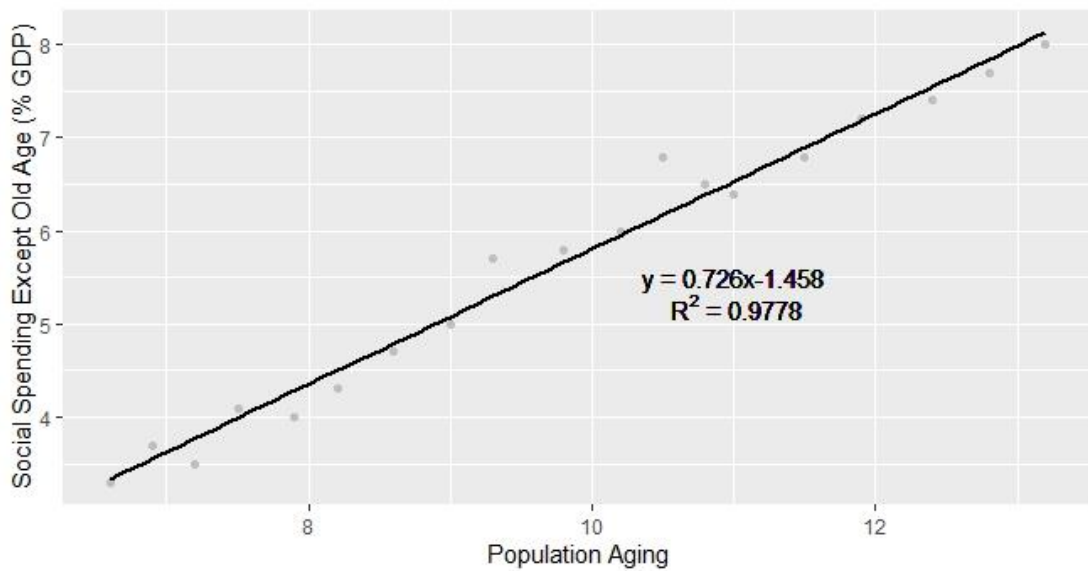


Figure 5.9 The Relationship between Social Spending (without Old Age, % of GDP) and Population Aging

### 5.2.3 Regression Analysis Results

Empirical results of modified model 1

Table 5.4 Linear Regression Output Specifying the Relationship among Union Membership, Trade Openness, Population Aging, and Social Expenditure

Model	Coefficients	Standard Error	t	Sig
Constant	-2.843	5.027	-0.565	0.581
Partisanship of Government	-1.013	0.675	-1.501	0.156
Union Membership	0.318	0.278	1.145	0.272
Trade Openness	-0.014	0.015	-0.927	0.370
Population Aging	0.919	0.154	5.934	0.000

R-squared = 0.952, Adjusted R<sup>2</sup> = 0.938

Dependent variable = Social Spending (% of GDP)

The model summary tells us that the independent variables are strongly associated with social spending (% of GDP). The coefficient of determination “R squared” is 0.938. An R<sup>2</sup> of 0.938 means that the independent variables jointly explain 94% of the variation in social spending as a percentage of GDP. The partisanship of the government has a negative association with social spending, which means that the progressive regimes increased social spending less than the conservative regimes did.

According to the regression results above, it was confirmed that “population aging”—among the variables with significant differences between the two groups of political regimes—was the most important factor contributing to an increase in social spending in general. Nevertheless, as mentioned, it was also confirmed (but not with a statistical significance) that conservative governments seem to have contributed more to the increase in social spending than progressive governments, contrary to expectation. Union membership slightly (not with a statistical significance) contributed to an increase in social spending; however, trade openness made no difference.

Given that South Korea belongs to the group of countries with an extremely aging society, it could be expected that population aging explains a large part of increased social spending. Therefore, it would be worth examining whether increased social spending without old-age-related expenditures (the statistical category labeled as old age) can also be explained by population aging. Contrary to the case of social spending, including old-age-related expenditures, it is not readily expected that population aging contributes to increases in social spending outside the old-age category. In order to test the strength of population aging in explaining the increase in social spending outside of old-age expenditures, the multiple regression design could be modified further as follows. Under this second multiple regression design, the dependent variable is social spending without old-age expenditures; however, the same independent variables from the first regression design are taken into account.

#### Modified Model 2

Social Spending except Old Age =  $a + b_1$ Partisanship of the government +  $b_2$ Union membership +  $b_3$ Trade openness +  $b_4$ Population aging +  $e$

Table 5.5 Linear Regression Output Specifying the Relationship among Union Membership, Trade Openness, Population Aging, and Social Spending (except Old Age)

Model	Coefficients	Standard Error	t	Sig
Constant	2.273	2.302	0.987	0.340
Partisanship of the Government	-0.259	0.309	-0.836	0.417
Union Membership	-0.213	0.127	-1.674	0.116
Trade Openness	-0.003	0.007	-0.441	0.666
Population Aging	0.620	0.071	8.743	0.000

R-squared = 0.982, Adjusted R<sup>2</sup> = 0.977

Dependent variable = Social Spending except Old Age (% of GDP)

In relation to social expenditure except old age, population aging is not as strongly associated as in the first regression result, but it is still significantly associated, as confirmed by the second multiple regression results above. The figure above also shows similar regression lines with or without old-age expenditures in the dependent variable.

