

**Tracing the Process of Institutional Change:
The Case of the National Pension Scheme
Reforms in South Korea**

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Social Policy and Social Work
January 2018

Abstract

This thesis analyses the causal pathway through which the National Pension Scheme (NPS) in South Korea has been transformed. The scheme that was introduced in 1988 experienced two major reforms in 1998 and 2007, and they took place even before full pensioners who met minimum years of pension contributions existed. The aim of this thesis is to illuminate the way in which the reforms unfolded, by investigating whether existing theories of welfare states can have explanatory power. Founded on historical institutionalism emphasising the dynamic interplay between institutions and actors, the research employs a process tracing method to unpack the causal mechanism of the NPS reforms. Given that current scholars discuss its methodological aspects mainly, this thesis attempts to put process tracing in practice.

The thesis formulates the causal mechanism from Kim and Choi's theory (2014) that pays attention to the role of welfare bureaucrats in the reform process, while examining the validity of other theoretical approaches too. Based on internal documents and elite interviews with those involved directly in the NPS reforms, the findings suggest that the welfare bureaucrats did play a primary role in reforming the scheme in a parametric way. Several welfare state theories are also tested to address the issue of equifinality. The findings indicate that Kim and Choi's theory is highly likely to be the sole approach encompassing "both" reforms, while the 2007 reform requires further research for the validity of alternative theories such as policy transfer via international organisations and the impact of neoliberalism. Consequently, profound differences existed in pension politics between the pre-reforms and the period of the reforms. Through the case study, the research reveals the strengths and weaknesses of process tracing as well as its application to political research, and makes suggestions for further research.

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Acknowledgement

My PhD journey over the last four years has been full of wonderful people whom I would never forget. First and foremost, I have an enormous debt to my family. This thesis would have been impossible without their patience and support, and I will try hard to pay for the debt that I have owed to them. I thank my parents, brother, my sister-in-law, and niece who just came into this world.

With regard to my research, the highest thanks go to my supervisors, Dr. Antonios Roumpakis and Dr. Stefan Kühner of this university and Lingnan University, respectively. Antonios has always given me academic and emotional support, which could help me come out of slumps. Stefan was the most important person who made me choose this university without any hesitation and has continued to give me his valuable advice and encouragement even after moving to Lingnan. I would also like to apologise to Antonios and Stefan for my occasional stubbornness. Thanks to the thesis examiners as well as all the staff at the Department of Social Policy and Social Work too.

Huge thanks to my friends in the UK and Korea. They are listed in alphabetical order: Antonio Noh, Chanjung, Dhara, Dohyung, Florence, Gaurav, Goeun, Go-oon, Guihua, Ikhyun, Inki, Jieun, Jinhee, Jiyoona, Kisuk, Kuntal, Kyunghwan, Ling, Mayank, Minchul, Mintae, Miyang, Nahyun, Regina, Savan, Semin, Shanshan, Siobhan, Sruthi, Suehyun, Sunhyuk, Vikas, Yehlin, and Youju.

Last but not least, I would like to express my appreciation to the interviewees who participated in this research and shared valuable experiences about the NPS reforms. In addition, special thanks go to Prof. Huck-ju Kwon and Prof. Jörg Michael Dostal of Seoul National University, and Prof. Wonsub Kim of Korea University, who have helped me foster critical thinking and intellectual curiosity.

Author's Declaration

I, Hyungyung Moon, declare that this thesis is a presentation of original work and I am the sole author. This work has not previously been presented for an award at this, or any other, University. All sources are acknowledged as References.

Introduction

Linking Empirical to Theoretical Background

We are living in a world of policy reforms. Governments seek to alter a series of public policies in accordance with changes in socio-economic circumstances and/or ideological orientation. Pension reform is a prime example, and the direction of the reforms has a profound impact on people's pre-retirement spending patterns as well as their post-retirement lives. Given that people are expected to adjust their revenue and expenditure to current policy arrangements, even minor changes could inevitably spark a sensitive reaction from pension contributors. This is particularly the case in times of retrenchment when they are required to pay more contributions, receive less benefit in the future, or wait more time for pension collection. Old-age security systems in advanced political economies, which had expanded remarkably in the post-war period, started to experience a series of major reforms between the mid-1980s and the late 1990s (Myles and Pierson, 2001: 305). In general, the moment of maturation was followed by that of retrenchment; but there seems to be an exceptional case that makes it difficult to separate the two periods.

Most notably, the National Pension Scheme (NPS) in South Korea (hereafter Korea) is a representative example. Introduced in 1988, the NPS experienced two major reforms in 1998 and 2007. In consequence, its replacement rate has decreased from 70% to 40% (based on 40 years of contributions), while the starting age for pension collection has risen from 60 to 65. Moreover, pension contributions were planned to increase from 3 to 9% (of monthly income) upon introduction of the scheme. At the same time, however, there were also counteractive measures in each reform along with such retrenchment-oriented moves. The 1998 reform ended up achieving the universal coverage of the NPS, and the 2007 reform allowed the introduction of a non-contributory scheme to deal with the coverage gap and elderly poverty. To sum up, each reform is characterised by the coexistence of maturation and retrenchment. How can we understand the contrasting face of the NPS reforms? More importantly, a series of changes were made even before full pensioners, who met minimum 20 years of contributions, existed. How can we understand such a radical transition but in such a short time?

To understand the complex nature of the NPS reforms, this thesis centres theoretically on the framework of historical institutionalism. This approach, which is a branch of the new institutionalism, is concerned with: 1) politics on a grand geographical scale; 2) the long-

term development of institutions and the resultant temporal effects; and 3) the dynamic interplay between structure and agency (Lowndes and Roberts, 2013: 37). First, the political phenomena investigated by historical institutionalists are either comparative political economy (Immergut, 1992; Thelen, 2004) or a national-level institutional apparatus that encompasses multiple sectors of a society (Beland and Wadden, 2012; Hacker, 2005). Second, historical institutionalism assumes that institutions (e.g. electoral laws, party systems, and pension programmes) tend to be long-lasting in ways that facilitate certain institutional patterns or event chains featured by relative stability (Mahoney, 2000). Hence, scholars pay special attention to how path-dependence in a single domain leads to that in other domains (Hall and Soskice, 2001). This should not be equivalent to the argument, however, that the range of options actors can choose is simply determined by institutions. Third, institutional change can occur through the dynamic interplay between institutions and agents. Not only are actors rule-takers, but they are also rule-makers who are able to make transformative changes happen.

It is therefore necessary to focus on how the aforementioned aspects are reflected in the NPS reforms. First, given that pension reforms are more than mere modifications in existing policy arrangements, this thesis shall look into the way in which the NPS reforms involved comprehensive shifts in multi-dimensional sectors such as politics, business, and society. Second, this thesis shall examine whether some arrangements remained stable in the process of each reform and, if this is the case, why and how. Besides, it shall trace whether efforts to pursue such stability made differences to each reform. Third, this thesis aims to paint a picture of the dynamic interplay between the NPS and those involved in the reforms. More specifically, it shall show both how the scheme constrained their reform strategies and how they nevertheless exercised considerable influence over the process of each reform.

Objectives of the Thesis

It was earlier noted that the NPS reforms are likely to be different from pension reforms in advanced political economies where their old-age security systems significantly expanded in the post-war era. Accordingly, this thesis shall put much emphasis on illuminating the causal pathway through which a cause or the combination of multiple causes gave rise to the reforms. That is, answering “how” the reforms in 1998 and 2007 unfolded is the main objective of the thesis. The main research question is therefore based on the fundamental view that identifying the causal mechanism automatically leads to

identifying the cause(s) (Goertz and Mahoney, 2012: 102). In this context, the analysis shall direct its attention to tracing the causal mechanism of the NPS reforms rather than searching for the cause(s).

In addition, the thesis seeks to find out the reason why the NPS experienced the radical changes in such a short time. As noted earlier, the scheme introduced in 1988 went through two major reforms in 1998 and 2007, and they took place even before the first pensioner was entitled to receive his or her first full pension in the year 2008. The answer to why these radical changes took place will be unveiled by capturing the causal mechanism of the reforms.

Main research question and sub-questions

How did the two NPS reforms in 1998 and 2007 unfold?

- Why did the NPS change radically in such a short time?
- Can existing theories of welfare states explain the two NPS reforms?
 - If *yes*, are they specific enough to uncover the details of the reforms?
 - If *no*, why?
- What differences in pension politics can be identified between the pre-reforms and the period of the reforms?

To answer how the NPS reforms unfolded, this thesis aims to examine whether or not existing approaches to welfare states can have explanatory power. Accordingly, a variety of welfare state theories shall be applied and tested in light of empirical evidence collected during the researcher's fieldwork, ranging from general to case-specific theories. Then this thesis tries to critically investigate to what extent such approaches are theoretically valid for the reforms. In other words, will they be specific enough to encompass the reforms' key details? This question is necessary in that the thesis aims to identify the causal pathway rather than the cause(s) itself. Being specific refers to the ability of existing theories not only to uncover the key details but also to correspond to the backgrounds, motivations, and sequences that produced them.

Lastly, this thesis is concerned with differences in pension politics between the pre-reforms and the period of the reforms. It assumes that there must have been heterogeneous

backgrounds on which the NPS inevitably experienced the two major reforms in 20 years of implementation.

Methodological Background

This thesis is founded on a foundationalist ontology and a realist epistemology. The fact that it seeks to identify the causal mechanism of the pension reforms reflects its fundamental ontological and epistemological foundations. Based on the framework of historical institutionalism, this thesis ontologically assumes that political reality consists of both institutions and actors and is therefore considered the locus where the dynamic interplay between them takes place (Skocpol, 1992: 58). This assumption is in line with the nature of institutions posited by historical institutionalism (Marsh and Stoker, 2002: 313). Institutions as structural entities exist independently of actors' awareness on them and possess properties that exert influence on actors by constraining or facilitating the range of political options chosen.

This thesis epistemologically assumes that social researchers should “infer” the true nature of political phenomena through social theories and conceptual frameworks, because it cannot be fully identified through direct observation (Perri 6 and Bellamy, 2012: 60). Hence, what social researchers examine are refracted realities seen through the lens of existing theories, models, and conceptual frameworks. Our inference should aim to approach the heart of political phenomena, which is a causal mechanism triggering them. In the same vein, this thesis shall try to take a step closer to the causal mechanism of the NPS reforms by relying on existing theories of welfare states.

The thesis employs a process tracing method to infer the causal mechanism working behind the NPS reforms. Process tracing is a useful methodological toolkit that seeks to unpack a causal mechanism in light of diagnostic pieces of within-case evidence in updating the validity of theoretical approaches (Bennett, 2010: 208). The reason why this research employs the process tracing method results from two aspects. On one hand, although the existing literature on process tracing discusses its methodological aspects actively (Beach and Pedersen, 2013; Bennett and Checkel, 2015; George and Bennett, 2005), there is a relative lack of applying the method to social research in practice. Hence, this thesis aims to fill this gap by conducting the process tracing research on the NPS reforms. On the other hand, it intends to introduce a recent method that can fashion better explanations of institutional change in the field of social policy, or public policy broadly.

Since the scholars employing process tracing are mainly in international relations (e.g. Bennett, 2010; Mahoney 2015; Robinson, 2017; Tannenwald, 1999), this research is expected to help advance methodological development in welfare state change and social policy reform. Accordingly, this thesis puts process tracing in practice, showing the strengths and weaknesses of the method as well as its practical application in political research.

To trace the changing process of the NPS reforms, this thesis shall test the causal mechanism formulated from Kim and Choi's theory (2014), which emphasises the role of welfare bureaucrats in leading to the reforms in a specific manner. First, their theory was selected through the procedure of discrediting some welfare state theories (e.g. the industrialisation thesis, the power resources approach, and the Marxist approach). Second, the researcher's fieldwork focused mainly on testing the mechanism, and empirical evidence was collected through elite interviewing, internal documents, public speeches, research papers, television programmes, and newspaper articles. Third, this thesis shall also test several theoretical alternatives that can explain both reforms or a single reform, in order to address the problem of equifinality. In doing so, it would be possible to answer whether or not Kim and Choi's theory is the sole approach for the NPS reforms.

Structure of the Thesis

This thesis is structured in five main parts that cover literature reviews, methodological foundations, process tracing analysis on the NPS reforms, discussions, and conclusion. It has two literature review chapters, two methodology chapters, four analysis chapters, a discussion chapter, and a conclusion chapter.

Chapter 1 and 2 review the existing literature on institutional analysis. Beginning with a brief review on the existing literature on the NPS reforms, Chapter 1 provides theoretical discussions, ranging from the new institutionalism in general to its different approaches and the path-dependent feature of institutions in particular. Chapter 2 discusses theories of institutional change from the perspective of historical institutionalism. The theories refer to the punctuated equilibrium model, gradual institutional change, and ideational change, and they shall be analysed by emphasising the relative weight of institutions and actors.

Chapter 3 and 4 address the methodological foundations of this thesis. In particular, Chapter 3 introduces research questions and then lays its philosophical foundations that involve its ontological and epistemological assumptions. Based on these fundamental perspectives, this chapter covers the methodological discussions on causal mechanisms and how the existing literature on institutional change understands causal mechanisms. Then the process tracing method is introduced in detail by taking the examples of welfare state theories that can be applied to the NPS reforms, followed by the description of the fieldwork. Chapter 4 describes a series of research procedures through which a causal mechanism tested is formulated from Kim and Choi's theory (2014).

Chapter 5 and 6 seek to test several welfare state theories that can be applied to the NPS reform in 1998, and the testing is conducted in light of empirical evidence obtained during the fieldwork. Focusing on the causal mechanism formulated from Kim and Choi (2014), Chapter 5 sets to test its theoretical validity for the 1998 reform. To better understand the testing, the descriptions of what and how it took place is provided in detail. Chapter 6 relates to a search for another theoretical candidate, while Chapter 5 is attentive to the formulated mechanism.

Chapter 7 and 8 are focused on the NPS reform in 2007, and the chapters are structured in the same manner as Chapter 5 and 6. Starting with the thick description of the 2007 reform, Chapter 7 seeks to test the explanatory power of the formulated mechanism. Chapter 8 deals with the possibility of equifinality by testing several theoretical alternatives.

Chapter 9 discusses the key findings in three different ways. Its first part compares the differences in pension politics between the pre-reforms and the period of the reforms. Drawing on the application of process tracing to the NPS reforms, the second part discusses various methodological issues, ranging from methodological contributions to limitations. The third part returns to theoretical discussions on path-dependence and institutional change discovered in the empirical chapters (5-8), while at the same time suggesting some missing links that could better strengthen the explanatory power of Kim and Choi's theory (2014).

Chapter 10 concludes this thesis by mentioning the answers to the research questions, its limitations, and suggestions for future process tracing research.

Chapter 1 : Re-emergence of Institutionalism in Political Science

1.1 Brief Summary of the Literature on the NPS reforms

In its introduction earlier, this thesis outlined a series of major changes in the NPS through the two reforms in 1998 and 2007. It seems that what we witnessed is quite different from the reform of old-age security systems in advanced political economies, and this aspect makes it difficult to tell what direction the scheme was moving in. Put simply, each of the reforms features the coexistence of retrenchment and maturation. How can we understand the contrasting face of the NPS reforms? Given that all the changes were made before a full pension recipient existed, what caused such a radical transition in such a short time? The literature on the NPS reforms provides different answers to those questions, moving away from the traditional accounts of welfare productivism (e.g. Kwon, 1995; Hwang, 2006). Based on an integrative approach developed for the study of political change (Mahoney and Snyder, 1999), this thesis understands that the answers are classified into three levels of analysis – structural, institutional, and agential aspects. Hence, Section 1.1 attempts to give a brief snapshot of the existing literature.

First, the NPS reforms are examined at the structural level with emphasis on ideological factors. Kim and Kim (2005) claimed, for example, that the ideology of financial instability as the main driving force behind the 1998 reform fostered the concerns over the fund exhaustion, although it was projected to happen in 50 years (*ibid.*: 222). Another ideological explanation is found in Joo's research (2009), where the 2007 reform is considered neoliberal since its radical benefit cut facilitated the marketisation, individualisation, and financialisation of the old-age pension system.

Second, formative studies conducted before the 1998 reform predicted that institutional features inherent in the NPS would inevitably bring about its future reforms. Performing a macro-level simulation, Moon (1995) argued that a stable economy with stable interest rates and inflation rates – which was not initially projected in the benefit formula – would render the pension fund go bankrupt by 2033. In a similar vein, Kwon (1999) forecasted that inadequate design that promised too generous pensions with low contributions would inevitably lead to potential reforms.

Third, an actor-centred approach is taken to examine the process of the NPS reforms. For instance, Yang (2004) argued that the development of a social policy network (welfare bureaucrats and pro-welfare civic organisations) played a significant role in the 1998 reform, leading the former to take over social policy-making which had long been the domain of economic bureaucrats. Jung and Walker (2009) explored how neoliberal actors had a significant impact on the 2007 reform by obstructing an increase in pension contributions. In particular, Jung and Walker pay attention to how those actors established neoliberal discourse that supported the increase of the NPS's investment in the financial market (ibid.: 435-437). The authors conclude that such discourse ended up formulating and shaping public opinion on the scheme, thereby contributing to the fixing of contributions (ibid.: 438).

Although the aforementioned approaches are useful for a better understanding of either the 1998 or the 2007 pension reform, this thesis aims to explain how and why the NPS experienced a radical transformation through both the 1998 and 2007 reforms. In this context, Kim and Choi (2014) as an agency-centred approach provide a distinctive explanation that encompasses “both” reforms, arguing that welfare bureaucrats played a significant role in leading the two reforms to a certain direction so as to preserve an existing structure of the scheme. In analysing their roles, preferences, and strategies in the reforms, the authors put emphasis on three sources of bureaucratic power (expertise, legitimacy, and institutional positioning), which will be further explored in Chapter 4. The second reason is that Kim and Choi's theory is expected to better portray the politics of pension reform by incorporating bureaucrats and their interaction with other actors and institutional arrangements into analysis. Last but not least, Kim and Choi's theory was a relatively new one introduced in 2014 and has not been empirically tested before. Hence, it would be more worthwhile for this thesis to assess the explanatory power of their theory than other approaches to the NPS reforms. It does not imply, however, that the thesis is attentive only to Kim and Choi's theory; Chapter 6 and 8 shall examine if other theoretical candidates can explain either a single or both reforms too.

The fact that the existing literature understands the NPS reforms in different ways reflects the complex nature of the reform process. Pension reform as a far-reaching institutional change has a big impact on the socio-economic development path of a nation. Pension reform also reflects and influences political and administrative power asymmetries in that various actors try to mobilise political resources to materialise their own policy

preferences. To better explain such complexity, this thesis centres theoretically on historical institutionalism – which is a school of the new institutionalism. Section 1.2, therefore, introduces the new institutionalist approach in detail, focusing on why it emerged in response to behaviouralism. Second, the approach's distinctiveness is described in Section 1.3, followed by conceptualising institutions and introducing each school of the new institutionalism. Section 1.4 concludes this chapter by describing the notion of path-dependence and its prevalence in contemporary welfare states.

1.2 Background of the New Institutionalism

Since the first half of the 1980s, a growing number of studies on institutional change have been conducted in social science, founded on the new institutionalism. Scholars working in different disciplines such as economics, political science, and sociology have recognised the significance of institutional factors in explaining changes. To understand the new institutionalism, it is helpful to tell a story that can help understand the reappearance of institutions on the social sciences.

There was a moment when the focus on political institutions dominated the field of political science, albeit at different times in different countries (Rhodes, 2006). In particular, formal-legal structures of political systems such as constitution, judiciary, and democracy were the main subject of study for political scientists (Eckstein, 1963; Finer, 1932). The so-called old institutionalism emphasises juxtaposing the characteristics of those institutions and comparing them across countries. This approach was normative, comparative, and descriptive; at the same time, however, it marginalised the way in which individuals interact with one another in formal-legal systems. In other words, the old institutionalism did not pay attention to the role of intermediate-level variables that could help explain why they differ from country to country (Thelen and Steinmo, 1992: 3).

Hence, the appearance of the political behaviour movement in political science was in obvious opposition to the old institutionalism. It was founded on the belief that simply analysing the attributes of formal laws, bureaucratic systems, and political systems would encounter difficulties explaining the phenomena of government. There were three aspects to the behaviouralist critique of the old institutionalism. The first questioned the possibility that formal-legal institutions could embody political reality. Instead, behaviouralists stressed the need to incorporate individuals into their research framework,

assuming that individuals are understood as participants who play a pivotal role in political structures. This is why studies of individual voting behaviour were central to the behavioural approach (Campbell et al., 1960; Lazarsfeld et al., 1944). The second critique was that the old institutionalism was not capable of predicting what would be likely to happen. Thus, those based on political behaviouralism focused on the need for an analytic toolkit that could be “universally” applied to most cases. For them, it was believed that predictability would be guaranteed through systematic, scientific research with empirical methods. This deductive approach aimed to discover uniformities and common trends across a wide range of nations with very different institutions (Thelen and Steinmo, 1992: 4). To analyse what *is* and predict what *will be*, the behavioural political scientists tended to overlook what *has been* that can help understand why individuals have chosen to behave in a certain way (Dahl, 1961: 771). Thirdly, while the old institutionalism was atheoretical due to the recognition of each country’s idiosyncratic institutions, the behaviouralist work was theoretical. The focus on empirical proposition, observable behaviour, and hypothesis-testing made it possible for the approach to construct a theory that simplified the mechanism of individual behaviour to predict its future patterns.

The dominance of the political behaviour movement faded away in combination with the economic crisis in the early 1970s. It was no coincidence that the rapid development of the behavioural approach in the 1950s and 1960s (particularly in the U.S.) was founded on shared beliefs in pragmatism, positivism, and scientific rationalism. However, a series of unpredictable challenges in the early 1970s (e.g. economic downturn, racial conflict, and widening income inequality) were a wake-up call, implying that it would be necessary for social scientists to establish a new perspective to deal with such problems. In other words, what they observed was not compatible with the theoretical components of behaviouralism. The solution was to take different approaches rather than to seek “the” uniform one.

1.3 Introduction to the New Institutionalism

Questioning the tenet of behaviourism that emphasised objective, scientific characteristics in explaining political behaviour, the new institutionalism has received much attention in the social sciences. Contrary to its antecedent, the new approach embraces a wide range of institutions. New institutionalists, despite their differences in detail, include two types of institutions: formal and informal institutions (e.g.

constitutional structures, types of legislatures, electoral systems, culture, and values). At the same time, there has been criticism over whether the new institutionalism is really new, what differences it has, and which basic premises it is based on. For instance, Selznick (1996: 275) takes a sceptical view of drawing a sharp line between the old and the new institutionalism, arguing that doing so inhibits the commitment to ‘integrating the old and the new by taking a full account of theoretical and empirical continuities’. Without denying the latter’s insight and contributions, Selznick urges the new institutionalism to find its place within the former’s tradition (ibid.: 276). From the old institutionalist approach, Rhodes (2006) criticises a “taken-for-granted assumption” that the new institutionalism has replaced the old one. For a better understanding of institutions, he presents four distinct traditions in the study of political institutions: modernist-empiricist, idealist, formal-legal, and socialist, arguing that not only does the formal-legal approach still exist, but it is also at the heart of political science (ibid.: 90). Introducing rational choice approaches to the study of institutions, Fiorina considers a dichotomy between the new institutionalism and the behaviouralism less relevant than previously assumed, since institutions are subjects of study that can be approached in different ways ‘by scholars with different interests operating out of different traditions’ (Fiorina, 1995: 109).

Without denying such confusion over the new institutionalism, it is possible to say that it has three major features. The first aspect is the recognition of the impossibility of observing behaviour in a scientific manner (Immergut, 1998: 6). As noted previously, behaviouralists aimed to investigate individual behaviour through empirical, scientific, and systematic methodologies. For them, behaviour was a means to express one’s real preference, whereby public interests could be identified by aggregating each individual’s preference. One may expect that there is no strategic voting in elections from the perspective of the behavioural approach. For example, however, a large number of political scientists have investigated strategic voting (e.g. Alvarez et al., 2006; Blais et al., 2001; Cain, 1978), arguing that in certain circumstances, voters are less likely to vote for the first choice they really support when it has little chance of winning. That is, what is expressed does not necessarily reflect what is preferred. Individuals are often influenced by given situations created by institutions, rather than understood as autonomous subjects, and this is one of the fundamental assumptions of the new institutionalism.

Secondly, the new institutionalism sees institutions ‘as a dependent variable and, more importantly, to explain other phenomena with institutions as the independent variables shaping policy and administrative behaviour’ (Peters, 1996: 206). On one hand, institutions set a certain boundary within which individuals are able to act. Although how strong and durable they are depends on each school of the new institutionalism, it commonly recognises the constraining impact of institutions on individual behaviour. This feature is thus highlighted in the literature on institutional stability. Further to this, institutions play a crucial role in narrowing down choices of actors. In particular, the new institutionalism in organisation theory assumes that organisations are forced to adopt a certain institutional design for legitimation rather than problem solving, thus leading to institutional isomorphism (Selznick, 1996: 273). In consequence, institutions seem to be ‘neither neutral reflections of exogenous environmental forces nor neutral arenas for the performances of individuals driven by exogenous preferences and expectations’ (March and Olsen, 1984: 742).

On the other hand, institutions can be reshaped by changes in socio-economic environment and actors’ interest. Here, the new institutionalism moves its attention from the constraining feature of institutions towards the autonomous capacity of agency or socio-economic factors redefining institutional arrangements (Clemens and Cook, 1999: 443). In times of uncertainty such as economic crises, when existing institutions do not function properly, it seems that not only can external shocks weaken their influence, but actors can also find alternative plans. Institutions as a dependent variable are thus referred in the literature on institutional change. For example, Blyth (2001) shows how the Swedish model based on a guarantee of full employment for labour and a mutual guarantee of private ownership for business was later replaced with new coherent ideas held by the business and the Conservatives. It was their strategic redefinition of the economic fluctuations in the 1990s that broke existing cognitive locks and led to the replacement of the traditional model.

The last aspect of the new institutionalism is that it enables scholars to ‘talk about institutions in more genuinely comparative ways’ (Peters, 1996: 207). Rather than its predecessor that juxtaposed the features of formal-legal institutions between countries, the new institutionalism pays attention to the role of intermediate variables such as political parties, electoral systems, and civil society, to explicate why distinctive political outcomes persist despite common challenges and pressures (Thelen and Steinmo, 1992:

5). In other words, the new institutionalism assumes that intermediate variables are capable of translating common international issues into different challenges and thereby of dispersing their impact. A typical example of comparative studies in the new institutionalism is Estevez-Abe and her collaborators' analysis on welfare states (Estevez-Abe et al., 2001). Contrary to the conventional dichotomy between the welfare state and the market, they argue that the development of a certain type of welfare states (e.g. employment protection, unemployment protection, and wage protection) is associated with the level and composition of skills in a market to a large extent (ibid.: 181). The argument is that the market serves as an intermediate variable that mediates between the behaviour of individual workers and the level of social protection.

In sum, the new institutionalism is an approach to newly interpreting and understanding our political life, highlighting the impact of institutions on individual behaviour. The extent to which institutions exert influence on actors, however, can be understood in a different way, since the three variants of the approach have developed over the past 30 years. Although they share the common critiques of the political behaviour movement, they have developed quite independently and have not shared a common methodology, thereby precipitating such confusion (Hall and Taylor, 1996: 937; Immergut, 1998: 5).

The next four sections seek to provide the definition of institutions and introduce each school of the new institutionalism. It is necessary to bear three things in mind, however. First, it is important to not adhere to institutional determinism. Institutions are not "the" variable of outcomes but one of the factors. The new institutionalism grants institutions a critical but not exclusive role, one that constrains but not determines actors' goals and strategies. Hence, institutions can be understood as contexts that allow actors to interpret and redefine their own interests. Second, the new institutionalism is not a normative approach. It is important to note that this approach is not equipped with a proper standard for evaluating whether either political outcomes or institutional designs are effective, appropriate, or productive. Rather, the new institutionalism is "process-oriented" in analysing how outcomes are driven by procedures. Third, it is not useful to put one school of thought in the new institutionalism above the others. In this context, Zysman's argument gives us an instructive message; without denying the distinctiveness of each perspective, he stresses the need 'to segment a problem into its components so that the appropriate tools can be used' (Zysman, 1994: 273). Each school of thought has relative strength in explaining a certain political phenomenon as it possesses unique lenses.

1.3.1 Conceptualising Institutions

In a nation state with sovereignty, institutions allow governments to effectively deal with social issues by helping have systemised working procedures, to reduce uncertainties, and to internalise values about what is appropriate. Apart from their roles as a lubricator for social structure itself, institutions play an essential role in providing a basic framework for every actor in society. They create a field within which its day-to-day decisions and actions are taken, while at the same time constraining or enabling human behaviour (Lowndes, 1996: 182). Consequently, institutions are considered a connector between macro- and micro-levels (Hudson and Lowe, 2009). Another role is that institutions underpin the foundation of social life (Campbell, 2004: 1). They provide members of a society with formal and informal rules, culture, customs, and language through which a sense of identity and unity is shared and transmitted. Institutions reflect what kind of zeitgeist a society seeks. They have been created, in combination with socio-economic changes, by individuals, organisations, or political parties willing to alter the course of history.

What are institutions? Although the usage of *institutions* has been prevalent in actual practice, there is no unanimity concerning their “academic” definition. But this ambiguity does not imply that all institutionalists should gather together to unify its usage. They have already diversified the notion of institutions according to their own perspective; thus, the features and roles of institutions and their influence on actors’ behaviour can vary, depending on the different branches of the new institutionalism.

From a rational choice perspective, North defines institutions as ‘the humanly devised constraints that structure political, economic and social interaction’ which include ‘both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)’ (1991: 97). In a similar vein but more strictly, although Levi restricts institutions to ‘sets of relatively durable and formal rules’ (1990: 405), she does not deny the significance of informal institutions (1987: 685). A recent trend in rational choice institutionalism is that it actively embraces the role of informal institutions in explaining institutional change, and that formal institutions alone do not fully explain human behaviour (Aoki, 2001, 2010).

Whilst rational choice institutionalists tend to emphasise the formal dimension of institutions – a web of rules and incentives that shape human behaviour and interaction, sociological institutionalists are committed to bringing institutions into the practical realities of our daily life. For example, March and Olsen provide a cultural approach towards institutions, one which comprehends ‘a relatively enduring collection of rules and organised practices, embedded in structures of meaning and resources’ (2006: 3). This perspective shows the informal dimension of institutions in that the functions of rules and practices often depend on systems of “meanings” through which the overall appropriateness of beliefs, behaviours, roles, and identities in a society is established. Thus, institutions can be considered part of culture, norms, and customs generated endogenously to people. It is hard to regard them as something that can be created without reference to social relationships between people. Instead, institutions naturally emerge through their countless social interaction with others and thereby, as independent entities, shape a polity by influencing actors’ preferences, perceptions, and identities (Rhodes et al., 2006: xvi).

How do historical institutionalists define institutions? As Hall and Taylor (1996: 940) describe the mixed approach of historical institutionalism as eclectic, they are interested in both formal and informal institutions, as captured in Thelen and Steinmo (1992: 2) who see institutions as ‘both formal organisations and informal rules and procedures that structure conduct.’ In a more concrete way, Hall (1986: 19) describes the term as encompassing ‘the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and economy’. It does not imply, however, that historical institutionalism is no more than a mere combination of rational choice and sociological institutionalism. Rather, it shows two major features that differentiate itself from the other schools. First, historical institutionalists consider institutions a locus of the power struggle between political actors. Second, most of their studies are attentive to the long-term stability of institutions and the resultant consequences on individual behaviour.

In conclusion, there are three aspects each school of the new institutionalism shares in common. Firstly, institutions refer to a system that structures human interaction. Human interaction is regulated by both formal and informal institutions, ranging from customs and norms to laws and constitutions, without which would lead to uncertainty in our society. Secondly, involving a large number of people forms the very foundation of

labelling something as an institution – which operates on a society level. One cannot say that a habit is a type of institutions since its display comes to be performed by a single individual (Immergut, 2011: 1203; Hodgson, 2006: 6). Institutionalisation, therefore, involves a process shifting from individual to social, from freedom to constraint, and from nature to culture (Immergut, 2011: 1203). Lastly, institutions bind members of a society collectively. Behind them are normative judgments constructed by a series of rules, and they are in a form of injunctive sentences – X is (not) allowed in circumstances Y. Disobedience could lead to sanctions such as deprivation, disapproval, exclusion, penalty, and legal punishment (e.g. the Jobseeker’s Allowance in Britain).

