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1

Reform of the Developmental Welfare State in Korea: Advocacy Coalitions and Health Politics

Huck-ju Kwon

Introduction

The welfare state in Korea has undergone a significant transformation since the Asian Economic Crisis in 1997–8. Before the social policy reform after 1997, the characteristics of the Korean welfare state could be well described as a ‘developmental welfare state in a selective form’. Social policy was used as an instrument of economic policy (productivist), the welfare programmes were structured in such a way that risk-pooling was narrow within particular social categories (selective) and the major social policy initiatives were motivated by political justification of an authoritarian regime (authoritarian). The recent social policy reforms were carried out in order to change the welfare state in the latter two dimensions, while maintaining a productivist orientation. As we shall discuss, the separate health funds under National Health Insurance (NHI) were integrated into one administrative authority which operates two national funds. The integration will make the NHI universal in terms of insuring all citizens with different income levels and risk probabilities with two national risk-pools (universal). Employment Insurance was also extended to workplaces with one or more regular employees,¹ and the National Pension Programme to the self-employed. The Minimum Living Standard Guarantee (MLSG) introduced in 2000 is set to give benefits as a social right to those with income below the poverty line without a prior family and demographic test.² These reform initiatives were undertaken by the government that came to power by winning a democratic election as an opposition party, with a broad-based social consensus in the wake of the economic crisis of 1997–8 (democratic) (Kuhnle 2001).

From this observation a question immediately arises about the welfare reform: has the Korean welfare state moved from a selective to an inclusive developmental welfare state? It is one thing to introduce programmes with certain aims, but achieving policy goals is another. For instance, social insurance programmes such as the Employment Insurance Programme and

the National Pension Programme cover virtually all regular employees, but are able to cover only half of temporary workers (Kim 2001), although these programmes were intended to cover them all. The NHI, which has achieved the goal of universal coverage, is still the exception rather than the norm. It is still far too early to assess the claim that the Korean welfare state is truly universal. More relevant questions to ask at this juncture would be about the rationale for the reform: what is the political dynamics underlying the new direction of the welfare state? Are those reforms really aimed at creating a developmental welfare state of an inclusive nature? What compromises have been made? These are the questions this chapter seeks to answer through the *advocacy coalition approach*. The advocacy coalition approach is particularly useful in examining the political actors across the state and non-state institutions, who pursue certain policy outcomes. An 'advocacy coalition' refers to a group of political actors from various public and private organizations who share a set of beliefs and who seek to realize their common goals over time (Sabatier 1986). Of course, an advocacy coalition cannot spring up simply because some political actors, policy experts and concerned citizens share a belief system and policy goals. An advocacy coalition needs a close, though informal, network of contact, cooperation and organizational structure. More than one advocacy coalition normally competes with each other over policy outcomes on important issues, and they pursue their goals against a background of political institutions, some taking advantage of them and others having difficulties. The extent to which advocacy coalitions are able to influence policy decisions is often dependent on their institutional strength as well as the soundness of their arguments, and it often takes some length of time to develop an effective political strategy that can help it to advance its policy goals within the existing institutional dynamics (Sabatier and Jenkins-Smith 1993: 17). Moreover, the policy paradigms that guide advocacy coalitions in their policy orientation are not always coherent. People involved in policy debates often learn from such experience and sometimes modify their views in the historical process. It is therefore necessary to follow a succession of debates instead of concentrating on one big moment in order to understand how incremental policy changes can come about.

In this chapter, I will investigate the policy debates over the NHI at four discrete points in time since the 1960s, with special attention to the financing arrangements of the programme. The financing of the NHI has been the most important and recurrent subject of debate, and the tension over the paradigm of the welfare state has been strongly reflected in them. In fact, the health insurance reform in 2000 that integrated the fragmented health funds within the NHI was an important *volte-face* in the social policy paradigm after a long period of an 'economy-first' approach. The integration reform, as will be explained, aimed not only at widening the risk pool of health insurance but also at enhancing *equity* by redistributing financial responsibility for the

NHI. This reform was not an isolated policy change but an important social policy initiative, one of a series including the introduction of the MLSG in 2000, and the extension of the Employment Insurance Programme in 1998–9, which all placed new emphasis on social rights while maintaining a productivist orientation of social policy. The integration reform had been on the agenda since the 1960s, but was carried out only by social policy reform after the Asian Economic Crisis (1997–8). Why was the integration reform overlooked for such a long time, and how was it adopted in the wake of the Asian Economic Crisis? This chapter will examine the debates over the NHI at four discrete points in time to analyse how advocacy coalitions developed their arguments on health policy and elaborated their political strategies within the institutional dynamics of Korean politics. This chapter will argue that the new thrust of the welfare state since the Asian Economic Crisis stemmed from the political evolution of the advocacy coalition, which had striven for an inclusive welfare state after a frustrating experience of failures in the preceding period.

The analysis of the advocacy coalition will be an important contribution to the study of social policy for two reasons. First, it is an attempt to shed light on the advocacy coalition for the inclusive welfare state which has been not been as well examined as it should have been, partly because the coalition has often failed to produce the policy programmes that they wanted. In previous studies on the politics of social policy in Korea, the analytical focus was placed on the top decision makers who made effective policy decisions. These studies showed that social policy was used as a justification for authoritarian politics and an instrument of economic policy (Kwon 1998; Gough 2001). However, there have been policy paradigms other than the 'economy-first' one. In particular, the paradigm of the inclusive welfare state provided policy guidelines for the advocacy coalition. Of course, its ideas and political strategy were not coherent in the beginning, policy debates were not conducted on an equal footing under the authoritarian regime, and this is why policy paradigms other than the official government line were not as well analysed as they should have been. This chapter will analyse the evolution of the advocacy coalition, following the policy debates between the competing policy paradigms in the context of the politics in which they unfolded, and paying particular attention to the advocacy coalition which presented different views from the predominant ones. This examination will lead us to understand how Korea was able to respond with a new thrust of welfare policy to the Asian Economic Crisis.