### 5.3 Comparison among the Empirical Estimations

The progressivism of governments had little effect, or rather, a negative effect, in terms of the increase in social spending in South Korea during the last twenty years. The most distinguished factor leading to the increase in social spending among the variables with significant differences between the two groups of political regimes was population aging. It was also confirmed that income inequality and poverty rate were not significantly different between the two groups of political regimes. Although it was population aging that significantly increased the GDP ratio of social spending, it seems true that conservative governments contributed more to social spending; however, this led to no significant reduction in income inequality or the poverty rate. This finding makes it necessary to examine whether there have been any other

movements inhibiting the reduction of income inequality and poverty rate despite increased social spending.

### 5.3.1 Summary of Empirical Results

The results of the empirical analysis can be summarized as follows:

1. In South Korea, conservative regimes seem to have contributed more to the increase of social spending, however, with not much statistical significance, if other variables such as population aging are taken into account.
2. Even with increased social spending under a conservative regime, there was no statistically significant reduction of income inequality and poverty.
3. Among all the conditions, population aging had the strongest positive effect on social spending increase.

Table 5.6 Hypothesis Test Results

Hypotheses	Positive	Negative
<b>H1:</b> The level of social spending is significantly different between progressive and conservative groups of regimes	√	
<b>H1-1:</b> Progressive groups of regimes have a positive effect on the level of social spending	Not clear	
<b>H2:</b> Income inequality is significantly different between progressive and conservative groups of regimes		√
<b>H3:</b> The poverty rate is significantly different between progressive and conservative groups of regimes		√
<b>H4-1:</b> The partisanship of the parliament is significantly different between progressive and conservative groups of		√

Hypotheses	Positive	Negative
regimes		
<b>H4-2:</b> The progressive parliament has a positive effect on the level of social spending	n/a	n/a
<b>H5-1:</b> Union membership is significantly different between progressive and conservative groups of regimes	√	
<b>H5-2:</b> Union membership has a positive effect on the level of social spending	Not clear	
<b>H6-1:</b> Political freedom is significantly different between progressive and conservative groups of regimes		√
<b>H6-2:</b> Political freedom has a positive effect on the level of social spending	n/a	n/a
<b>H7-1:</b> GDP growth rate is significantly different between progressive and conservative groups of regimes		√
<b>H7-2:</b> GDP growth rate has a positive effect on the level of social spending	n/a	n/a
<b>H8-1:</b> Trade openness is significantly different between progressive and conservative groups of regimes	√	
<b>H8-2:</b> Trade openness has a positive effect on the level of social spending	Not clear	
<b>H9-1:</b> Unemployment rate is significantly different between progressive and conservative groups of regimes		√
<b>H9-2:</b> Unemployment rate has a positive effect on the level	n/a	n/a



Hypotheses	Positive	Negative
of social spending		
<b>H10-1:</b> Population aging is significantly different between progressive and conservative groups of regimes	√	
<b>H10-2:</b> Population aging has a positive effect on the level of social spending	√	

### 5.3.2 The Possibility of Systemic Retrenchment

These findings make it necessary to examine the possibility of any “systemic retrenchments” (Pierson, 1994) by conservative regimes, which have argued that they have been keen on the expansion of the welfare state by pointing out the increase of the welfare budget under their leadership (Kim & Kim, 2012). As a way of altering the welfare states by some measures other than spending cuts, systemic retrenchments take the form of indirect and broader forms of actions (Pierson, 1994). For example, if welfare program A is not consistent with the political beliefs of the regime (for example if program A is too redistributive to be accepted by a pro-market government) but enjoys high popularity among the public, the government in any democracy would definitely hesitate to dismantle program A in a direct manner, for example with budget cuts, thus risking losing an election. Instead, the government could possibly take a hidden approach, touching upon the broader economy, which could have an effect on the welfare state in the long run.

In regard to the systemic retrenchment of the welfare state, it should be noted that the social spending level had been increasing even under the Lee Myung-bak regime, whose political beliefs were based on the market and free competition. Furthermore, the relatively high level of government budget related to welfare policies encouraged President Lee Myung-bak to proudly make comments on the completion of the welfare state under his regime. However, the large part of either welfare spending or budget increase did not stem from Lee Myung-bak’s intention,

but from the policy implementation of pre-existing welfare programs designed by previous progressive regimes (Lee, 2016; Lee, 2014).

As the essence of the conservative regime's economic policy, the policy of tax cuts (or welfare without raising taxes) did slow down the overall increase in taxes, which, however, mostly benefited the top quintile of the population, as the table below shows. Taxes for the top 20 percent income population increased just 23.3 percent in 2014 from 2008 under the conservative regimes, which is a lot less than the 57.1 percent increase in 2007 under the progressive regime from 2000 (Sun, 2017). Taxes are a different side of the same coin of welfare in the sense that reducing taxes has the same effect as providing benefits. Arguably, the policy of tax cuts of the central government possibly weakened the local governments' ability to afford welfare expenses (Kim & Kim, 2012).