1.3.2 Rational Choice Institutionalism

Rational choice institutionalism shows the contrasting features of looking at the relationship between individuals and institutions as compared with the other approaches. This is why the rational choice approach is called ‘something of the cuckoo in the nest of institutionalism’ (Lowndes and Roberts, 2013: 34). Rational choice institutionalism emerged from the studies of American Congress that analysed a significant paradox – which was not expected from conventional rational choice theory (Hall and Taylor, 1996: 942-43). While the conventional approach, without recognising the role of institutions, sought to simplify its worldview and see actors seek a radically economic-oriented perspective, rational choice institutionalism aims to examine the choices and behaviours of rational actors influenced by institutions. This school argues that individuals and their rational ways of thinking ought to be the analytic focus; in this context, it seems that rational choice institutionalism is more actor-oriented than the other two approaches. In a given circumstance that makes it difficult to fulfil substantive rationality, each actor as a utility-maximiser pursues his or her own self-interest, which are summarised as economic effectiveness drawn by benefit-cost assessment. In every step, individual choices rest on the strategic calculation as to what the best course of action is.

Actors, however, are capable of acknowledging the constraints imposed by given conditions. They find themselves influenced by institutions and recognise that it is barely possible to achieve substantive rationality. While actors in the classic theory of rational choice were assumed to have enough time and information to find out the best means of goals, rational choice institutionalism rejects that assumption. In most cases, actors are not able to secure unlimited information and time in addressing problems. Their choices

are as rational as it can be within particular conditions and circumstances in which they are operating. Individuals are faced with certain conditions resulting from a series of rules that structure their social interaction. This is what Simon (1972) labels as “bounded rationality”, and he provided a less strict concept of rationality by replacing the optimum with a satisficing level (ibid.: 176). One such example is a prisoner’s dilemma situation where the participants do not choose the best (cooperation) but opt for a suboptimal outcome (defection). The rules of the game that inhibit them from seeking the former shape their strategies and can be therefore regarded as an institution. Due to such a feature, rational choice institutionalism is called structure-induced equilibrium (Shepsle, 1989: 136) or the choice-within-constraints new institutionalism (Ingram and Clay, 2000). For rational choice institutionalists, institutions function as an intervening variable that influences actors’ choices and strategies but does not determine them. This also leads to the relationship between institutions and individual behaviours. The so-called “calculus approach”, which is associated with the rational choice variant of the new institutionalism, seeks to analyse ‘those aspects of human behavior that are instrumental and based on strategic calculation’ (Hall and Taylor, 1996: 939).

If one moves this debate to the domains of politics and economics, institutions are understood as the conscious product designed to minimise transaction costs and thereby to deal with collective action problems. In general, rational choice institutionalism takes a functionalistic view of institutions that focuses on positive roles they perform (Hall and Taylor, 1996; Koelbe, 1995; Pierson, 1996; Pollack, 2006). In European Union politics, institutions such as the Commission, the European Central Bank, and the Court of Justice allow each member state to experience a decreasing level of transaction costs of policy-making, whereby it can commit itself to international agreements and benefit from the policy-relevant rules and provisions (Pollack, 2006: 39). North (1991: 98), one of the rational choice institutionalists towards the functionalistic view, argues that effective political and economic institutions help each participant ‘raise the benefits of cooperative solutions or the costs of defection’. The premise of such a view is that if all actors are desperate to maximise their own interests without institutional arrangements, they are trapped in social dilemmas where all participants would be worse off without making anyone better off. The most important issue of collective action raised by social dilemmas is to ‘find a way to avoid pareto-inferior equilibria and to move closer to the optimum’ (Ostrom, 1998: 4). Here, institutions help answer how to stabilise exchange relationships between rational actors, thereby minimising risk, uncertainties, and transaction cost.

1.3.3 Sociological Institutionalism

Unlike rational choice institutionalism developed in economics, the second school of the new institutionalism has been discussed in sociology. Ideal-typically, while the former orients itself towards rational actors seeking to maximise their utility, the latter shifts its attention from the rational-economic model to the institutionally embedded model of men. The so-called “sociological institutionalism” has its origin in the old institutionalism in organisation theory. Indeed, both approaches do not follow conventional organisation theories that highlighted scientific, mechanical, and orderly structured management and saw the similarities of bureaucratic structures as the product of ‘inherent rationality or efficiency of such forms’ in performing tasks (Hall and Taylor, 1996: 946). The two approaches stress the need to consider the formal structure of an organisation a mixture of myths, rituals, and informal norms rather than the demands of technical production and better effectiveness. Sociological institutionalism, however, differs from the old institutionalism in organisation theory in two ways (See DiMaggio and Powell, 1991: 13).

The first difference arises from the question of how individuals follow and understand institutionalisation. While the old approach argues that they are likely to follow rules and procedures without regard for purposes and effects (Selznick, 1996: 272), the new one is concerned with integrating perception and response into the process of institutionalisation. Rather than unconsciously accepting it, actors think about whether rule-following actions are socially appropriate, since they find themselves being in a particular circumstance defined by political, social, and moral values at the very moment.

The second difference is the locus of attention; while the old institutionalism in organisation theory put emphasis on small-sized organisations such as corporates and local communities, the new approach aims to investigate interaction between societies, industries, professions, or countries. For example, it was legitimacy that played a significant role in the institutionalisation of the European Union by helping infuse the rightfulness of European governance into its member states (Jachtenfuchs et al., 1998: 412-13). In a similar vein, Beland’s analysis on the transnational diffusion of policy ideas (2009) clarifies the way in which shared values and symbols embedded in a society’s cultural repertoire have a significant impact on the accommodation of a certain institution or a policy idea that originated from outside countries.

In this context, sociological institutionalism denies the economic and mathematical concept of rationality. Instead, rationality is what has been socially, morally, and culturally constructed. Rather than actively seeking to fulfil their interests, individuals are bound to internalise beliefs and customs embedded in their society. Sociological institutionalism argues that they are not able to freely choose or design institutions (DiMaggio and Powell, 1991: 10-11), rejecting a deductive, mathematical way of analysing individual behaviours. Koelbe further defines individual decisions as ‘a product not only of institutional setting but of a much larger frame reference’ (1995: 232). March and Olsen, identifying how organisational factors permeate into political life, provide a relatively loose approach towards actors, which emphasises that ‘actors associate certain actions with certain situations by rules of appropriateness’ (1984: 741) infused throughout his or her lifetime. (Re)socialisation, education, and onboarding prescribing norms and rules define and create the specific boundaries within which actors pursue legitimate or desirable goals (Finnemore, 1996: 326).

In conclusion, sociological institutionalism goes beyond the formal dimension of institutions the rational choice perspective highlights, and calls socially embedded arrangements as institutions. For sociological institutionalists, while institutions serve as an independent variable that structures the available options of individual behaviours, individuals passively follow established paths. The so-called “cultural approach” reflected in sociological institutionalism understands that ‘behaviour is not fully strategic but bounded by an individual’s worldview’ (Hall and Taylor, 1996: 939), and that institutions play a crucial role in shaping the very identities, roles, ideal-types, and customs in society. Hence, sociological institutionalists highlight the enduring features of institutions and seek to identify the causes of institutional convergence, rather than divergence, between organisations, societies, and countries (Beckert, 2010).

1.3.4 Historical Institutionalism

Historical institutionalism has two things in common with the other schools in developing its own distinctiveness. The first is that, like the rational choice approach, it attaches importance to actors and their role in political reality. Instead, historical institutionalism sees that actors seek sub-optimal “political strategies” in a given institutional setting, rather than maximise their self-interests. Hence, historical institutionalism seeks to

analyse the dynamic interplay between actors and institutions; in other words, this approach is attentive to how agency responds to institutional constraints and vice versa. While those with vested interests in politics continue to defend the status quo, others disadvantaged by existing arrangements try to undermine them.

Although Hall and Taylor label such a feature of historical institutionalism as “eclectic” (1996: 940), their suggestion appears to be an exclusive choice between rational choice and sociological institutionalism rather than their creative combination (Hay and Wincott, 1998: 952-53). Again, it is necessary to retell a feature of the new institutionalism; while being influenced by institutional arrangements, individuals are capable of producing new institutions. As Thelen and Steinmo (1992: 10) suggest:

Institutional analysis...allows us to examine the relationship between political actors as objects and as agents of history. The institutions that are at the centre of historical institutionalist analysis...can shape and constrain political strategies in important ways, but they are themselves also the outcome (conscious or unintended) of deliberate political strategies of political conflict and of choice.

The second similarity of historical institutionalism is that like sociological institutionalism, it embraces a more comprehensive perspective of institutions, ‘not just as strategic context but as a set of shared understandings that affect the way problem are perceived and solutions are sought’ (Thelen, 1999: 371). Historical institutionalists are concerned with such shared understandings as political frameworks embedded in the mind-set of political actors – which induce them to act in a certain way. Deviation can be therefore treated as inappropriate, depending upon the political robustness of institutions.

In consequence, it is possible to argue that historical institutionalism features the impact of institutions on power distribution among political actors. Institutions unevenly create political processes where winners make benefits for themselves at the expense of the others. This asymmetric power distribution ossifies over time, since elite groups benefitting from the status quo have relative strength to facilitate its reproduction. The robustness of institutions is grounded in actors’ subjective orientations and beliefs about what is appropriate or morally correct (Mahoney, 2000: 523). Institutional reproduction by advantaged groups is empowered by actors’ recognition towards specific political frameworks. In this context, historical institutionalism sees institutions as a product of

long-standing history whereby those against the status quo find themselves difficult to change it easily. The concept of “path-dependence”, in situations of certainty, is instructive to explaining continuity. Individuals inevitably act in a given situation, which gives an implicit signal that the possibility of alternative paths would become lower over time as institutional configuration shapes their behaviours in a certain way. This is why institutions become reinforced once they develop.

But politics is the locus with a series of ‘disagreement over goals and disparities in power’ (Thelen, 1999: 385), and institutions are inherently subject to ambiguity (Mahoney and Thelen, 2010: 11). Although disadvantaged actors face difficulties in gaining political dominance, it does not necessarily imply that they stand still. Instead, many political actors compete with each other within institutional boundaries to become one of the dominant groups with newly shared ideas. Put simply, they keep watching for opportunities institutional ambiguity would create. As far as the NPS reforms are concerned, Kim and Choi (2014) document that the politics of pension reform involves various actors ranging from bureaucrats to political parties to civic groups. One of the key components of their analysis is that in every reform process, combinations of different actors resulted in different reform strategies guided by different goals. The authors consequently highlight the significance of securing political support and institutional advantage in achieving the goals (ibid.: 271-272).

Another distinctive feature of historical institutionalism is that institutions consist of a complicated and unexpected combination of various rules (Immergut, 1998: 26; Thelen, 1999: 382). Institutions are made of different logics of factors, thereby making it difficult to investigate what causes political phenomena. For this reason, historical institutionalists reject the conventional wisdom that the same constellation of institutional rules would produce the same results in every political locus (Hall and Taylor, 1996: 941). Unlike the rational choice school that adopts a deductive approach to explain institutional outcomes, historical institutionalism unfolds them in an inductive way that emphasises distinctive patterns in different settings. Immergut’s analysis on the health care systems in Switzerland, France, and Sweden is a such example (1990). Refuting the view that the medical profession plays a crucial role in introducing health care programmes, Immergut analyses their health care systems and the distinctive response patterns of medical associations by reference to the role of political institutions in those countries.

In understanding dissimilar outcomes and actors' strategies, the inductive feature of historical institutionalism shifts its attention towards history and philosophy, while criticising the ahistorical stance of the rational choice and sociological schools. For historical institutionalists, political actors do not always maximise their interests or are not mechanically embedded in norms, customs, or conventions. Rather, actors can recognise the influence of long-lasting institutions but continue to adjust their political goals and strategies as institutions are also a product of the unexpected constellation of variables.

1.4 Institutions and Path-Dependence

The aforementioned three schools have their own stances on how institutions are conceptualised and perceived by actors and shape their behaviour. While rational choice institutionalism see actors as utility-maximisers within a set of constraints as well as being relatively autonomous in modifying them, sociological institutionalism puts emphasis on the significant impact of informal institutions (e.g. conventions and codes) on human behaviour. Focusing on the dynamic interplay between institutions and actors, what is of interest to historical institutionalism is the long-term durability of institutions and actors' resultant responses. In addition, while the rational choice school based on the deductive approach orients itself towards mathematics and economics, the inductive reasoning of the other approaches draws themselves towards history and sociology (Sanders, 2006: 43).

The main point is that institutions in all the schools provide actors with something ranging from the rules of the game for cooperation to the 'moral or cognitive templates for interpretation and action' (Hall and Taylor, 1996: 939). Institutional rules constrain the range of options actors can choose, and non-compliance may lead to sanctions. Hence, it can be said that the existence of institutions itself necessitates legitimacy and stability to allow individuals to follow them. Once created, institutions end up being stable over time. For instance, as a form of government in which all citizens can voice their opinions on societal issues through the mechanism of elections or referendums, modern democracy has become stabilised and legitimised over time. Those who violate democratic principles have historically ended up with strong public resistance based on mutual understandings of what is appropriate and good.

1.4.1 Conceptualising Path-Dependence

Institutions have legitimacy and stability over time. Indeed, stability has been one of the main interests in institutional analysis. Once established, institutions are likely to develop less discontinuously and more evolutionary. The new institutionalism has held that the notion of “path-dependence” is helpful to account for the reproduction mechanisms of institutions, one which can be applied to the three approaches in various ways.

In a very broad and loose way, path-dependence is defined as follows: history matters; the past determines the future; or what has happened earlier affects a sequence of later events (Berman, 1998a; North, 1990; Sewell, 1996). Questioning such a vague notion of path-dependence, Pierson (2000) and Mahoney (2000) suggest a narrower and stricter definition of the term. Pierson (2000: 252) argues that:

To establish greater clarity, this essay employs the term in the narrower sense, that is, social processes that exhibit increasing returns. The fuzziness that has marked the use of this concept in social science suggests that the greater range offered by the broader definition has come at a high price in analytical clarity.

Borrowing the concept of “increasing returns” used for the study of technology by Arthur (1994), Pierson extends path-dependence to the study of politics to show why path-dependence is prevalent in our political life (2000: 257). First, politics is where the logic of collective action or coordination is essential for political mobilisation. Blyth’s work on the transformation of the Swedish model exemplifies the significance of collective action capable of institutional withdrawal as well as institutional stability (Blyth, 2001). He identifies that the collective action of political parties, business groups, and labour unions was one of the main factors for the emergence and maintenance of the Swedish model; however, what happened in the 1980s was the destabilisation of the model emanating from the collapse of the mutual network as well as environmental changes (ibid). This reflects how significant collective action is for the survival of institutions in politics.

Second, politics is where a web of institutional constraints plays a key role in mobilising actors for public goods, thereby producing the interdependent web of an institutional matrix (North, 1990: 95) or institutional complementarities (Hall and Soskice, 2001: 17). Analysing the development strategies of Korea, Kwon and Yi (2009: 771) argue that its economic growth has been ascribed partly to the insurance-based social policies designed

for economic functions initially, an approach which regards the state as an institutional mobiliser and a coordinator that performs the multiple roles of social protection and poverty reduction without explicit social policies. Once linked to particular functions, institutions are reproduced over time by combining micro subsets of institutions with macro subsets.

Third, path-dependence is likely to consolidate the disproportionate allocation of political authority to particular actors. Contrary to the classic typology of welfare regimes by Esping-Andersen (1990), both Korpi (2000) and Lewis (1992) stress the need to incorporate gender relations into the comparative analyses of the welfare state. Their common argument is that a particular constellation of institutional arrangements in the welfare state could perpetuate gender inequality, and vice versa. For example, given that conservative-corporatist welfare states are based on the single-breadwinner model of the family, women are expected to take care of family members rather than to participate in the labour market, thereby further maintaining the status quo. In this context, path-dependence is not a one-way process; rather, it is analogous to a Möbius strip.

Last, there is a high degree of complexity and ambiguity in politics regarding goals and trial-error processes. For this reason, political actors find themselves faced with an increasingly uncertain environment and therefore tend to follow an existing path on which plenty of information has been filtered, processed, and interpreted, rather than to walk on a different path with high costs and risks.

In a similar but more comprehensive way than Pierson, Mahoney describes path-dependence as characterising ‘historical sequences in which contingent events set into motion institutional patterns or event chains that have deterministic properties’ (2000: 507). In particular, Mahoney focuses on two types of sequences – self-reinforcing sequences and reactive sequences – that lead to path-dependent processes of change. While self-reinforcing sequences are in line with increasing returns on which Pierson (2000, 2004) centres, reactive sequences refer to ‘chains of temporally ordered and causally connected events’ (Mahoney, 2000: 509). These sequences are reactive in that each event in a chain is a cause of subsequent events. This is why reactive sequences are attentive to tracing back to the initial event – a critical juncture – that could not have been anticipated from the perspective of existing systems (ibid.: 508). While Pierson seems to restrict path-dependence to self-reinforcing sequences, Mahoney argues that reactive

sequences should be also incorporated into the framework of the research on path-dependence. Two differences can be found in those sequences. The first arises from the focus of analysis. Self-reinforcing sequences focus on the mechanism through which path-dependence further ossifies after an institution was created, whilst reactive sequences pay attention to the way in which path-dependence was established. The second difference is in the stance on institutional change. While self-reinforcing sequences understand that even if change takes place, it is highly likely to be bounded, minor change, reactive sequences leave room for the possibility of profound change that could challenge the existing path.

To summarise, path-dependence is particularly well-equipped to provide causal explanations for the rigidity of institutions. At the same time, however, there is another dimension of path-dependence – potential inefficiency – that has received much attention (Arthur, 1994: 113; Mahoney, 2000: 516; Pierson, 2004: 18). In other words, the long-term reproduction of institutions does not necessarily imply that what is chosen always guarantees the best efficiency. In this context, Mahoney and Schensul (2006: 462) argue that the emergence of institutions is generated by a random process or a contingent historical event that can lead to inefficiency in the long run. However, without turning to contingency, it is possible to explain the way in which path-dependence ends up creating higher pay-offs even in environmental uncertainty. Although not explicitly mentioning this, Pierson (2000: 260) puts it forward that:

(I)f we believe that a system is not performing well, it is still more difficult to determine which elements in these highly complex systems are responsible and what adjustments would lead to better results.

In this context, the absence of adjustment mechanisms may further promote path-dependence in uncertain times, even if institutions are designed through economic analysis in a strict manner.

Understanding the specific features of path-dependence is one of the key aspects that can help make sense of political phenomena such as institutional change as well as institutional resiliency. But path-dependence leaves us two questions that will be answered in the next chapter. Until when do institutions endure inefficiency within institutions? Are actors always subordinate to institutional constraints?

1.4.2 Path-Dependence and the Welfare State

Path-dependence has been utilised in various ways by scholars interested in the application of history and sequence to understanding of economic, social, and political phenomena. Their common argument is that once established, institutions begin to enlarge the scope of their comparative advantages over alternative options. The classic example of path-dependence is the analysis of David (1985) on the QWERTY keyboard, later elaborated by Arthur (1989). Those based on the utilitarian perspective of the neoclassical paradigm may say that it does not have relative competitiveness as compared with the most efficient Dvorak keyboard. But QWERTY has dominated the market of keyboard layout since it was “initially” selected and has continued to generate higher payoffs over time. Given this example, the key to success is the timing of taking a small lead in the very beginning of competition; although multiple products compete with each other, the fact that one of them was released slightly earlier could make a considerable difference by continuing down a specific path in the long run.

In addition, path-dependence has been applied to the development and persistence of the welfare state. Two practical examples help illustrate far-reaching effects of the concept on society. The first case was the struggle of Mrs Thatcher’s government for welfare state reform in Britain. Given her hard-line political stance against socialism and the post-war welfare consensus, one may have expected that there would be a wide range of social policy restructurings in favour of means-tested programmes under the principle of cost containment. Yet the story took a twist. Although her first two terms in office saw minor changes in education and the NHS, there was more continuity than change (Glennerster, 2006: 189-190). It was only after the third election victory that her commitment to the reform began to bear fruit. The second example was hundreds of thousands of French protesting against the 2010 pension reform initiated by the Sarkozy government. Rather than assuming that they simply opposed the plan, it is necessary to link their protest to path-dependence in that pension systems involve not simply specific rules but also a certain level of expectation that is resistant to change.

Why does the welfare state have many barriers to retrenchment-oriented changes in particular? Broadly speaking, Pierson (1994: 2) summarises this point:

Welfare states have created their own constituencies. If citizens dislike paying taxes, they nonetheless remain fiercely attached to public social provision.

That social programs provide concentrated and direct benefits while imposing diffuse and often indirect costs is an important source of their continuing political viability. Voter's tendency to react more strongly to losses than to equivalent gains also gives these programs strength.

Three aspects help answer the aforementioned question in detail. First, it is important to look into what types of policy constitute the very foundation of the welfare state. Rather than seeing the welfare state as a nation-state that plays a dominant role in providing its citizen with a comprehensive range of social provisions, it can be seen as an aggregation of public institutions and policies towards social protection for citizens (Kwon, 2014: 217). When one understands the welfare state as the latter, it can be argued that the key delivery mechanisms of the welfare state involve social insurance, public assistance, and social service – all of which fall under the category of either distributive or redistributive policies (Lowi, 1964). Social insurance programmes as distributive policies grant entitlement to particular benefits to the subscribers who have paid contributions for long periods of time, making it difficult for policy-makers to attempt radical reforms. Public assistance programmes as redistributive policies serve as a last resort for those in need, transferring property from the wealthy to the underprivileged. Attempts to scale down the programme inevitably can bring profound political and social consequences in spite of a relatively small number of recipients.

Second, a political approach is useful to explain the prevalence of path-dependence in the welfare state. As one category of political actors in charge of making and amending policy decisions in legislature, politicians are often attentive to the short-term effects of their choices (Pierson, 2000: 261). From a rational choice perspective, they are thought to be vote-seekers who try to maximise the probability of winning in elections. This is why they are reluctant to engage in political decisions like social policy retrenchment that can produce negative impacts on their political career (Storm, 1990: 566). In some cases, political actors may not stick to their political ideology for electoral victory. For instance, conservative parties such as Christian Democrats in Germany, which have been traditionally committed to the male-breadwinner model, could orient themselves towards the significant expansion of social democratic family policies to mobilise young women votes (Fleckenstein, 2011a).

Last, there is a need to take into consideration path-dependent features embedded in the welfare state. It is comprised of various sub-institutions such as pension, health, and

employment policy, and tends to secure legitimacy and stability by establishing the logical consistency of institutional arrangements. Similar to a massive ocean formed with numerous rivers, the welfare state itself is in close connection with each policy sector; it is therefore difficult for policy-makers to seek deviation from a specific path ossified over time. From the perspective of sociological institutionalism, moreover, the welfare state functions as a guideline in shaping the identities and values of citizens in a society. For example, examining policy reforms that took place in the 1990s, Cox (2004) argues that whether or not they succeeded depended on the extent to which policy-makers justified their proposals for reform by making reference to the core values of universality, solidarity, and decommodification in the Scandinavian model – which have continued to dominate people’s thoughts and expectations. Indeed, this aspect is elaborated more specifically, albeit with no explicit example of the welfare state, by Hall (1993), who emphasises the role of policy paradigms in directing the behaviours of actors and defining the nature of policy problems. Even in the case of small-scale attempts to reform a welfare programme, it is never an easy task. In particular, veto players, defined as ‘an individual or collective actor whose agreement is required for a policy decision’ (Tsebelis, 1995: 293), can have a capacity to either nullify such effort or weaken the degree of retrenchment through deliberate delaying tactics.

1.5 Conclusion

The objective of this chapter was to identify the core concepts and theoretical background at the heart of the new institutionalism. The chapter began by briefly introducing the background of the new institutionalism with specific focus on the old institutionalism and the political behaviour movement in political science. It argued that the former was interested in the formal-legal structure of political systems such as constitution, judiciary, and democracy, while the emergence of the latter was reaction against the former. Next, this chapter examined the distinctive features of the new institutionalism, followed by the definition of institutions and its three different schools. Hence, the most important thing is that the new institutionalism cannot be defined in a single manner. By recognising the unique perspective of each school of thought, institutions can be differently explored in relation to the way in which actors conceptualise and perceive them and are constrained by them. However, what the three schools can share is the existence of path-dependence in our political, social, and economic life. In particular, such a concept has provided

scholars with a useful canvas when painting a picture of the evolution and durability of the welfare state.

Nevertheless, we have witnessed many turns of events in our history. From the perspective of path-dependence, one may claim that those changes end up with the extension of the existing path on which given institutions were created. However, a variety of transformations have had a significant impact on our life and been considered to be path-deviant. How should we understand these cases theoretically? How have theoretical perspectives on institutional change been developed? How has the role of political actors in the process of change been recognised? The next chapter discusses these questions in detail.

Chapter 2 : Theories of Institutional Change

2.1 Introduction: Stepping into Institutional Change

Botswana, China, and the U.S. South, just like the Glorious Revolution in England, the French Revolution, and the Meiji Restoration in Japan, are vivid illustrations that history is not destiny. Despite the vicious circle, extractive institutions can be replaced by inclusive ones. But it is neither automatic nor easy (Acemoglu and Robinson, 2012: 426-427).

No institution is a static structure. Institutions are constantly in a wave of change and ready to alter their external structure and internal logic in varying degrees. Sometimes they change abruptly in an instant. Sometimes they evolve gradually over long periods of time. Sometimes they remain quite stable. This chapter begins by introducing three examples of institutional change with different contexts, ranging from general to particular.

First, it is necessary to commence with a practical, national-level example we experience and take for granted. Compared with the past, civic groups and markets as well as government officials and politicians increasingly play a significant role in the policy process. The so-called “governance” aims to include all the actors involved in a collective problem and thereby to guarantee a democratic, deliberative, and inclusive process rather than a closed unilateral process (Bevir, 2009: 4). Citizens are better informed, have increasing expectations on the government for better quality of their lives, and are making growing demands for services tailored to their increasingly diverse needs. They manage to engage more in the policy process as policy-maker as well as policy taker, for example, through networks involving public-private partnerships or with the collaboration of community organisations. In this context, the concept of governance emphasises the degree to which the government becomes one of many participants in the policy process. It instead plays a role in steering and coordinating the process (Dorey, 2005; Rhodes, 1997).

Second, institutional change can occur at the international level. As globalisation has deepened, we witness global integration in public policy process. Not only does globalisation lead to economic integration between countries, it also brings about common policy issues. To tackle them, policy alternatives mobilised by national

governments have converged rather than diverged. If a creative idea in one country proved effective for a certain issue, other countries tend to adopt it. Conditional cash transfer (CCT) is one such example. It aims to reduce poverty by making social programs conditional upon the behaviours of recipients. Originating in Brazil and Mexico, CCT has received growing attention since the early 1990s, as one of the most successful strategies for poverty reduction. In particular, international organisations, such as the World Bank, have actively recommended developing countries to adopt it. The example of CCT shows that policies or institutional arrangements travel across national borders or are transplanted in countries with different social and political settings.

Last, let us move to a theoretical but understandable example of institutional change. We have a valuable legacy of institutional thought with which Karl Polanyi is associated. In addition, given that he laid a theoretical foundation of welfare state emergence, it is worthwhile to mention his theory here. In his book, *The Great Transformation*, Polanyi (1944) criticises a conventional perspective on market institutions that had assumed that they are able to self-regulate internal conflict within themselves. The logic of self-regulation has been served as an ideological basis of economic liberalism, which refers to an economic perspective that prefers to separate market economy from control of society and government. At the time of his writing, Polanyi had been witnessing the catastrophe of the Great Depression, fascism, and the Second World War, and much of his effort was made to answer the question about why they happened. He revealed that such events could be seen as the consequences of such a utopian project of market liberals. Developing the concepts of the double movement and embeddedness, Polanyi tried to explain the relationship between society and economy. In other words, there are two contrasting but connected movements in the relationship: one towards the expansion of liberal economy by “dis-embedding” market economy from society, and the other in favour of “embedding” it to society through more governmental regulations and interventions to address economic fluctuations and unemployment. Understanding the double movement as a motor of institutional change, Blyth (2002: 4) argues that those disadvantaged by dis-embedded markets would demand more state actions to mitigate the negative impacts of market by creating embedded liberalism, thereby leading to a large-scale institutional change in the long run and the expansion of welfare programmes.

What implication can we draw from these examples? Institutions change. As such, institutional change is easily found in our society. Yet it is necessary to answer more

specific and profound questions: 1) To what extent do institutions change?; 2) What mechanisms does the process of change produce?; 3) What is the impact of change on actors?; and 4) What influences do actors exert in the changing process?

2.2 What is Institutional Change?

To explore theories of institutional change, it is necessary to identify what change implies. Although it has become widespread in institutional analysis in recent years, the existing literature does not seem to pin down the meaning and scope of change, without which it is difficult to differentiate real from superficial changes. From what standard do we need to approach institutional change? Are we really seeing a shift? To answer these questions, it is necessary to note that change can be divided into two dimensions.

The first dimension is the transformation of key institutional arrangements. This kind of argument is that once the core principles of an institution are undermined by and then replaced with others, it is thought of as institutional change. Borrowing the concept of scientific paradigms by Thomas Kuhn, Hall (1993: 278-279) convincingly reveals three stages of institutional change: first-order change at the level of the settings of basic policy instruments; second-order change that involves a shift in the techniques or policy instruments; and third-order change that refers to a significant transformation in the overarching goals of policies or institutions as well as the first and second (See also Hill, 2011). For Hall, completing a third-order change refers to institutional change.

It is also necessary to pay attention to the second dimension that has often been neglected by new institutionalists – the extent to which institutional change achieves its intended goals. Although the analysis of outcomes is important, it often involves a functional or an evaluative stance on change. For instance, although Kwon (1995: 162-204) tries to assess the outcomes of Korean social policies from the perspective of historical institutionalism and argues that the politics of social policy should consider a linkage between processes and outcomes, his argument could encounter three critical problems. First, as stated in the first chapter, the new institutionalism is attentive to a process-oriented development of institutions. In a similar way, the study of institutional change puts emphasis on how long-lasting institutions are under pressure, try to defend their core principles, and are replaced with their competitors. Second, the impact of institutional change on outcomes could be realised over long periods of time (Pierson, 2004: 90). Consider the recent case of public

pension reform in Korea. Given that population ageing will be one of the most challenging social problems questioning its long-term financial sustainability, the previous governments have attempted to reform the pension system. One should bear in mind, however, that the reform packages do not seem to work instantly since adjusting pension parameters will be applied to future generations. The projection that pension funds would be completely depleted by 2060 was drawn in advance in the process of the 2007 reform (Kim, 2013a). Such long time lags, therefore, make it difficult for researchers to adopt a more long-term approach especially when they compare, in terms of outcomes, two different countries adopting similar reform packages. Third, the outcomes of institutional change are dependent upon a great number of variables. By simply concluding that any statistical findings are drawn from a specific case of institutional change on which researchers focus, it might mistakenly make them construct a generalised account. What if unanticipated socio-economic changes take place? Is it possible to completely control unrelated variables? Thus it is very difficult to single one variable out from others.

To summarise, the above-mentioned three aspects help understand why new institutionalists have been reluctant to integrate the process of change and the outcome of change into a single framework. In addition to such practical difficulty, much of the literature seems to underestimate the necessity of defining what change means. Before scholars unfold their stories, they need to clarify the meaning and scope of change for a better understanding of the analyses. In the same vein, Beland and Wadden (2012: 17) provide a rigorous definition on change, considering path-departing change as a ‘consequential change in policy rules and institutions that, sharply or gradually, alters the dominant course and features of major public or private policy developments’. Or at least it is necessary to discuss why one dimension of change is not taken seriously in their works. The theories of institutional change that will be introduced in the remainder of this chapter – punctuated equilibrium model, gradual/evolutionary change, and ideational change – touch directly upon the processes of change.