Secondly, this chapter seeks to bring *historical perspectives* to the globalization and social policy discourse with respect to Korea. Those who emphasize the neo-liberal nature of globalization argue that market-driven global convergence renders the institutions of the state of marginal importance in economic life (Ohmae 1995). The increasing power of multinational corporations (MNCs)

who want the cheapest fiscal conditions and the most favourable infrastructure is a driving force of such convergence (Beck 2000). In this process, the welfare state can become a major victim, facing inevitable decline in terms of expenditure and programmes. In contrast to this strong interpretation of globalization, a more realistic view argues that state institutions – and the welfare state, in particular – work as a shock absorber amid instability and flexibility in a globalized market. For example, Rodrik (1998) argues that there is a positive correlation between social expenditure ratios and the openness of the market. The Korean experience after the Asian Economic Crisis is often referred to here (Deacon 2002). Even in this strand of thinking, there is a deterministic tone of explanation that does not give a full account of how countries like Korea came up with policy choices aiming to strengthen social policy institutions. If one looks at the past experiences of responses to macroeconomic shocks that were strongly related to the international economy, these policy responses were more like neo-liberal structural adjustments, and strengthening the welfare state was not a norm. Many Latin American countries in the 1970s returned to authoritarian politics to contain popular demand instead of adopting welfare policies when they faced economic crisis (Stallings 1999). Some European countries, such as the UK, implemented austerity policies when they were faced with economic recessions in the 1970s and 1980s. Why Korea responded to the Asian Economic Crisis – a clear manifestation of globalization challenges – with strong social policy initiatives needs close examination. This chapter will seek to answer the question by analysing the political interactions among political forces with different views on social policy.

Applying the advocacy coalition approach to explain policy changes requires a certain amount of caution. Middle-range theories such as the advocacy coalition approach can explain policy changes at a certain point in time, but these changes take place against the background of structural conditions, such as the level of industrialization, unionization of workers, the degree of openness in trade, the population structure and the political structure of the country. As the literature of social policy has demonstrated, these structural factors strongly influence the development of social policy over the long term. It would be easy to attribute policy changes that take place at certain points in time to certain advocacy coalitions who have argued for such change. In many cases, however, *structural factors* had already set the conditions for such changes, which can be seen as the given conditions if one deals only with the question in a shorter span of time, since the structural influence on policy changes takes place in the longer term. This does not suggest that the structural factors overdetermine policy trajectories; they rather create the *policy space* which opens a possibility for a range of policy trajectories. Middle-range theories like the advocacy coalition approach can explain why one policy trajectory was chosen rather than another. In order to take structural influences into account, this chapter will

pay due attention to the different structural conditions in examining four policy debates over the NHI.

Advocacy coalitions and the politics of national health insurance

The NHI is one of the main contours of the Korean welfare state. It was introduced in 1977 and extended to cover the whole population in 1988–9. The history of NHI in fact goes back to 1962 when it was first considered by the military government. In 2000, the fragmented health funds within the NHI were integrated into the National Health Insurance Corporation as a single insurer. Financing was divided into two separate accounts according to job categories: salaried employees in the public and private sectors and residence-based members who do not have employers to pay for half of their contributions for the NHI. These accounts maintained separate finance flows: revenue from contributions and expenditure on health care payment are operated separately. Under the current structure, citizens pay their contributions as employees or residence-based members to the NHI and hospitals and clinics treat their patients and reimburse the cost on a fee-for-service basis.

Before the reform in 2000, separate health funds under the NHI umbrella operated health insurance for their own members. The main topic of the policy debates was the integration of these separate funds into one national fund. Policy debates on the NHI had taken place since the 1960s, but there were a number of occasions which had had more significant implications for policy change than others. This section will focus on four policy debates at discrete points of time under different structural conditions. This will allow us to analyse the critical discussions in terms of the evolution of advocacy coalitions, which in turn will lead us to explain the policy changes in the wake of the Asian Economic Crisis. We will discuss two debates under the authoritarian government and two cases after democratization.

Health politics under authoritarian industrialization

The first debate

The NHI was first considered in the early 1960s just after the military *coup d'état* of 1961. The military government announced its intention to introduce social programmes at a news conference in January 1962. This announcement was an effort to appeal directly to people with substantial policy ideas after the military government had consolidated its power structure during its first six months in power. The task of preparing a policy programme went to the Committee for Social Security (CSS) (Ministry of Labour 1981: 25). In fact, the CSS gained official status within the Ministry of Health and Social Affairs after this task was assigned to it. Before that time, it had been a private study group of people including bureaucrats from the Ministry of