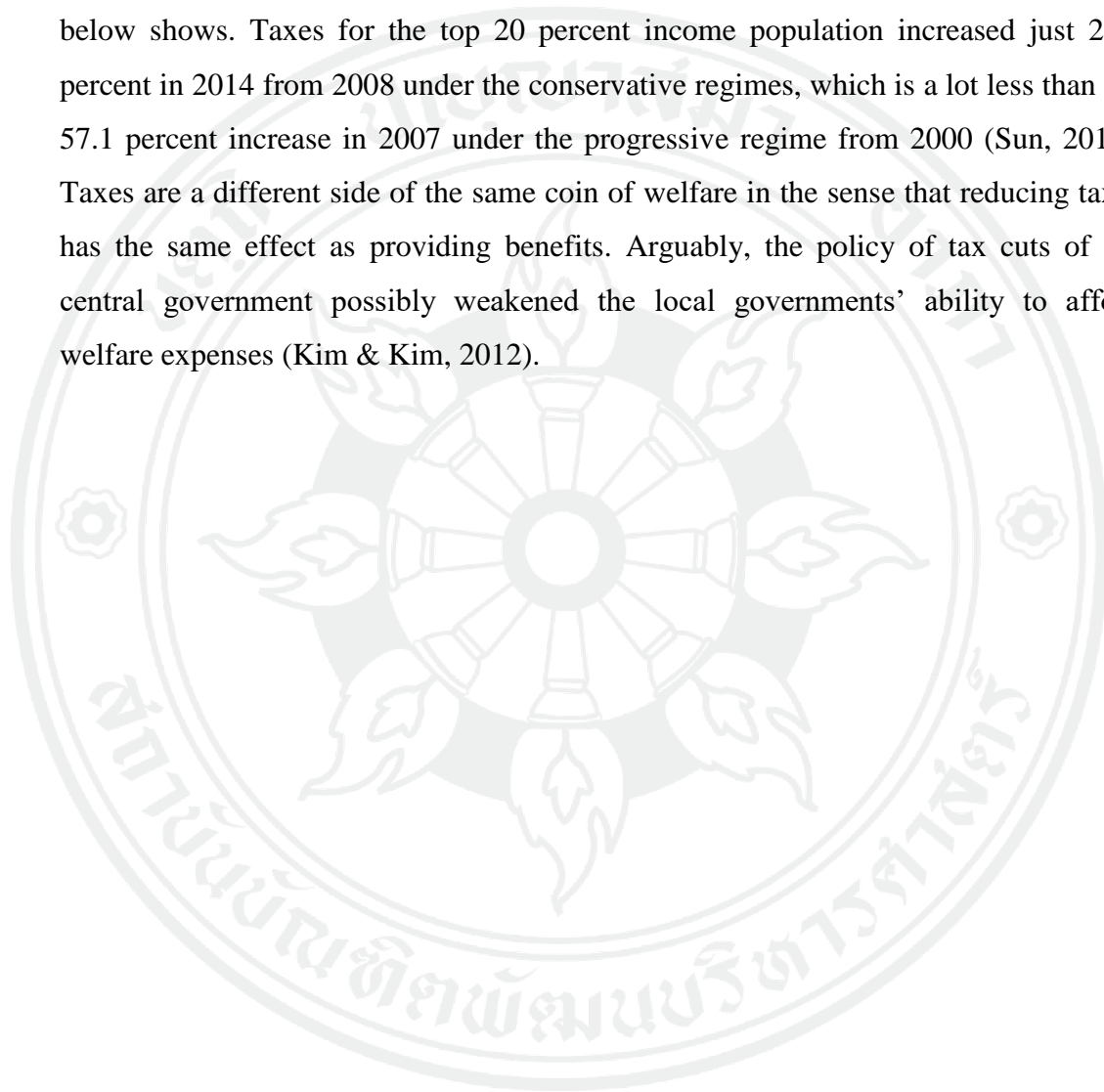


Table 5.7 The Income and Taxes between Progressive and Conservative Regimes

	Progressive Regimes (% increase in <b>2007</b> from 2000)		Conservative Regimes (% increase in <b>2014</b> from 2008)	
	Overall	Top Quintile	Overall	Top Quintile
Income	36.3	37.6	24.2	20.4
Taxes	45.4	<b>57.1</b>	34.5	<b>22.3</b>

Source: Sun, 2017, modified by the author

In addition to the policy of tax cuts, huge construction projects represented by the Four Major Rivers Restoration Project with the cost of KRW 22.2 trillion (approximately USD 17.3 billion ) under the conservative regime can be regarded as a “non-welfare state item,” which significantly limited the government’s financial ability to resolve continuously arising social risks and problems (Kim & Kim, 2012). Combined with tax cuts, these kind of extremely costly non-welfare projects can be regarded as typical forms of systemic welfare retrenchment (Pierson, 1994).<sup>47</sup>

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<sup>47</sup> Park Geun-hye’s sudden change of the nursery policy was one of the systemic retrenchment tactics. In 2015, the Park Geun-hye government suddenly shifted the burden of funding nursing programs for 3-5 year-olds to the local government, which were suffering from lack of local budget problems for quite a long time. Using the decentralized political system as an excuse for the shift was the tactic that the Reagan administration employed in the US. The same tactic was not available under Thatcher’s regime, in Britain, with a highly centralized political system (Pierson, 1994).