2.3 Theoretical Approaches of Institutional Change

Although the three schools of the new institutionalism take a different stance on the theoretical assumptions, the level of analysis, the definition of institutions, and the impact of institutions on individual behaviours, such distinctiveness becomes blurred in relation

to institutional change. This is because scholars tend to have a common understanding of analogous patterns of change, increasingly share key concepts and insights from one another, and recognise the need to establish a better framework (Campbell, 2004: 9; Lowndes and Roberts, 2013: 116).

In particular, historical institutionalism can be seen as the most suitable approach for accounting for change in two ways. On one hand, it is a balanced approach between rational choice and sociological approach; it is possible to take advantage of a wide range of theoretical concepts, such as interests, power, and culture – which are the motors of institutional change. On the other hand, historical institutionalism is theoretically compatible with the recent development of institutional change that highlights the dynamic interplay between agency and institutions. Thus emphasis shall be put on historical institutionalism in the remainder of this chapter, which outlines the theoretical development of change, and each approach proceeds in a way that answers the four questions raised in the introduction of this chapter: 1) To what extent do institutions change?; 2) What mechanisms does the process of change show?; 3) What is the impact of change on actors?; and 4) What influence do agents exert in the changing process?

2.3.1 Punctuated Equilibrium Model

To examine the first theoretical approach of institutional change, we begin by mentioning some historical events to which particular attention should be paid. Consider two economic crises that faced Korea in the late 1990s and Britain in the late 1970s. Prior to such crises, the countries had maintained their status as one of the leading countries in Asia and Europe, respectively. The fast economic development of Korea helped it join the Organisation for Economic Cooperation and Development (OECD) in 1996 and its per capita GDP reached US\$10,000 in 1997. Britain had enjoyed a long and significant achievement of political stability in modern political history (Wright, 2003: 3) and had been considered one of the well-structured welfare states with the ideology of “from-the-cradle to the-grave”. The economic crises and the resultant bailouts from the International Monetary Fund (IMF), however, radically changed the two countries’ circumstances. Although their unemployment rates and consumer prices started to soar in the short run, the crises also functioned as an opportunity to reorganise their administrative, economic, and social systems in the long run (Mathews, 1998; Osborne, 2007: 1). Take one more example of the wars that concerned Japan. Three experiences of war – the Second World

War, the Korean War, and the Vietnamese War – had a huge impact on its economic situation. While the first one had made Japan economically vulnerable, the second and third ones contributed to the quicker economic recovery by providing the U.S. armed forces with military supplies and repairs (Kuranari and Mochizuki, 1983: 107; McClain, 2002: 562-598). Given that the above-mentioned events altered the historical paths of Korea, Britain, and Japan, how can we approach the events' origins and the post-events processes facing these countries?

The commitment of institutional analysis to explaining institutional change can be traced back to the punctuated equilibrium model by Krasner (1988). Indeed, its origin is a theory in evolutionary biology (Eldredge and Gould, 1972; Gould and Eldredge, 1977) from which he borrows key ideas and concepts. Gould and Eldredge (1977) argue that evolution of a species involves the process where long periods of homogeneity is rarely disturbed by rapid and episodic events of speciation. Based on the theory of allopatric (or geographic) speciation¹, they try to explain the mechanism of genetic differentiation. The argument is that if a new species with relatively small populations is geographically isolated (e.g. islands surrounded by high mountains or seas on every side) from its ancestors, it is barely possible to experience massive genetic flows. Consequently, the new species evolves abruptly in ways that do not necessarily require a long sequence of evolution. To summarise, environmental conditions rather than unique features of a species play a main role producing in genetic variation.

Likewise, punctuated equilibrium theory in the new institutionalism develops an analogous argument that long phases of institutional stability and reproduction are eroded by sudden crises and then new institutions emerge. Wars, economic crises, or unifications are thought of as transformative crises, as we saw earlier from the examples of Korea, Britain, and Japan. Such unexpected, uncertain moments are often referred to as historical turning points (Ikenberry, 1988: 229), critical junctures (Collier and Collier, 1991; Capoccia and Kelemen, 2007), or perceived crisis situations (Marcussen et al., 1999: 616). Institutional analysis, therefore, relies on those concepts to capture how an institution deviates from a certain path established over time and then a new pattern becomes institutionalised.

¹ It assumes that genetic flows of a species with large populations is likely to produce the same genetic type of its descendants.

For instance, analysing a number of policy-making processes in American political systems, Baumgartner and Jones (1993) argue that large-scale departures as well as long periods of stasis have historically existed in some policy domains. Although American political systems with power fragmentation and overlapping jurisdictions have shown much resistance to change, major policy punctuations (e.g. a rapid demise of its nuclear power industry in 1970s) have resulted from some factors such as positive policy image, the mobilisation of previously uninvolved actors, or increased interest by the media and citizens (Baumgartner et al., 2014: 64; Baumgartner and Jones, 1991: 1046). For the study of economic history in Britain, Matthijs (2011: 57) emphasises that the institutional shift from pre-war laissez-faire to post-war Keynesian economic framework was ascribed to the landslide victory of the Labour Party in the 1945 general election. Yet change does not happen overnight. Pre-war economic austerity and negative legacy of the Second World War had also played an important role in exacerbating pressure for change and then leading to the ultimate crisis of Britain, which, in turn, laid the foundation for the breakdown of the status quo (ibid.: 72). The importance of triggering events has been also highlighted in policy studies. Cohen et al. (1972), for example, introduce “the garbage can model”, which portrays that the decision-making process of organisations is marked by problematic preferences, unclear technology, and fluid participation. In other words, under such an ambiguous situation where members of an organisation cannot properly define their preferences and discover the best means for goals, organisational choices are unlikely to be made until critical junctures happen. To summarise, a newly emerged trajectory at critical juncture is likely to alter the path of an old institution quickly and then become institutionalised by initiating self-reinforcing sequences until a next critical juncture arises (Fleckenstein, 2011b: 28-29).

The answer of the first question – the degree of change – can be said to be a series of fluctuations. A pre-critical juncture period remains so stable that path-dependent processes of change continue along a certain path, and any changes in this period are no more than minor adaptations to the environment and have less impact on the whole institutional configurations. Once a critical juncture unexpectedly happens, however, a long-lasting institution is quickly replaced with a “soon-to-be institution” – which is completely different from its predecessor in terms of internal logic and external shape. Then it settles down and is ossified in a post-critical juncture period. However, it is unusual to observe such a radical change ignited by critical junctures in actual practice. The reason why the new institutionalism has been criticised lies in its assumption that

institutional change is completely disconnected from the period of institutional stability. For researchers based on that assumption, change without tangible external factors is considered to be insignificant and less influential, thereby encouraging us to conceive of it as accompanying the collapse of one set of existing institutions and its replacement with another (Mahoney and Thelen, 2010: 7).

The answer to the second question – the mechanisms of change – is simple. The critical juncture period represents the mechanism of displacement, since a breakpoint is not predicted within existing frameworks; thus, the possibility of coexistence between old and new institutions seldom exists. This feature has dual aspects. In times of certainty, on one hand, the punctuated equilibrium model is valuable in explaining why institutions are continuously stable. On the other, however, the model inevitably ends up incorporating punctuation and stasis into a single framework. Since it rests on the prevalence of path-dependence, the former is understood to replace old with new institutions at once. In this context, Thelen's critique that critical junctures and developmental pathways are to be analytically distinct sounds persuasive (1999: 387; See also Pierson, 2000: 263).

The third and fourth questions – the impacts of change on actors and the role of actors in the process of change – can be answered at the same time. In the punctuated equilibrium model, it is difficult to keep track of the role of agency in changing processes since actors are subordinated to the enormous influence of institutions. This is because the explanation of change is directly linked to the relative weight of agency versus structure (Mahoney and Thelen, 2010). In periods of “uncertainty”, however, actors do not properly answer questions about what interests they seek and how to behave. At the same time, uncertainty opens room for actors to play an active role in interpreting a current situation (See Capoccia and Kelemen, 2007). They are strategically able, at least allowed, to find out new ideas that have potential to become new institutions. This point is well reflected in Kingdon's study of policy agendas (1984). He sees the role of “policy entrepreneurs” one of the key factors in opening a “window of opportunity” where change occurs. Rather than being simply embedded in institutions, actors are capable of replacing old with new institutions based on a set of coherent ideas.

2.3.2 Gradual Institutional Change

Before exploring how institutions alter gradually, we again need to refer to historical examples. The first case dates back to the late 19th century in Britain that saw an upsurge in socialist movements. It is common to see the term “the Fabian Society” when one studies the intellectual foundations of the Labour party and subsequently the emergence of the welfare state in Britain. Established in 1884, the organisation aimed to propagate its socialist principles and ideas throughout society. With regard to its strategies to disseminate them, however, the Fabian Society clearly differentiated itself from typical socialist groups in Continental European countries who were in favour of radical, revolutionary ways of introducing socialism. Whilst the latter tried to achieve socialism through a proletarian revolution in a radical way, the former criticised the latter’s approach and was instead committed to the gradual expansion of socialism in a moderate, parliamentary-oriented way (Bevir, 1996: 179). As Benjamin Franklin’s famous proverb – A small leak will sink a great ship – implies, the Fabian Society adopted the so-called strategy of permeation characterised by constant persuasion through dialogue so that it could successfully lay the groundwork for the welfare state in Britain. Take one more example of the declining fertility rate in India over the last several decades. Like many other developing countries, India has seen a dramatic decrease in its fertility rate, which has fallen from 4.7 in 1980 to 2.5 in 2012². This trend shows a difference with other emerging countries such as China, which has stabilised the total number of population by enforcing restrictive family policies. But India has not been committed to formulating government-level policy packages to manage its population growth since they have been regarded as coercion (Burke, 2014), and has not experienced sudden population shocks that could undermine the existing demographics.

To summarise, the aforementioned institutions in the two countries – the political movement and the perspective of the citizens on socialism in Britain, and the population structure in India – have been gradually transformed without critical junctures highlighted in the punctuated equilibrium model. While this model sees stability something characterised by high rigidity, theories of gradual change do not (Greif and Laitin, 2004; Lewis and Steinmo, 2012; Mahoney and Thelen, 2009; Streeck and Thelen, 2005). Their common argument is that although institutions look ostensibly stable, their internal logic

² World Bank. <http://data.worldbank.org/indicator/SP.DYN.TFRT.IN?page=3> (Accessed on February 23, 2015).

is inherently open to change in a non-disruptive, incremental way. In other words, institutional change can be also driven by endogenous variables such as institutional ambiguity, agency, or interests.

The tension between the punctuated equilibrium model and gradual institutional change in political science is reminiscent of the disputation between the former and an evolutionary theory by Charles Darwin in biology. Just as biologists do, institutionalists take a different stance on how new institutions emerge. Again the disagreement is over the speed and duration of their formation. While a sudden, radical transformation becomes a central tenet of the punctuated equilibrium model, a long-lasting but profound effect of an evolutionary process constitutes that of gradual change. In their frameworks, some institutionalists find their theoretical background from evolutionary biology. Just as Krasner borrows key ideas and concepts from Gould and Eldredge's model, gradual institutional change is analogous to the Darwinian theory (See Blyth et al., 2011; Lewis and Steinmo, 2012).

Sometimes a particular set of skills are passed down the generation. It can be said that the heredity of such skills is attributed to the creation and maintenance of a particular environment that allows one to acquire skills naturally. This is what Darwin supposed. Rather than seeing every member of species as identical and immutable, his evolutionary theory tried to explain how variation among individuals leads to biological evolution (Blyth et al., 2011: 2-3). The more they are exposed to a specific environment, the more likely they achieve and display specific traits, ensuring that they manage to have higher chances of survival than others within the population due to superior adaptation. Consequently, specific talents in a local ecology would be inherited to their descendants. Darwin (1872) called such a evolutionary mechanism a natural selection or the survival of the fittest and identified variation, selection (by competition), and retention (by inheritance) as the three components of his evolutionary account. The crucial point of Darwinism is that unlike the punctuated equilibrium model, the transformation of an ancestral population into its modified descendants occurs gradually over longer periods of time.

The features of variation, selection, and retention can be applied to gradual institutional change in some ways. Take an example of neoliberalism in a globalised world. With the international integration of market, labour, culture, and world-views, the process of

globalisation has consolidated its power through advances in transportation and telecommunication. One might remember that its advent triggered a variety of reactions ranging from the anti-globalisation movement, to partial support for the expansion of market liberalisation, to full support for capital market integration and its secondary effects. Initiated by Pinochet (former Chilean president) and disseminated by Thatcher and Reagan (former British Prime Minister and former US president, respectively), neoliberalism has been considered one of the dominant economic paradigms since 1990s. The features of deregulation, less government intervention, and financial sustainability have been in accord with the global trend, thus producing neoliberal policy measures adopted by more national governments.

However, a careful approach needs to be taken when the simplified Darwinism is applied to the explanation of socio-economic phenomena. Can one always argue that selected institutions are advantageous in a particular economic or political environment? Do various ideas always compete with each other in a fair way? Is it possible to properly define its local environment? Are actors given enough information and time in interpreting a condition? Unlike evolutionary framework defined by Darwin, however, not all socio-economic evolutions are bound to be standardized or causal-effect processes. Put differently, they require auxiliary explanations to have a better understanding in that social phenomena cannot be simply reduced to biological terms (Hodgson, 2001: 281).

Gradual change is also found in Karl Popper's stance on social reform. As both scientist and political philosopher, he offers a unified, consistent perspective of science and politics in supporting gradualism. At the time of publishing "*The Poverty of Historicism*" and "*The Open Society and Its Enemies*" in 1944 and 1945, respectively, the abuses of totalitarian ideologies reached a boiling point. The books as a reaction of the abuses encompassed his ideas about the extent to which social reform should be carried out. What development strategies should politicians seek? How can societal goals be defined? What means should be mobilized? Popper tried to answer these questions by introducing the concepts of utopian social engineering and piecemeal social engineering. While the former seeks radical change to achieve ultimate political aims or the Ideal State, the latter adopts incremental change for identifying and solving relatively concrete social problems (Popper, 1966: 157-158). He favoured the piecemeal approach in terms of feasibility, arguing that sweeping changes are hard to detect in that human beings cannot possess sufficient knowledge and experience in planning an ideal society and its political strategy

(ibid.:161). Piecemeal social engineering tries to pinpoint and eradicate the greatest and most urgent social ills rather than to adhere to unrealistic dreams (ibid.: 158), implying that social reform should turn away from large-scale ambitious projects and instead focus more on small-scale reconfiguration of a single policy or institution.

Popper (1970) retains that incrementalism is also applied to how the scientific world has developed. Introducing the concept of falsifiability, he suggests that no scientific dogma should be accepted without critical examination and research. For Popper, Thomas Kuhn's "normal science" or "paradigm" does not seek to challenge itself and accepts a new revolutionary theory only if almost everybody else is ready to accept it (ibid.: 52; See also Rowbottom, 2011). As for public policy process, Lindblom (1959) argues that some practical constraints help promote its conservative nature in actual cases. Of the various factors of gradualism, two stand out. One is imperfect intellectual capacities and imperfect sources of information facing policy-makers, which make it impossible to consider every policy value and alternative. The other is the uncertainty of values, objectives, and means. In response to complex policy issues, it is risky for policy-makers to lean to one side in formulating policies. Hence, the strategy of "muddling-through" is often pursued by public administrators to minimise conflict of opinions.

Gradualism is not new. A variety of fields ranging from biology to philosophy to public policy have paid special attention to it, and this seems also true for institutional analysis. Are institutions always robust? Contemporary historical institutionalists have tried to answer this question with suspicious eyes and have turned to a new theoretical stance against a discontinuous and unlikely mode of change, where long-lasting historical paths are instantly substituted by exogenous shocks (Beland, 2007; Clegg, 2007; Hacker, 2004; Mahoney and Thelen, 2010; Streeck and Thelen, 2005). Their common argument is that although institutions wield considerable influence over actors' behaviour, they leave enough room for actors to use discretion. In doing so, political contestation can be made by actors who seek to make use of loopholes and adjust institutional arrangements to environmental changes.

What differences does a model of gradual institutional change have in comparison with the punctuated equilibrium model? First, both have different views on the way in which institutions are conceptualised and recognised. While the model of abrupt transformations conceives of an institution as a complex of rigid, ossified rules and practices, the

piecemeal approach of changes does not. Instead, it suggests that an institution is defined by ‘continuous interaction between rule makers and rule takers during which ever new interpretations of the rule will be discovered, invented, suggested, rejected, or for the time being, adopted’ (Streeck and Thelen, 2005: 16). Actors and their actions are not mechanically subordinate to path-dependence or dramatic rupture, and the two periods are interconnected each other. Second, the incremental model does not conform to critical junctures in explaining institutional change. It instead pays special attention to the possibility of endogenous but nevertheless far-reaching change driven by the manoeuvres and calculations of agency. Third, contrary to the punctuated equilibrium model, incremental transformation suggests that the accumulation of seemingly bounded change could also make a big difference over time. For example, Falletti (2010) shows the way in which the Brazilian health care system was significantly reconfigured from centralised but basic towards municipalised and universalistic. This development was endogenous in the sense that while holding political power from the local to the central level, left-wing reformers had kept introducing more subtle changes within the same institution rather than waiting for external events. Fourth, actors play a more central role in bringing about gradual evolution, while they are given a limited degree of autonomy in the punctuated equilibrium model.

Especially, recognising the need to explain the process of non-disruptive, incremental institutional change, Streeck and Thelen (2005) describe commonly observed patterns of gradual but nevertheless transformative change: displacement, layering, drift, conversion and exhaustion. Two sources of change behind these patterns lie in the fact that ‘*enactment of a social rule is never perfect*’ and that ‘*there always is a gap between the ideal of a rule and the real pattern of life under it*’ (ibid.: 14; my emphasis). The authors’ argument is as follows. First, rules per se are equivocal, or not clear³. Since they consist of vague, general words, the reality to which they are applied is complex too.

³ The institutions with which Streeck and Thelen (2005: 10) are concerned are ‘formalized rules that may be enforced by calling upon a third party’; therefore, informal rules such as norms are not taken into consideration.

Table 2-1 Punctuated Equilibrium Model and Gradual Institutional Change

	Punctuated Equilibrium Model	Gradual Institutional Change
Definition of institutions	A complex of inflexible rules and practices	An interaction channel between rule makers and rule takers
Source of change	Contingent, triggering events	Endogenous evolution
Perspective on endogenous change	Bounded/insignificant change	Possibility of consequential change
Role of actors	Restricted	Dominant

Second, rule-makers have limited cognitive reach, which in turn produces unanticipated results that may be different from the original purposes of making rules. Third, not only do rule-takers simply implement rules as stated in rulebooks, but they are also actively involved in the process of interpreting, modifying, or, sometimes, abusing rules. Fourth, practical limitations exist on the extent to which socially legitimate authorised agencies can forestall and resolve any deviation from rules.

This line of thought is noteworthy in that it provides a convincing, analytical description on what drives change in evolutionary ways. Yet the five patterns of gradual change (See Streeck and Thelen, 2005: 18-30) do not seem to have an analytical framework, and three chapters in the volume (Ch. 3, 7, and 10) hardly touch upon the patterns. Instead, the authors of the three chapters roughly mention the gradual developments of the cases analysed.

In their more recent contribution on institutional change, Mahoney and Thelen's work is considered to have theoretically advanced the earlier volume by adding several key components (Mahoney and Thelen, 2010). First, the authors delineate four modes of incremental change with a more sophisticated framework taking the characteristics of the political context and the targeted institutions into consideration (See Table 2-2 below). The political context is classified into either strong or weak veto possibilities, while the targeted institutions are characterised by low or high level of discretion in interpretation/enforcement of institutional rules. Second, Mahoney and Thelen develop a set of pre-conditions by which one type of institutional change is likely to occur rather than others. For example, layering does not entail a radical shift from old institutions due to strong veto possibilities and does not allow the possibility of different interpretations. Layering is analogous to how private pension arrangements are gradually added to public pension schemes – which involve a wide range of beneficiaries and specified rules such

as contribution rates, replacement rates and pension eligibility. Third, by taking actors and their strategy for institutional change into account, Mahoney and Thelen’s framework is relatively free from the theoretical criticism that they neglect agency. Fourth, the recent work discusses what features of institutions allow gradual change to happen. Defining institutions as a field of power struggle over resource distribution, Mahoney and Thelen see “ambiguity” and “multiplicity” as the features of institutional rules that allow actors to promote changes endogenously. In this context, actors consider deciding the extent to which they would be in compliance with existing institutions and adopting the resultant strategy to replace them with new ones.

Table 2-2 Four Modes of Gradual Change and Strategies of Change Agents

		Characteristics of the Targeted Institutions	
		Low level of discretion in interpretation/enforcement	High level of discretion in interpretation/enforcement
Characteristics of the Political Context	Strong veto possibilities	Layering ⁴ (subversives)	Drift ⁵ (parasitic symbionts)
	Weak veto possibilities	Displacement ⁶ (insurrectionists)	Conversion ⁷ (opportunists)

Source: Mahoney and Thelen (2010: 28) (slightly adapted: the original table first mentions change agents and then modes of change in brackets).

To summarise, the theories of gradual change understand that fundamental shifts in key institutional arrangements can take place through incremental, non-disruptive evolution. But the process of endogenous change is far from simple. While the punctuated equilibrium model identifies a unilateral mechanism of change, the recent literature on historical institutionalism introduces various types – displacement, layering, drift, and conversion (Mahoney and Thelen, 2010: 15-16). The impact of change on actors is rather modest; given that an established institution is comprised of multivariate, ambiguous rules and practices, this dynamic feature makes it possible for actors to seize ample opportunities for interpretation, reinterpretation, and contention (Hall, 2010: 217). In conclusion, actors are given a more significant role in producing change than the punctuated equilibrium model.

⁴ The introduction of new rules on top of or alongside existing ones (Mahoney and Thelen, 2010: 15)

⁵ The changed impact of existing rules due to shifts in the environment (ibid.:16)

⁶ The removal of existing rules and the introduction of new ones (ibid.:15)

⁷ The changed enactment of existing rules due to their strategic deployment (ibid.:16)

2.3.3 Ideational Change

Policy-making is a form of *collective puzzlement* on society's behalf... Much political interaction has constituted a process of social learning expressed through policy. In its most general sense, learning can be taken to mean a relatively enduring alteration in behaviour that results from experience; usually this alteration is conceptualized as a change in response made in reaction to some perceived stimulus (Heclo, 1974: 305-306).

Politicians compete for office precisely by propounding new solutions to collective problems which appeal to the electorate... The institutional arrangements designed to marry the public interest to private interests in a democracy rarely work perfectly, but they do operate so as to militate against a rigid distinction between power-based and ideas-based models of politics. The competition for power can itself be a vehicle of social learning (Hall, 1993:289).

Policy-making has been understood either as a “technical decision” to choose the most effective policy instruments for goals, or as a “political decision” to reach an agreement among various policy stakeholders. The perspective of the former is simple; policy problems are technical questions and resolvable by utilising knowledge of technical expertise (Goodin et al., 2006: 3). It therefore leaves little room for the dynamic interplay of political actors in resulting in policy/institutional change. The important point, however, is that even if the best candidate does exist, it is quite common to witness political conflict and contestation when decision-makers choose, for instance, where to construct a new factory or a nuclear power plant. While technical decisions are a matter of choice among a set of possible options, political decisions aim at discovering what options are feasible in practice.

As Heclo and Hall noted above, a distinguishing feature of policy-making is that it can be seen as a kind of social learning process. Given that those involved in policy-making often find themselves with a lack of time and information, learning from past experiences seems to further guarantee feasibility. Decision-makers as subjects of learning seek to gain useful lessons from past policy failures and reflect them in current policy formulation. March and Olsen (1984: 745-746) consider learning a potent mechanism leading to the discovery and introduction of new alternatives. Once various anomalies, where policy goals are not met and policy instruments cannot function properly, emerge and accumulate within an existing framework, decision-makers could end up abandoning it

and looking for a new paradigm. Our history has also gone through such changing processes, ranging from a shift from Keynesianism to monetarism (Hall, 1993) to the formulation of the internal markets within the NHS (Greener, 2002). Hence, policy-oriented learning necessarily involves ‘relatively enduring alterations of thought or behavioral intentions that result from experience and/or new information and that are concerned with the attainment or revision of policy objectives’ (Sabatier and Jenkins-Smith, 1999: 123).

Why does agency such as policy-makers and politicians pursue social learning? On one hand, “puzzling” is considered a means. It is true that actors go through many trials and errors, and thereby that they are committed to seeking solutions to address social issues. For example, analysing a set of revised United States policies, May (1992) argues that policies continue to become reformulated in response to widespread perception of policy failures. In a similar vein, Winship (2006) notes that a willingness to turn away from ineffective measures and to search for new solutions helps facilitate puzzle solving. On the other, actors can make use of social learning to gain political power. Using the case of downsizing the public sector during the Greek debt crisis (2009-2013), Zahariadis (2016) argues that “powering” can better explain policy change than puzzling can, when policies are conceived and designed abroad.

Whichever stance one takes, there remains a significant consideration. It is a firm belief in the capacity of agency to be autonomous and independent. Put simply, humans as reasoning creatures are able to: 1) give careful consideration to their present situation; 2) analyse whether it gives competitive advantage or disadvantage to themselves; 3) communicate and share relevant information with others; 4) judge what stance they had better take; and 5) mobilise resources to disseminate their ideas to a broader audience or other policy stakeholders. Actors’ advanced cognitive capacities are the distinguishing feature of a social world rather than simply thought to be epiphenomena with a limited impact that can only be understood in structure (Lewis and Steinmo, 2012: 317). There is a growing literature on ideas in political science, and it can be categorised into two groups, depending on the extent to which ideas are given weight as causal factors in the process of change.

The first category refers to students of institutional change both in the past and at present, who belittle the role of actors and their ideas in changing institutions. The most extreme

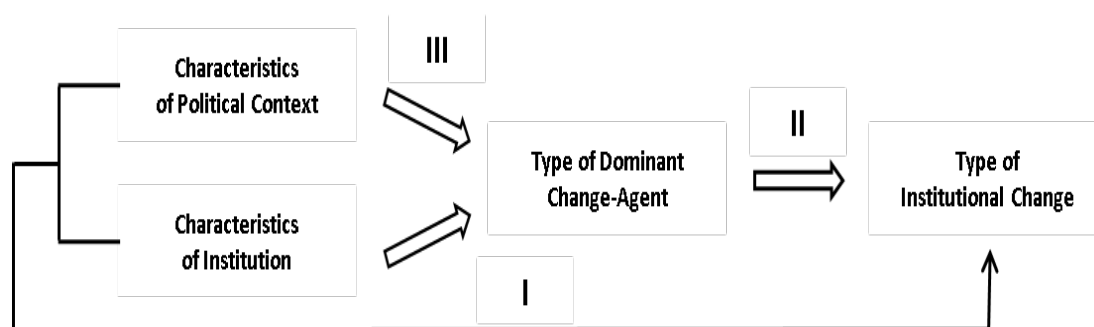
perspective is the punctuated equilibrium model that draws a sharp line between periods of durability and breakdown. To explain change, this model relies on exogenous factors that can shake up existing institutional arrangements; thus, actors and their ideas do not play a significant role during periods of transformation. But the fact that a society is at critical moments does not necessarily imply that a reigning structure would be automatically replaced by a new one. Can critical junctures alone make a big difference? More importantly, how does the model explain the fact that while the economic crisis in the late 1970s brought about a shift from Keynesianism to monetarism in the UK, one in 2007-08 does not seem to yield a fundamental change in its economic system? What is necessary would be to portray path-dependence and its collapse as a field of political conflict and contestation.

To tackle such shortcomings, historical institutionalists have recently incorporated agents and ideas into their analysis to conceptualise change. Although institutions function ‘as a bridge between the men who make history and the circumstances under which they are able to do so’ (Rothstein, 1992: 35), actors have been granted a rather marginal role that becomes influential only in situations of crisis. Laitin (1998), for instance, identifies the collapse of Communism as a main factor that created a radical crisis of identity for the Russian-speaking populations staying in the non-Russian republics of the former Soviet Union. Similarly, Hall (1993) sees the explanatory power of ideas exerted particularly in economic crises. He argues that it was in the era after World War II that Keynesian ideas originating in the interwar period began to win the race and become institutionalised in various policy domains (Hall, 1989). This way of the “ideational turn”, however, clearly shows the similar theoretical drawbacks facing the punctuated equilibrium model. Put differently, it sounds as if novel ideas held by agency should stay calm ‘to the point that only the intervention of exogenous factors, which typically rearrange (or punctuate) previously immutable structures, can bring about change’ (Blyth, 1997: 230). Does this imply that the mobilisation of political resources for change is ineffective in periods of path-dependence? No. Just as gradual institutional change emerges in response to the “all-or-nothing” perspective of the punctuated equilibrium model, the role of agency should not be restricted in a turbulent moment. Because this view does not allow scholars to unveil a real picture of rampant incremental change, it is necessary to see political dynamics as a feature of path-dependent periods as well as of path-departing periods (Peters et al., 2005: 1278). Institutional change can also happen by resting on an

‘appreciation of the heterogeneity of institutional arrangements and the resulting patterns of conflict or prospects for agency and innovation’ (Clemens and Cook, 1999: 461).

In short, uncertainty and political conflict become the central features of gradual institutional change. The gradual model assumes that even without turning to the fatalistic perspective of its predecessor, what Hall (1993) calls “first- and second-order change⁸” can lead to “third-order change” where goals shift, in the long run. It is therefore based on the ontological perspective that the society is one that is ‘becoming rather than being’ (Blyth, 2011: 101). In their contribution to incremental change, Thelen and her collaborators aim to incorporate actors and political conflict into their theoretical framework and thereby to take one step away from the institutional determinism of the punctuated equilibrium model (Streeck and Thelen, 2005; Mahoney and Thelen, 2010). Their argument is that actors could strategically mobilise their resources to seek change by interpreting political and institutional contexts – levels of veto possibilities and discretion in interpretation/enforcement. Yet the argument seems to produce an unintended consequence again; a model of gradual institutional change repeats the same mistake – the reduction of agency to institutional arrangements (See Figure 2-1 below).

Figure 2-1 Framework for Explaining Modes of Institutional Change



Source: Mahoney and Thelen (2010: 15)

Although linking several typologies to individual behaviours, Mahoney and Thelen stay in a “functionalist view” of change that focuses more on contexts than agency, ideas, and political dynamics (Roumpakis, 2011). It seems that their framework sees actors and their political strategies circumscribed by particular political and institutional contexts. Do they really want to argue that reading off those contexts makes agency promote change? If the answer is yes, can institutional variables fully explain the whole story of change –

⁸ Goals remain the same but either the settings of instruments or instruments themselves alter.

why not ideational and/or material ones (Beland, 2007: 23)? If the answer is no, how can Mahoney and Thelen define ideas and power (Roumpakis, 2011)?

This instrumental or functional treatment has not considered ideas as objects of investigation *per se*; they are considered intermediate variables to explain something rather than independent ones (Blyth, 1997). Such a conservative view reignites a theoretical debate over normative and cognitive ideas as independent variables that can account for outcomes in economic, social, and political life (Beland, 2005; Berman, 1998b; Bevir and Rhodes, 2003; Blyth, 1997; Campbell, 2004; Schmidt, 2008; Seeleib-Kaiser and Fleckenstein, 2007). The common argument raised in such a debate is that scholars need to go beyond historical and structural variables and instead analyse the role played by actors' ideas in shaping their choices (Berman, 1998b: 14). This second movement for an ideational turn marks a distinctive change in terms of definition, function, and carriers of ideas. First, they are differently conceptualised either at the cognitive or at the normative level. While the former is concerned with policies or institutions that specify underlying causes of social issues and prescribe solutions, the latter focuses more on extensive phenomena such as cultures, values, and identities that shape what one ought to do or to be.