Health and Social Affairs, doctors and academics who were concerned with social policy. Because this group had a meeting every Wednesday, the members called themselves the 'Wednesday Group'. The group produced several pamphlets, most of which outlined social welfare programmes and identified possible obstacles to introducing such programmes (Choe 1991: 17). The CSS had a number of ingredients for a successful advocacy coalition to achieve its policy goals. It included people with expertise on social policy, which was rarely found at that time in Korea. It also gained official status within the government, which positioned it near to the centre of the decision making process. There was no lack of enthusiasm among the members of the CSS for introducing social policy programmes. The CSS organized its efforts into two strands of research after the chairman of the Health and Social Affairs Committee of the military government requested it to design social programmes related to health care and workers' safety (Seo 1962). One of the research teams (the Labour Section), therefore, studied various social insurance programmes that would benefit workers. Its focus was on two policy options: an unemployment programme and an industrial accident programme. Eventually the Labour Section decided to recommend the military government to introduce an industrial accident insurance programme. The Health Care Section, which was responsible for health care policy within the CSS, conducted a survey of 500 residents in Seoul to study health conditions and behaviour (Choe 1991). The findings of the survey showed that low-income households did not have access to the hospitals they needed for economic reasons. They mostly relied on medicines purchased at pharmacies. The Health Care Section concluded that a health care programme was necessary to protect the health of citizens, in particular those from low-income families. Despite such a conclusion, they could not recommend a health care programme for the poor since they could not find a funding mechanism for it. Instead, the Health Care Section recommended a health insurance programme that would cover only employees in workplaces with 500 workers or more. One of the CSS experts later explained that the financial feasibility of the programme was taken more seriously than the equity concern. In consequence, the Health Care Section came up with a proposal for an insurance programme under which employees and employers would pay contributions to a fund that, in turn, would pay hospitals and clinics for their health services. There was no provision for government funding for those who could not pay contributions. In this proposal, they were simply left out and no debate over equity took place. It seems that the debate was internalized in the mind of experts. As Mills explained (Mills 1985), it was not a unique case since the health insurance programme in many developing countries often started with those who could afford it rather than those who needed it most.

The CSS' recommendations went to the Supreme Council for National Reconstruction, the highest decision making body under the military

Table 1.1 Selected macroeconomic indicators, Korea, 1961–95

Indicator	1961	1976	1986	1995
GNP <i>per capita</i> (\$US)	82	650	2,023	10,076
Volume of international trade (\$US bn)	4.99	162.3	662.9	2,601
Proportion of agricultural population (%)	56.9	35.7	19.8	11.5

Source: National Statistical Office (1995).

government. The recommendation for industrial accident insurance came through without much difficulty, since the military government was about to embark on an ambitious first Five-Year Economic Plan for industrialization. In contrast, the health insurance proposal faced serious opposition, in particular from the Secretary of the Vice-Chairmen of the Supreme Council. The argument against the recommendation was that it would be difficult to impose another financial burden on top of taxation. The proposal for health insurance was perceived as too idealistic, and in the end only the National Health Insurance law was passed without any plan for implementation. Instead, the Supreme Council decided to launch a pilot programme in two workplaces, even where the pilot programme was introduced, it was on a voluntary basis, which hampered any long-term success.

The CSS' failure with the introduction of health insurance was clearly related to its lack of the critical qualities required for a successful advocacy coalition. Although it had policy expertise and access to decision making, it did not have a network of supporters that might have aligned with them when faced with opposition. More importantly, however, the CSS did not have room to manoeuvre since the highly disciplined institutional hierarchy under the military government did not allow voices other than official ones. Given those constraints, it is also important to note that the CSS had compromised its position even at the proposal stage. The CSS was concerned with equity in health, but it did not pursue the issue and the CSS was perceived by the top decision makers of the military government as a group of idealists concerned mainly with equity. We need to put these positions into perspective in terms of the level of economic development in Korea. Table 1.1 shows that Korea in the early 1960s was a very poor country where policy options were inevitably limited for both policy makers and experts. What is important in this first debate on health policy is that it gave rise to an advocacy coalition who could participate in the following debates. It is also worth noting that health insurance was not perceived as developmental, in contrast to Industrial Accident Insurance, at this time.

The second debate

In 1971 the Park government created a government think-tank, the Korea Development Institute (KDI). Its aim was to conduct research on policy

issues concerning the overall national economy and to design the nation's Five-Year Economic Plan. It was President Park's personal creation, in an effort to boost economic development. In 1972, the Constitution was changed in order to guarantee the life-time presidency of President Park, and a good performance in the economy was ever more important to justify the authoritarian regime.³ Economic development became the overall paradigm for policy decisions, within this framework, the KDI took responsibility for health policy research and recommendations. In 1976, it formed a Health Policy Unit comprising experts from the KDI and officials from the Ministry of Health and Social Affairs and the Economic Planning Board to prepare a proposal for health insurance policy. The Ministry of Health and Social Affairs and the KDI had also previously considered such an idea (Sin 1976), but the idea of the introduction of health insurance was boosted by the conditionality of the US loan to Korea in 1975. The main preoccupation of the KDI in its preparation of the proposals was that they should be in line with the overall economic plan. In the end, the Health Policy Unit recommended a health insurance programme covering employees of the workplaces with more than 500 people, almost the same as that which the CSS had previously recommended. This time, however, national health insurance for workers in large-scale companies was perceived as an instrument for economic policy. Equity in general, and health protection for low-income households in particular, was not on the agenda. Rather, it was intended to extend health insurance in an incremental manner for eventual coverage of the entire population (Sin 1976). Medical assistance for extremely poor households was introduced within the public assistance programme in 1979. In 1977, compulsory health insurance for large-scale companies implemented and a separate health insurance fund was launched for public sector employees under the same law in 1979.

Within the NHI umbrella, separate health funds were set up, based on the workplaces. Employers and employees contributed to their own separate funds, these funds then paid hospitals for the treatment of their members through the national coordination agency, but there was no mechanism for financial transfers between health insurance funds within the NHI. There was no subvention from the government to health funds, except for administrative costs at the initial stage. This structure was convenient for the expansion of the programme because a new expansion would not disturb the existing financing arrangement. However, it became clear that it would be difficult for the programme with such a structure to be extended to those without employers, such as farmers, self-employed people and urban informal sector workers.