## CHAPTER 6

### DISCUSSION AND POLICY IMPLICATIONS

#### 6.1 Discussions

Based on the findings of this research, there are some major points for further discussion. First of all, in regard to the conservative regimes of South Korea, how did the idea of the welfare state begin to take the position of the top agenda of conservatives after ten years of political progressivism in South Korean politics? Did the idea of welfare without raising taxes<sup>48</sup> make conservatives win the elections but lead to political collapse at the end of their regime? Second, in regard to the progressive regimes of South Korea, what made the progressives lose power, even after having established a basic social protection platform and long-term plan of the welfare state? How did they even have their initiative of welfare issues taken by conservatives? Lastly, in regard to the aging society and path dependence, despite the fact that welfare issues have become heavily debated topics between conservatives and progressives, why is population aging, which is a natural phenomenon having almost nothing to do with political progressivism or conservatism, the only factor fundamentally affecting the level of spending? Discussing these questions will lead to path dependence issues in the welfare state.

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<sup>48</sup> According to a survey in 2018, a majority of respondents (80%) agreed with the idea that social protection should be enhanced, while only 32% of the respondents were willing to contribute more to the welfare state financially (MOHW, 2019).

## 6.2 Political Conservatism and the Welfare State

### 6.2.1 Trickle Down to the Top Agenda?

The results of the empirical analysis can be summarized as follows. In South Korea, social spending certainly increased under conservative regimes. However, increased social spending did not lead to a reduction in income inequality and poverty. These findings make it necessary to examine the possibility of any “systemic retrenchments” (Pierson, 1994) by conservative regimes that have argued that they have been keen on the expansion of the welfare state by pointing out the increases in the welfare budget under their leadership (Kim & Kim, 2012). As a way of altering the welfare state by measures other than spending cuts, systemic retrenchments have taken the form of indirect and broader actions (Pierson, 1994). For example, if welfare program A is not consistent with the political beliefs of the regime (for example program A is too redistributive to be accepted by a pro-market government), but the program enjoys high popularity among the public, the government of any democracy would definitely hesitate to dismantle program A in a direct manner, such as through budget cuts, which would endanger the government in future elections. Instead, the government might take a hidden approach touching upon the broader economy, which could have some effect on the welfare state in the long run.

In regard to South Korea, it is widely agreed that conservative governments—especially the Lee Myung-Bak regime—have been much more market-oriented than their progressive counterparts. As represented by the so-called “trickle-down effect,”<sup>49</sup> the Lee Myung-Bak regime’s basic attitudes toward the welfare state have been based on the idea of indirect redistribution as a side effect of economic growth through intensified support (e.g., reduced taxation) for large enterprises. Furthermore, the major construction work all across the country during conservative regimes (especially that of Lee Myung-bak) is an example of systemic retrenchment having an

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<sup>49</sup> This is well known as an economic policy adopted by President Reagan in the 1980s following the thinking that tax-cuts would bring about a boosting effect on the entire economy; this policy was also adopted by President Lee Myung-bak in South Korea in the late 2000s.

influence on the welfare state in the long run. By limiting the flexibility of the state budget due to major projects such as construction, it becomes difficult to resolve newly arising social risks in the future, let alone traditional welfare needs (Pierson, 1994).

Although Lee Myung-bak's social policy was based on indirect effects, such as the trickle-down effect from general economic growth, and, arguably, on systemic retrenchment, welfare issues were receiving growing attention from the public and finally became a top agenda point for the next presidential candidates, especially those from conservative parties. Faced with the regional election in 2010, which took place two years before the presidential election, the issue of "free meals for school children" was fiercely debated among the candidates and people across the country. The progressive party manifesto emphasized the plan of providing free lunches for all school children, while its conservative counterparts preferred a program targeting only poor children. This kind of heavy debate on the issue of welfare had rarely been seen previously. After experiencing a major defeat in the regional election, the conservative party had no choice but to modify the direction of its policy, and it chose welfare enhancement as its top agenda item for the next presidential election. The trademark slogan of conservative candidate Park Geun-hye for the presidential election, "welfare without taxation," was created around the time of the welfare debate during the regional election in 2010.

### **6.2.2 "Welfare without Raising Taxes" and Confusion**

It should be noted that Park Geun-hye's conservative regime was especially focused on the expansion of the welfare state, which arguably led to Park Geun-hye's electoral success, overpowering the formidable progressive presidential candidate, Moon Jae-in, who had a background as a human rights lawyer and adviser to the previous progressive party regime. Even proudly emphasizing welfare without raising taxes, Park Geun-hye ambitiously embarked on the full-scale redesign of the welfare state, which ended up confusing policy implementations and relying only upon blame-shifting gimmicks during the last periods of the regime, one notorious example of which was the conflict with local governments in relation to funding free nursery



programs for 3- to 5-year-old children. These free nursery programs, which had been implemented since 2013, were originally designed to be funded solely by the central government in accordance with Park Geun-hye's election manifesto (J. Lee, 2016). However, in May 2015, the central government changed the direction of its policy and decided to shift the burden of related funding for education to local governments, which led to, as expected, confusion and outrage from the local governments, many of which are headed by people with progressive party backgrounds, unlike those in Park's conservative regime. Actually, taxation was not the preferred way of funding the free nursery programs for the central government, which preferred to shift the burden of education to the local governments while not accepting that welfare could simply not be maintained without a proper level of taxation. This kind of burden-shifting in welfare funding, resulting in confusion and inconsistency in the implementation of social policy, could be regarded as a political tactic of systemic retrenchment.