For instance, ideas as programmes and paradigms classified by Campbell (2004: 94) play a significant role in either promoting or constraining change at the cognitive level. Programmatic ideas are assumed to have a great impact on the replacement of existing institutional arrangements and thereby to become paradigms once crystallised in formal institutions. In a similar vein, Berman regards ideologies as ideas at the cognitive level, arguing that 'it makes no sense to speak of an ideology that is not at least tangentially related to a political program or movement' (2013: 225). Goldstein and Keohane (1993), on the contrary, suggest that ideas as principled beliefs and world-views function at the normative level. The normative valuation on whether a "particular action" is good or not constitute principled beliefs (e.g. whether same-sex marriage should be legalised or not), while world-views are deeply embedded in identity, culture, and history (e.g. all people should be equally treated regardless of race, gender, or sexual orientation).

Table 2-3 Different Levels of Ideas

	Cognitive Level	Normative Level
Campbell (2004)	Programs/Paradigms	Frames/Public Sentiments
Berman (2013)	Beliefs/Ideologies	Cultures/Norms
Goldstein & Keohane (1993)	Causal Beliefs	Principled Beliefs/World-views
Beland & Cox (2011)	Causal Beliefs	.

Second, ideas have a profound influence on the process of institutional change. How and under what conditions do some ideas gain political prominence? Blyth (2001) discusses the role of ideas in three ways. Ideas serve as *institutional blueprints* through which actors are helped to reduce uncertainty, redefine their interests, and make the construction of a new institution possible (ibid.: 3-4). They present easy but correct and creative solutions to the contemporary problems of an age. At the same time, *Ideas as weapons* “ideologically” link the causes of a perceived problem to the inability of existing institutional arrangements, building up the normative as well as scientific foundations of a “soon-to-be institution” (ibid.:4). For instance, Margaret Thatcher is such a figure who effectively mobilised framing strategies in legitimising the necessity of her own ideas,.

[S]ocialists do not believe in a free economy. They believe instead in state control. They believe, too, in the government spending money before it has been earned. They exalt the state and belittle the individual. This is politically dangerous and economically disastrous. That is why Britain needs a new start and a new government...So we shall unite the country by the politics of common sense. And we shall restore the economy by the economics of common sense. That is the way to break out of the depressing cycle of division, strife and economic failure (Thatcher, 1979).

Once successfully settled as institutions, ideas are understood as *cognitive locks* (Blyth, 2001: 4-5). A period of uncertainty is brought to a conclusion, and actors in a newly established structure manage to define what their interests are, set guidelines for their decisions and preferences, or keep awaiting opportunities that can allow them to seek alternative options. As filtering mechanism, ideas help policy-makers ‘narrow down the list of issues on the policy agenda’ (Beland, 2009: 704). They shape political actors’ strategies towards a specific direction, while excluding other ideas with different values and modes of thinking that do not fit into the status quo. In this regard, ideas are thought to be institutions.

Third, researchers seeking to bring ideas into the analysis of institutional change are attentive to carriers or entrepreneurs. New ideas vie for survival and prominence; without individuals or groups able to put forward their approaches and solutions to policy problems, ideas end up not receiving much attention in political world. Hence, ideas must be able to provide simple but effective solutions to contemporary problems so that actors such as policy-makers, political leaders, and international organisations can convince others to reconsider the ways they think and act (Berman, 2001: 235; Campbell, 2001: 180). While early ideational scholars such as Hecló (1974) and Hall (1993) highlighted the role of bureaucrats and experts in translating ideas into policy and institution, a recent trend in ideational studies expands the concept of carriers to NGOs, think-tanks, and supranational organisations. The exchange of ideas goes beyond territorial boundaries, and non-state actors (e.g. NGOs and transnational think-tanks) often provide decision-makers with voluntary or coercive policy suggestions to ‘legitimise certain forms of policy or normative standards’ (Stone, 2004: 556). As Beland and Orenstein (2013) suggest, international organisations help spread certain ideas and discourse that they believe best address the problems of the day. Indeed, while the IMF and the World Bank are preoccupied with neoliberal ideas, the International Labour Organization (ILO) is in favour of a well-functional system of state-led social security (See Deacon et al., 1997: 57-90 for the details).

A more recent movement for ideational turn – what I call “the third movement” – tries to add a new approach to the confines of the three institutionalisms. For example, constructivist and discursive institutionalism coined by Hay (2006a) and Schmidt (2008), respectively, derive their origins from the inabilities of the existing new institutionalist approaches in explaining change. As compared with the second movement for ideational turn, the new approach is interested in ideas and discourse⁹. Hay’s constructivist approach (2002; 2006a), however, can be criticised for highlighting the ideas more than discourse. Although he identifies the discursive construction of crises as one of the key themes, he does not clearly theorise what discourse is and how the interaction between ideas and discourse affects political outcomes. Concerning the extent to which ideas and discourse are conceptualised in detail, Schmidt’s discursive approach seems more convincing than Hay’s one. Nevertheless, it is difficult to argue that discursive institutionalism is differentiated from the existing three institutional approaches since they also provide

⁹ Discourse is defined as ‘not only the substantive content of ideas but also the interactive processes by which ideas are conveyed’ (Schmidt, 2008: 305).

background information for discourse on one hand and discursive institutionalism is distinguished primarily by its subject matter – institutional change – rather than by the application of a distinctive perspective on the other.

To summarise, the ideational model of institutional change believes in the independent capacity of agents in putting forward their own ideas and thereby promoting change. This feature has been neglected, after the Second World War, ‘in reaction to the politicization of ideology in earlier decades and the disastrous consequences such politicization seemed to have yielded’ (Berman, 1998b: 16), leading scholars to focus more on structural variables. However, if scholars go beyond normative reservations and instead are attentive to the role of ideas, as independent variables, in affecting political outcomes, the new institutionalism would be enriched with various factors that could be utilised to explain institutional change. In addition, the fact that ideas are being incorporated into the framework of institutional analysis helps contribute to a better understanding of change such as the origin of ideas (where), ideas’ carriers (who), ways of gaining prominence (how), and reasons for their success or failure (why). The emergence of new ideas is likely to succeed particularly when the inabilities of existing belief structures open up new opportunities for them. Given that such instability results from either exogenous crises or the gradual breakdown of institutions (Berman, 2001: 234), the degree of change varies. If scholars are interested in the latter, the types of gradual change would be layering, conversion, drift, or displacement; but, actors are not always restricted to one of them.

2.4 Conclusion

This chapter explored the theoretical developments of institutional change and the merits and demerits of each theory. The first endeavour to explain change was the punctuated equilibrium model that emphasises the explanatory power of critical junctures such as wars and economic crises. Since this model assumes that institutions are characterised by being reluctant to change and instead have tendency to stick to their core principles, it relies on something sudden and radical beyond structural variables that could break existing institutional arrangements. Actors, accordingly, are given a minor role in the changing process. To respond to such a radical view, political scientists have argued that institutional change can also take place without the emergence of exogenous shocks, and that it evolves incrementally over extended periods of time. For them, institutions are

inherently exposed to gaps between rule makers and rule takers and understood as an interaction channel between the two. Depending on the extent to which institutions have discretion in interpretation or enforcement and veto possibilities, actors can play a relatively active role in promoting change. There is criticism, however, that the framework of gradual change restricts the boundary of their strategic actions. Due to such a shortcoming, the ideational model of change has gained attention recently. This model believes in independent capacity to mobilise their own ideas and shift the existing paradigms.

Chapter 3 : Uncovering Institutional Change Methodologically

3.1 Introduction

This chapter lays the foundation of the thesis's methodological framework in discussing the process of institutional change. This thesis is particularly interested in the institutional change of the National Pension Scheme (NPS) in Korea, and two reasons lie behind the choice. The first aspect relates to the nature of pension reforms highlighted in the literature on the politics of welfare state. As one of the most important social security programmes in modern welfare, public pension schemes have played a significant role in ensuring post-retirement income for pensioners. Second, they are at the heart of "political struggle" since future pensioners have continued to pay a certain portion of their "current" income that was determined by either previous or current governments. Even minor changes in contributions and/or benefit levels could thus yield political controversy. In the Korean context, the second aspect deserves more attention in that the direction of the NPS reforms is more complex than that of other welfare programmes; reforming the scheme has involved both retrenchment and expansion-oriented policy measures while other social programmes have relatively been on the path of expansion.

3.2 Why Does the Thesis Choose to Analyse the National Pension Scheme Reforms in Korea?

This thesis analyses the two NPS reforms that happened in 1998 and 2007. Before discussing its methodological background, this chapter answers why the thesis has chosen "Korea" as the object of a case study.

Korea's welfare reforms have been significantly discussed across the society. Yet, the direction of the reforms is likely to take a different path compared to other developed political economies. Whilst they are under the discourse of "permanent austerity" that inhibits the expansion of social policy programmes (Pierson, 1998), Korea has witnessed political debates on how to meet growing expectations of increased welfare among the people. The country was traditionally labelled as a "developmental welfare state" in which to mobilise social policy as an effective instrument for economic development (Kwon et al., 2010: 177). This feature contributed to the rapid economic growth, which, in turn, further institutionalised such development-oriented logic by narrowing down the possibility of alternative paths. Yet it was since the Asian economic crisis in 1997-98 that

such a developmental logic begun to disappear. Not only did the economy register a negative growth of -5.5% in 1998, but the substance of the economic system also experienced a crisis that Korea had never anticipated. For example, while the Gini index had barely changed prior to 1997, the figure significantly increased from 2.57 in 1997 to 2.85 in 1998; and the unemployment rate soared to 7% in 1998 from 2.6% in the previous year. Given that the richest quintile groups in Korea enjoy the lion's share of public transfers (Kwon, 1997a: 475), the poorest ones seemed to be hit harder by the economic crisis. In particular, the fact that traditional strong family solidarity as the unit most responsible for social welfare (ibid.: 477) was substantially undermined had significant implications. In this situation, it is natural to see increased calls for fundamental changes in the way in which the government utilises social policies. Then what has happened to the Korean welfare system since the Asian economic crisis in 1997-98? How can we understand the different pattern of its political dynamics different from those of developed welfare states?

Table 3-1 Economic Indicators in Korea

	1996	1997	1998	1999	2000
GDP growth rate	7.6	5.9	-5.5	11.3	8.9
Unemployment rates	2.0	2.6	7.0	6.3	4.1
Gini index	2.57	2.57	2.85	2.88	2.66

The Gini index represents the measure of income distribution. The increase in a nation's Gini figure year-on-year means that its income inequality has worsened. Due to the data unavailability of Gini index, these figures included only three or more member households that resided in cities. Source: Statistics Korea (<http://kostat.go.kr>)

The thesis looks into the reforms of the NPS in Korea for two reasons. First, this scheme has adopted a partially funded financing in which pension benefits are financed out of the contributions pensioners themselves made when they were working, as compared with most affluent democracies that have developed a pay-as-you-go financing where pension benefits paid to current pensioners are financed from contributions current workers are making. This is not just a simple matter since the nature of pension politics is dependent upon differences in financing public pension schemes. As Myles and Pierson (2001: 306) argue, institutional and programmatic designs have a significant impact on the options and stakeholders of pension reform. Apart from pension politics, how a public pension scheme finances benefits for pensioners is differently affected by economic environmental changes. While a pay-as-you-go system is more sensitive to changes in

total wages, a funded system is especially vulnerable to inflation and fluctuations in capital markets (Bonoli, 2000: 24-25).

Second, the direction of the NPS reforms seems to go against the grain, compared with other social programmes in Korea. As mentioned earlier, they have substantially become more generous since the Asian economic crisis. For example, the Minimum Living Standard Guarantee replaced an earlier social assistance programme in 2000 by using a more generous poverty threshold. The Long-Term Care Insurance has been implemented since 2008 to deal with the increasing demand for elderly care services. A recent policy initiative is a universal meals programme in the Seoul metropolitan government, a programme which provides fifth- and sixth-grade students with lunch meals financed out of general taxation. Given this expansionary movement, one can argue that the NPS would have followed the same path. Indeed, social conditions have been already created; Korea is in transition to ageing society a lot faster, while simultaneously recording the highest elderly poverty rate among all OECD member countries, (OECD, 2017a).

Table 3-2 Poverty Rate by Age Group, 2015

	Working Age (18-65)	Elderly (> 65)
Australia	10.2	25.7
Chile	14.2	16.3
Denmark	7.0	3.2
France	8.2	3.6
Germany	9.5	9.5
Japan	14.5	19.0
Korea	8.5	45.7
Switzerland	7.5	19.4
Sweden	8.5	10.0
United Kingdom	10.0	13.8
United States	14.8	20.9

Source: OECD (2017a)

Comprehensive policy responses, however, have been adopted in a complicated manner. According to Myles and Pierson (2001: 307), the latecomers where significant public pension programmes were not in place at the end of the golden age tend to create and expand the systems of old age security. At first glance, the NPS seems not much different from that path. The scheme has begun to gradually increase coverage from workplaces with more than 10 employees initially in 1988 and with more than 5 employees from 1992 to farmers, fishermen, and the rural self-employed in 1995 to the self-employed in urban

areas in 1999. Despite this coverage extension, on the other hand, the scheme has been on the path of retrenchment. Of great importance are several parametric reforms that involved reductions in the replacement rate, increases in contributions, and an increase in the starting age for pension collection. The scale of the reforms was quite radical. Since its introduction in 1988, the NPS's benefit rate has decreased from 70 to 40%, the contribution rate increased from 3 to 9%, and the pension age from 60 to 65. And these changes took place even before full pensioners who made minimum 20 years of contributions existed. How can we understand such a radical transition but in a rather short time?

Table 3-3 Summary of the NPS Reforms

	Replacement Rate (40 years of contributions)	Contribution Rate	Pension Age
Pre-determined Increases		3% → 6% (1994) 6% → 9% (1999)	
1998 Reform	70% → 60%		60 → 65
2007 Reform	60% → 40%		

Employees and employers had equally paid contributions until 1992, and after the 1993 minor reform, each 2% out of the 6% had been paid by employees, employers, and retirement package allowances reserved within companies. After the 1998 reform, the contribution system returned to the initial design where both employees and employers pay half of contributions. The self-employed pay all of their contributions, which are calculated based on their income tax return. The benefit reduction of the 2007 reform has been being implemented, decreasing to 50% in 2008 and then by an additional 0.5% point every year until the replacement rate reaches 40% in 2028. The starting age for pension collection has been increasing by a year for every five years, starting from 2013 at 61 until 2033 at 65.

Another important thing to notice is that the second reform in 2007 saw the introduction of the non-contributory Basic Old-Age Pension (BOAP) to address the issues of the large uncovered population and the elderly poverty population. Although the NPS is based on a partially funded financing useful to increase the size of the pension fund, it has been argued that the older generations unable to satisfy minimum years of contributions for benefits could suffer from poverty in old age (See Table 3-2). Further, the excessive reliance on the fund is more likely to fluctuate by population ageing as well as capital markets (Bonoli, 2000: 25), increasing the possibility for the future generations to face pensioner poverty after their retirement. In this context, introducing the BOAP can be defined in a different manner, compared with the benefit reductions in 1998 and 2007. Characterised by a non-contributory, means-tested system financed out of general taxation, the BOAP started to cover the elderly in the bottom 70% of the income bracket.

How and why was the programme introduced, given the considerable benefit reduction in the 2007 reform?

3.3 Setting the Research Questions

Pension reform is one of the typical examples of institutional change which is taking place in modern welfare states. To answer “how” we can understand the complexity of the NPS reforms (a mixture of expansion and retrenchment measures), this thesis seeks to apply existing theories of welfare states to the Korean case by highlighting their causal mechanisms. In doing so, the nature of potential causes posited by those theories can be more explicit in a way that unpacks the black boxes of their causal processes. Based on this reasoning, the main research question and sub-questions are set out for the empirical study of this thesis as below.

Main research question and sub-questions

How did the two NPS reforms in 1998 and 2007 unfold?

- Why did the NPS change radically in a short time?
- Can existing theories of welfare states explain the two NPS reforms?
 - If *yes*, are they specific enough to uncover the details of the reforms?
 - If *no*, why?
- What differences in pension politics can be identified between the pre-reforms and the period of the reforms?

The main question is designed to examine *how* things happen. That is to say, the thesis is attentive to *how* the cause(s) conveyed its causal forces to the two NPS reforms. The first sub-question addresses why the scheme experienced radical changes in a short period of time. The second one analyses whether or not existing theories of welfare states can account for the NPS reforms, and the thesis will answer this question by focusing on their causal mechanisms formulated. In this context, the thesis is founded on a foundationalist ontology and a realist epistemology, both of which will be described in the next section. If a theory is likely to explain the case, the thesis will further ask if it is enough to uncover the reforms in sufficient detail. The last sub-question aims to compare differences in pension politics between the pre-reforms and the period of the reforms.

3.4 Ontological and Epistemological Nature of Institutional Change

Ontological and epistemological positioning shapes social researchers' orientation to their subject, the approach to theory, and the methods they use (Furlong and Marsh, 2010: 184). Although ontology is broadly understood as the nature of "being", it tends to 'be defined in more narrow and specific terms' within political analysis (Hay, 2011: 463). With regard to ontology in political analysis, it is essential to answer the following questions. What is the nature of political reality? Do any political entities exist that are objective and exert independent influence on actors? The answers to these questions play an important role in laying the foundation of every political inquiry. In particular, the new institutionalism is classified into three different schools according to which researchers differently acknowledge the existence of political entities external to actors. Among the three approaches, historical institutionalism upon which this thesis is theoretically founded assumes that political reality consists of structure and agency and is therefore understood as the locus where the dynamic interplay between them takes place (Thelen and Steinmo, 1992: 10; Skocpol, 1992: 58). In historical institutionalism, institutions as structures possess properties that exert political influence on actors – *a foundationalist ontology* based on 'unquestionable set of indisputable beliefs from which our knowledge may be logically deduced' (Hughes and Sharrock, 1997: 4-5).

The next step is to consider an epistemological position that plays an crucial role in reflecting a researcher's perspective on what we can know about the world (Furlong and Marsh, 2010: 185). Borrowing Blaikie's perspective (2007: 18), this thesis understands epistemologies as 'claims about which scientific procedures produce reliable social scientific knowledge'. Then what scientific processes do researchers go through to ensure its reliability, whereby they confront the question whether social entities they witness are "directly" observable? The thesis is rooted in *a realist epistemology* where "inferences" are made from things observed since there are facts that are "not fully" identified through direct observation (Perri 6 and Bellamy, 2012: 60). Realists contend that reality, which is unobservable, can be inferred by theory-laden empirical findings (Furlong and Marsh, 2010: 205). In this context, all theories and conceptual frameworks are considered academic lens through which one takes a step closer to reality. This assumption is also associated with institutions posited by historical institutionalism (Marsh and Stoker, 2002: 313). Although political institutions exist independently of actors' awareness towards them, they are too complex to be fully captured. This is why historical institutionalists

have relied on theoretical, conceptual frameworks to better understand institutional phenomena (e.g. positive feedback and lock-in effects for path-dependence and the punctuated equilibrium model, gradual change, and ideas for institutional change). The coexistence of such concepts itself implies that it is seldom possible for a single model to paint a full picture of the complexity of institutional phenomena, thereby rendering researchers aim to make ‘inference to the best explanation’ (Hollis and Smith, 1991: 207).

What should be inferred? It takes researchers back to an ontological issue again. Realists argue that although there is a reality out there independently of our understanding on social entities, social inquiry should seek to identify “causal mechanisms” that produce them (Danemark et al., 2002: 1). Bhaskar (2008) argues that mechanisms lie at the heart of the emergence of social events. It is “generative” that mechanisms play a crucial role in triggering the causal power of actual phenomena. It is “transfactual” that they are essentially working behind what is happening and beyond our five senses (Steinmetz, 1998: 178). Human agents, however, are not simply subordinate to mechanisms but can rather exercise their transformative power in changing the social world (Bhaskar, 2008: 48). In essence, human agents including social researchers are transitive in that they need to rely on theoretical frameworks to infer intransitive causal mechanisms that produce social phenomena, even though their transitive view may be closer to the intransitive social world (Houston, 2001: 851).

In summary, historical institutionalism ontologically assumes that political reality consists of institutions and agents. Although institutions exist independently of actors’ understandings of them, they do not determine, but constrain or facilitate, actors’ choice of political options. At the same time, individual behaviour could make a difference in producing different outcomes. The political world is thus understood as the locus where one does not always gain absolute predominance over the other; it is filled with political dynamic emanating from the interaction between institutions and actors. With regard to epistemology, realist perspectives provide a background for historical institutionalism, assuming that since it is impossible to observe the process of institutional phenomena directly, inferences should be utilised to have a better understanding of them. Existing theories and conceptual frameworks function as practical lens through which human agents including researchers try to take one step closer to reality. Through such lens, social inquiry needs to direct its attention to causal mechanisms that drive the manifestation of social phenomena, in order to understand them and their causes.

3.5 Overview of Existing Methods in Institutional Change

Based on historical institutionalism, the thesis seeks to explain the NPS reforms by adopting the realist epistemology. This has the following implications: 1) the nature of institutional change cannot be fully identified through direct observation; 2) the thesis shall thus infer the causal mechanism based on things observed; and 3) the researcher's inference shall rely on existing theories that can account for the Korean case. This part aims to explore how the existing literature understands the nature of institutional change. To do so, it is necessary to provide an important background against which its current trend of “describing”, not explaining, institutional change is criticised.

3.5.1 Distinguishing between Explanation and Description

The background is to discuss several differences between description and explanation, each of which is one of the three inference types (Perri 6 and Bellamy, 2012: 16). On one hand, descriptive inference is used to answer a set of questions about Xs, where X represents any empirical topic for social research (ibid.: 16). It refers to descriptions of something by enumerating its information and thereby covers “what” questions: what are the Xs?; what features do the Xs include?; and what consequences result from the Xs? Hence, descriptive inference tends to be variable-oriented storytelling, and its narrative structure would be “X did A, A did B, B did C, and then C did Y”, helping establish correlation or covariation between X and Y. But description alone shows difficulty establishing causal direction for two reasons (Bennett, 2010: 208-209). The first is that if X and Y are correlated, it is impossible to rule out the possibility that Y caused X. For example, a correlation between junk food and violent behaviour implies that excessive intake of junk food may cause violence or vice versa. The second is that description does not identify a specific causal pathway through which X and Y are linked. By causal pathway, it implies that special emphasis is put on the “sequence” of events. In other words, it should reveal that a preceding factor caused its following one. To describe something without causal mechanisms, however, does not explain whether, using the aforementioned example, junk food was the only factor producing anti-social behaviour. What about much exposure to violent scenes in the media, the experience of family breakdown, or hanging out with violent friends? In this context, the event/variable-oriented descriptive inference has a methodological shortcoming that would yield the intervention of potentially spurious variables.

On the other hand, explanatory inference is used when researchers pay attention to understanding causation through its mechanisms and thereby aims to answer “why” and “how” questions. Why and how do the Xs produced Y? Under what circumstances do the Xs cause Y? Explanation implies directing attention to the cause(s) but could be successfully done in the form of a more or less complicated set of causal mechanisms (Boudon, 1998: 172). Aspirations for why and how things happen have made social researchers turn their attention from what they see at the surface of things to underlying mechanisms that give rise to the events (Pentland, 1999: 712). Explanatory inference thus emphasises the importance of process and sequence, whereby the causal direction from X to Y comes into existence. Unfolding causal mechanisms seeks: 1) to step away from a mere description of events; 2) to identify specific processes through which the cause under consideration conveys its causal forces to the outcome; 3) to distinguish causality from coincidental association which does not specify a causal mechanism (Hedström and Swedberg, 1998: 8-9); and 4) to corroborate the inference that X is a cause of Y (Goertz and Mahoney, 2012: 102).

What inference has been utilised in the study of institutional change? The answer is both but in a way where descriptive inference provides a basic tool for explanatory inference. The latter plays a more crucial role but is not fully understood without the former in analysing institutional change. Thus, the scholars describe the nature of institutions and actors and then proceed to explain institutional change in the framework chosen. According to Krasner, for instance, institutions are portrayed as branching trees where ‘once a critical choice has been made it cannot be taken back’, and such a rigid perspective leaves human agents unable to ‘start de novo with every change in wants, needs, and power capabilities’ (1984: 240). Without this description, it would have been challenging to grasp why and how critical junctures function as the cause of institutional change. Streeck and Thelen (2005) see institution as regimes laden with rules where the enactment of a social rule is imperfect, thereby allowing political actors as rule taker to mobilise their resources in altering the status quo. Based on such descriptions of the institutional framework, Streeck and Thelen analyse how institutions gradually change. Blyth (2002) depicts that when prevailing institutions remain clouded by environmental uncertainty, agents with ideas can play a main role in introducing a new institution. According to this assumption, his main interest is in both ‘how agents redesign and rebuild institutional orders, and the conditions under which these activities take place’ (ibid.: 8). These studies

show that although both types are utilised, explanatory inference is more vital to explaining institutional change and tracing its mechanisms, which, as Thelen (1999: 400) argues, should be specified in a more precise manner. In conclusion, it can be argued that institutional change is barely explained without crystallising causal mechanisms.

3.5.2 Nature of Causal Mechanism

A causal mechanism has been interpreted in many different ways, depending upon academic disciplines within which it is used. In particular, the philosophy of social science has provided in-depth discussions on the definition of the term. For instance, Danemark et al (2002) defines a causal mechanism as a theoretical concept that is deemed to produce social phenomena and constitute the deep dimension of social reality. Another definition is provided by Bunge (1997: 414), who notes that ‘a mechanism is a process in a concrete system, such that it is capable of bringing about or preventing some change in the system’. Little’s definition is that mechanisms are understood as ‘a series of events governed by law-like regularities that lead from the explanans to the explanandum’ (1991: 15). These scholars influenced by the realist accounts of a causal mechanism converge on a stance that sees it as a structured set of parts producing social events.

Apart from the science domain, the school of “analytical sociology” has also committed itself to crystallising mechanisms to explain large-scale social outcomes. Aiming to systematically explicate macro social events, Hedström and his colleagues develop their distinctive understandings of mechanisms, and what they call social mechanisms is defined as ‘a constellation of entities and activities that are linked to one another in such a way that they regularly bring about a particular type of outcome’ (Hedström, 2005: 11). The reason why sociology here is analytic is that using the concept of a social mechanism, the field focuses on explaining why and how social phenomena take place, rather than mere description and interpretation (Barkey, 2009: 712; Hedström and Swedberg, 1998; Hedström and Ylikoski, 2010). The debate in political science, in general, falls in line with that in analytical sociology (ibid.: 57). Beach and Pedersen (2013: 29) consider a causal mechanism as ‘a theory of a system of interlocking parts that transmits causal forces from X to Y’. Borrowing from the realist school in the philosophy of science, Mahoney considers a causal mechanism to be ‘an unobserved entity that – when activated – generates an outcome of interest’ (2001: 580).

Despite a different understanding of causal mechanisms, it is commonly agreed that they function as a system that transmits causal energy from the cause to the outcome under analysis. Causal mechanisms, therefore, are no longer complementary to the posited cause but play a main role in producing its ultimate effect. According to this perspective, this thesis, borrowing Waldner's understanding (2012: 75), sees a causal mechanism as 'an agent or entity that has the capacity to alter its environment because it possesses an invariant property that, in specific contexts, transmits either a physical force or information that influences the behaviour of other agents or entities'.

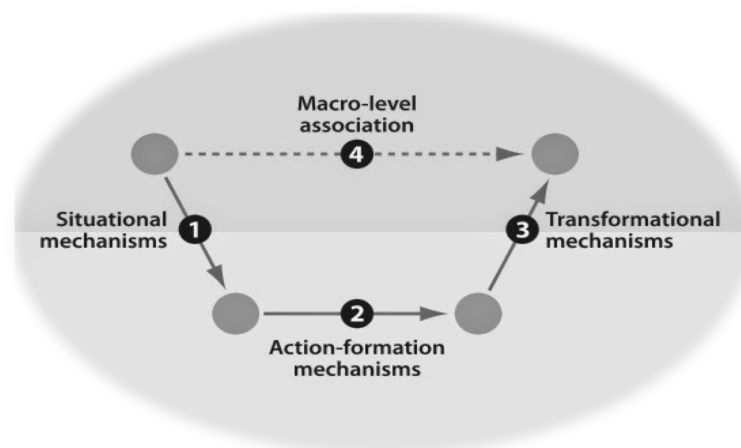
Bearing this definition in mind, some features of causal mechanism can be drawn. First, it is important to avoid conflating between causal mechanism and intervening variable in that they are founded upon different ontological understandings of social world (Falleti and Lynch, 2009: 1146). The former is assumed to be "unobservable", while the latter is identified by observable data. Mechanisms in essence are residing at a level of "metaphysics" above variables so that they cannot merely be reduced to the effect of a cause (Beach and Pedersen, 2013: 29). A correlational perspective, however, assumes that intermediate variables are automatically drawn by identifying causes, which, in turn, allow researchers to know the outcome of interest, thereby making it impossible to understand "how" things happen (Hedström and Ylikoski, 2010: 55; Waldner, 2012: 73). Second, mechanisms are conceptualised as "systems" where entities and their activities convey causal forces from X to Y (Machamer et al., 2000). Though ontologically unobservable, they, methodologically speaking, should be specified in forms of entities and activities so that causal mechanisms of social events could be inferred by their empirical manifestation. Third, mechanisms are sensitive to variations in social contexts (Astbury and Leeuw, 2010: 368), implying that the same mechanism does not always produce the same outcome since the contexts in which it operates could make a difference in its functioning or meaning¹⁰ (Falleti and Lynch, 2009: 1145).

Borrowing the approach of "structural individualism" that analytical sociology adopts in explaining how social world works, the thesis emphasises that three different types of causal mechanisms should be explicitly identified in social sciences. What analytical sociology prioritises is a commitment to the "analytical explanation" of macro social

¹⁰ For example, when analysing multiple mechanisms to democracy, Tilly (2000) identifies that they can happen only in places with favourable environmental circumstances created gradually. To promote explanatory leverage, researchers should be able to look into the interaction between causal mechanisms and their contexts, when seeking their applications to other cases (See also Kurki, 2008)

outcomes, and the school seeks to achieve it by presenting precise and clarified social scientific theories (Hedström and Ylikoski, 2010: 58). Here, causal mechanisms upon which they are founded carry out the most significant role in analysing the changing processes of social phenomena. It is crucial to avoid making a specious argument that indicates mechanisms in a vague manner, and a good social explanation should thus aim to illuminate their presence so that changes in macro properties could be better understood. Then what processes would promote a better understanding of the social reality? Structural individualism insists on a need to go down deeper into its constitutive elements – micro-level processes, entities, and relations (Ylikoski, 2012). This form, as the weakest level of methodological individualism, differs greatly from its traditional approaches in that structural individualism ‘admits of social wholes in the form of structures of interrelated positions, which exist independently of the particular individuals who happen to occupy these positions’ (Udehn, 2002: 499). Whilst the traditional approaches of methodological individualism claim the superiority of micro-foundations by denying the existence of macro-level properties, structural individualism sees that its orientation to the micro-level is required for the “more satisfying explanation” of macro facts (Ylikoski, 2012: 25). It is important, therefore, to recognise that the focus of structural individualism on micro-foundations does not imply any commitment to disclaiming the explanatory link of macro properties; but such “association” does not end up with macro-level causal mechanisms (See Figure 3-1).

Figure 3-1 Three Types of Causal Mechanisms



Source: Hedström and Swedberg (1998)

For the purpose of a better explanation, it is important to avoid both radical holism and individualism by taking both elements into consideration, which is a central tenet of

structural individualism¹¹. Here the social world is comprised of a purposive actor and a structural system of activities in which his/her action is performed (Coleman, 1965: 103). Yet an agent does not necessarily refer to an atomistic individual as a natural person; corporate actors, such as governmental ministries, political parties, trade unions, or private corporations, can be also considered actors with their own interests (Coleman, 1974, cited in Udehn, 2001: 295-296).

The three mechanisms in Figure 3-1 play a role in illuminating a plausible, but ambiguous, relationship between different macro properties, thereby converting correlation into causality. The situational mechanism shows how social structures narrow down a range of options actors can choose. EU member countries, for example, are subject to a series of EU laws, regulations, and directives, which lead them to specific policy directions through this sort of mechanism. The action-formation mechanism explains how individuals have reached a chosen course of action among several alternatives. Its potential candidate could refer to a mechanism through which the British government led previously by David Cameron decided to choose “referendum” among other options in response to the EU’s condition for membership. What is important in this mechanism would be to look into: 1) the origin of actors’ ideas and beliefs; 2) what alternatives were in their hands; and 3) how and why they have reached the final choice. The transformational mechanism shows a causal pathway by which agents in combination with their actions and interactions bring about various intended and unintended social outcomes (Ylikoski, 2012: 38). For instance, Stone (2004) convincingly shows a dynamic process by which transfer agents and global networks contribute to the spread of similar policy results between countries.