A significant debate took place in 1980 when the Ministry of Health and Social Affairs (MoHS) launched a plan to integrate the health insurance funds of private sector employees with those of public sector employees as a part of long-term strategy for the universal NHI coverage. The MoHS wanted

to integrate separately managed health funds into one insurer for administration and financing, seen as essential for the extension of the programme to the entire population. This plan was prepared by the CSS and was supported by key officials within the MoHS, the minister for the MoHS was convinced that the plan should go ahead.

It is worth explaining here the political background of this proposal. In 1979, when the Korean economy experienced a deep downturn, popular protest over the regime emerged to threaten the authoritarian order. In October, President Park was murdered by the chief of his intelligence agency during a private meeting with key intelligence people to discuss their response to the unrest. Amid political uncertainty, General Chun staged a *coup d'état*, arresting leading politicians and quelling civil protests, leaving hundreds of dead in the southern city of Kawnagju. Chun was elected President by the rubber-stamp electoral college established by President Park and his military council launched a manifesto that placed social justice and social welfare at the top of the agenda during the election period. However, once in government, convinced by the bureaucrats in the economy ministries, Chun adopted a stabilization policy, which became an overall policy paradigm of the government (Haggard and Moon 1990). In fact, Chun adopted the same political strategy as Park had: legitimacy through economic performance. This time, it was *economic stabilization* instead of economic growth that was set as an overall policy goal. Policies for social justice and social welfare were seen as incompatible with stabilization policy. Of course, the government did not publicly admit their U-turn.

Partly because of misreading the policy agenda of the government, and partly from the administrative necessity to integrate the fragmented health funds within the NHI, the minister and bureaucrats of the MoHS and the CSS went ahead with the plan for integration of health funds and then asked the approval of the President. The plan was reviewed by the policy staffs at the Presidential Office and they recommended that it should be returned to the Ministry for further research – effectively, a rejection of the proposal. The brief by the policy advisers of the President referred to the four reasons for the rejection (Kim 1992: 59):

- (1) Integration of health insurance funds would lead to a situation in which the state took all responsibility for financing the NHI
- (2) The citizens and the state would confront each other directly over the level of insurance contribution, especially when it was necessary to raise it
- (3) Parties involved in insurance are likely to abuse the system if the insurer is too big
- (4) Farmers and self-employed would have to ask the state to pay for half of their contributions as the equivalent of employers' contributions for employees.

It is clear from reading this brief that the Presidential Office's main concern was the political and financial stability of the government. It suggested that the government should not opt for a health policy that might lead to political confrontation, nor should it make any financial commitment to the health insurance programme. Effectively, it opposed the idea of expanding health insurance to those outside the programme because of political and financial concerns. President Chun decided to reject the proposal for the integration of health insurance funds as his advisers suggested, failure to get Presidential blessing was effectively the end of the policy proposal.

Once again, the CSS and officials in the MoHS had failed to carry through their policy agenda. This failure stemmed mainly from authoritarian politics, which did not allow voices differing from the official line to be heard. To be an effective advocacy coalition, the CSS and other officials needed support from outside the government, but they never tried to get such support, which seemed impossible. The CSS was abolished by the new minister of the MoHS and the officials who had argued for the integration plan were forced to resign from the government (Kim 1992: 62). As an advocacy coalition, the CSS and the people involved in the policy proposal had not yet developed a coherent belief system on an inclusive welfare state. They were concerned with the extension of health insurance to those outside the programme, which had an important implications for the inclusive welfare state, but they did not articulate their position or try to pursue the policy vigorously. Because of this failure, the NHI remained in selective form as an instrument of the developmental strategy, covering only industrial workers employed in large-scale workplaces. The government was also determined not to spend money on health insurance and was keen to avoid any possible political confrontation that might arise in relation to health policy. Nevertheless, this second debate set the main issues for the NHI in the following years: integration of health funds and financial transfers between them.

Health politics and democratization

The third debate

After the second debate in the early 1980s, public debates on the NHI took place through the public media and academic papers published during this period. However, the debates had never been at the centre of politics in Korea during the intervening period up to the third debate in the late 1980s. Korean politics in the 1980s were largely dominated by the political conflict between the authoritarian government and the civil movements for democracy, the serious political challenges to the authoritarian government came from the university campuses, although there were occasional political confrontations between the governing and opposition parties in the National Assembly. As Lee (1987) has described, there were two veto groups that dominated Korean politics in this period: the military and the students. The

Table 1.2 Coverage of NHI, 1977–89 (% of whole population)

	Industrial	Government	Self-employed	Residential	Others	Total
1977	10.33	–	–	–	–	10.33
1978	10.34	10.15	–	–	–	20.49
1981	18.70	10.27	0.06	0.47	0.19	29.69
1984	28.75	10.11	2.02	0.97	0.53	42.38
1987	36.01	10.50	3.17	0.76	0.69	51.13
1988	38.76	9.67	2.58	16.15	0.64	67.48
1989	38.96	10.55	0.00	44.69	0.00	94.2

Notes: Figures include contribution-paying members and their families.

– = Not implemented.

Source: National Health Insurance Corporation (1990).

student political movements focused their efforts on the issue of constitutional reform for a direct election for the Presidency. In contrast to their predecessors, the student movements in the 1980s were influenced by socialist theories, in particular on social change. Nevertheless, the movements were never seriously engaged in health policy debates since they feared that it would distract from their efforts for democratization. The notions of social justice and equity were set to be taken seriously for the future policy debates, while trade unions that might have participated in the debate were not able to do so owing to tight control by the government.

The NHI grew rapidly during this period, it being extended to cover employees of medium-sized firms. The amendment of the National Health Insurance Law of 1981 allowed the self-employed to join by organizing their own funds within the NHI. Growth was mainly confined to employees in the formal sectors (Table 1.2), however. Those without employers who might have paid half a contribution were left out until 1988–9 when the NHI became a universal programme. Although the NHI covered a narrow range of treatment and one could claim benefits for only six months in any one year, its popularity grew because the membership became a symbol of the middle class. As the coverage of the NHI increased, those outside the programme felt increasingly excluded from the mainstream of society. These people shared a common characteristic in that they were not salaried employees – farmers, self-employed, urban informal workers, unemployed and elderly people – and there was a growing grievance about this exclusion.