### **6.3 Political Progressivism, Aging Society, and Path Dependence**

#### **6.3.1 How the Progressives Lost**

Since South Korea's first progressive regime was put under heavy pressure from the IMF to implement reform in terms of economic policies and social safety nets, welfare issues are no longer a subsidiary topic to be discussed at some point in the future but rather are among the major issues attracting the attention of realistic electorates. In fact, the first two progressive regimes intended to design and establish a national framework of social protection, mostly focusing on social insurance. The Roh Moo-hyun regime believed that a positive relationship existed between economic growth and redistribution (Lee, 2016). The welfare state that Roh Moo-hyun sought to build was one enhancing national economic growth through streamlined welfare policies. However, as South Korea was becoming increasingly politically conservative, disillusioned with Roh Moo-hyun's progressive agenda, many politicians became more compromising in reality. Under Lee Myung-bak, Roh Moo-hyun's successor and the first conservative president after a ten-year progressive party

regime, the welfare state, still regarded as important, has been slightly redefined as one where economic growth could be brought about only through high employment rate and reduced state responsibility for welfare policies (Lee, 2016).

Each regime's policies are highly correlated with the previous regime's policies, especially if those policies are supposed to be implemented on a long-term basis, often spanning longer than the whole period of a regime. There have been some attempts to explain the growth of social spending under a conservative regime as a result of previous progressive regime policies (Lee, 2016). Focusing on Lee Myung-bak's conservative regime, widely regarded as the most market-oriented regime in history and one that minimized the state's responsibility for welfare, welfare expenditure as a percentage of the GDP increased due to the pre-existing welfare framework, including a pension policy established by previous progressive regimes.

Knowing that it would be impossible, or at least highly unpopular, to dismantle the framework of welfare, a conservative regime is likely to choose another path with indirect effects on the welfare state, such as reduced taxation, induced changes in public attitudes toward welfare, changes in the political system, and the weakening of pro-welfare interest groups (Kim & Kim, 2012). In terms of a reduction in taxation, the Lee Myung-bak regime has targeted not only general taxation but also regional taxation, leaving little room for regional governments to deal with welfare issues, raising the possibility of shifting any blame for the lack of effective and timely welfare programs to regional governments (Kim & Kim, 2012).

In regard to the public attitude toward welfare, a related survey confirms the growth of negative reactions to welfare beneficiaries during the Lee Myung-bak regime compared with the reactions during the Roh Moo-hyun regime, which is arguably regarded as a successful systematic retrenchment by the conservative regime (Kim & Kim, 2012). It is usually accepted that welfare expansion policy is popular in general, in contrast to feelings about related increases in taxation (Kim & Kim, 2012; Steinmo, 1993). It was the presidential candidate Park Geun-hye from the conservative party whose election manifesto touched exactly upon the people's attitudes toward welfare and taxation.

In the context of South Korea, it was Park Geun-hye and her party's new approach toward welfare that left political progressivism decoupled from welfare

expansion. From the beginning of the presidential election period, Park Geun-hye argued that being politically conservative could go hand in hand with being progressive in terms of welfare issues. However, once elected, the Park Geun-hye regime began to cut back the budget for basic pensions and nursing assistance, pointing out the lack of funding and the downturn of the national economy, while introducing the first successful national social security plan focused on welfare (Lee, 2016). The Park Geun-hye regime showed how tempting it is for politicians to use welfare issues during the election period and to neglect them once elected.

### **6.3.2 Aging Society and Path Dependence**

As empirically confirmed above, South Korea's aging society is the major reason why social spending has increased as time goes by, regardless of the extent of the political progressivism of each regime. In other words, increased social spending has not been the result of any strong political will but rather is a natural phenomenon as the population ages. Even though it is unpopular to raise taxation to prepare for any further spending in the future, there is no other way but taxation to maintain the welfare budget to meet growing welfare needs, especially with regard to an aging population. The conservative regimes did not want to follow this potentially unpopular approach of raising taxation, which is why they were focused on social services, with their relatively small burden on the central government—quite different from the focus under progressive regimes, which tried to enhance approaches such as income maintenance programs (for example, social insurance and social assistance), typically inducing more welfare expenditures (Lee, 2016).

The figures below show the population pyramid, predicted population structure, and life expectancy in South Korea. Like any other countries, South Korea's population is getting older and people are living longer than before, which makes it necessary for South Korea's welfare system to enhance old-age-related programs, inevitably leading to increased social spending.