A better understanding of the social outcomes can be achieved by going through the three mechanisms, and in doing so, the nature of macro-level associations would be clearly identified. Without situational mechanisms specified in the explanation, for example, it is impossible to understand why particular beliefs and preferences actors have held are often unable to produce their optimal outcomes (Knight, 2001:44). Their belief system does not emerge in a vacuum, and this is why there is a need to see how situational mechanisms

¹¹ Concerning institutional analysis, Jessop (1990) introduces the Strategic-Relational Approach that goes beyond the duality of structure and agency, examining structure in relation to action and action in relation to structure. Rejecting the strict differentiation between the two, he argues that institutions and actors are understood to be closely connected, making it possible to analyse the changing nature of the relations between them (Jessop, 2001: 1225).

infiltrate into the vacuum and change its composition that would affect living creatures – agents in the social world. Hence, when one takes situational mechanisms into consideration, it would be possible to understand why actors behave in a certain manner in a given situation.

This thesis ensures that a specific perspective of looking at the world constitutes its backbone – a balance between macro-level and micro-level properties. The thesis earlier defined its fundamental position as the mixture of a foundationalist ontology and a realist epistemology. It is assumed that structure and agency form a more interactive relationship than those in a positive or an interpretivist epistemology; this aspect is reflected in structural individualism that rejects both radical holism and individualism. Hence, this thesis identifies logical consistency that penetrates its theoretical foundation – historical institutionalism. To explain the emergence of institutional phenomena, historical institutionalism pays attention to the historical trajectory into which the dynamic interplay between institutions and actors is incorporated. Their interaction becomes a central feature of mechanisms and produces a causal effect on outcomes (Bengtsson and Ruonavaara, 2017: 53). Historical institutionalism also emphasises the capacity of sequence to causally affect events in terms of mechanisms. This thesis shall therefore centre on historical institutionalism to examine the dynamic changing process of the NPS, while giving equal weight to institutions and actors.

3.5.3 Shortcomings of Existing Methods in Institutional Change

Based on the aforementioned foundationalist ontology and realist epistemology, what should we see in the process of institutional change? Given that an institution refers to a social entity, its change leads to a particular social phenomenon where the studied institution has been transformed into a different one. In this changing process, causal mechanisms play a main role in producing causal forces that alter the fundamental properties of the institution. Thus social researchers need to show the process and sequence of institutional change so that it is possible to better grasp “why and how” entity A has transformed into entity B rather than “what” has changed. It implies that explanation should be a central type of inference rather than description. In addition, institutional change is understood to take place through the dynamic interplay between institutions and actors. Each element cannot exert its exclusive influence on the changing process, and researchers should thus avoid both radical holism and individualism by

taking a balanced approach between the two. Last, theoretical models are utilised to help “infer” the nature of causal mechanisms, which is in essence unobservable, by specifying what observable things we should refer to.

The literature on institutional stability/change has emphasised the importance of causal mechanism (Immergut, 1992; Levi, 2002; Thelen, 1999; Thelen, 2002). The common understanding is that distinctive mechanisms embedded in each institution function as “filters” through which similar policy issues are differently perceived by relevant actors, whereby there would be a variation between their ways of dealing with the issues. Paying special attention to unique patterns of policy-making, Immergut (1992) argues that in Sweden, France, and Switzerland, whether national health insurance was made possible depends on the unique mechanisms of policy-making, which, in turn, yield the different outcomes. Unlike France and Switzerland, the executive’s effort to enact national health insurance in Sweden could bear fruit, since the political system and rules allowed its government to enjoy stable parliamentary majorities (ibid.: 78-82). Thus, interest groups such as the Swedish medical profession became politically disadvantaged by such mechanism, which was not the case in France and Switzerland. Based on the existing literature, Hay (2006b) identifies four sets of mechanisms (trade integration, foreign direct investment, financial market integration, and environmental degradation) through which economic globalisation puts constraints on public policy-making autonomy, and then critically assesses the plausibility of each mechanism. He insists that given that there is still a positive, strengthening association between public spending and economic openness, the mechanism of trade integration, for instance, is rather exaggerated (ibid.: 596).

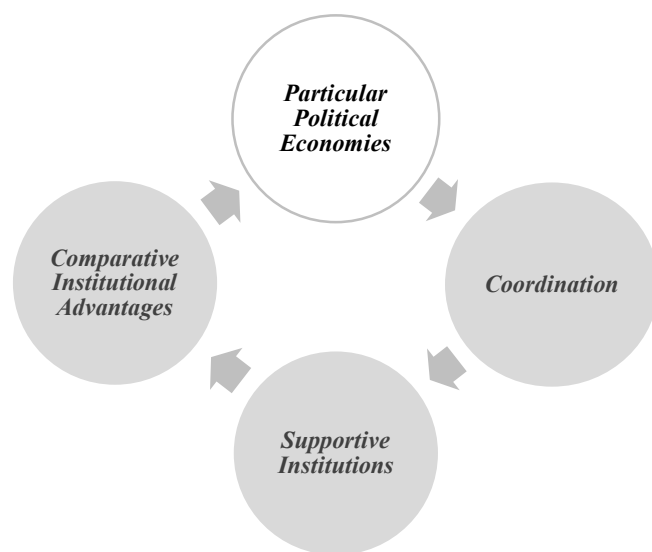
With regard to the literature on institutional rigidity, the concept of causal mechanism is used to explain why institutions are resilient enough to withstand socio-economic pressure for changes (See Thelen, 1999 for a systematic review of reproduction mechanisms). As Estevez-Abe et al. (2001) observes, skill composition exerts causal influence on forms and levels of social protection through the mechanisms of employment protection, unemployment protection, and wage protection. For instance, the United States whose economy is mainly based on general, therefore highly portable skills, provides workers with a low level of social protection, because employers do not have a strong incentive to attract workers with firm- or industry-specific skills. This can originate from three parts of the following mechanism: 1) employers could lay off employees easily

since they hire from ‘a large pool of unskilled workers’ – *the employment protection mechanism* (ibid.: 176); 2) unemployed workers with general skills would be given higher chances of being employed – *the unemployment protection mechanism*; and 3) the wage levels of low-skilled workers are dependent upon market fluctuations – *the wage protection mechanism*. Hall (2016) also analyses five types of mechanisms through which institutions reinforce the social coalition on which their own existence relies¹². One of them is focused on the capacity of institutions to distribute power unevenly to actors, and the East Asian productivist welfare regime can be a typical example in which the state bureaucracy, especially economic bureaucrats, gained significant autonomy, whilst civil society actors were restricted from engaging in public policy-making process (Dostal, 2010).

Yet, the current understanding of causal mechanisms in the literature seems vague, given that they are not defined as “systems” in which a constellation of *entities* and *activities* is expected to convey the causal energy to the outcome under investigation (Hedström, 2005: 11; Beach, 2013). On one hand, a causal mechanism is often equated with a chain of intervening variables (e.g. George and Bennett, 2005; King et al., 1994; Kitschelt, 1999; Waldner, 2012, 2015). This formulation helps establish a plausible link between an independent and a dependent variable, but does not illuminate a specific “causal” pathway through which the former exerts causal influence on the latter. Thus the causal mechanism remains opaque. Hall and Soskice (2001), for instance, analyse how national political economies can preserve their specific features of institutional arrangements even in a changing time. The so-called “institutional complementarities” mechanism labelled by Hall (2016: 43) vividly examines another way of thinking about path-dependence; but it is composed of a series of intervening variables – coordination, supportive institutions, and comparative institutional advantages.

¹² They are the mechanisms of entitlement, uncertainty, the uneven distribution of power, coordination effects, and institutional complementarities (Hall, 2016: 42-44).

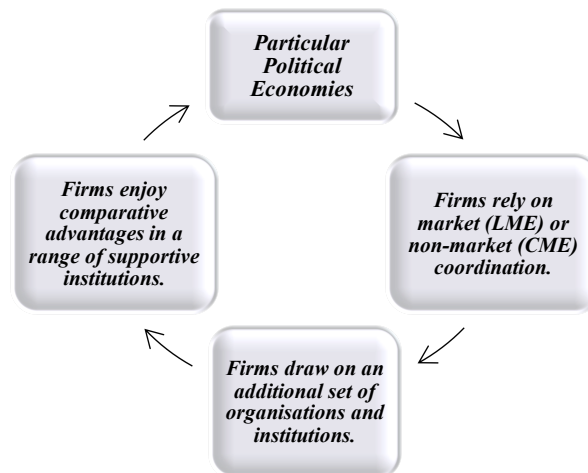
Figure 3-2 Intervening Variables Understanding of Causal Mechanism (Drawn from Hall and Soskice, 2001)



With this variable-oriented understanding of mechanism, it is difficult to understand fully how the institutional arrangement of national political economies transmits its causal power to the outcome. Such appreciation implies that the causal mechanism could be differently measured from case to case, based on a “probabilistic” understanding of causality (Beach and Pedersen, 2013: 37). Are there any concrete criteria on the extent to which supportive institutions are present in the case of interest? Even if yes, is it possible to conclude that it has, for example, 60% of existence? Thus our concern of tracing the operation of a mechanism ends up tracing its stochastic assessment rather than its presence/absence (ibid.: 28). Hence, the probabilistic understanding of causality is not compatible with the realist epistemology upon which this thesis rests. This correlation-oriented approach results in another shortcoming that does not portray the dynamics of the mechanism. In other words, intermediate variables as causal terms do not elucidate what entities are engaged in activities and thereby do not give shape to the nature of mechanisms. They are so abstract, impersonal variables that the interaction between institutions and agents is not fully reflected in the explanation (Waldner, 2012: 69). Conceptualising the causal mechanism, therefore, seeks to convert the variables into the entities and activities that enable closer examination (Machamer et al., 2000). Last but not least, in contrast to the realist assumption that each theory posits its causal linkage, a set of intervening variables is not congruent with the theory to be chosen. Just as the social reality is inferred by theoretical models, the causal mechanisms on which they rest should be “theoretically” conceptualised. Intervening variables make it possible to identify covariations between X and Y, but face difficulties in understanding how the effect of X

is magnified by its causal mechanism and ultimately how Y are brought about. What is of importance in the realist epistemology is not varying degrees of the validity but the presence/absence of the validity. Based on the aforementioned shortcomings, Hall and Soskice's posited mechanism (Figure 3-2) can be better specified by disaggregating the intervening variables into a chain of the "theorised" parts as below.

Figure 3-3 Causal Mechanism as a Series of Theorised Parts (Based on Hall and Soskice, 2001)



On the other hand, institutionalists confuse causal mechanisms with a continuing chain of events (e.g. Falletti, 2016; Falletti and Mahoney, 2015; Hall, 2006, 2013; Kittel and Kuehn, 2013; Mahoney, 2000; Trampusch and Palier, 2016; Waldner, 2012). Explaining how a reactive sequence takes place in path-dependence, for instance, Mahoney (2000: 531) notes that in such sequence, each intervening event refers to a causal mechanism that connects an initial breakpoint with an ultimate outcome. Hall (2013: 22) also claims that the mechanism could be identified by 'observing the sequence and timing of events and contemporary interpretations of those events'. Based on the criticism applied to equating it with intervening variables earlier, it is also possible to criticise the events-oriented understanding of causal mechanisms.

First, it is not possible to capture the interaction between institutions and social actors. An empirical event does not tell anything such as who supported and opposed it as well as why and how it happened. By assuming that the causal power is transmitted through events, the important factors that contribute to the emergence of the outcome are neglected, and thereby the black box of causality remains unpacked. This shortcoming has been especially applied to the literature on "critical junctures", external events which

are considered to have consequential effects on yielding a new institution but do not present, in themselves, the specific pathway to it. For example, can one simply ascribe the division of the Korean Peninsula to the Korean War that broke out in the year 1950? Can one identify, through the incident, the associated actors' underlying motivations, the resultant actions, and the political and institutional backdrop against which the actors engaged in particular actions?

Second, a series of empirical events are not theoretically conceptualised too. Seeing each event as a part of a causal mechanism would be that event A (the initial cause) gives rise to event B (the causal mechanism), which results in event C (the outcome). This is why some scholars are attentive to 'the temporal and causal analysis of *the sequences of events* that constitute the process of interest' (Falleti, 2016: 457; See also Trampusch and Palier, 2016: 450). Such formulation assumes that causal mechanisms understood as a series of social events can be easily captured since they are visible, and thereby that social researchers need not infer their nature. The result would be a thick empirical description of the case but without opening up the black box of the causal linkage between X and Y. Events can be the by-products of theorised causal mechanisms, but not vice versa. This thesis is concerned with underlying mechanisms that give rise to social phenomena and, in this context, agrees with Capoccia and Kelemen who emphasise that 'the specification of the game being played may not be satisfactory, if it does not demonstrate empirically that *hypothesized* causal mechanisms were actually at play' (2007: 358; my emphasis).

3.6 What is a Process Tracing Method?

3.6.1 Introduction

When one has chosen to analyse "how" established institutions are challenged and then replaced by new ones, it is important to give special attention to causal mechanisms for two reasons. On one hand, the "methodological" implication is that they can help fashion a better understanding of how and why institutional change happens. As Knight (2001: 27) highlights, mechanisms are the basic elements of social process and thus should be the main target of social scientific explanations. On the other hand, this goal can be further achieved through theoretically deduced mechanisms (the "theoretical" implication). Doing so allows us to recognise that specifying causal mechanisms is more than taking a process-oriented approach; the causal linkage that conveys the causal forces from X to Y should be congruent with the theory under consideration. An explanation centred on

several causal concepts is not enough. The concepts should be conceptualised in their mechanisms, which need to originate from the theory directly (Campbell, 2004: 64).

Given that a causal mechanism is composed of several theorised parts, the realist perspective on which this thesis centres parallels the practice of a process tracing method by Beach and Pedersen (2013). This method is a useful methodological toolkit that aims to unpack causal mechanisms in light of diagnostic pieces of within-case evidence collected contributing to supporting or discrediting the validity of theoretical approaches (Bennett, 2010: 208). Despite the convergence of interest on the role of causal pathways, the existing literature diverges over the application of process tracing. Among three different types¹³ suggested by Trampusch and Palier (2016: 439), Beach and Pedersen's approach is explicitly based on the realist perspective that defines causal mechanisms as "theoretical systems" composed of interlocking parts (Beach and Pedersen, 2016). Here special attention is paid to the sequence of each part – neither empirical events nor intervening variables – in the system, and the analyst aims to answer whether or not each part is/was operating in a case. To discover its presence/absence, therefore, requires a "deterministic" understanding of causality whereby process tracing researchers can assess the validity of the theory under consideration.

The following two parts of the chapter shall introduce two types of process tracing – theory-centric and explaining-outcome – classified by Beach and Pedersen (2013). The major difference between the two is whether the causal mechanism formulated from a theory or a case can be applied to other similar cases beyond its bounded context. The theory-centric approach seeks to expand the explanatory power of the mechanism to other instances on the condition that it clarifies the scope conditions under which each part of the hypothesised pathway is generalisable (Beach and Pedersen, 2013; Bennett and Checkel, 2015: 13; Capoccia and Kelemen, 2007). Denying such transportability, in contrast, the explaining-outcome approach aims to account for a particular historical event with the degree of "minimal sufficiency", which can be achieved by: 1) combining multiple mechanisms; 2) developing a new theory; or 3) incorporating non-systematic parts into an explanation (Beach and Pedersen, 2013: 64-67).

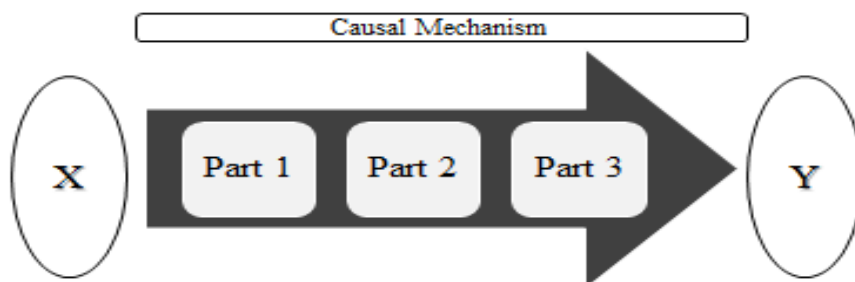
¹³ The first type seeks to trace "the sequences of empirical events", an approach which this thesis does not employ because of its different ontological and epistemological perspectives on social reality. The second type refers to Beach and Pedersen's approach, which the thesis has adopted, that focuses on testing and establishing hypotheses on causal mechanisms. The third type is interested with background factors or scope conditions (See Kreuzer, 2016).

3.6.2 Theory-Centric Process Tracing

Each theory has its own mechanism that conveys the causal forces of X to Y. The causal mechanism founded on a realist epistemology cannot be seen simply as a series of intervening variables or empirical events, but a “system” that is comprised of a chain of “theorised” parts. Those employing process tracing are therefore required to specify each component of the causal mechanism by designing its entities and activities in a theoretical manner in order to open up the black box of causality (See Figure 3-4). Each theorised part is considered a “hypothesis”, and the analysts should seek to investigate its presence/absence based on the deterministic understanding of causal mechanisms, rather than to see the extent to which each hypothesis exists.

To empirically examine each hypothesis’s presence in the case of interest, one comes to turn his/her attention from the theoretical to the empirical domain of process tracing. Then the research needs to predict what empirical evidence is expected to exist if the hypothesised parts of a mechanism are present? For example, when testing part 3¹⁴ of the mechanism (See Figure 3-3) formulated from Hall and Soskice’s theory (2001), the analyst is expected to observe the evidence on: 1) whether firms enjoy comparative advantages vis-à-vis their competitors; 2) whether those advantages are produced by a range of supportive institutions; and 3) what forms of comparative advantages firms benefit from such institutions.

Figure 3-4 Realist Perspective of Causal Mechanism



This procedure is analogous to how prosecutors conduct investigations into murder cases. They screen out several suspects and then accuse the main culprit of murdering a victim

¹⁴ Firms enjoy comparative advantages in a range of supportive institutions.

after gathering various threads of evidence. Just as material evidence has more evidentiary power than circumstantial one in the cases, process tracing researchers should aim to collect as much conclusive evidence as they can. Commonplace evidence (e.g. eyewitness accounts of the main suspect being in the same city of the murder case), on its own, does not clearly demonstrate a hypothesis by allowing more than one explanation; but diagnostic pieces of evidence (e.g. surveillance footage showing his/her leaving from the victim's residence while holding a blood-stained weapon) can help adjudicate among alternative explanations.

Testing the hypothesised parts of a causal mechanism – deductive process tracing – is conducted, when there are existing theories accessible to process tracers. As Beach and Pedersen (2013: 57) reveal, however, it is common to face a situation ‘where we know X and Y but where the process...whereby X causes Y has not been explicitly conceptualized’. To conceptualise causal mechanisms in a stringent manner that is coherent with the theory under investigation, entities and activities should be fleshed out. For instance, the mechanism of a critical juncture (Collier and Collier, 1991: 30-31) based on a macro-historical perspective can be divided into four parts as follows: 1) an existing institution has been implemented over time; 2) an internal or an external shock produces cleavages in that institution; 3) a significant change occurs in the institution through a critical juncture opened; and 4) a new institution is perpetuated through ongoing institutional and political processes.

What if researchers are unsure of what has triggered the outcome of interest? In this case, inductive process tracing is employed to establish a hypothesised mechanism from the outcome. Thus, whether the inductive approach is adopted depends on the state of the art of research questions (Trampusch and Palier, 2016: 443). Unlike the deductive approach, the inductive one starts with primary and secondary sources of data and then analyse them to formulate the hypothesised parts of a causal pathway. In developing a new mechanism, the analyst can proceed in either of two ways. On one hand, it is necessary to explore if previous studies can provide answers to the research questions set, to justify the selection of inductive process tracing. On the other, existing theories often function as a springboard to discover a new mechanism. For example, to analyse the nature of welfare states in East Asia, the concept of developmental states (Johnson, 1982) has been borrowed by scholars (Dostal, 2010; Goodman and Peng, 1996; Gough, 2001; Holliday, 2000). They begin by showing why existing explanations (e.g. Esping-Andersen's

approach (1990)) have difficulties in accounting for how East Asian welfare states have worked. Then the scholars utilise various pieces of data to establish a new theoretical framework that details how the features of developmental states result in developmental welfare states or the productivist world of welfare capitalism. In doing so, three interlocking parts of the mechanism can be formulated from the new framework: 1) elite policy-makers give top priority to economic growth; 2) elite policy-makers map out a concrete strategy to attain it; and 3) elite policy-makers use social policy as an instrument, a strategy which subordinates social policy to the overriding policy objective of economic growth.

Then what approach should be taken to examine the NPS reforms in 1998 and 2007 that this thesis seeks to explain? Considering that multiple theories have attempted to identify the causal factor(s) of contemporary welfare states, the deductive approach will be taken to demonstrate their explanatory power for the pension reforms. The thesis, however, does not seek the details and mechanisms of existing theories at this moment, but start by asking the basic question of whether it is ‘physically or theoretically even possible for X to affect Y’ – a quick, practical application which touches upon the underlying assumptions of the theories (Mahoney, 2015: 208).

The first attempts to trace the development of welfare states can be a structural or a functionalist approach, where they were driven by either new societal needs at a certain stage of industrialisation (Kerr et al., 1960; Wilensky, 1975) or the social legitimation of monopoly capitalism (O’Connor, 1973). Yet it is doubtful whether both explanations are appropriate candidates for the NPS reform. They cannot explain why the scheme’s benefit rate decreased in the 1998 and 2007 reforms, because both approaches are only useful in the era of welfare expansion. Next theories of welfare states pay attention to the role of a political factor such as struggles over politics and social class (Korpi, 1980, 1983, 1985). The so-called power resources theory has been demonstrated by various studies, which support that a strategic alignment between trade unions and left-wing parties produces more egalitarian distributional outcomes (Esping-Andersen, 1985; Hicks and Swank, 1992; Stephens, 1980). Again, there are limits to applying this theory to the Korean case, since a left-wing party supported by trade unions had not been politically influential when the NPS experienced the reforms in 1998 and 2007.

Barr and Diamond (2009), though not in the form of theory, claim that pension reform is driven by ageing crisis. Demographic factors have been enjoyed as one of the most important backdrops, since many countries initiating pension reforms have tried to minimise the negative impact of ageing crisis on the long-term sustainability of their pension systems. One may argue that the fast speed of ageing in Korea has contributed to the NPS reforms, but the country is expected to have similar population structures to Western European countries in 2030 (OECD, 2009: 19). Why did the Korean governments reform the NPS twice even long before 2030? How can the ageing crisis approach explain the introduction of the non-contributory BOAP in 2007, which could have negative consequences on the long-term financial soundness?

What about the approach of developmental welfare states or productivist welfare capitalism (Gough, 2001; Holliday, 2000; Kwon, 2005)? Can this have explanatory power for the NPS reforms? First, it is highly doubtful whether the reforms were guided by the logic of economic development. The productivist approach cannot answer the reasons why the scheme was introduced in 1988 and but reformed in 1998 and 2007 under the same logic. Second, such an approach – which assumes that elite policy-makers dominate key posts in the social policy process with other political actors excluded – is not compatible with the fact that various actors such as political parties and/or civic group members were actively involved in each reform. Last, the introduction of the “tax-financed” BOAP in 2007 clearly shows that the old-age pension system has bid farewell to productivism that was reluctant to increase the income transfers to older generations.

The inapplicability of the above-mentioned theories implies that this thesis needs to approach the NPS reforms by employing either inductive process tracing or case-specific theories with their explanatory power limited in a “specific” context, rather than deductive process tracing that seeks to examine if the validity of theories can be generalisable in a “broader” context. The researcher has found potential case-specific theories that can only explain Korean pension reforms, and they will be introduced in the following section.

3.6.3 Explaining-Outcome Process Tracing

An important assumption of theory-centric process tracing is that the causal mechanism formulated either from the theory under investigation or from the case of interest is

transportable to a bounded population of cases. However, a new variant of process tracing – explaining-outcome process tracing – takes a cautious approach by assuming that mechanisms cannot be applied to another case with different contextual conditions. In practice, the logic of non-transportability is used in the fields of political science and social policy, although most of the studies do not adopt a process tracing method in an explicit manner. Using the method in a loose way, for example, Berman (1998b) argues that the contrasting crisis decision-making of interwar German and Swedish Social Democratic parties originates from their different ideas on democratisation and depression. At the same time, she shows why state-centric and institutional approaches, which are commonly taken in describing how political decisions are made, cannot produce the same political outcomes. Kwon (1995) also shows that the development of social policies in Korea is based on the politics of legitimation, which is not covered by T. H. Marshall’s social citizenship, the logic of industrialisation, and neo-Marxist theories.

The way of unfolding their arguments is that while demonstrating that previous theories reveal clear limitation in illustrating the cases under investigation, they introduce new approaches that can be applied to particular historical outcomes (See Allison’s explanation (1969) on the Cuban Missile Crisis). Explaining-outcome process tracing rests on the assumption that since ‘the social world is very complex, multi-factored, and extremely context-specific’, the researchers need to explain the outcomes in minimally sufficient details¹⁵ (Beach and Pedersen, 2013: 13). This ambition is achieved in an unusual, but a pragmatic, fashion that embraces the “multiplicity” of mechanisms rather than a single mechanism. Here, minimal sufficiency could be utilised by: 1) combining existing mechanisms; 2) developing new theories; or 3) incorporating non-systematic parts into an explanation (ibid.: 64).

The previous section showed that as existing theories of welfare states are unlikely to account for the NPS reforms in 1998 and 2007, the thesis shall adopt explaining-outcome process tracing. But its application to this research is different from the same approach outlined by Beach and Pedersen, who recommend the analysts to establish a case-specific theory once existing research is deemed insufficient (ibid.: 19-20). In this process, the theories tested in the initial step are considered to be transportable from their perspective.

¹⁵ Minimal sufficiency is defined as an explanation that can cover the key elements of a social phenomenon with no redundant parts left behind (Mackie, 1965, cited in Beach and Pedersen, 2013: 18).

The thesis, however, will also seek to test the validity of a case-specific theory and assess whether it can reach a minimally sufficient level of explanatory power for the reforms.

The thesis has decided to test Kim and Choi's theory (2014) that pays special attention to the role of welfare bureaucrats in the NPS reforms for two reasons. On one hand, unlike other theoretical approaches, Kim and Choi seek to apply their theory to the "both" reforms in 1998 and 2007 in a comprehensive manner. Considering that this thesis aims to answer how the two reforms had taken place over a longer span of time, it does not select and test the case-specific theories with emphasis on either the 1998 or 2007 reform due to their short-term analysis (e.g. Joo, 2009; Jung and Walker, 2009; Yang, 2004). On the other hand, Kim and Choi's approach is a relatively new one that was introduced in 2014 and therefore has not been tested in other studies. This feature has motivated this thesis to understand that it would be more worthwhile to investigate the validity of Kim and Choi's theory. However, it does not imply that this thesis is interested in their theory only; Chapter 6 and 8 shall examine if other theoretical candidates can explain either a single or both reforms too, to deal with the issue of equifinality.

3.6.4 Bayesian Logic of Process Tracing

In this thesis, the application of process tracing is founded on the Bayesian logic of inference where after collecting empirical data, a researcher's confidence in the validity of a theory will be updated in comparison with his/her priori prediction about the validity of the theory (Beach and Pedersen, 2013; Bennett, 2008; Kreuzer, 2016). Bayesian analysis in the natural sciences proceeds by: 1) 'quantifying our uncertainty about the population parameters (unknown quantities about the population – e.g., means, variances, odds, ratios, etc.) by writing a probability distribution for these parameters'; 2) 'examining the relationship between observed data and these unknown parameters'; and 3) 'refining our initial uncertainty about the parameters based on the data' (Crandell et al., 2011: 139).

In process tracing research, the analysts do not seek to quantify their predictions but instead borrow the logic of Bayesian techniques by: 1) "making a prediction" about what specific pieces of empirical evidence will be found if the theory under analysis is assumed to exist; 2) "collecting" empirical data; 3) "making a comparison" between the expected confidence in the validity of the theory and the empirical data gathered; and 4) "updating"

our confidence in the validity of the theory in light of the data. Bayesian process tracing is therefore attentive to increasing or decreasing “confidence” rather than (dis)confirming the validity of the theory itself. What confidence implies is that a certain degree of subjective choice¹⁶ is reflected by a researcher, based on existing theories or accepted background knowledge (Beach and Pedersen, 2013: 85; Crandell et al., 2011: 139; Howson and Urbach, 2006: 80). Such an understanding parallels the assumption of realist epistemology that social researchers rely on theoretical models to infer how social phenomena happen. Bayesian process tracers, therefore, should not conclude their arguments in a way that exclusively considers one theory to be true while simultaneously dismissing others (ibid.: 4).

Bayesian process tracing¹⁷ research allows theory to structure evidence as well as our research ‘by guiding research to those pieces of evidence that can be directly deduced from its empirical implications’ (Kreuzer, 2016: 479). Let us assume that one has obtained a thread of account evidence (a transcript) indicating that an authoritarian leader held a closed-door talk with high-ranking officials to introduce new social policies in response to burgeoning socialist protests, and also assume that it has been triangulated by several participants involved in the talk. Despite their rarity, these pieces of evidence would be considered to have as the same inferential value as the introduction itself, when a part of the causal mechanism that can be formulated from Collier and Collier’s critical juncture mechanism is tested – a significant change occurs in the institution through a critical juncture opened. This is because the hypothesised part is designed to highlight the influence of structural factors on political outcomes. However, more inferential power would be granted to the collected evidence when the proposition reflects the importance of agents and their choice as pointed out by Mahoney (2002: 7) as follows – wilful actors shape outcomes in a more autonomous manner than normal circumstances permit. Thus, the evidence allows a researcher to figure out “how” such policies were put in place, “when” and “by whom”. The hypothesis can be further modified to bring power asymmetries between actors into focus, as indicated by Capoccia and Kelemen (2007: 354) – political elites have a broader range of feasible options, compared with other actors with few channels given to reflect their preferences. In this situation, the aforementioned

¹⁶ Howson and Urbach (2006: 11) claim that its application to research is minimal and exactly right, and thereby that an orientation towards “total objectivity” embedded also in the classical methods of statistical inference is not feasible.

¹⁷ Bayesianism is attentive to whether the observed threads of evidence in a case match those predicted by theory and how the analyst deals with unanticipated data in a broader context (Ulriksen and Dadalauri, 2016: 230).

transcript triangulated by different sources would be expected to maximise its inferential value.

3.6.5 Test Strength

Van Evera (1997: 31-34) documents that in process tracing analysis, four types of tests – straw-in-the-wind, hoop, smoking gun, and doubly decisive tests – can be used to test the inferential weight of empirical evidence (See also Bennett, 2010; Collier, 2011). The tests are drawn whether the predicted evidence has uniqueness and certainty, but do not guarantee complete certainty and uniqueness, because the process tracing employed in the thesis seeks to update the researcher’s confidence in the validity of the theory of interest. Uniqueness refers to whether the predicted evidence is explained “only” by the studied theory, and certainty relates to whether the analysts can conclude the “absence” of the hypothesised parts of a mechanism if the predicted evidence does not remain on the scene.

Straw-in-the-wind tests possess the weakest inferential power with low uniqueness and low certainty. They can provide useful information but do not have any inferential power in updating the confidence in hypotheses. They offer neither necessary nor sufficient criteria for them. *Hoop* tests fall into the category with low uniqueness but high certainty. Passing the tests somewhat supports the hypotheses but does not guarantee strong inferential power, whilst failing them significantly increases the possibility to discredit the hypotheses. Since hoop tests provide necessary but not sufficient criterion for confirming them, they are useful when process tracers would like to decrease their confidence in the validity of alternative hypotheses. *Smoking gun* tests with high uniqueness but low certainty can secure strong inferential power in increasing the confidence in the hypotheses, but failing them itself does not dismiss them. *Doubly decisive* tests have the strongest inferential power with high uniqueness and high certainty, thereby providing both necessary and sufficient criteria for the hypotheses.