From 1986 the Chun government examined policy options for the extension of the NHI to cover the entire population. The governing party, which had recognized the people's grievance about exclusion, requested the government to prepare a policy proposal. Since it became likely that there would be a direct popular election for the Presidency at the end of 1987, the government had no other option than to extend the NHI to the whole population, requiring

a government subsidy for those previously left out. Opposition parties in their electioneering also made it clear that they would make the NHI a universal programme. The contentious issue was the question whether to create a single insurer that would manage the administration and finance of the NHI, or to stick to the existing structure of separate funds that had operated health insurance since the NHI's introduction. The Chun government decided that with the second option.

In December 1987, Roh Tae-woo, the governing candidate, was elected as President. As politics underwent a democratization process, debates on social policy moved to the political domain, in clear contrast to the previous debates in which discussion had taken place only within the government. Those who had argued previously for integration at the CSS and the MoHS now left the government and spearheaded the advocacy coalitions, which this time emerged stronger. Some of them moved to universities and provided expertise to the advocacy coalitions. A number of grass root organizations, in particular those based on farmers and the urban poor, joined in the advocacy coalitions, giving it a network of mass mobilization (Lee 1997: 70–2). The opposition parties were also in favour of integration, and they began to emerge as an advocacy coalition for equity in health with better shape in terms of policies, participants and institutional networks.

The Association of Social Security Studies was established, and presented the case for integration to the public. The idea of equity and redistribution was put forward as an argument for integration, in contrast to the previous stress on an administrative rationale. There were four main points of the argument (Kim 1992):

- (1) To integrate all health funds within the NHI into one National Fund to widen the pooling of risk
- (2) To ensure the access of low-income groups to health services
- (3) To increase horizontal equity of health insurance contributions
- (4) To increase efficiency of health insurance administration.

The line of thinking was basically the same as before, but the emphasis had shifted from administrative concern to social equity and inclusiveness. The experience with the NHI since its introduction in 1977 had showed that there were rich health funds, which had a surplus in their finances, while others were struggling to balance their books. Because of the varying financial situation, people with the same level of income paid different amounts of contributions to their health funds, which raised the issue of horizontal equity. A more serious concern raised was about the financial viability of health funds for farmers, the self-employed and others who were classified as residence-based members. Their funds were small and had fluctuating revenue. Given their fragmented structure, it was argued, the health funds for these residence-based members would be faced with financial difficulties

which would then threaten the programme itself. The integration of all funds within the NHI would widen the pooling of risks, facilitate redistribution of financing and secure the future of the programme.

The general election for the National Assembly in 1988 gave a big boost to the advocacy coalition. The governing party failed to secure a majority of seats and three opposition parties began to form a policy alliance for certain issues. In particular, the opposition parties were united for the integration of the NHI. In March 1988, the opposition parties tabled an amendment bill for National Health Insurance, which was certain to be passed in the National Assembly.

Those who opposed the integration of the NHI also put forward their argument in public. In the previous debate, the objection to integration had been about the political security of the authoritarian regime. It was the President who effectively concluded the debate without an exhaustive exchange of ideas in public. By contrast, this time a group of economists who specialized in health insurance put forward an argument against the idea of integration. They also participated in the public hearings, such as that held by the MoHS in 1988. They argued that the integration of health insurance would weaken the idea of self-reliance among citizens. In a smaller and separated insurance fund, they argued, people would tend to use health services prudently since excessive use would lead to an increase in contributions; in the case of a nation-wide health fund, according to them, people would not care much about the finance of the health fund since their prudence would make no difference. This logic, based on the theory of rational choice, was contentious because the size of the small health insurance funds that had been operating was big enough for members to behave 'irresponsibly'. The stronger objection to integration, however, stemmed from the inadequacy of the Korean tax system.

One of the important premises on which support for integration was based was the idea of *equity by redistribution*: pooling together all different income groups into one national fund, charging contributions according to their levels of income and protecting those in need irrespective of their level of contributions. The necessary condition for this redistributive mechanism to work turned on the question of whether the government or the National Health Insurance Corporation would be able to gauge the precise levels of people's incomes in order to charge them according to their ability to pay. For wage and salary earners, it would not be difficult to know exactly how much they earned, as in most countries, however, it would be difficult to obtain precise information on the self-employed. They tended to underreport their levels of income, and Korea was no exception to this. Korea was faced the problem that the number of people and businesses exempt from filing tax documents was exceptionally large owing to the antiquated tax system. Despite the recent government efforts, the situation has not greatly improved (Table 1.3).

Table 1.3 Tax returns of non-wage and salary earners (global tax payers), 1999

Global tax payers	3,407,662	Taxpayers to file return	1,342,153
Those under tax threshold	2,047,371	Based on estimated income	748,762
Taxpayers to file returns	1,360,291	Based on bookkeeping	593,391
Ratio of those filing (%)	39.9	Ratio of those bookkeeping (%)	43.3

Source: National Tax Service (2000).

This became the main objection to integration, which ran directly against the basic conditions for achieving equity by redistribution. If those with higher levels of income paid less than lower-income people, redistribution would take place in the opposite way, in particular, wage and salary earners would lose out to the self-employed. This led business interest groups such as the Korean Chamber of Commerce and the Korean Federation of Business to oppose the integration of the NHI.