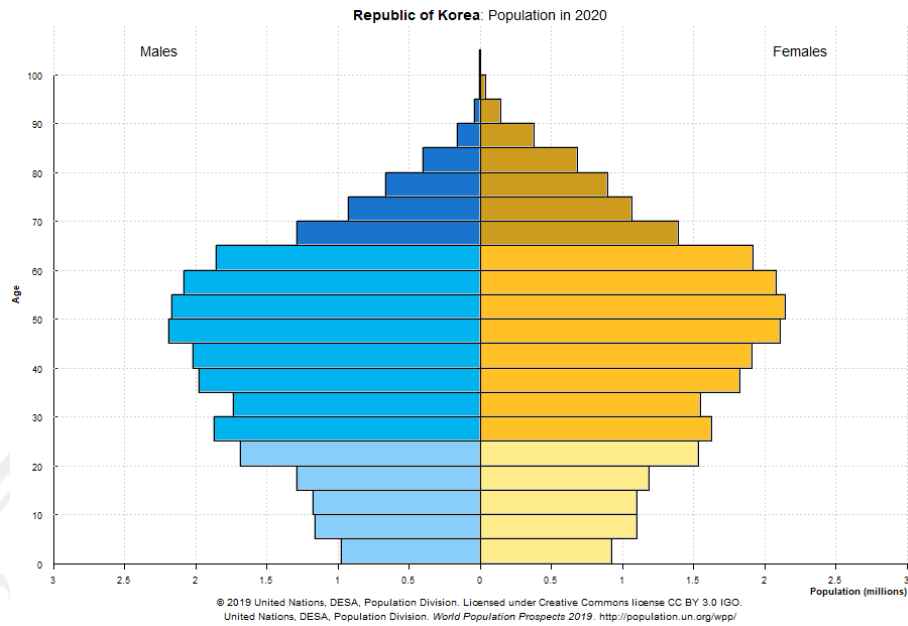


Figure 6.1 Population Pyramid in South Korea in 2010

Source: UN Population Division, <https://population.un.org/wpp/Graphs/DemographicProfiles/Line/410> (accessed February 2020)

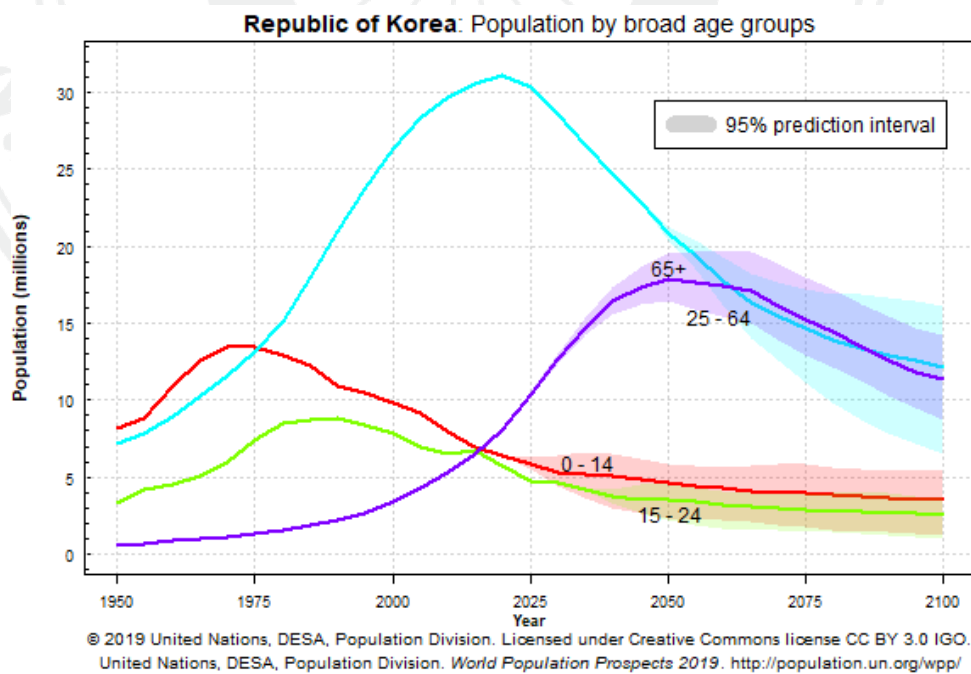


Figure 6.2 Population by Broad Age Groups in South Korea

Source: UN Population Division, <https://population.un.org/wpp/Graphs/DemographicProfiles/Line/410> (accessed February 2020)