Table 3-4 Four Empirical Tests in Process Tracing Methods

		Uniqueness	
		High	Low
Certainty	High	<i>Doubly decisive test</i> Passing strongly supports one hypothesis while discrediting others.	<i>Hoop test</i> While passing somewhat supports one hypothesis ¹⁸ , failing strongly increases the possibility to discredit it.
	Low	<i>Smoking gun test</i> Passing strongly supports one hypothesis, but failing does not discredit it.	<i>Straw-in-the-wind test</i> Both passing and failing do not affect one hypothesis at all.

Source: Adapted from Bennett (2010: 210).

In updating their confidence, process tracing researchers are required to promote the level of uniqueness and certainty as much as possible so that they will be able to approach the very nature of causal mechanisms. The social world, however, has a certain degree of complexity that renders the analysts difficult to paint its complete picture practically. Even if various threads of evidence exist, it is difficult to know of their existence or gain access to them that can allow for doubly decisive tests (Beach and Pedersen, 2013: 104). In practice, the investigators are thus forced to choose between uniqueness and certainty, and it is more sensible to prioritise the latter over the former (ibid.: 105), because whilst failing hoop tests significantly decreases the credibility of hypotheses, disqualification from smoking gun tests does not make any difference.

Then what inference should be made if some hypothesised parts of a mechanism fall into hoop tests? Beach and Pedersen’s “practical” answer is that passing multiple hoop tests ‘increases our ability to update our confidence in the validity of a hypothesis given that the probability of a nonvalid hypothesis surviving multiple independent hoop tests falls after each successive hoop’ (ibid.: 105). Although a single piece of evidence can sometimes grant inferential leverage, that is the case when passing the parts of causal mechanism seems highly unlikely. Conversely speaking, it implies that when those parts are highly expected to leave the related evidence, cumulative amounts of the evidence can support them (Bennett, 2015: 293-295). This is because as described in Table 3-4 above, passing a single hoop test allows process tracing researchers to increase their confidence in the validity of a hypothesised part (h) of a theorised mechanism “to some extent”. By surviving multiple, independent hoop tests, what the analysts should seek is

¹⁸ But the hypothesis is still left standing with a single hoop test.

to maximise their belief that the absence of such a hypothesised part ($\sim h$) is functioning in actual practice. Considering its inherent features of high certainty and low uniqueness, a hoop test should be conducted in a manner that keeps updating the confidence in the validity of $\sim h$ rather than h , and the validity of h would thus be automatically updated in the opposite direction of $\sim h$ (high certainty). Passing hoop tests, however, is not able to reach the degree of sufficiency since it still leaves the possibility of an alternative explanation (low uniqueness).

3.6.6 Evidence

Beach and Pedersen (2013: 99-100) suggest that four distinguishable types of evidence are relevant in process tracing analysis: “pattern”, “sequence”, “trace”, and “account” evidence. First, pattern evidence shows that statistical patterns appear in the empirical record. In testing a mechanism of gender inequality in politics, for example, it is expected that one would find statistical evidence that shows a difference in the ratio of female lawmakers to that of male ones. Second, sequence evidence relates to the spatial and temporal sequences of events. When testing the causal mechanism of the punctuated equilibrium model, institutions should always change radically “after” critical junctures happen. If process-tracers have found pieces of evidence that a large-scale institutional change already happened ahead of the emergence of critical junctures, they should conclude that the model is not operating in the case of interest. Third, trace evidence implies that its existence *per se* can prove the existence of parts of mechanism. If a theory of authoritarian decision-making is tested, finding the meeting minutes of a closed meeting, where only few high-ranking officials make every decision, can increase our confidence in the theory. Fourth, account evidence refers to the important content of empirical material. Interviews with elite decision-makers or protestors can tell us how and why they are motivated to behave in a certain manner.

By forecasting what types of empirical evidence would remain, process tracing research can allow institutional analysis to be more transparent in terms of data collection. If we see it as a constellation of theoretically hypothesised parts, the process of data collection can become systematic since we ‘deliberately search for observations that allow us to infer whether the hypothesised part of a causal mechanism was present’ (Beach and Pedersen, 2013: 123). Analysts will aim to obtain empirical material that can specifically update the presence of the causal mechanism under analysis, rather than to cherry-pick

certain evidence more likely to support them. Likewise, this thesis does not simply go out and try to find as many pieces of empirical evidence as possible. Before embarking on the fieldwork, it formulated the causal mechanism from Kim and Choi's theory (2014) by developing four hypothesised parts by which to predetermine the scope of the evidence collected and to predict what types of evidence would exist. In doing so, the researcher aimed to achieve a higher degree of production transparency by explaining how such choices of evidence were made (Moravcsik, 2014: 49). A series of these procedures will be described in the next chapter.

3.6.7 Advantages of Process Tracing

Process tracing seeks to convert a historical *description* into 'an analytical causal *explanation* couched in explicit theoretical forms' (George and Bennet, 2005: 211; my emphasis). As seen in Section 3.5.1, this thesis documented that explanatory inference plays a key role in better understanding causation through its mechanisms. Given its interest in answering how and why things happen, process tracing can have several advantages for theory-testing and theory-development. First, by disaggregating causal mechanisms into entities and activities, the method allows the researchers to test theories in a more systematic manner. Unlike intervening variables and empirical events, entities and activities are considered to form "hypothesised" parts of a causal mechanism – which can be easily captured and testable. Second, process tracing can secure more data transparency since its theory-informed feature provides guidance for evidence as well as our research (Kreuzer, 2016: 479). In other words, types of evidence are predicted a priori by formulating theorised mechanisms before data is collected, and the analysts are required to update their confidence on the basis of such a prediction. This allows them to not cherry-pick certain threads of evidence that can strengthen the validity of the theory under investigation. Third, process tracing is particularly useful at addressing the issue of equifinality. Not simply is evidence collected utilised to test the mechanism of interest, but it is also necessary to update the confidence in the validity of alternative approaches. Empirical data collected may allow the analysts to identify multiple causal paths that could produce the same outcome, for example failing to discredit the validity of alternative approaches totally. This thesis shall show how the aforementioned strengths of process tracing are reflected in the study of the NPS reforms.

3.7 Field Work

3.7.1 Data Collection

Bennett and Checkel (2015: 27-29) note that process tracing researchers are required to collect various threads of relevant data in assessing the explanatory power of theories; but doing so does not always guarantee the presence of conclusive evidence. Hence, it is necessary to obtain as many appropriate and important sources of data as possible. Considering its primary aim at theory-testing, this thesis did not randomly select sources of evidence. The selection of data sources is theory-driven, thereby purposefully targeting certain sources of evidence based on Kim and Choi's theory (2014).

To answer how the two NPS reforms had unfolded in 1998 and 2007, the researcher used elite interviews (face-to-face and email interviews), official documents (produced by government agencies, political parties, research institutes, and civic groups), memoirs, public speeches, research papers, television programmes, and newspaper articles. Collecting multiple sources of relevant information allowed the researcher to validate and cross-check findings – an approach called “triangulation” – since each source of data has strengths and weaknesses (Patton, 2002: 306).

3.7.2 Ethical Considerations

Conducting elite interviews during the fieldwork, the researcher tried to carefully consider ethical issues raised. As Mason (2002: 79) emphasises, ethical considerations are taken throughout every stage of the research process. In this research that analyses the role of welfare bureaucrats in the NPS reforms, most of the ethical issues emerged when elite interviews were conducted. Not only did the researcher interview the welfare bureaucrats, but he also interviewed other political actors (e.g. lawmakers and academics) who were also involved in the reforms. This led the thesis to look into their policy and political conflict over the direction of each reform, which could be considered to be more or less sensitive to interviewees.

To minimise such personal or professional harm, the researcher informed the interviewees of such potential risks in advance and addressed their rights by providing them with both an information sheet and a consent form (See Appendices for details). The information sheet described a self-introduction of the researcher, the length of interview time expected,

the interviewee's rights, data access and ownership, the potential dissemination of interview data, and the research details such as the topics covered. The consent form documented a formal, but necessary, agreement on the conditions of the research ranging from anonymity to confidentiality. Both documents were written with non-academic jargons to make it easier for the participants to understand the research.

Anonymity and confidentiality were seriously taken into consideration. With regard to anonymity, all of the interviewees granted the researcher full permission to use both their names and job titles in the thesis. Apart from academic purposes such as participating in conferences and workshops, however, the researcher avoided disclosing what they answered during the interviews until the publication of the thesis. Concerning confidentiality, electronic interview transcripts and digitalised interview recording files were stored in the University of York Server accessible only with the researcher's ID and password. Notepads with the contact details of the participants, a voice recorder, printed transcripts, and the signed consent forms were safely kept in a key-locked file cabinet located in the Research Centre for Social Sciences – a university building accessible only with an ID card.

3.7.3 Sampling and Access

This thesis seeks to explore whether the causal mechanism formulated from Kim and Choi's theory (2014) operated in the NPS reforms in 1998 and 2007. First, the researcher examined the existing literature on the reforms – secondary sources based on primary sources. Although the literature provided an in-depth understanding of the reform processes, ranging from “what happened” to “who did what”, it does not vividly show “who behaved in a certain way for what reasons” as well as “how things happened”. Thus it was concluded that relying mainly on secondary sources of the evidence would not be strong enough to test the causal mechanism. Second, most of the primary sources cited in the existing literature were revisited to decide whether they can possess evidential power for the thesis, and the researcher found that some of them would be useful.

In addition, the researcher decided to conduct 12 interviews for the following reasons. First, the researcher was dissatisfied with the evidence on which the existing scholars

centre, since it was collected on the basis of the different understandings of each study¹⁹. For instance, it is difficult to fully understand in what context an interviewee responds in a certain manner, unless the studies disclose details on questionnaires. Second, elite interviewing in process tracing helps grasp the underlying assumptions and motivations that lie behind an agent's action, moving beyond archival material 'that may often only represent an official version of events' (Tansey, 2007: 767). Third, the researcher recognised the need for "data triangulation" – an approach which makes multiple independent sources of evidence.

To investigate the explanatory power of Kim and Choi's theory in the Korean context, this thesis adopts theory-based sampling that selects particular groups or categories based on their relevance to a theoretical framework (Mason, 2002: 124). It is thus necessary to identify the most important policy/political actors involved in the process of interest and thereby to reduce randomness as much as possible in process tracing (Tansey, 2007: 765). In short, the thesis was not concerned with if the selected sample sizes would be large enough to be statistically representative of a total population. And based on a deterministic understanding of causality, this process tracing research has nothing to do with the extent to which welfare bureaucrats played a role in the reform processes, but to do with the presence/absence of each part of the formulated mechanism, which will be described in the next chapter.

Based on theory-based sampling, the first step was to identify who were mostly involved in the NPS reforms. The researcher used "positional criteria" that identifies relevant actors by specifying a set of key positions or occupations (ibid.: 770). Accordingly, a range of relevant studies and parliamentary records were reviewed to make a list of 10 potential interviewees – five welfare bureaucrats, an Administrator in the Presidential Office, two lawmakers, and two academics, all of whom were directly involved in either the 1998 or 2007 reform. It took a long time to determine the main positions responsible for the NPS in the Ministry of Health and Welfare, since the ministry continued to change them due to its shuffling. For example, Director General and several Directors in the Bureau of Pension and Health Insurance handled the reform in 1998, while new positions (e.g. Deputy Director General for the National Pension Scheme and Director General for National Pension Policy) started to deal with pension issues in the process of the 2007

¹⁹ Researcher are not, and cannot be, neutral or objective from the evidence they are generating (Mason, 2002: 7)

reform. Meanwhile, although the research failed to conduct an interview with a Minister of Health and Welfare, but it was able to obtain three transcripts²⁰ – two interviews with researchers and a public lecture at a university. Although two welfare bureaucrats recommended through snowball sampling declined to be interviewed, the researcher arranged a face-to-face interview with another bureaucrat who could replace one of the two.

The researcher conducted 12 interviews with 10 people. Considering the fact that the Roh Moo Hyun administration, under which the 2007 reform happened, left various pieces of historical records, the researcher requested the National Archives of Korea to disclose the related internal documents that can show what and when reform issues were discussed, and by whom.

Table 3-5 List of Interviewees

	Name	Title	Date	Type
The 1998 Reform	<u>Moon Hyung Pyo</u>	Administrator in the Office of Senior Presidential Secretary for Social Welfare (03/1996 – 02/1998) under the Presidential Office	19/02/2016	Face-to-face
	<u>Choi Kwang</u>	Minister of Health and Welfare (06/08/1997 – 02/03/1998)	24/02/2016	Face-to-face
	<u>Om Young Jin</u>	Director General for Pension and Health Insurance (01/1997 – 01/1999) in the Ministry of Health and Welfare	18/10/2016	Face-to-face
	<u>Kim Sang Kyun</u>	General member of the National Pension Reform Board (05/1997 – 12/1997) as Professor of Social Welfare at Seoul National University	05/04/2016 15/06/2016	Face-to-face Email
	<u>Moon Jin Young</u>	Expert member of the National Pension Reform Board (05/1997 – 12/1997) as Professor of Social Welfare at Sungkonghoe University	09/07/2016	Email
The 2007 Reform	<u>Kim Hwa Joong</u>	Minister of Health and Welfare (27/02/2003 – 30/06/2004)	29/02/2016	Phone

²⁰ The minister allowed the researcher to use the material. I would like to thank Yang Jae Jin, professor of public administration at Yonsei University, for providing it.

<u>Lee Sang Yong</u>	Deputy Director General for the National Pension Scheme (02/2004 – 01/2005) in the Ministry of Health and Welfare	15/03/2016	Face-to-face
<u>Ryu Si Min</u>	Minister of Health and Welfare (10/02/2006 – 22/05/2007)	20/07/2017	Email
<u>Kang Gi Jung</u>	Chief negotiator of the Uri Party in the Health and Welfare Committee (06/2006 – 05/2007) and its lawmaker (05/2004 – 05/2008),	11/08/2017	Email
<u>Bahk Jae Wan</u>	Chief negotiator of the Grand National Party in the Health and Welfare Committee (08/2005 – 08/2006) and its lawmaker (05/2004 – 05/2008),	23/02/2016 12/08/2017	Face-to-face Email
<u>Kim Sang Kyun</u>	Member of the National Pension Development Committee & Chairperson of the Expert Committee on Institutional Development (05/2002 – 03/2003)	05/04/2016	Face-to-face

The researcher sought two ways of accessing the participants, depending on whether they were in employment or not at the time of the fieldwork. Seven interviewees who were working were given an official invitation letter along with the information sheet by email to their official addresses. In case of no response after multiple reminders, the researcher inevitably used his personal network to conduct an interview. On the other hand, the researcher could access the remaining three participants who were retirees, in different ways. A participant's public email address was found on the Internet, and invitation was sent. Another one was contacted by the head of her local community whom the researcher asked to find out whether she was willing to be interviewed. The other participant was running his personal blog, through which the researcher sent him an interview request. Irrespective of whether or not the interviewees were working, however, all of them requested the researcher to send a list of questions in advance to prepare for the interviews.

3.7.4 Reliability, Translation, and Elite Interviewing in the Korean Context

The fieldwork raised some practical issues. First, the researcher was concerned about whether the interviewees would be able to bring back a distinct memory. Since they were involved in the reform that occurred either 10 or 20 years ago, the fieldwork aimed to

maximise the reliability of their comments during the interviews. However, the fact that some of the interviewees were working on, or just retired from, pension-related work seemed to positively influence the reliability, considering that the researcher cross-checked the comments with other types of evidence collected. Apart from the memory issue, there was also a possibility that the participants may confuse what they can actually remember of the event with what they have later realised on the same subject (Richards, 1996: 200-201). One cannot assure that elite interviewing always guarantees the truth and gives unbiased opinions (Berry, 2002: 680). Hence, the thesis sought to avoid citing the comments in direct relation to the formulated mechanism tested unless they could not be verified through triangulation. It implies that testing the mechanism would be conducted in a transparent manner that secures triangulation through the combination of primary and secondary sources of data.

Second, the researcher paid attention to if translation into English could capture deeper meanings embedded in Korean language. Language is more than a tool or technical label for conveying linguistic concepts, while incorporating our values and beliefs (Temple and Edward, 2002: 5). The researcher with “insider” status, who is sharing the same language and culture, did not face difficulties in interviewing the participants. Yet, translating their comments into English required the process of precisely delivering unique cultural meanings that Korean carries and of evaluating the degree to which the two different worlds have reached the same world (Simon, 1996: 130). For example, when asked a question about his personal thoughts on the power shift to the Kim Dae Jung government that happened in late 1997, Om Young Jin mentioned in the interview with the researcher that:

I never cared about it. Why would I do so in a situation where people like me from the Gyeongsang Provinces could be dismissed under the new government based on the Jeolla Provinces? Why would the new government let me continue to work, given that I was even holding one of the key posts in the ministry? I was prepared for discharge or demotion.

Without understanding cultural backgrounds, this translation itself cannot reveal why Om predicted that he would be sacked or relegated under the new government. Only two pieces of information – the region of his birth and the significance of his post – emerge from the transcript, thereby threatening the validity of cross-language translation. There should be additional information about the nature of the long-standing regional conflict

between the Gyeongsang and Jeolla Provinces and its impact on Korean politics. The researcher shall therefore add footnotes when extra information is needed to avoid the loss of implicit communications.

The interviews were associated with the politics of pension reform, which can be better understood with the knowledge of technical terms. The researcher, therefore, was also responsible for the translation and recognised it 'as a check to the validity of interpretations' (Temple and Young, 2004: 168). Upon returning from the interviews, the researcher started to transcribe them without correcting the grammatical errors the interviewees made. Then the researcher went through the correction process and, if necessary, requested the participants to explain some comments in more detail. Lastly, the interviews were translated into English by the researcher, followed by a bilingual speaker's review of the English transcripts.

Third, the thesis would like to share its experience throughout the process of conducting elite interviews in Korea, as compared with Park and Lunt (2015) who explore the impact of a "performance-based pay" scheme on Korean government employees by interviewing some of them from four ministries. While Park and Lunt show how the nature of Confucianism is reflected in qualitative interviewing, the researcher moves away from such a cultural perspective. This difference between them and this research seems to originate from whether an interviewer belongs to the group on which interviewees are based. As a public servant, Park and Lunt relied mostly on Park's personal networks to get access to interviewees ranging from high-level to low-level managers, noting that such relationship played a pivotal role 'in facilitating fieldwork processes: access to respondents, interview content, and building rapport' (ibid.: 4). Also given that the pay-for-performance scheme is being implemented in the officialdom, utilising such personal connections can be effective in being able to hear the bureaucrats' views²¹. At the same time, however, Park and Lunt reveal that they witnessed practical difficulties in seeking to challenge hierarchy and order and some signs of socially desirable responses from the interviewees, both of which can be categorised as the components of Confucianism (ibid.: 12).

However, it seemed in actual practice that that insider/outsider boundaries are more blurred than the terms imply (Hayfield and Huxley, 2015). The researcher was an outsider

²¹ Civil servants in Korea are understood, and legally required, to be politically neutral (Im et al, 2013: 294)

who was not involved in the pension reforms, as well as an insider in terms of language and culture. In consequence, 9 out of 10 participants were recruited independently of the researcher's personal networks. Another aspect to note is that some of the interviewees provided the researcher with several pieces of the evidence that have not been observed elsewhere. The participants were relatively open to sensitive questions, and most of them as PhD holders were curious about the researcher's academic background as well as the thesis topic. These aspects seem in line with Sabot's observation that an interviewer could benefit from his or her outsider status in being able to obtain confidential documents, ask rather sensitive questions, or receive detailed answers concerning the topics of interest (Sabot, 1999). Still, there were a few moments of experiencing the influence of Confucianism, when the researcher accessed three persons. Two of them asked the researcher to make a list of what they spoke to the media at the time of the reform they participated, in order to recall it. Here the fieldwork witnessed an imbalance of power between the researcher and the researched (Drew, 2014), which was deepened by age difference (Park and Lunt, 2015: 2). The other respondent was trying to challenge the researcher using qualitative elite interviewing, mentioning that social scientists without quantitative skills would end up with, according to "his very expression", academically lame scholars. In this context, he took a 'paternal attitude of instructing the less experienced researcher' by making use of the seniority difference (Welch et al, 2002: 621).

3.8 Conclusion

This chapter began by introducing the ontological and epistemological foundations of this thesis. Based on the approach of historical institutionalism, the thesis shall answer the research questions on the basis of the foundationalist ontology and the realist epistemology. In particular, the latter has been adopted in that the nature of institutional change, which is in essence unobservable, can be inferred by theory-laden empirical findings, which function as an inferential tool for causal mechanisms working behind social phenomena. Then, the thesis has found process tracing useful to analyse how the NPS reforms in 1998 and 2007 had unfolded; that is, what causal mechanism(s) had driven the NPS reform in a radical manner?

The next chapter shall explore the way in which process tracing can be applied to the study of institutional change in practice, a procedure which systematically develops causal mechanisms that can be formulated from existing theoretical approaches. This

thesis will do so based on Kim and Choi's theory (2014) that focuses on the role of welfare bureaucrats in the pension reforms.

Chapter 4 : Applying Process Tracing to the National Pension Scheme Reforms in Korea

4.1 Introduction

This chapter aims to link theory and case by employing a process tracing method and demonstrate how the causal mechanism formulated from Kim and Choi's theory (2014) can be conceptualised and operationalised. This procedure is understood to lay down the foundations of Chapter 5-8 to upgrade the researcher's confidence in the validity of the chosen theory. Given that theory alone tells us little without theorising its causal mechanism, process tracers should flesh out the theory under consideration in a way that will be able to test it systematically or discover new aspects of the mechanism. With this background, the following three sections shall disaggregate Kim and Choi's theory into several components of the causal mechanism. Section 4.2. introduces the theory, while Section 4.3. describes how it explains the first and second NPS reform from Kim and Choi's perspective. Lastly, Section 4.4. aims to formulate the causal mechanism based on their theoretical framework, focusing on the three sources of bureaucratic power (expertise, legitimacy, and institutional positioning) which are emphasised in Kim and Choi's theoretical model. Chapter 4 concludes with Section 4.5 that operationalises the causal mechanism by predicting what specific types of empirical evidence are expected to exist if the mechanism is deemed valid, and by predetermining the extent to which each part of the mechanism would guarantee its strength if passed.

4.2 Role of Welfare Bureaucrats in the NPS Reforms: Three Sources of Bureaucratic Power

Kim and Choi argue that without analysing the role of welfare bureaucrats in Korea, it is not possible to understand how the NPS reforms took place, and that public bureaucrats who have not received much attention in social policy-making and their interaction with other political actors should be revisited to scrutinise the dynamic nature of the Korean pension politics (*ibid.*: 265). They propose that three factors play a crucial role in determining if the welfare bureaucrats can exert their political leverage over policy-making process – expertise, legitimacy, and institutional positioning (*ibid.*: 270-272). Some of the factors are originally drawn from Meier's study (1987) on the sources of bureaucratic power, but it is necessary to pay attention to the way in which Kim and Choi have selected Meier's research as the starting point of their analysis on the NPS reforms.

They start by exploring the possibility of applying existing welfare state approaches to the Korean case from theories of welfare expansion and welfare retrenchment to state-centred theories to new institutionalist approaches. But Kim and Choi (2014: 267-268) conclude that those approaches are not appropriate candidates for the NPS reforms. Finally, Kim and Choi arrive at Meier's study (1987) that divides the power sources of American bureaucracy into external and internal sources; but given the Korean context, two sources (internal cohesion and leadership) are replaced with institutional positioning.

Kim and Choi note that there are three sources of the bureaucratic power in Korea – expertise, legitimacy, and institutional positioning – with which they account for the two NPS reforms. This thesis firstly describes these sources in the same way that the authors describe in their research and then tries to “reconceptualise” them in a way that will be applied to the analysis of the thesis later.

The first source comes from the extent to which welfare bureaucrats possess “expertise” or “knowledge” in policy-making process, and this factor could be more achieved when they do not bring in other external actors to formulate policies (Kim and Choi, 2014: 270). The most important criterion is whether welfare bureaucrats have the ability to formulate policies as intended, without relying on external actors. Hence, this thesis suggests that welfare bureaucrats enjoy a high degree of “expertise monopolisation” if: 1) there is a relevant research institute under the ministry; 2) external actors such as political parties or civic organisations show a lack of expertise; or 3) external actors differ in their views on problem definitions, goals, and solutions.

The second source is “legitimacy” in mobilising political support from external actors (ibid.: 271). Developing professionalism in a policy area does not always guarantee political feasibility since expertise needs to get translated into politics. If necessary, welfare bureaucrats try to achieve legitimacy by: 1) directly gaining political support from the president and political parties for the “original plan” by the welfare bureaucrats; 2) persuading other political actors to accept the plan, even if they oppose that plan; or 3) negotiating its details with other political actors.

The third source of bureaucratic power in Korea is whether the bureaucrats occupy key institutional positions, which are necessary to carry out their own policy plan and veto opponents' ideas under legal/institutional settings (ibid.: 271-272). Given that various

actors are involved in pension reforms through various formal or informal institutional channels (e.g. reform committees, parliament, and closed meetings with political actors), welfare bureaucrats with a great positioning in legal/institutional settings are likely to lead negotiations down a particular, intended path on which they are based. Hence, institutional positioning can be achieved: 1) when the legal status of a reform committee gives an advantage to the welfare bureaucrats; 2) when political parties do not show much political interest in the reform; 3) when overlapping jurisdictions do not exist in the pension scheme; or 4) when other actors do not exert institutional leverage on reform plans by the welfare bureaucrats.

4.3 How Kim and Choi's Theory Portrays the NPS Reforms in 1998 and 2007

This section will seek to briefly summarise how Kim and Choi account for the first pension reform by using the three factors of bureaucratic power – expertise, legitimacy, and institutional positioning. This thesis shall narrate how their theoretical framework portrays the reforms in a particular manner, because doing so will lay the foundation of conceptualising and operationalising the causal mechanism formulated from Kim and Choi's theory (2014). Hence, it is necessary to bear in mind that the descriptions below introduce the story of the 1998 and 2007 reforms seen through the lens of “their” perspective.

- The 1998 Reform

They begin by introducing two distinctive reform models influential in the reform process, “the growth model” pursued by economic bureaucrats and their advisers, and “the social security model” pursued by the welfare bureaucrats in the Ministry of Health and Welfare (MOHW) and the welfare experts of civic movements. The former sought to secure the financial sustainability of the pension fund by reducing the benefit level radically and restructuring the NPS in a fundamental way that would split it into two pillars – a basic and an earnings-related pension, while the latter aimed to extend the pension to urban areas with a marginal reduction of the benefit level by maintaining the current mono-pillar structure (ibid.: 273-274). For Kim and Choi, both models managed to secure expertise due to their logic and policy coherence.

Kim and Choi then argue that both the financial crisis in November 1997 and the inauguration of the Kim Dae Jung government in February 1998 can be considered major events that brought about the loss of “legitimacy” for economic bureaucrats from the politicians and the citizens, while at the same time enhancing legitimacy for welfare bureaucrats on the strength of pro-welfare scholars and civic movements (ibid.: 274-275). Concerning institutional positioning, the authors note that democratisation in the late 1980s and the expansion of the business sector contributed to the loss of the superior position by economic ministries in the social policy decision-making process, thereby granting the best chance for welfare ministries to promote their jurisdictional power (ibid.: 275).

- The 2007 Reform

Kim and Choi argue that in the second reform, the MOHW adhered to “the institutional security model” (expertise) – a model which aimed to maintain the existing mono-pillar system and to improve the financial balance of the scheme rather than to neglect the issues of the large uncovered population and old-age poverty (ibid.: 276-277). In consequence, the authors see that the model faced strong opposition from the largest opposition party, the Grand National Party (GNP), which supported “the social security model” comprised of a universal basic pension and an earnings-related pension, a model in favour of a bi-pillar reform (ibid.: 278).

Kim and Choi document that such failure in the first attempt rendered welfare bureaucrats to realise the necessity of cooperation and compromise with political parties (ibid.: 279). For the authors, a new reform proposal, which partially reflected the GNP’s idea of a tax-financed flat-rate benefit, was consequently announced to persuade opposition parties and gain people’s support for the reform in the second attempt (ibid.: 278-279). But the new proposal was still founded on the key framework of the institutional security model. Over the reform process, Kim and Choi analyse that welfare bureaucrats managed to successfully enhance their expertise especially through the National Pension Research Institute under the MOHW in conducting financial estimates, and to obtain legitimacy from the president and the ruling party for a social investment strategy²² (ibid.: 280). The

²² Kim and Choi argue that in accordance with the social investment strategy, the 2007 reform was focused on securing the scheme ‘through rationalisation or retrenchment rather than through expansion of the social security system’ (2014: 281).

authors, however, argue that welfare bureaucrats were in a mixed position in relation to institutional positioning, which was strengthened by their dominant power over the economic ministries but weakened by the politicisation of pension issues (ibid.: 281).

4.4 Formulating the Causal Mechanism from Kim and Choi's Theory

Kim and Choi seek to explain the way in which welfare bureaucrats always pushed for the two reforms based on the existing mono-pillar structure of the NPS. Their theoretical framework shows that welfare bureaucrats had been opposite from bi-pillar reformers in both reforms. In other words, whether welfare bureaucrats were able to secure legitimacy and institutional positioning relied on how bi-pillar reformers responded. The authors, therefore, seem to understand that welfare bureaucrats were willing to negotiate, if necessary, reform issues with political actors on the condition that the current institutional structure would remain intact. In doing so, the expertise, legitimacy, and institutional positioning of welfare bureaucrats should be met ahead of the reforms' completion. Founded on Kim and Choi's theory, this thesis suggests formulating four parts of their causal mechanism as below:

- 1) Welfare bureaucrats *try to carry out* a reform of the NPS, based on its current institutional structure;
- 2) Welfare bureaucrats *are engaged in* policy conflict with those who seek a structural reform of the NPS;
- 3) Welfare bureaucrats *negotiate* other issues of the NPS reform with political actors on the condition that the current institutional structure is preserved; and
- 4) Welfare bureaucrats *come to achieve* expertise, legitimacy, and institutional positioning.

Each part of the causal mechanism is understood as a "hypothesis" to be tested, and this thesis shall investigate whether the predicted empirical manifestation of each part is present. Such a hypothesised mechanism operates at the "micro-level" at which welfare bureaucrats try to defend the current institutional structure of the NPS (mono-pillar), are engaged in policy conflict with bi-pillar reformers, and negotiate other issues of the reform with political actors as long as the current institutional structure remains intact. In doing so, the thesis assumes that welfare bureaucrats would be able to secure expertise, legitimacy, and institutional positioning in completing the NPS reforms.

Table 4-1 Formulated Casual Mechanism of Kim and Choi’s Theory

Cause	Causal mechanism				Outcome
	Part 1	Part 2	Part 3	Part 4	
The welfare bureaucrats in Korea	<u>Welfare bureaucrats</u> <i>try to carry out a reform of the NPS, based on its current institutional structure.</i>	<u>Welfare bureaucrats</u> <i>are engaged in policy conflict with those who seek a structural reform of the NPS.</i>	<u>Welfare bureaucrats</u> <i>negotiate other issues of the NPS reform with political actors on the condition that the current institutional structure is preserved.</i>	<u>Welfare bureaucrats</u> <i>come to achieve expertise, legitimacy and institutional positioning.</i>	The NPS reforms in 1998 and 2007

4.5 Operationalising Kim and Choi’s Causal Mechanism

Once the mechanism is formulated from Kim and Choi’s theory, it is necessary to raise another methodological issue on how to contextually define key concepts in the mechanism so that they can be tested through empirical evidence collected. Doing so, therefore, makes it more systematic for this research to test the causal mechanism formulated from Kim and Choi’s theory.

4.5.1 Welfare Bureaucrats Try to Carry Out a Reform of the NPS, Based on Its Current Institutional Structure

What types of empirical evidence can be expected to exist if the first part of the formulated mechanism is present? How would it empirically appear? If the welfare bureaucrats had reformed the NPS with its current institutional structure maintained, the evidence of discussion on planning the process and time schedule of the reform must exist. In this context, their discussions and proposals in favour of the mono-pillar design would have inferential value, when the first part is assumed to exist. The researcher predicts that both “trace” and “account” evidence would be the most likely candidates. Trace evidence such as the existence of meeting minutes or special task forces itself can be a good sign that the welfare bureaucrats did prefer parametric to structural reform options. Account evidence can also remain in the form of parliamentary records, verbatim transcripts of meeting minutes, or elite interviews with those involved directly in the reforms.