For the first time, an issue on social policy occupied the centre stage of public debate. In 1988 the opposition parties passed the bill for integration, and in an attempt to avoid the Presidential veto, revised the original bill to allow the integration to take place in a step-by-step manner and tightened the conditions for financial transfers between funds during the transitional period. President Roh, however, vetoed the bill: he feared that he would lose support from the upper- and middle-income classes who were expected to lose out in an integrated system. He did not want to impose concessions on his supporters in a confrontation with the National Assembly. It is worth noting that government ministries such as the Ministers of Finance (MoF) and the MoHS (now deprived of supporters for integration) advised the President to veto the bill. The NHI was thus extended only to the whole population under the existing structure of separate funds. Those without employers were classified as residence-based members, and their health funds were organized along the line of administrative districts with their contributions set based on multiple factors such as their incomes, dwellings, cars and farmlands, among other things. In other words, the NHI became 'universal' in the sense that everyone had health insurance, but not 'inclusive' in the sense that they were segregated in terms of risk-pooling and redistribution. After this confrontation, President Roh secretly approached the two opposition parties for talks on the merger of their parties because he could not continue to fight against a hostile National Assembly. This secret negotiation successfully ended up creating a majority-holding governing party, while one party led by Kim Dae-jung remained in opposition.

The third debate witnessed a well-equipped advocacy coalition emerging after the frustration of the two previous occasions. Their policy goals and instruments began to shape coherently. Equity in health insurance became

a major goal and the policy mechanism for the goal was clear-cut: pooling different income groups into one national fund. In terms of its network of supporters, the advocacy coalition made a link with grass root organizations and political parties. Despite all these advantages, the advocacy coalition again failed to achieve what it sought. It could not carry through its policy agenda though the institutional bottleneck, the Presidential veto. More importantly, a serious weakness was exposed in their proposed mechanism had: owing to the deficiency in the tax system, the proposed contribution mechanism did not guarantee a fair system of burden sharing.

The fourth debate

Before we look into the fourth debate on health policy, it is necessary to examine the changing labour market conditions for social policy that were dramatically exposed in the wake of the economic crisis of 1997–8, since they form the backdrop of the social policy reforms. In the period of extensive growth of the Korean economy in the 1970s and 1980s, firms in the growing sectors and *chaebols*,⁴ in particular, had first choice of the most productive workers and provided so called ‘life-time’ employment to their workers in exchange for their loyalty. Social policy was also set to provide protection to them first, there were also a range of firm-level welfare provisions such as support for housing and education (Yi 2002). In the area of unemployment, however, there was very little protection before the introduction of the Employment Insurance Programme in 1995. Social support for the unemployed was regarded as unaffordable in Korea, not only because of its financial implications but also because of its perceived disincentive effects on work. Public assistance for the poor was also based on a strict means-test principle and provided only minimal assistance in order to avoid work disincentives. These are the central features of the developmental welfare state in a selective form.

The introduction of the Employment Insurance Programme in 1995 was the first sign of change in the understanding of what a ‘productive’ social policy would be like. In 1990, the Korean government embarked on a ‘Seven-year Development Plan for High-tech Industry’ (Ahn 1998). The aim of the plan was to bring the Korean economy into high technology and competitiveness, shaking out less competitive industry. The government envisaged that the inevitable corollary of such structural adjustment would be the rise of unemployment from the sectors that had lost competitiveness. The Employment Insurance Programme was set to provide those unemployed workers with training and new skills as an active labour market measure as well as unemployment benefits (Yoo 1995).⁵ However, the Employment Insurance Programme was implemented only in the large-scale workplaces and did not reach the majority of workers. This was partly because the employment rate was kept low throughout the late 1980s and the 1990s, and partly because high-tech industries such as the semiconductor industry

performed very well in the early the 1990s. All this made the Korean government complacent about unemployment, and in consequence the new thinking on productive social policy was not taken any further.

The Asian Economic Crisis of 1997–8 forced the government, business and trade unions to change what they had defined as a 'productive social policy'. During the crisis, many businesses went into bankruptcy or were put into administration, including three of the largest *chaebols* – Daewoo, Kia and Hanbo – which had been regarded as 'too-big-to-die'. For the rest to survive it was an urgent imperative to lay off a great part of their workers, and a comprehensive social policy became regarded as necessary to ease the lay-off process. In this situation, company-centred and fragmented welfare programmes that were designed to narrow the pool of redistribution within the productive sectors became unsustainable, and social protection for the unemployed was urgently required. The tripartite committee, the Employees–Employers–Government Committee set up during the crisis, was able to forge a social consensus that the government should introduce to the National Assembly a bill which would make lay-offs easier with a number of social protection measures such as the extending the Employment Insurance Programme, strengthening the public employment services and implementing public works projects (Kwon 2001). In other words, universal and more comprehensive social protection for unemployment had become 'productive' in the wake of the Asian Economic Crisis.

After the labour market reform, the unemployment rate reached 8.6 per cent in February 1999, its highest for twenty years. After the worst had passed, the unemployment rate came down to a level slightly higher than in the pre-crisis period. However, the labour market structure had significantly changed. First, the seniority system, which had been predominant in most workplaces in Korea, was severely undermined, and older employees were put under strong pressure to leave jobs earlier than they would have liked. Secondly, there were noticeable changes in employment status (see Table 1.4). The proportion of regular workers was markedly reduced, while the proportion of temporary and daily workers increased. For temporary and daily workers, employment security was fragile in addition to the low level of compensation. This trend had already emerged some time before the labour market reform,

Table 1.4 Changes in employment status, 1995–9 (wage earners, per cent)

Status	1995	1996	1997	1998	1999
Regular workers	58.1	56.6	54.1	53.0	48.3
Temporary workers	27.7	29.5	31.6	32.8	33.4
Daily workers	14.2	13.8	14.3	14.2	18.3

Source: Ministry of Labour (2000).

but reform measures such as legalization of private agencies for laid-off workers made it irreversible. Among regular workers, more and more people were employed on short-term contracts. The Korean labour market became more flexible than ever before, and the livelihood of wage and salary earners became increasingly insecure.