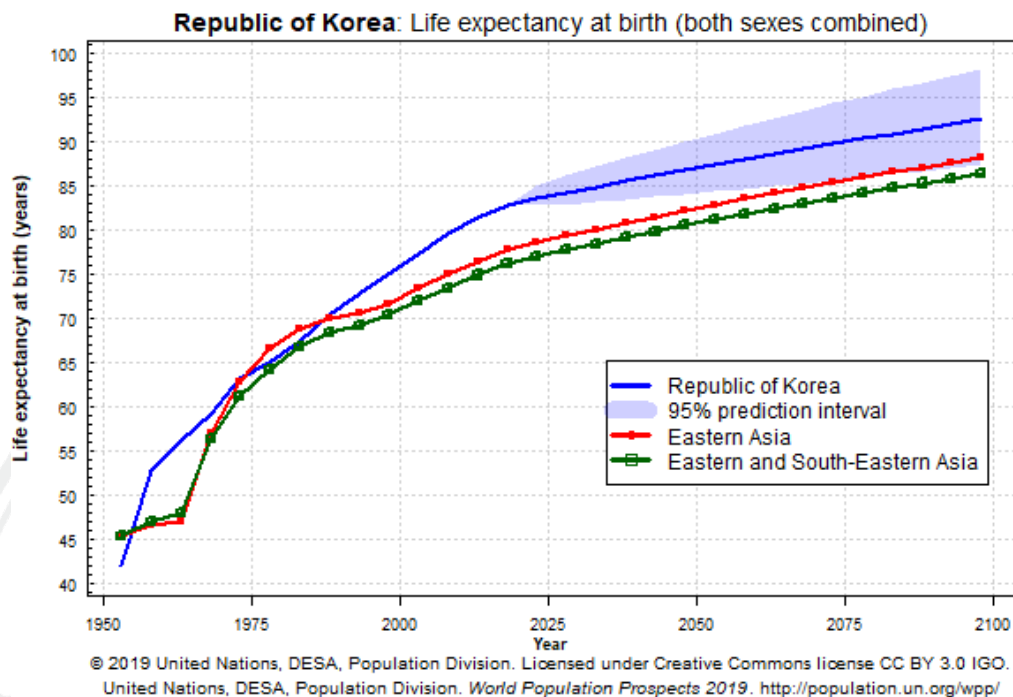


Figure 6.3 Life Expectancy at Birth in South Korea

Source: UN Population Division, <https://population.un.org/wpp/Graphs/DemographicProfiles/Line/410> (accessed February 2020)

In sum, even with competitive words and plans from governments, from either progressive or conservative parties in relation to the welfare state, there have been no significant differences in poverty or income inequality, which could be regarded as the aims of welfare policies, between progressive regimes and conservative ones. Clearly, social spending has increased as South Korea has become politically conservative, in contrast to initial expectations; however, most of this spending increase can be explained by the aging population. South Korean regimes have sometimes benefitted from populism related to the welfare state (e.g., winning the election) while being hesitant to move forward with any path-breaking welfare policies once in power. South Korea has been no exception in terms of the path-dependent nature of the welfare state (Pierson, 1994).



## CHAPTER 7

### CONCLUSION

#### 7.1 Summary

Even though South Korean politics resembles Western democracies in the sense that it has distinctive left and right sides (or parties), the patterns of social spending are not in line with what is normally expected in relation to the progressivism of political regimes. Rather than strictly abiding by their political beliefs, the political regimes in South Korea have taken practical attitudes toward the welfare state, arguably to win elections and to achieve other political aims based on the popularity of their governments. Governmental power in South Korea over the last twenty years has been divided between two groups (progressive and conservative) of political regimes; the conservative group has taken either a pro-market attitude or approaches based on populism and has definitely spent much more than its progressive counterparts have. However, this approach, including increased social spending, has not brought about the results that are usually expected from pro-welfare policy implementations, such as the reduction of income inequality and poverty.

In sum, the positive trend of increasing social spending has been overshadowed by sustained income inequality and poverty during the last twenty years. As one of the fastest-aging countries in the world, the South Korean welfare state will likely be more path-dependent in the future, suffering more from inequality and poverty problems, despite the state's heavy investment in welfare for the elderly. Therefore, what is needed to tackle inequality and poverty effectively is the enhancement of the redistributive policy processes, which can be maintained regardless of the political regimes in power.



What has been common to all four of the most recent regimes in South Korea is the fact that welfare can no longer be regarded as a minor issue. Having noticed the growing concerns about social protection among the electorate, political parties have tried to design and implement their own plans. Conservative parties, traditionally regarded as market-oriented, were often successful in making themselves look like pro-welfare parties, even successfully winning elections. However, once they took political power, no path-breaking welfare policies were made by these regimes. The increase in social spending was rather due to natural phenomena such as aging or just the cost needed to maintain pre-existing welfare policies, many of which were designed by previous progressive regimes (Lee, 2016) and contributed little to the reduction of income inequality and poverty. Progressive parties, conventionally regarded as pro-welfare, initially had to focus on social insurance-based approaches to resolve a variety of welfare issues, such as unemployment under the conditions imposed by IMF. Toward the end of their regimes, a major plan of economic and welfare policies, which was called “Vision 2030,” as mentioned earlier, and included long-term strategies for the balanced development of the economy and social protection, was drafted, but it was never put into practice due to the immediate power transition to a conservative regime that had its own plans and agenda, which differed from vision 2030.

However, the reason why the conservative party was able to survive another presidential election in 2012 was its adoption of progressive welfare plans, part of which were from Vision 2030. As a presidential candidate from the conservative side, Park Geun-hye’s welfare plans were even regarded as quite similar to those of the Swedish welfare state (Joo, 2014). Contrary to her predecessor’s welfare policies with targeted approaches that resulted in limited protection, Park Geun-hye focused on universal protection, covering almost the entire life cycle of an individual with a so-called lifelong social security package, which, again, was neglected due to Park’s pursuit of the “division of interest groups rather than social integration” (Joo, 2014, p. 141) once she took political power.