The next step is to make a judgment of the extent to which the empirical evidence that will be collected can support the hypothesised first part of the formulated mechanism. This procedure allows the thesis to predetermine how much inferential leverage would be granted if the first part is assumed to be present. Based on the existing body of literature, it is likely that the evidence obtained can be explained not only by the mechanism formulated from Kim and Choi's theory ("low uniqueness"). A significant number of studies on bureaucratic politics have paid much attention to the goal-seeking behaviour of bureaucrats. For instance, Downs argues that bureaucrats tend to resist any encroachment from outsiders since they are sensitive to their own jurisdictional territory (1967: 214-215). Such territorial sensitivity motivates bureaucrats to adhere to the status quo and thereby respond bitterly to significant changes in and around their policy space (ibid.: 216). Wilson also insists that bureaucracies seek to achieve autonomy instead of an increase in budget or employees, and thereby autonomy is defined as 'undisputed jurisdiction over specific policy arenas' (1989: 182). Since stability-oriented government agencies strictly follow work routines, bureaucrats choose to undertake new tasks in the same way in which existing tasks have been performed (ibid.: 222). For Ellison, government managers are not involved in unwanted functions that may 'detract or hinder their agency's ability to perform its core tasks', but engage in competition when their core tasks are threatened (1995: 37).

The above-mentioned studies emphasise that bureaucrats interpret a policy arena as their jurisdictional territory. They are actively engaged in defending the range of their respective jurisdictional territory and tend to initiate a new task in the conventional way similar to how the previous tasks had been carried out. When applying theories of bureaucratic politics to the NPS reforms, the commitment of welfare bureaucrats to parametric reforms can be understood as their desire for the status quo, which is the mono-pillar design. The MOHW has its own jurisdictional territory about the scheme, ranging from administrative (e.g. the management of subscribers and pensioners) to technical and research tasks (e.g. enhancing the long-term financial sustainability of the pension fund and making the scheme's long-term development plans). According to theories of bureaucratic politics, the key objective of the MOHW is to defend the current institutional structure, and this is why the ministry seems to react against any attempts to the structural reform. Such reaction may involve no-response, refusal to agree on structural reform plans advocated by bi-pillar reformers, or strong opposition to them at the ministerial level.

With regard to certainty, it is possible to conclude that if the empirical evidence indicating welfare bureaucrats' adherence to the current institutional structure is not discovered, they did not actually carry out a parametric reform ("high certainty"). The researcher predicts they must have left the empirical proof in any form. Based on the combination of low uniqueness and high certainty, the first part of the formulated mechanism would pass a "hoop test" if it is assumed to exist. The passage does not sufficiently confirm the hypothesis but does to some extent.

4.5.2 Welfare Bureaucrats Are Engaged in Policy Conflict with Those Who Seek a Structural Reform of the NPS

The second part of the causal mechanism puts emphasis on conflict between welfare bureaucrats and political actors who prefer structural (bi-pillar or multi-pillar) reform options. According to Kim and Choi's explanation, the issue over the scheme's institutional structure had been debated in both reforms through a big disagreement between the growth model and the social security model (by welfare bureaucrats) in the 1998 reform and between the institutional security model (by welfare bureaucrats) and the social security model in the 2007 reform. The empirical fingerprints that the second part is expected to leave should be therefore able to portray the nature of such policy conflict. This thesis expects both trace and account evidence to be scattered on the scene. It is likely that the struggle between relevant actors may have been mediated, for example, in an official forum such as a reform committee, a social organ, or an inter-ministerial group. Since these "official organisations" consisted of a range of diverse stakeholders, it was difficult to reach a consensus on whether to reform the NPS in a parametric or structural manner, and therefore resulted in the conflict between the welfare bureaucrats and structural reformers. The researcher could also understand the nature of such conflict by discovering account evidence in the forms of elite interviews with those involved in the reforms, the memoirs of the participants, meeting minutes, government internal documents, newspaper articles, and other forms of primary sources.

Yet discovering the two types of evidence is also predicted by one of the influential approaches to public policy ("low uniqueness"). Developing the Advocacy Coalition Framework (ACF), Sabatier and his colleagues have paid attention to conflict between advocacy coalitions, which are formed based on similar beliefs systems (Sabatier, 1988; Sabatier and Jenkins-Smith, 1993; Sabatier and Jenkins-Smith, 1999; Sabatier and Weible,

2007). Borrowing some insights from Hecló (1974), the ACF sees that policy change over time is understood as ‘a function of three sets of processes’ – the interaction of competing advocacy coalitions²³ within a policy subsystem, changes external to the subsystem, and the effects of stable system parameters such as social structure and constitutional rules (Jenkins-Smith and Sabatier, 1993: 5). Concerning the first process of change, Sabatier (1988: 155) argues that one coalition comes into serious conflict with another coalition when its policy core belief takes the opposite stance from its counterpart, a circumstance which is labelled as a ‘dialogue of the deaf’ between the two. The policy core is thus likely to be more or less stable until a monumental failure takes place (Cairney, 2013).

When the ACF is applied to the NPS reforms, it could be argued that welfare bureaucrats were engaged in policy conflict with those in favour of structural reform options. Apart from political conflict in general, the policy conflict is also seen as an expansion of ideology-based debates between the two groups. Each of them endeavoured to connect its own deep core beliefs to policy core beliefs, which are summarised as the conflict between mono-pillar, parametric reform options and bi-pillar, structural reform options in the subsystem of pension policy. Ranging from government ministries to political parties to academic experts, various coalition members who shared particular belief systems participated in the two contrasting coalitions and continued to clash over the institutional structure of the NPS.

The next issue leads the researcher to answer what type of inferences one can make, unless the predicted evidence is discovered. If one finds the absence of the evidence, can it automatically lead us to the conclusion that the second part of the formulated mechanism is unlikely to exist? The researcher assumes that the predicted evidence can be obtained easily, considering the far-reaching political impact of the NPS reforms (a high level of certainty). In other words, if welfare bureaucrats and their policy opponents were in conflict, they must have left multiple pieces of evidence depicting it. The combination of low uniqueness and high certainty consequently allows the thesis to evaluate the strength of the formulated mechanism’s second part through a hoop test,

²³Advocacy coalitions are defined as members of groups from ‘various governmental and private organisations’ who seek to translate their “belief systems” into public policies or programmes (Sabatier, 1993). The belief systems are composed of a three-tiered hierarchical structure: 1) deep core beliefs relating to ‘general normative and ontological assumptions’ (Sabatier and Weible, 2007: 194); 2) policy core beliefs indicating fundamental policy positions for achieving deep core beliefs (Sabatier, 1993: 30); and 3) secondary aspects comprising ‘a multitude of instrumental decisions and information searches necessary to implement the policy core in the specific policy area’ (Sabatier, 1988: 144). Here deep core beliefs resist change much more than secondary aspects.

where the passage somewhat increases the credibility, but the failure considerably decreases it.

4.5.3 Welfare Bureaucrats Negotiate Other Issues of the NPS Reform with Political Actors on the Condition that the Current Institutional Structure is Preserved

Regarding this third part, two crucial elements should be included in the evidence. Firstly, it should be able to detail how welfare bureaucrats proceeded to initiate negotiations with political actors involved in the reforms. Negotiations by definition involve discussions based on bargaining and therefore require relevant actors to take a step backward from their initial stance. In this context, welfare bureaucrats may have suggested conducting negotiations with influential political actors. Secondly, the evidence should be able to present when welfare bureaucrats were willing to take the option of negotiations seriously. In other words, the moment when they did so should be in parallel when their negotiating partner did satisfy a certain condition – the maintenance of the current mono-pillar design. Hence, it is reasonable to assume that welfare bureaucrats would not have started or continued the negotiations if such actors kept pushing for bi-pillar reform options that would be to undermine the mono-pillar structure of the scheme.

If the third part of the formulated mechanism is assumed to exist in the reform processes, both sequence and account evidence are expected to remain. Sequence evidence should be able to capture the timing “when” welfare bureaucrats decided to enter into negotiations with political actors. Hence, the evidence that shows the existence of “mere” discussions would not provide any inferential value. More attention should be paid to very specific pieces of the evidence through which to witness negotiations “following” the MOHW’s expectation that the existing mono-pillar design would be kept. Account evidence is likely to exist in the forms of parliamentary records, verbatim transcripts of meeting minutes, and elite interviews from those involved in the reforms.

Then is it possible to say that the aforementioned evidence is not predicted by other theories? Given that welfare bureaucrats negotiated with political actors on “other” issues of the reforms to maintain the existing institutional structure, the third part can be reinterpreted as follows – they were willing to be more “flexible” in discussing any issues except the mono-pillar structure, with the political actors. For them, preserving the institutional status quo was the most important goal as compared with other reform issues.

There is an appropriate theory that shows the order of priorities within organisations (“low uniqueness”). Araki (2000) suggests that ideas have a hierarchical structure in which adjacent and peripheral components play a decisive role in protecting their core ideas, showing that the Conservative party in Britain has consistently carried out a series of pension reforms based on the core principles of freedom and personal responsibility. These two ideas have interacted with ‘the decontested policy strategies that are thought to embody them – while exhibiting some continuity over time’ (ibid.: 603), and this is why ambiguity has been seen in the changing process of the British pension provision. Yet Araki argues that it was “systematic ambiguity” emanating from the refashioning of adjacent concepts to preserve the core ideas.

The scheme’s mono-pillar design can be considered the core idea of welfare bureaucrats in the same context, and their decision to negotiate with, and make concessions to, political actors refers to a willingness to rearrange adjacent concepts to defend the key principle. Due to this refashioning of other reform issues, the 1998 and 2007 reforms can be seen as a “mixture” of expansion and retrenchment. Although the institutional status quo remained intact, the replacement rate decreased in both the first and second reform while, at the same time, the universal coverage of the scheme had been achieved in the first reform and a non-contributory Basic Old-Age Pension was introduced in the second one.

In terms of certainty, identifying the absence of the predicted evidence leads to the absence of the third part since it is relatively easy to collect the evidence by interviewing participants involved, analysing parliamentary records and verbatim transcripts of meeting minutes, and obtaining relevant archival materials by public authorities and the participants (“high certainty”). In sum, the third part of the formulated mechanism will be tested by using a hoop test where the failure nullifies this part, but the passage somewhat increases the credibility.

4.5.4 Welfare Bureaucrats Come to Achieve Expertise, Legitimacy, and Institutional Positioning

Kim and Choi (2014) consider expertise, legitimacy, and institutional positioning the key sources of the power of welfare bureaucrats in being able to lead the NPS reforms in a specific direction. Yet these factors are so roughly defined in their research that it is difficult to grasp in what circumstances they can be met, and this is why this thesis

suggested several likely conditions earlier. Further, a clear-cut measure of “to what extent welfare bureaucrats need the factors” is not provided as Kim and Choi also admit (ibid.: 272). Another problem lies in difficulty identifying “in what order” the factors should be secured. Given this shortcoming, it would be therefore practical to examine how expertise, legitimacy, and institutional positioning were combined “together” to complete the reforms.

This thesis will infer whether the last part of the formulated mechanism is present through account evidence. The predicted evidence should be able to demonstrate that welfare bureaucrats succeeded in achieving expertise, legitimacy, and institutional positioning on the verge of the completion of each reform. The thesis will operationalise the concepts as follows:

- 1) Expertise is achieved when welfare bureaucrats are capable of formulating a reform model as planned without reliance on external actors;
- 2) Legitimacy is secured when a majority of political actors no longer raise any objection to a reform model by welfare bureaucrats; and
- 3) Institutional positioning is achieved when political actors no longer exert institutional leverage on a reform plan by welfare bureaucrats.

With regard to uniqueness, the last part of the formulated mechanism is considered to have “high uniqueness” since expertise, legitimacy, and institutional positioning are suggested as the sources tailored specifically to the NPS reforms, albeit with some similarities to Meier’s study (1987). Yet it is impossible to automatically conclude that welfare bureaucrats failed to achieve expertise, legitimacy, and institutional positioning if the predicted evidence is not found (“low certainty”). Some objection or institutional leverage from political actors is often recognised through behind-the-scenes channels, thereby making it difficult to collect the relevant evidence. The combination of high uniqueness and low certainty thus leads to assessing the last part through a smoking gun test, where the passage strongly increases the credibility, but the failure does not undermine it.

Table 4-2 Conceptualisation and Operationalisation of the Formulated Causal Mechanism

Conceptualisation of Each Part	Predicted Types of Evidence	Test Strength
Welfare bureaucrats try to carry out a reform of the NPS, based on its current institutional structure.	Trace and account evidence	Hoop test
Welfare bureaucrats are engaged in policy conflict with those who seek a structural reform of the NPS.	Trace and account evidence	Hoop test
Welfare bureaucrats negotiate other issues of the NPS reform on the condition that the current institutional structure is preserved.	Sequence and account evidence	Hoop test
Welfare bureaucrats come to achieve expertise, legitimacy, and institutional positioning.	Account evidence	Smoking gun test

4.6 Conclusion

Social theory is the abstraction of social phenomena. To investigate its validity requires researchers to conceptualise the key concepts that constitute the theories. Deconstructing Kim and Choi’s theory, this chapter focused on how the abstract theory can be transformed into an empirically testable theory. The latter is comprised of the four parts, and each part is understood as a hypothesis with an entity and an activity. Such conceptualisation was followed by the operationalisation of the formulated mechanism, predicting what types of empirical evidence are expected to leave its traces and to what extent the passage of each hypotheses would possess inferential power. Based on the conceptualisation and operationalisation in this chapter, the next chapter shall introduce the story of the 1998 reform and investigate if the causal mechanism formulated from Kim and Choi’s theory is able to account for the reform in light of various pieces of the empirical evidence collected during the researcher’s fieldwork.

Chapter 5 : Tracing the Casual Mechanism of the National Pension Scheme Reform in 1998

5.1 Introduction

This chapter covers the first NPS reform that took place in 1998. Although there had been an increase in the contribution rate from 3 to 6% in 1993, it was planned since the introduction of the NPS in 1988. Contrary to this anticipated change, the 1998 NPS reform can be thought as a genuine reform in terms of both the scope and the societal impact. This comprehensive reform produced a significant number of changes in the scheme: first, a decision was made to extend the coverage of the NPS for the self-employed in urban areas, companies with less than five employees, and part-time and day workers. Second, the 1998 reform pushed for more democratic procedures in relation to the management of the pension fund such as an increase in the number of pension subscribers in the National Pension Fund Management Committee. Third, actuarial estimates were introduced to oversee the scheme's financial status every five years. Fourth, a parametric adjustment was made by decreasing the replacement rate from 70 to 60%. Fifth, the state pension age was to start increasing from 60 to 65 by a year for every five years, being implemented from 2013 at 61 until 2033 at 65. In practice, it is necessary to pay attention to the aforementioned five components of the reform; but process tracing methods allow researchers to focus on particular points highlighted in the theory under investigation (Schimmelfennig, 2015). This thesis shall pay attention to what Kim and Choi's approach (2014) highlights: 1) who and why were in favour of a parametric reform and a structural reform option; 2) how both proponents tried to mobilise their political resource to materialise their ideas; and 3) how the existing structure of the NPS was preserved. Hence, this chapter covers the extension of the NPS coverage, institutional structure, and both the contribution and replacement rate, and then analyse how these factors were combined in the process of the first reform.

5.2 The National Pension Reform in 1998

To explore the first NPS reform that took place in 1998, it is important to set its time horizon within which Kim and Choi's theory is operated (Beach and Pedersen, 2013: 54-55). In other words, the following question needs to be answered: When are the starting and the end point of the event to be investigated? Describing it as "periodisation strategy", Lieberman (2001) argues that history can be divided into important events, changes, or

turning points in historical analysis. It implies that some moments can be considered more significant than others since they have more influence on the outcome under consideration. However, the extent to which some events are more influential than others depends on ‘the temporal dimension according to both the time horizon of the causal forces that produce an outcome and the time horizon of the outcome’ (Beach and Pedersen, 2013: 54).

In the same context, the first NPS reform needs to be explored with a time horizon perspective. When understanding this event as a short-term product, one is expected to focus on either the year 1998 or the period between 1997 and 1998, assuming that the political power shift from a right-wing to a left-wing government would have affected, to a large extent, the reform. But it did not. The reality is that a wide range of relevant issues had long been discussed before the regime changed, which happened in the very middle of the reform process. In this context, it is necessary to paint a whole picture of the reform: 1) by stretching back to the genuine starting point of the discussion; 2) by analysing the most important aspects of the reform (e.g. those involved in the reform debate, their ideas, and their political resource which was mobilised to put the ideas in place); and 3) by answering how and why policy-makers decided on a certain direction of the reform.

According to the establishment of the National Pension Reform Board (NPRB), the NPS reform in 1998 can be divided into three stages. The first is between late 1994 and April 1997 and spans over two and a half years until the setting up of the NPRB. The second is between May and December 1997 when the NPRB discussed the possible directions of the NPS reform at the government level. The third is after the NPRB submitted its final report to the government in December 1997. The reason why this thesis has chosen those years as the crucial moments shall be described later in detail.

5.2.1 Globalisation Project and the Reform of the Public Pension Systems

After three general-turned-presidents had seized political power over almost 30 years, Kim Young Sam was inaugurated as president in February 1993. He was the first civilian to hold the office through fully democratic elections, and this is why his administration was called as “the civilian government”. Given that the philosophy of the administration was “the creation of new Korea”, the way of governing was expected to be different compared to the earlier governments. The Kim Young Sam government attempted to push

forward with radical reforms from the beginning of his administration. In the economy, several reforms were made to reduce the role of the state and to liberalise the financial market. These reforms were purposively introduced to prepare the country to join the OECD as the organisation required its member countries to maintain a high degree of liberalisation in financial transactions (Kim, 2003a: 231). In politics, the government attempted to root out political corruption and broke up an unofficial private group of military officers called ‘Hanahoe’ that carried out a coup d’état in 1979. In social welfare, however, there were few tangible reforms introduced in the early years of the government. As Kim Sang Kyun, professor of social welfare at Seoul National University, explained in the interview with the researcher:

In general, there was a considerably promising sign especially in politics and economy until the mid-to-late period of the civilian government. I think, however, that the government was not prepared enough in social welfare...The problems of income disparity, low birth rate and ageing population, and elderly poverty were becoming worse at that time. Although the overall public infrastructure on social welfare was weak, the government did not address relevant issues properly until the midst of the administration.

Furthermore, a series of reform packages did not bear fruit, thereby leading the government to reconsider its way of governing (National Pension History Compilation Committee [NPHCC], 2015: 188). Such a change began from November 1994, when Kim Young Sam attended the Asia-Pacific Economic Cooperation (APEC)’s meeting that took place in Bogor, Indonesia. Not only did he argue that the APEC would play a leading role in achieving the liberalisation of world trade, he also announced the government’s long-term strategy for globalisation (Kim, 1994a). The declaration was the first outcome for globalisation at the government level and thereby led him to reshuffle the government structure. The government was then reorganised in December 1994 to effectively respond to such a globalisation project; the National Committee for Globalisation (NCG) was set up and the post of Senior Presidential Secretary for Policy Planning was created.

The president appointed Park Se Il, professor of law at Seoul National University, to the post. As one of the strong advocates of globalisation at the time, he impressed on the president the idea that ‘globalisation was Korea’s greatest challenge, and nothing short of drastic reforms in every area of society would ensure Korea’s survival in the global economy’ (Thurbon, 2016: 83). The government then started fleshing out the content of the project to extend the economy-oriented concept of globalisation to other areas, and its

social welfare concept was named “the globalisation of the quality of life”. In a briefing session of the NCG in March 1995, Kim Young Sam announced five principles and six policy objectives for social welfare²⁴ and then ordered his administration to establish the National Welfare Planning Board (NWPB) under the NCG in order to implement the aforementioned policy objectives (Lee, 1995: 1).

The NWPB comprised of three subcommittees discussing a wide range of social issues, including the NPS which was discussed in the subcommittee for public insurance system. Although a significant number of issues were debated, the committee members put emphasis on two major topics. The first was to attain the universal coverage of the NPS by providing the pension coverage for the self-employed in urban areas by 1998 (National Welfare Planning Board [NWPB], 1995: 14-15), and the second was to seek its long-term financial sustainability in preparation for an ageing society (ibid.: 68-75). It was the first official response to the necessity of the reform that pointed out the financial soundness at the government level. The MOHW, however, seemed to have an implicit plan to deal with the financial problem stage by stage (Kim, 2010: 92). As Kim Sang Kyun, professor of social welfare at Seoul National University, explained in the interview with the researcher:

The MOHW’s idea was that regardless of any challenge, the NPS should proceed in four stages. The first was that the NPS should be introduced as soon as possible. This was the most important goal because the ministry remembered that the scheme’s introduction had been delayed for 14 years from 1973 to 1987. The second was that the NPS should be a universal coverage system as soon as possible. The third was to guarantee its financial sustainability. The fourth was to provide a non-contributory pension for the uninsured. This was a tacit blueprint of the NPS the MOHW sought.

Given what Kim answered, it was reasonable to assume that the MOHW would seek to make the NPS a universal coverage system before a retrenchment package would be introduced. The next target group for the ministry was thus the self-employed in urban areas who had remained uncovered since 1995, when farmers, fishermen, and the self-employed in rural areas had become incorporated into the scheme. The MOHW

²⁴ The five principles aimed to secure: 1) minimum living standards; 2) productive welfare; 3) a community-based welfare system with the government officials and experts; 4) an informatised, efficient welfare system; and 5) a safe society. The six policy objectives were as follow: the expansion of public assistance system for the vulnerable, the expansion of care for the elderly in preparation for an ageing society, the support for women’s participation in society, the improvement of the social security system, the establishment of a social safety system, and the introduction of environment-friendly policies for the 21st-century society.

emphasised the development of the scheme rather than the issue of financial sustainability, and this was actually reflected in the NWPB's final report that clearly specified the target year for providing the coverage for the self-employed in urban areas but to euphemistically describe the need to adjust both the contribution and replacement rate (NWPB, 1995).

After the final report was released, most of the media attention was directed towards the uncertain steps to finance the policy suggestions in the report (Choi, 1995: 2; Kyunghyang Shinmun, 1996: 3). Another issue raised was the absence of a branch under any government ministry to check if the policies suggested would be implemented in the future (NPHCC, 2015: 192). In this situation, it was unlikely that political actors would seek to promote the NPS pre-emptively. However, Park Se Il's appointment to the new post of Senior Presidential Secretary for Social Welfare (SPSSW) in December 1995, reversed this political circumstance. The establishment of the post in the Presidential Office implied that the government would put more weight on social welfare issues, thereby giving him political leverage in dealing with reform issues. Before serving as a professor of law at Seoul National University, Park Se Il received his Ph. D in Economics at Cornell University and then became a researcher at the Korean Development Institute (KDI). While he was employed at the KDI between 1980 and 1985, the institute played a dominant role in convincing former President Park Chung Hee to introduce the NPS for mobilising capital for industrialisation (Ringen et al., 2011: 27). He went further, looking for experts who could help present a series of policy initiatives. Moon Hyung Pyo, researcher at the KDI, was one of the experts recommended by Park Se Il and academically known for publishing articles on the potential financial instability of the NPS. As Moon explained in the interview with the researcher:

If I remember correctly, Park Se Il was transferred from the Senior Presidential Secretary for Policy Planning to the SPSSW. He contacted the KDI to recommend people who could work with him. He then rang me, saying that he was going to serve at the new post and asked me to work together. After much consideration, I accepted his offer and then started working as an Administrator in the Office of the SPSSW. In a meeting with him, Park Se Il asked me, "We need to reform the social welfare systems, but what is an urgent issue to tackle?" And I answered, "A reform of the NPS is the most urgent issue." Then he ordered me to examine its specific issues and push ahead with them.

After being employed as the Administrator in April 1996, Moon started undertaking the structural reform of the NPS with a number of experts. The most notable among them were Kim Yong Ha and Ahn Jong Bum, respectively working for the Korea Institute for Health and Social Affairs (KIHASA) and the Korea Institute of Public Finance, and they have always led the discourse of the financial sustainability of the NPS since then. They sought to change the NPS's institutional structure by separating the basic part from the earnings-related one that constitute the benefit formula of the NPS²⁵, creating a bi-pillar system – the former as basic pension and the latter as earnings-related pension.

There were two underlying reasons for this argument. The first one was to secure the long-term financial sustainability of the scheme by making it possible to flexibly modify both the contribution and replacement rate, and the second came from difficulty in the state's capacity to accurately identify the genuine income of the self-employed, thus worsening distortions in income distribution of the benefit. For example, whilst the self-employed in Korea accounted for about 37% of total employment, which was the 4th highest figure among all OECD member countries as of 1997 (OECD, 2008), the size of the shadow economy-to-GDP ratio was 27.5%, the 5th highest figure among the same countries as of 1999-2000 (Schneider, 2004). These two reasons laid the foundation of the SPSSW office for the so-called “reform first” strategy.

Such intra-governmental differences between the SPSSW office and the MOHW continued until the establishment of the NPRB in May 1997. Several meetings such as expert group meetings and high-level meetings were held to collect opinions from relevant parties and reconcile their differences. What was more serious was that the office had attempted to reform other public pension schemes (in particular the Government Employees Pension Service, the Teachers' Pension Scheme, and the Military Personnel Pension Scheme) as well as the NPS. This is why the office acted as a control tower for the reforms in that each of the schemes was under the jurisdiction of four different ministries. The SPSSW office announced the “long-term reform directions of the public pension systems” in June 1996, thereby coming into conflict with each of the ministries. Above all, both the Ministry of Finance and Economy (MOFE) and the MOHW opposed

²⁵ The amount of the benefit is calculated based on the basic and the earnings-related part. While the former does not consider the individual earnings history but the average income of total subscribers, the latter is strictly dependent upon the individual earnings level.

to a structural reform led by Moon Hyung Pyo. As he explained in the interview with the researcher:

When I visited the MOFE and the MOHW to suggest reforming the NPS together, both replied that they opposed the plan. They argued that ahead of the development of the NPS, a structural reform would spark public concerns, and that the citizens would not trust the scheme if the government said that the scheme was faced with financial instability...Although it was obvious to imagine how the NPS would be in the long run, I as an Administrator could not make it because of power imbalances between me and the ministries.

These practical difficulties led the government to take into consideration the establishment of a governmental body to solely discuss the NPS reform. The SPSSW office held an expert group meeting and a working-level talk in September and October 1996, respectively, and the participants agreed that it was necessary to set up the NPRB under the Committee for Social Security (CSS) (NPHCC, 2015: 197-8). The first meeting of the CSS was held in May 1997 and the committee then announced the establishment of the NPRB. In summary, the two ideas, “reform first” (the SPSSW office) and “extension first” (the MOHW), had vied for dominance until the NPRB was set up; but, it was hardly possible for each idea to bear fruit because there had been few chances to mediate differences between the two.

5.2.2 The National Pension Reform Board and the Ostensible Predominance of the Senior Presidential Secretary for Social Welfare

It is necessary to briefly explain the organisational structure of the CSS before exploring the political dynamics between the SPSSW office and the MOHW in the NPRB. Concerning its jurisdiction, the CSS was set up in the Prime Minister’s Office whereas the NCG was in the Presidential Office. The Minister of Health and Welfare was one of the two vice chairpersons in the NPRB, but did not occupy any important position in the NCG. These aspects seemed to show that the MOHW could effectively mobilise its political resource in relation to the NPS reform. Various threads of evidence, however, reverse such conjecture. It has been shown that the SPSSW office was deeply involved in appointing the general members of the NPRB²⁶ who could reflect the office’s policy preference – a structural reform of the scheme (NPHCC, 2015: 206). Moon Hyung Pyo

²⁶ The NPRB was composed of two different groups on the basis of functions. The main roles of the “general members” were to deliberate policy alternatives and to make a final report, while “expert members” under general members were responsible for presenting policy alternatives.

also confessed in the interview with the researcher that his academic collaborators, Kim Yong Ha and Ahn Jong Bum, were nominated as part of the expert members by him.

I do not deny the fact that Kim Yong Ha and Ahn Jong Bum were recommended by me. As far as I know, some people from the KIHASA and the KDI also joined the NPRB. Frankly speaking, I wished that those who agreed on the need to reform the NPS would have joined the board and discussed reform issues.

Table 5-1 General Members of the NPRB

		Name	Affiliation
General members (23)	Academics (7)	Park Chong Kee ²⁷	Inha University
		Kim Sang Kyun	Seoul National University
		Shin Soo Sik	Korea University
		Lee Hye Kyung	Yonsei University
		Yun Kun Young	Yonsei University
		Lee Kyu Sik	Yonsei University
		Lee Won Hee	Ajou University
	Member of research institutes (6)	Yeon Ha Chung	Korea Institute for Health and Social Affairs
		Lee Kye Sik	Korea Development Institute
		Choi Kwang ²⁸	Korea Institute of Public Finance
		Park Fun Goo	Korea Labor Institute
		Min Jae Sung	National Pension Service
		Chung Kyung Bae	National Pension Service
	Subscriber representatives (5)	Lee Nam Sun	Korean Confederation of Trade Unions
		Cho Nam Hong	Korea Employers Federation
		Han Sung Hi	National Agricultural Cooperative Federation
		Chung Kum Ja	Korea Institute for Women's Development
		Chung Sang Yong	Korean Bar Association
	Mass media (2)	Ko Hak Yong	Chosun Ilbo
		Jeong Seo Goo	Korean Broadcasting System
	Government officials (3)	In Kyung Suk	Prime Minister's Office
		Chung Duck Koo	Ministry of Finance and Economy
		Lee Jong Yoon	Ministry of Health and Welfare

Source: National Pension Reform Board [NPRB] (1997: 785)

²⁷ The head of the NPRB.

²⁸ Choi Kwang was replaced with Kim Choong Soo after he became the Minister of Health and Welfare.

Table 5-2 Expert Members of the NPRB

Name	Affiliation	Background
Kim Won Shik	Konkuk University	Economic researchers (8)
Bae Jun Ho	Hanshin University	
Ouh Chang Su	Hanyang University	
Ahn Jong Bum	University of Seoul	
Chun Young Jun	Korea Institute of Public Finance	
Koh Young Sun	Korea Development Institute	
Moon Hyung Pyo		Moon Hyung Pyo's academic collaborator
Bang Ha Nam	Korea Labor Institute	
Kim Yong Ha		Korea Institute for Health and Social Affairs ²⁹
Yoon Byung Sik		
Choi Byung Ho		
Lee Jung Woo		
Won Jong Wook		
Lee Yo Sik	Korean National Council of Women	Representative groups (5)
Jung Myung Chae	Korean Rural Economic Institute	
Kim Tae Hong	Korea Institute for Women's Development	
Jung Kil Oh	Federation of Korean Trade Unions	
Kim Jung Tae	Korea Employers Federation	
Noh Kil Sang	Ministry of Health and Welfare	Government officials (3)
Wang Jin Ho		
Kang Won Soon	Ministry of Finance and Economy	Social policy researchers (3)
Moon Jin Young	Sungkonghoe University	
Kwon Moon Il	National Pension Research Institute	
Oh Keun Sik	National Pension Service	

Source: amended from NPRB (1997: 786)

Nearly half of the 24 expert members were economics-related researchers and part of the KIHASA, and most of them would be inclined to favour a bi-pillar reform. By contrast, those who preferred a moderate alternative were under-represented in the expert group. This implies that there would be a high possibility that the expert members would come up with structural reform options. Between June and December 1997, the board had a great number of meetings (4 meetings between the general members, 9 meetings between the expert members, and 9 meetings between the former and the latter group), and it was

²⁹ There are some differences between the KIHASA and the National Pension Research Institute in relation to academic research on the NPS. While the former covers macro-level, structural, and long-term studies on the scheme, the latter generally undertakes micro-level, administrative, and short-term studies on the scheme (Kim, 2010: 233). It implies that researchers in the KIHASA are likely to focus more on the structural reform than ones in the National Pension Research Institute. Indeed, Yoon Byung Sik as well as Kim Yong Ha continued to advocate for the structural reform in 1998 (Yang, 1998: 65).

supposed to submit a final report with policy suggestions to the Prime Minister, head of the CSS.