The changes in structural conditions did not, however, necessarily lead to wider social policy reform, and the integration of the NHI in particular. First, it would be overdeterministic to assume that the tripartite committee could be set up automatically in order to forge ahead of the social consensus. The Kim Young-sam government and its senior bureaucrats were too discredited for their mishandling of economic policy to exercise such leadership (Kim 2001). It was possible only because the presidential election, taking place during the economic crisis, produced a victory for the opposition candidate, Kim Dae-jung. It was his political ability that brought the three parties together, and in particular the two hostile trade unions – the Federation of Korean Trade Unions and the Korean Confederation of Trade Unions. The Korean Confederation of Trade Unions, which had been a target of harsh treatment under the previous government, believed that the Kim government would be different from the previous one, and saw the tripartite committee as an opportunity to put forward their arguments. Secondly, the business and trade union representatives, except those from the Korean Confederation of Trade Unions, were not enthusiastic about the integration of the NHI since they shared a common interest in the existing system. At the tripartite committee, it was the members of the advocacy coalitions for the integration of the NHI who took the opportunity of being on the committee and successfully put forward their agenda.

In fact, the advocacy coalition was reinforced before the economic crisis. In 1994, the Korean Confederation of Trade Unions and the Citizens' Coalition for Participatory Democracy had spearheaded the formation of a Coalition for the Integration of National Health Insurance, which included seventy seven social pressure groups and maintained close contact with the opposition party led by Kim Dae-jung. This coalition represented many of the progressive political forces in Korea, and exerted strong pressure on the Kim Young-sam government, which had a dubious stance on health policy. President Kim Young-sam promised the integration of National Health Insurance, but after taking office his government were reluctant to push it through. The advocacy coalition concentrated its efforts on building social support for integration and establishing a network in the National Assembly, since it believed that it was now dependent only upon a political decision since the pros and cons of integration had been thoroughly exposed (Lee 2000).

The situation dragged on without a breakthrough until 1997 when the governing party's candidate for presidency distanced himself from the Kim Young-sam government. The governing party decided to integrate the health funds, contrary to the government stance. The political parties in the

National Assembly were able to agree a compromise on a health insurance bill in 1997; the bill, however, proposed integration of the health funds only for public sector employees and those for residence-based members, while leaving the health funds for employees as they were. The Kim Young-sam government considered whether it should veto the bill, but did not do so, and the bill became law.

At the Presidential election in December 1997, Kim Dae-jung was elected, in the middle of the Asian Economic Crisis of 1997–8. Kim convened the tripartite committee to push ahead with economic reform with a social consensus. The advocacy coalition, which wanted full integration, put the issue on the committee agenda. Some members of the coalition also participated in the Transition Committee for the New Government. President Kim then appointed the bureaucrat who had been dismissed by the Chun government because of his support for integration to be the Minister of Health and Welfare. This meant that the advocacy coalition for integration had taken a hold on key decision points. The Kim government were able to push through the new law that would integrate all the health funds with the NHI in 2000. The Kim government was, however, able to integrate only the administration side of health insurance. It had to reorganize the financing structure into two separate accounts according to job categories: one for employees in the public and private sectors and the other for residence-based members. This was mainly because the government could not find a solution to the problem of establishing a fair contribution system: information about the levels of the incomes of the self-employed still remained elusive. This concession was made in the run-up to the general election scheduled for April 2000.

The advocacy coalition did not stop here, and pursued the introduction of the MLSG by establishing a new ad hoc committee spearheaded by the Citizens' Coalition for Participatory Democracy. The five principles for the MLSG, which were advanced by the advocacy coalition, showed that they had evolved a coherent argument on social rights (Lee 2000: 147):

- (1) The state should be responsible for the minimum living standard for every citizen (*state responsibility*)
- (2) Citizens' rights to a minimum living standard should be recognized as legal rights (*social rights*)
- (3) The minimum living standard should be applied not only to income but also to all aspects of everyday living (*inclusiveness*)
- (4) The right to a minimum living standard should be guaranteed for every citizen (*universal coverage*)
- (5) Citizens' participation must be secured for the policy making and implementation of the MLSG (*participation*) (authors' translation).

The advocacy coalition's effort was also successful here since President Kim targeted low-income groups to rally political support for his government.

In August 1999, he launched a new policy initiative, the so-called 'Productive Welfare', in his address on National Liberation Day. This new idea placed emphasis on welfare that could be instrumental to the rise of economic productivity such as the active labour market policy in Scandinavian countries. It 'takes the right to work seriously' (Presidential Office 2000: 9). At the same time the idea of productive welfare recognized citizenship as the basic principle of the welfare system (Presidential Office 2000: 7). Productive Welfare claims to regard social protection as well as economic growth as overarching policy goals. The rationale of this new social policy initiative can be understood in terms of the developmental welfare state in an inclusive form.