As arguably confirmed in the Western context, social policy is regarded as one of the most resilient domestic policies (Pierson, 1994). Even though South Korea has had relatively limited experience with welfare state management, recent governments

and presidential candidates have recognized that taking a certain approach with regard to welfare issues can make them win or lose votes, which has made most presidential candidates act like pro-welfare politicians regardless of their background and that of their parties in relation to political progressivism. However, these pro-welfare manifestos and plans underwent many modifications or delayed processes of implementation for a number of reasons, such as conflicts with interest groups or preoccupation with more urgent issues, which has confirmed the path-dependent nature of social policy in the context of South Korea.

From the past experience of South Korean politics, it is expected that future governments will find it difficult to dismiss welfare policies. Furthermore, the traditional political beliefs of parties in terms of redistributive approaches can be compromised whenever necessary to win elections. South Korea has witnessed a conservative party radically adopt progressive welfare plans in order to maintain its political power and “ditch them” soon after being elected as the party in power. The country has also witnessed a progressive party losing power and having almost no chance to implement the welfare policies it had drafted in accordance with its progressive beliefs.

Following a period with two conservative regimes, since 2017, South Korea has had a new government that shares “political blood” with president Roh Moo-hyun. With the beginning of a new politically progressive era, the government ambitiously drafted a brand-new social protection plan with emphasis on the universalism of the welfare state. Similar to other welfare states, South Korea’s social policies are not free from path dependence, and any welfare reform can hardly survive without sustainable political support. Given that political support from the public is unpredictable, as it always has been, policymakers have to be cautious about the design and implementation of their plans, and be sure that they do not end up being simply political slogans.

## 7.2 Theoretical Contributions and Policy Recommendations

As a country with hardly any experience of path-breaking reform in terms of the welfare state, South Korea will almost certainly have to face challenges similar to those that other welfare states have had to deal with in the sense that any attempts to make fundamental and sustainable changes to the pre-existing framework of its welfare system will likely be met with strong opposition from various political parties and interest groups or the public in general, often carrying the risk of losing elections (Pierson, 1994). Given that electorates are more sensitive to losses than to gains (Kuhnen & Knutson, 2005; Loewenstein et al., 2008; Pierson, 1994; Smith et al., 2002) and that any change in policies would almost certainly result in there being a losing side or sides, it might be tempting for policymakers to act only in a path-dependent manner. In the case of well-established welfare states, path dependence can be regarded as a form of protection against any attempts of retrenchment (Pierson, 1994); however, in the case of developing welfare states such as South Korea, path dependence could lead to heavy resistance against any kind of reform in relation to welfare expansion. Most of the welfare state theories have been developed from the experience of the affluent countries, especially European countries. It has been confirmed that the path dependence of the welfare state can be almost equally applied to the case of South Korea. By using the methodologies and analytical frameworks of the Korean welfare state adopted in this study, politics and the welfare state issues in other developing countries could be evaluated as well.

Given the findings from this research, that welfare states are path dependent in general regardless of the progressivism of governments and some natural and non-political phenomena, such as population aging being the more important factor having potentially significant effects on the welfare state than any political willingness, any governments or states with the intention of reforming the welfare state in order to tackle new social risks or simply to gain popularity to win an election would need to have a clear strategy in relation to policy recommendations as follows.

1. Policymakers need to have a clear vision in regard to the welfare state model, which could resolve a variety of social problems concerning limited resources.
2. Policymakers need to understand the extreme path dependence that the welfare state usually has, regardless of the level of the political progressivism of the incumbent government.
3. Policymakers need to design and implement social programs tackling old-age-related problems<sup>50</sup> in a stable but flexible manner, given the rapid aging population in society.
4. Policymakers always need to have a clear plan for funding social programs from either general taxation or other sources.
5. The central government needs to be cautious about sharing responsibility with local governments in decision-making related to the welfare state in order to avoid charges of blame-shifting.
6. Local governments need to have terms of reference clearly stating their duties and responsibilities regarding legislation and in terms of decision-making in their welfare policies.
7. All stakeholders, including civil societies in the welfare state, need to be cautious about the manipulation of social issues by some politicians who are only keen on winning elections rather than the advancement of the welfare state.

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<sup>50</sup> Old-age-related problems not only include income maintenance issues but also many other problems previously ignored, such as sexuality (Taylor & Gosney, 2011).

### 7.3 Suggestions for Further Studies

The welfare state issues in some developing countries with political dynamism can provide good sources for further study. There are also countries whose political system is not equivalent to that of Western politics, consisting of left and right parties, making it necessary to widen some categories of politics in accordance with each state's system.

Given that this study focused on aggregate data based on OECD SOCX categories, it should be noted that further studies based on data specific to each social program would be necessary for more in-depth analysis. Keeping track of each program's development under either conservatives or progressives will contribute to understanding each regime's priority in regard to the welfare state.

Last, it should be pointed out that, throughout the Asian welfare state history, it is regarded as quite path-breaking that Thailand has successfully established a universal health care system within a short period.<sup>51</sup> Under what kind of political and socioeconomic conditions was it possible for Thailand to fundamentally change the social protection system, which has been generally confirmed as path dependent all across the welfare states? This would be a meaningful topic for further study of the welfare state.

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<sup>51</sup> It was only about ten years (ILO, 2015).



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