Despite such efforts, the Kim government failed to win a majority of the seats in the National Assembly in the general election, and some of the reforms began to backfire after this defeat. The most notable was the policy of redefining the functional division between physicians and pharmacists: physicians prescribe and pharmacists deliver medicine. This functional line of division had been blurred from the time when Korea was very poor, where clinics and hospitals were few and far between and pharmacists effectively played the role of primary health care personnel. This reform was carried through with the integration reform, but led to strikes by doctors and trainee doctors throughout the second half of 2000. Pharmacists were in support of the reform, although they were not entirely happy about it. Citizens had to suffer from a number of disruptions in the health care system, and did not show strong support for the reform. Without a majority in the National Assembly, the Kim government had to make concession to doctors, increasing health care fees by almost 60 per cent to pacify doctors and trainee doctors.⁶ In March 2001, the chief executive of the National Health Insurance Corporation announced that the NHI would be financially bankrupt in a month unless the government provided extra funding. With this announcement, the Kim government and the active members of the advocacy coalition for the integration of National Health Insurance became the subject of strong criticism and lost a great deal of its political support, which had already become fragile.

Concluding remarks

This chapter has analysed the policy debates on NHI, with special attention to the evolution of the advocacy coalition. It has sought to examine whether the rationale of welfare reform since the Asian Economic Crisis points toward the inclusive developmental welfare state and how the new direction took shape under the shadow of the paradigm of 'economy-first', which had overridden social policy making for many years. The chapter showed that the coalition which pursued a universal health care system and strove for equity in health was able to carry through the integration reform

of the NHI in 2000 because it successfully seized a number of strategic points of decision making in the constellation of institutions in the wake of the Asian Economic Crisis and the governmental shift of 1997–8. The chapter argued that the health care reform in 2000 was not only an outcome of the social policy initiatives after the Asian Economic Crisis but was also a product of the frustrating experience of the advocacy coalition in the past. It identified the first formation of the advocacy coalition with the group of social policy experts who were concerned with inclusive health policy in the first debate, taking place in the early 1960s. With a poverty-stricken economy and authoritarian politics, they were not able to argue strongly for their policy agenda for equity and rather opted for the prevailing development agenda. In the second debate in the early 1980s, despite its widened network, the advocacy coalition was defeated in their effort to integrate the NHI due to the political preoccupation of the authoritarian government with avoiding political confrontation and financial commitment. The first two debates took place within the authoritarian government, and were conducted in a manner that did not allow participants to debate on an equal footing. Some of the advocacy coalition members were forced to resign from the government, which in fact gave the coalition an opportunity to widen its network of supporters and a freedom to speak out in the later debates.

The third debate (later 1980s) witnessed the full-blown discussion between those who argued for and against the integration of the NHI. Those who opposed integration put forwarded an argument based on individual responsibility, while the advocacy coalition for integration advanced an argument for risk-pooling, equity and redistribution. In the course of the debate, it emerged that the antiquated tax system would be an obstacle to the integration of the NHI. The advocacy coalition also broadened its network during this debate, it began to connect with grass root organizations such as those of farmers, and to reach out to the political parties. It was also able to elaborate policy goals and policy instruments in a coherent manner, pooling different income groups into one national fund to achieve equity in health insurance. In the end, however, the coalition's proposal was blocked by the Presidential veto after passing through the National Assembly in 1988. What should be noted in the third debate is that it was conducted within the context of democratization and economic development. Although the integration of the NHI was blocked, universal coverage was achieved without political disagreement even before the third debate had taken place. This shows that structural factors such as democratization and economic development, which emerged throughout the 1980s in Korea, could be very decisive in social policy development.

In the fourth debate, after the Asian Economic Crisis, the advocacy coalition was able to get things right in terms of coherent argument, political strategy and institutional advantage, having learned from past failures. The coalition put forward the ideas of social inclusion and democratic participation as

social policy paradigms. It also argued that primary responsibility for social protection lay with the state. Well positioned in the institutional setting under the Kim Dae-jung government, the coalition was able to change the thrust of the developmental welfare state towards the inclusive model, an outcome of an evolution that had stretched over thirty years. For this reason, this chapter argues that the policy direction that the Korean government took in the wake of the Asian Economic Crisis was neither a simple choice between two competing options readily available nor a decision predetermined by globalization. However, it would also be misleading if we attributed the change in the nature of the developmental welfare state solely to the advocacy coalition. It was rather an outcome of interplay between continuous political effort and structural influences, which opened up the possibility of change. The Asian Economic Crisis forced political and economic actors to rethink what they had defined as 'productive' social policy, leading them to make a social compromise. The new understanding of 'productive' welfare was conducive to a universal welfare system instead of a company-centred fragmented one. The change of government during the Asian Economic Crisis, which showed the remarkable resilience of democracy in Korea, also gave a political opportunity for the advocacy coalition. Nevertheless, structural influences did not necessarily point toward welfare reform for the inclusive developmental welfare state. It was rather an opportunity well taken. This does not, however, mean that the coalition would necessarily get things right. In undertaking redefinition policy of health care functions, the coalition was vulnerable to mistakes and political backlashes. The question of whether the new thrust of the developmental welfare state will be maintained still remains open, depending on the successful implementation of the newly introduced social programmes and institutional reforms such as those of the tax system.

Notes

1. With the exception of the agricultural and fishery industries.
2. In the previous public assistance programme, people aged from 15 to 59 were automatically disallowed benefits (demographic test) and the elderly whose children had incomes higher than the poverty line were also disallowed (family test).
3. Park fought two successful Presidential elections before the constitutional change. Yet, the last Presidential election was so close that Park was not sure that he or his successor would stay in power.
4. A *chaebol* is a large business conglomerate, usually based on a single family having controlling interests in a variety of companies, similar to the Japanese *zaibatsu*.
5. The introduction of the Employment Insurance Programme was related to the progress of democratization. Kim Young-sam was elected to the Presidency (1993–8) as the first civilian President, and his government wanted to present itself differently from the previous governments, which had been lukewarm to unemployment protection (Kwon 2001).
6. An increase in health care fees took place on four occasions – July 2000 (9.2 per cent), August 2000 (6.5 per cent), September 2000 (6.5 per cent) and January 2001 (6.5 per cent).

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