In August 1997, the expert members released the first draft with three reform options. The first option was to maintain the existing mono-pillar structure along with several measures for financial sustainability. The second one was to transform it by separating the basic part from the earnings-related one, creating a bi-pillar scheme. Although these two alternatives differed regarding the implementation of a structural reform, they shared the common perspective of incorporating the self-employed in urban areas into the NPS. Surprisingly, the third option was relatively radical in terms of institutional structure, income distribution, and its stance on the self-employed. According to the third option, the scheme would become a bi-pillar system based on a type of the occupation of subscribers. In other words, the self-employed and business employees would no longer be incorporated into a single pension scheme. Another distinctive feature was that within the same category, every subscriber would have an individual pension account with no income distribution function. Because of such hard-line approaches, the third option was excluded from later discussions. As Kim Sang Kyun, professor of social welfare at Seoul National University, explained in the interview with the researcher:

When the three options were suggested, an atmosphere was created where the general members would focus on the first and the second while sidelining the third. When reform plans are proposed in committees, the second one is generally considered the final choice if we have decided to make three plans. It can be seen that the first and the third options played second fiddle to the second one. In the same context, the radical third option was not seriously discussed. This is why few general members supported it.

Table 5-3 Three Options in the First Draft of the NPRB³⁰

	First Option	Second Option	Third Option
Structure	Mono-pillar	Bi-pillar	Bi-pillar

³⁰ They were designed by Oh Keun Sik at the National Pension Service (the first option), Ahn Jong Bum at the University of Seoul (the second option), and Kim Won Shik at the Kunkook University, respectively (Lee, 2004: 233). As expected earlier, the two economic researchers preferred a structural reform, whereas the National Pension Service, organisation under the jurisdiction of the MOHW, proposed a parametric reform.

Coverage	Business employees and the self-employed (between 18 and 59)	<u>Basic pension:</u> all the citizens (between 18 and 59) <u>Earnings-related pension:</u> business employees and the self-employed (between 18 and 59)	Business employees and the self-employed (between 18 and 59)
Contribution rate	3 – 6 – 9%	<u>Basic pension:</u> 0.4 – 6% <u>Earnings-related pension:</u> 3 – 6 – 8%	3 – 6 – 9%
Replacement rate (40 years of contributions)	40 – 53.3% (3 different options)	<u>Basic pension:</u> 10% <u>Earnings-related pension:</u> 30%	Various
Type	Defined benefit	Defined benefit	Defined contribution

Source: National Pension Service [NPS] (2008: 91-2)

Interestingly, Choi Kwang, general member of the NPRB, was appointed Minister of Health and Welfare a day after the expert members had released the first draft, replacing Sohn Hak Kyu who had been opposed to a bi-pillar reform (Yang, 1998: 42). Given his participation in the board as well as his academic background, it is possible to imagine that Choi would have reflected the stance of the SPSSW office. Indeed, Park Se Il and Moon Hyung Pyo³¹ expected him to do so as they revealed in interviews (NPHCC, 2015: 210). Choi Kwang, however, was not firm on his policy stance as he explained in the interview with the researcher:

I did not have a firm opinion on whether to structurally reform the NPS although I was fully aware of the necessity to reform it...I do not know even so far who proposed me as the minister. Some people say that Park Se Il did, but others say that someone else did. Anyway, it seemed that there were many disagreements over the NPS and other issues between him and Sohn Hak Kyu.

Om Young Jin, Director General for Pension and Health Insurance at the MOHW, also revealed in the interview with the researcher that the staff at the ministry did not expect Choi to overturn its existing approach.

Although Choi might have been appointed with the idea of a bi-pillar reform and a sharp cut in the replacement rate, we believed that he would reasonably handle the situation as the Minister of Health and Welfare whose duty is to promote the health and welfare of the people...Choi was not such a biased

³¹ Moon Hyung Pyo made the same point in the interview with the researcher.

minister. He could have replaced me simply by ringing up the Director of General Services Division if he had not agreed with me. Given that he did not do so, Choi seemed to think that there was a need to ponder over the legitimacy of our plan.

In October 1997, the second draft of the report with three modified reform options was released. Only minor modifications were added to both the first and second options, while the initial third option was removed from the debate. Instead, the third option in the second draft report was expected to produce a bi-pillar scheme with the basic and the earnings-related pension and to let the self-employed join the latter voluntarily.

Table 5-4 Three Options in the Second Draft of the NPRB

	First Option	Second Option	Third Option
Structure	Mono-pillar	Bi-pillar	Bi-pillar
Coverage	Business employees and the self-employed (mandatory for the former's spouses but voluntary for the latter's spouses)	Basic and earnings-related pension provided for all the citizens regardless of jobs	<u>Basic pension</u> : mandatory for business employees and the self-employed <u>Earnings-related pension</u> : mandatory for business employees but voluntary for the self-employed
Contribution rate	A <u>flat rate</u> of 10.25% from 2003/ <u>The highest rate</u> : 11%	<u>Basic pension</u> : 0.41 – 6.5% <u>Earnings-related pension</u> : 6% <u>The highest rate</u> : 12.5%	<u>Basic pension</u> : 4% <u>Earnings-related pension</u> : 6% <u>The highest rate</u> : 9%
Replacement rate (40 years of contributions)	45%	<u>Basic pension</u> : 15% <u>Earnings-related pension</u> : 25%	<u>Basic pension</u> : 20% <u>Earnings-related pension</u> : 20%
Type	Defined benefit	Defined benefit	Defined benefit

Source: NPS (2008: 93)

What is important is that the two structural reform options existed in both the first and second draft. It became clear that a majority of the members did not want to abandon the idea of a structural reform whilst a minority of those adhered to the existing mono-pillar design of the NPS. From then on, the NPRB began to have in-depth discussions on what to choose ultimately but failed to reach an agreement on a “unified” final decision. Instead, the board decided to “recommend” a proposal advocated by a majority of the general members, to the Prime Minister, while at the same time specifying a minority opinion in

the final report³². In the interview with the researcher, Om Young Jin, Director General for Pension and Health Insurance at the MOHW, recalled a behind-the-scenes story about the MOHW's effort to include the minority view in the final report.

Noh Kil Sang and Wang Jin Ho, who represented our ministry in the NPRB, visited me to report on what was going on. I said, "In any form, our opinion should be contained in the final report", and they tried their best to do so. At that time, I thought that if the final report of the board was released with our opinion unwritten, the situation would get into terrible trouble...And I also said, "At least try to put our opinion as a form of minority report, and we would be able to have a way of giving life to our plan".

The final recommendation was based on: 1) creating a bi-pillar scheme with a basic pension and an earnings-related pension; 2) extending the NPS coverage to the self-employed in urban areas by July 1998; 3) decreasing the benefit rate immediately from 70 to 40% and increasing contributions gradually from 9 to 12.65% by 2026; and 4) delaying the starting age for pension collection from 60 to 65 by 2033.

Table 5-5 The Present NPS and the Final Proposal

	Present scheme	Final proposal
Structure	Mono-pillar	Bi-pillar
Coverage	Business employees and the self-employed in rural areas	Business employees and the self-employed
Contribution rate	3 – 6 – 9%	<u>By 2009</u> : 3 – 6 – 9% <u>2010~2014</u> : 9.95% <u>2015~2020</u> : 10.9% <u>2021~2025</u> : 11.8% <u>2026~</u> : 12.65%
Replacement rate (40 years of contributions)	<u>Bottom 20%</u> : 100% <u>Top 20%</u> : 48% <u>Average income group</u> : 70%	<u>Bottom 20%</u> : 77% <u>Top 20%</u> : 31% <u>Average income group</u> : 40%
Starting age for pension collection	60	65 (increasing by a year for every five years from 2013)
Type	Defined benefit	Defined benefit

Source: NPS (2008: 94)

³² Kim Sang Kyun, professor of social welfare at Seoul National University and general member of the NPRB, recalled in the interview with the researcher that the structural reform proposal was chosen by a razor-thin margin of victory in the final voting.

After the final reform proposal was released, major news media outlets were critical of such a radical choice in two ways. First, they criticised the government for shifting the responsibility of its mismanagement of the NPS fund onto the subscribers, arguing that the government had tried to mobilise the fund for public investment and loans with low profitability (Segye Ilbo, 1997; Hankook Ilbo, 1997; Hankyoreh, 1997: 3). Second, they insisted that the NPRB focused only on financial sustainability, given both the increase in contributions and the decrease in the replacement rate (Lee, 1997: 2; Park, 1997: 8). Concern was also raised by the Korea Employers Federation that sent two members to the NPRB, as well as the Federation of Korean Trade Unions (Kwon, 1997b). The MOHW argued against the final proposal on the back of growing public opposition, and such reaction was already expected given its strong effort to include a minority opinion in the final report (NPHCC, 2015: 209). Yet, it was revealed that from the beginning of the NPRB, the ministry was likely to not care as much about it. As Om Young Jin, Director General for Pension and Health Insurance in the MOHW, explained in the interview with the researcher:

The NPRB's policy suggestion was nothing more than a recommendation. It was a recommendation with no binding power. In order for the suggestion to have the force, the president should have directed the Minister of Health and Welfare to adopt it. But he did not... The minister was responsible for policy-making at the time, not the NPRB.

In addition, two events that took place in December 1997 – when the NPRB submitted its final report to the Prime Minister – changed the configuration of pension politics. On one hand, that month was critical because the Kim Young Sam government had to accept a bailout from the IMF a month after going cap in hand to the organisation. The state default was not unexpected and further aggravated by the chain bankruptcy of major private companies, which started in early 1997. The country's sovereign credit rating was downgraded, and the exchange rate of the U. S. dollar for Korean won soared. On the other hand, the economic crisis played a significant role in helping pro-welfare politician Kim Dae Jung become president. He was keen on dissociating himself from Kim Young Sam by undertaking a hard anti-*chaebol* campaign and moving his support base towards middle and working classes (Yang, 2004: 198). Looking back on such political circumstances at the time, Choi Kwang, Minister of Health and Welfare between August 1997 and March 1998, explained in the interview with the researcher that:

That was the moment when the change of the Kim Young Sam government was already decided and he had fallen into a lame-duck status because of several events. Although the SPSSW office tried its best to make a final report, it knew that time was too limited to implement the final proposal of the report. The MOHW got embarrassed at the starting point of the NPRB but realised as time went on that the final proposal would not be materialised under such circumstances.

Before concluding this section, it is necessary to mention the emergence of coalition politics in the reform process. The NPRB could reach an agreement on many issues that were initially divided with different opinions. However, one point remained unclear: whether the scheme's structure would transform into a bi-pillar scheme. On one hand, the structural reform was advocated by the SPSSW office, former researchers of the KDI, the KIHASA, economic researchers, and the MOFE³³ (Choi, 2005; Lee, 2015: 199-200; NPS, 2008: 106). Because some of them took initiatives in forming the NWPB and the NPRB, these groups were firmly inter-connected as seen from the initial process of selecting members of the board. For instance, Moon Hyung Pyo recommended by Park Se Il joined the SPSSW office and then started working with several academics such as Kim Yong Ha and Ahn Jong Bum, who later became expert members of the NPRB. Before joining the board, they were known for their idea to support the scheme's long-term financial sustainability through a bi-pillar scheme. The KIHASA, a research institute covering social policy issues, was known for macro-level, structural, and long-term researches on the scheme, thereby focusing more on a bi-pillar system.

On the other hand, the parametric reform option based on the existing mono-pillar design was supported by the MOHW, social policy researchers, and labour unions. They were under-represented in the NPRB, and it can be said that the degree of their coalition was relatively weaker than the former group. Although the final proposal of the board did not reflect their policy preference, it seemed that they could take advantage of a window of opportunity opened by two significant events – a bailout from the IMF and a power shift to pro-welfare politician Kim Dae Jung³⁴.

³³ Note that Om Young Jin, Director General for Pension and Health Insurance at the MOHW, does not agree with the opinion that the MOFE preferred the structural reform of the NPS.

³⁴ Moon Jin Young, professor of social welfare at Sungkonghoe University, said in the interview with the researcher that a negative climate was already prevailing in the NPRB where the structural reform proposal would not be feasible in the wake of the regime transfer.

5.2.3 Counterattack from the Ministry of Health and Welfare

Four days after the NPRB had submitted its final report to the Prime Minister, the MOHW reported social policy issues to Kim Won Gil, chief policy-maker of the main opposition party, which was led by the next President Kim Dae Jung. Here, the ministry took a negative stance against changing the existing mono-pillar system, arguing that the bi-pillar proposal from the NPRB would bring about administrative difficulties as well as serious confusion among citizens, and that a radical decrease in the replacement rate would be impractical (Yang, 1998: 61). Om Young Jin also clarified in the media that the NPRB's recommendation would need to be reconsidered and amended by the ministry (Park, 1998: 27). In the first and second policy briefing session with the transition team of President-elect Kim Dae Jung, the MOHW argued that the NPS would be reformed in a parametric manner (NPS, 2008: 96). This implies that the MOHW would try to directly push ahead with its own plan despite opposition from the SPSSW office. This proactive approach had already been taken from late December 1997. Choi Kwang, Minister of Health and Welfare (August 1997 – March 1998), explained in the interview with the researcher that:

In order for the MOHW to report its preference for a parametric reform to the transition team of President-elect Kim Dae Jung, Om Young Jin visited me to get internal approval. Then I signed a plan that included a modification of the replacement rate to 55%, saying that “Although I have signed this plan, the replacement rate would increase to 60% under the new administration”. Hence, we had better resubmit a plan with the rate of 50% after the new administration would come to power, so that the rate would increase to 55% through the negotiation processes in the National Assembly...This conversation happened probably around 27th December, when the NPRB submitted a final report to the Prime Minister. It was before the MOHW went to the transition team.

Admitting euphemistically that the SPSSW office's approach was overambitious, Moon Hyung Pyo answered that the office was at odds with the MOHW that stated its preference to the transition team. Afterwards, the office gave up reforming the NPS structurally and then expressed that they would not raise any objection to a parametric reform if the MOHW could lower the replacement rate to 55% (NPHCC, 2015: 206). The transition team of President-elect Kim Dae Jung also asked the ministry, with the mono-pillar design untouched, to readjust the replacement rate to at least more than 54%, the figure of which was recommended by the ILO (International Labour Organization) at the time (Seo, 1998a). Since then, all proposals made by the ministry were founded on the mono-pillar

design and tried to take political feasibility into consideration by adjusting the contribution and benefit rate and delaying the starting date of coverage extension for the self-employed in urban areas.

One of the reasons why it took seven months to get the reform bill passed was that the Grand National Party (GNP), former governing party under the Kim Young Sam government, was reluctant to agree on the relevant bill. It had been the ruling party until February 1998, but ironically asked the MOHW and the ruling party under the new government to raise the replacement rate to 60% and to delay the completion of universal coverage to the year 2000 (Lee, 1998a). Another reason was that the MOFE was reluctant to lose its jurisdiction over the NPS fund. This story shall be explained in detail in the next section.

In summary, the ministry was able to turn the tide by making use of the country's bailout from the IMF and the turnover of political power, both of which took place in December 1997. Following these events, the SPSSW office did not exercise political leverage in the direction of the reform and thereby acquiesced the idea of a parametric reform. The year 1998 witnessed a continuous shift regarding the contribution and benefit rates as well as the starting date for the coverage extension for the urban self-employed; however, every change was made on the basis of maintaining the scheme's existing structure, a mono-pillar system.

Table 5-6 Changes in Contents of the NPS Reform

	Final recommendation of the NPRB (12/1997)	Proposal of the MOHW at a public hearing (01/1998)	Reform bill <u>submitted</u> to the National Assembly (05/1998)	Reform act <u>passed</u> at the National Assembly (12/1998)
Structure	Bi-pillar	Mono-pillar	Mono-pillar	Mono-pillar
Contribution rate	<u>By 2009</u> : 3 – 6 – 9% <u>2010~2014</u> : 9.95% <u>2015~2019</u> : 10.9% <u>2020~2024</u> : 11.8% <u>2025~</u> : 12.65%	(55% replacement rate) <u>By 2009</u> : 3 – 6 – 9% <u>2010~2014</u> : 10.85% <u>2015~2019</u> : 12.65% <u>2020~2024</u> : 14.45% <u>2025~</u> : 16.25%	9% (planning to gradually increase from 2010, considering socio-economic changes)	9% (planning to gradually increase from 2010, considering socio-economic changes)
Replacement rate (40 years of contributions)	40%	55% or 60%	55%	60%
Starting age for pension collection	65 (increasing by a year for every five years from 2013 until 2033)	65 (increasing by a year for every five year from 2013 until 2033)	65 (increasing by a year for every five years from 2013 until 2033)	65 (increasing by a year for every five years from 2013 until 2033)
Starting date of the coverage extension for the self-employed in urban areas	July 1998	July 1998	October 1998	April 1999

5.3 Testing the Causal Mechanism of “Role of Welfare Bureaucrats”

This section shall test whether the causal mechanism formulated from Kim and Choi (2014) can explain the first reform of the NPS in 1998. As mentioned previously, this thesis seeks to explain a particular historical outcome, the two cases of the NPS reform, by employing a process tracing that aims to capture the operation of a causal mechanism in the outcome of interest. Given that the thesis has chosen the explaining-outcome approach of process tracing, it does not seek to generalise the formulated mechanism that can be drawn from the NPS reform cases, to other cases.

Based on a Bayesian logic, each of the following four sections shall analyse whether to strengthen or weaken the researcher’s confidence in the validity of the four parts of the causal mechanism. This will allow the researcher to infer the nature of the genuine causal pathway through which the causal forces of welfare bureaucrats were transmitted to the NPS reform in 1998. The causal mechanism here is understood as a system where the four interlocking parts are consequentially connected. Each part is considered to be individually necessary in the causal mechanism, although it does not exert a causal influence on the outcome itself (Beach and Pedersen, 2013: 29-32). In short, the causal mechanism as a theoretical system is established on the condition that every part should exist.

Table 5-7 Formulated Causal Mechanism of Kim and Choi’s Theory

Cause	Causal mechanism				Outcome
	Part 1	Part 2	Part 3	Part 4	
The welfare bureaucrats in Korea	<u>Welfare bureaucrats</u> try to carry out a reform of the NPS, based on its current institutional structure.	<u>Welfare bureaucrats</u> are engaged in policy conflict with those who seek a structural reform of the NPS	<u>Welfare bureaucrats</u> negotiate other issues of the NPS reform with political actors on the condition that the current institutional structure is preserved.	<u>Welfare bureaucrats</u> come to achieve expertise, legitimacy, and institutional positioning.	The NPS reform in 1998

5.3.1 Did Welfare Bureaucrats Try to Carry Out a Reform of the NPS, Based on Its Current Institutional Structure?

In relation to the first part of the mechanism, it was predicted earlier that both trace and account evidence would be likely to leave their traces on the scene. The researcher's fieldwork was able to discover various pieces of both trace and account evidence. With regard to trace evidence, "a task-force team" for the universal coverage of the NPS, which was established in January 1997 in the MOHW, is one of the representative examples, and its existence has been confirmed in several materials (Ministry of Health and Welfare [MOHW], 1999: 5; NPHCC, 2015: 201; NPS, 1998: 151; 2008:88; Yang, 1998: 37). The moment when the team was organised deserves attention because fundamental disagreements between the SPSSW office and the MOHW had existed over what to do first: "reform-first" or "extension-first" at the time. The MOHW formed the task-force when the office was trying to narrow down the target of public pension reforms, and it became apparent that the NPRB would start emphasising the need to reform the NPS³⁵.

Yang's study (1998) on the reform process also substantiates the presence of pieces of trace evidence, and as Deputy Director for the Division of Pension Policy at the time, Yang was able to access a significant number of internal documents produced by the MOHW. He notes that two internal meetings took place on 24th February and 12th April 1997 to discuss specific strategies for the coverage extension based on a mono-pillar system (ibid.: 42-44). One may cast doubt on the researcher's inaccessibility to the archival materials cited in Yang's research; but it does not imply that the absence of the evidence in the researcher's hands undermines the credibility of the prior prediction (Beach, 2016: 470). Considering that the researcher has identified the specific form of evidence in Yang's research, indirect identification can be justifiable because existence itself matters to the researcher who forecasted the presence of trace evidence. Another piece of trace evidence – the explicit stipulation of a parametric reform option in the NPRB's final report – also confirms the commitment of the welfare bureaucrats to the NPS reform based on a mono-pillar system.

³⁵ In the interview with the researcher, Moon Hyung Pyo, Administrator in the SPSSW office, mentioned three reasons why the office focused specifically on the NPS. First, the office was worried about much concern from relevant ministries in charge of the Government Employees Pension Service, the Teachers' Pension Scheme, and the Military Personnel Pension Scheme. Second, the office assumed that it would have little time to reform all the schemes. Third, the office was specifically keen on the NPS reform as the scheme would cover more subscribers than the other pension schemes.

Multiple pieces of account evidence were also discovered during the fieldwork. All of the interviewees involved in the 1998 reform answered in the interviews with the researcher that the MOHW did stick to the idea of a parametric reform. First, Moon Hyung Pyo, Administrator in the SPSSW office, explained in the interview with the researcher that:

Of course, the MOHW opposed our plan to structurally reform the scheme because it was worried that doing so would trigger public confusion and anxiety. The ministry did not want to change the basic structure although it admitted that the parametric adjustments would be inevitable.

Second, Choi Kwang, general member of the NPRB as well as Minister of Health and Welfare, was chosen as an interviewee, assuming that he must have been aware of the ministry's policy preference. Describing an inherent feature of bureaucrats, Choi answered in the interview with the researcher that:

If any good ideas come from either inside or outside ministries, bureaucrats take them without resistance. But if not, they have no choice but to maintain the status quo. It was not easy for the welfare bureaucrats to even secure financial sustainability by lowering the replacement rate, increasing the contribution rate, or delaying the starting age for pension collection. And also, they were doubtful of a structural reform.

Third, Kim Sang Kyun, one of the general members in the NPRB, was expected to inform on what was happening in the board. With regard to who advocated a structural and a parametric reform, Kim mentioned in the interview with the researcher that:

The NPRB members had long discussions regarding whether to select a structural or a parametric reform. We eventually failed to reach agreement on a "unified" final decision, but instead decided to specify both the majority and minority proposal in the final report. While the former was supported by economic researchers, pro-business civic group representatives, and bureaucrats from the MOFE, the latter was supported by social policy researchers, bureaucrats from the MOHW, and labour as well as media representatives.

Fourth, Om Young Jin, Director General for Pension and Health Insurance in the MOHW, described in the interview with the researcher that his position took full responsibility for pension policy-making and the ensuing negotiations under the approval of the minister and vice minister.

I was determined that the direction of the NPS reform should be founded on the mono-pillar system so that we would be able to convince the existing subscribers and urban residents. That was why we objected to the majority proposal recommended by the NPRB. The minister also agreed to my idea.

Om also said in the interview with the researcher that he visited the transition team of President-elect Kim Dae Jung to report on the MOHW's plan.

A member of the transition team said, "Where is the Director General for Pension and Health Insurance?", and then I said, "Here". The team wanted me to first report on the issues related to the NPS reform and the integration of the National Health Insurance, putting aside other matters. We had already made our own proposal before visiting the team. It sought to maintain the current institutional structure and decrease the replacement rate to 55%, while at the same time accepting all the other recommendations from the NPRB.

Overall, all the comments that were collected across opposite camps – mono-pillar reformers and bi-pillar reformers – converge on the idea that welfare bureaucrats were trying to carry out a reform of the NPS, based on its current institutional structure. This suggests that it is highly unlikely that the collected threads of both trace and account evidence are repeatedly discovered on the assumption that welfare bureaucrats in the MOHW did not aim to maintain the overall institutional structure. Altogether, it is therefore possible to strengthen the confidence in the presence of the first part of the mechanism.

5.3.2 Were Welfare Bureaucrats Engaged in Policy Conflict with Those Who Seek a Structural Reform of the NPS?

Concerning the second part of the causal mechanism, it was predicted that both trace and account evidence would be likely to leave their marks. The fieldwork was able to discover their presence, but identified a slightly different pattern of trace evidence than expected. In the previous chapter, it was expected that policy conflict between welfare bureaucrats and bi-pillar reformers would result in the establishment of an official forum, such as a reform committee, in which to mediate the policy disagreements. Yet the fieldwork has discovered that the SPSSW office initially suggested forming an independent committee to devise a reform plan with strong support from the Presidential Office or the MOFE (NPS, 2008: 83; Yang, 1998: 31). Moon Hyung Pyo, Administrator in the office, also

supported this claim, answering in the interview with the researcher that based on a top-down approach, he persuaded President Kim Young Sam of the need to establish the NPRB. In this context, the formation of the NPRB could be understood as the office's political strategy rather than as a product of the conflict.

Trace evidence, however, has been substantiated with the coexistence of both the majority and minority opinions in the NPRB's final report (NPRB, 1997). As can be seen from Om's comment earlier, the MOHW was desperate to stipulate its own policy preference in the report, and this is why the expert members from the MOHW – Noh Kil Sang and Wang Jin Ho – were opposed to writing a report that contained the majority proposal only. Such coexistence itself is in support of the second part of the causal mechanism.

Various pieces of account evidence also seem to attest the existence of the second part. First, Choi Kwang, general member of the NPRB as well as Minister of Health and Welfare, answered in the interview with the researcher that Park Se Il³⁶ was experiencing some friction with Sohn Hak Kyu, who was Choi's predecessor.

Park was suffering from huge heartache since Sohn did not keep his word, even if they reached agreement on some reform issues. Sohn gave a lukewarm response, so to speak, to Park after such issues were discussed and then compromised. I heard from many people that Park felt very frustrated with that.

Second, recalling the policy conflict between the SPSSW office and the MOHW in the interview with the researcher, Om Young Jin, Director General for Pension and Health Insurance in the MOHW, cited two reasons for the ministry's strong objection to a bi-pillar reform. On one hand, he was worried about the possibility that introducing a basic pension would significantly increase the financial burden of male breadwinners.

Basic pension did not coincide with public sentiment³⁷. Given that people subscribed to the NPS based on a family-unit basis, if we had introduced a basic pension based on an individual-unit basis, it not only would have been unfit for Korea but would also have increased the economic burden of male breadwinners. Then who would have paid contributions for children in

³⁶ Choi Kwang said in the interview with the researcher that he was personally close to Park Se Il from the time they had worked together at the KDI.

³⁷ In Confucian tradition embedded in Korean culture, women have been considered as the main carers (Sung, 2003). Such perception was dominant in the 1990s, although it has gradually faded since the 2000s.

university or unemployed children? In a situation where fathers were required to pay contributions only for themselves, what would have happened if they paid for their wives, sons, and daughters? Do you think that they would have stayed quiet?

On the other hand, Om was concerned that a considerable drop in the benefit rate from 70 to 40% would have caused a grave situation where the self-employed in urban areas would refuse to pay contributions.

Both the minister and I prioritised the extension of pension coverage to the self-employed in urban areas. But our plan seemed impossible initially, and this is why we objected to changing the institutional framework of the NPS. Due to this problem, we came into serious conflict with Park Se Il, Senior Presidential Secretary for Social Welfare. I told Park Se Il and Moon Hyung Pyo, “We would never accept a Japanese-style basic pension³⁸. And what criteria did you use for the decrease in the replacement rate to 40%?” I suggested 54%, which was recommended by the ILO.

Third, Moon Hyung Pyo, Administrator in the SPSSW office, admitted that there existed a series of severe disagreements and controversies with the MOHW over the direction of the NPS reform. He revealed in the interview with the researcher that such conflict happened even after the NPRB submitted its final report as well as before it was formed.

As far as I can remember, we were unhappy with the MOHW that expressed its negative stance on the NPRB’s major opinion, to the transition team. I do not want to deny that we had a lot of controversies and conflict about that...Rather than rational approaches, various political-economic factors we did not imagine were taken into consideration comprehensively in the reform process.

In summary, the collected trace and account evidence presented above suggest that welfare bureaucrats were indeed engaged in policy conflict with those who sought a structural reform of the NPS, and overall, the evidence significantly strengthened the researcher’s confidence in the validity of the second part of the causal pathway. Rather than relying on a single source or actor, the researcher has tried to achieve data triangulation by using different types of data sources and identifying the same information from different actors. It is therefore highly improbable to repeatedly witness such pieces

³⁸ The public pension system in Japan consists of two pillars – the basic pension as the first pillar and the earnings-related pension as the second. Om answered in the interview with the researcher that the ministry was fully aware of the financial instability of the basic pension in Japan.

of empirical evidence when assuming that the welfare bureaucrats did not engage in conflict with those seeking a structural reform of the NPS. The hypothesised second part has therefore survived multiple independent hoop tests.

5.3.3 Did Welfare Bureaucrats Negotiate Other Issues of the NPS Reform with Political Actors on the Condition that the Current Institutional Structure is Preserved?

The previous chapter operationalised the third part of the formulated mechanism by predicting that two types of evidence – sequence and account evidence – would be likely to produce a series of trails. Unlike the previous parts that enumerated the collected evidence according to its type, we will test the third part by using account evidence to complement sequence evidence.

Sequence evidence was discovered especially after the NPRB submitted a final report to the Prime Minister, as both the IMF economic crisis and the change in political leadership did make the SPSSW office lose its grips on the reform – notably its preference for a bi-pillar reform in particular. Following this, the MOHW came to see a change in its counterpart from the office to labour unions and civic organisations. There were fundamental differences in policy preferences between the office and those groups. Whilst the office continued to pursue a structural reform with large-scale cutbacks, labour unions and civic organisations supported parametric reform options but with small-scale retrenchments³⁹. They also called for democratic control over the pension fund, because the government had borrowed it without issuing any government/public bonds⁴⁰, an issue which the ministry had long wanted to deal with (Kim, 2010: 183; Lee, 2015: 191; MOHW, 1998: 13; Yang, 2008: 140-141). In addition, the ministry did no longer face opposition from political actors concerning the mono-pillar system and was therefore ready to negotiate other reform issues. Om Young Jin, Director General for Pension and Health Insurance, described how the ministry made its own reform proposal, mentioning in the interview with the researcher that:

³⁹ Moon Jin Young, one of the expert members in the NPRB, mentioned in the interview with the researcher that he was recommended by a civic organisation named the People's Solidarity for Participatory Democracy, and that all the members recommended by labour unions and civic organisations strongly advocated a parametric system.

⁴⁰ In the interview with the researcher, Om Young Jin, Director General for Pension and Health Insurance, introduced a story about how the MOFE borrowed the pension fund from the MOHW in a problematic manner. According to Om, when the MOFE was short of budgets at the end of a year, the Deputy Minister for Budget in the MOFE used to call him to ask for financial help from the fund.

We held consultations with other ministries and also took several policy suggestions raised in meetings with civic organisations. Most of our proposal contents were based on the NPRB's recommendation. We accepted everything but issues on a bi-pillar reform and the drop in the replacement rate to 40%...The remainders were okay. Delaying the starting age for pension collection was okay. Introducing pension sharing for divorced women was also okay. Introducing the actuarial estimates of the NPS was also okay.

Moon Hyung Pyo, Administrator in the SPSSW office, revealed in the interview with the researcher that the MOHW and the office reached agreement on the reform direction soon after the former expressed a strong preference for the existing mono-pillar structure, to the transition team of President-elect Kim Dae Jung⁴¹.

In a meeting with the MOHW, it was agreed that the NPS would be reformed in a parametric manner because the ministry was continuing to advocate for its own idea...But my biggest disappointment came from secret agreements between the government and ruling party. I still do not know anything about those black boxes.

Keeping up with the changes in political circumstance, the MOHW announced the first proposal founded on the existing mono-pillar structure, at a public hearing in January 1998. Then Choi Kwang, Minister of Health and Welfare, signed a final draft with small modifications as compared with the previous proposal. On one hand, the MOHW gave up stating specifically when contributions would rise, noting instead that it would gradually rise as long as socio-economic conditions permitted it. On the other hand, the plan to extend the coverage for the urban self-employed was postponed until October 1998, as the ministry needed more working-level time to prepare (NPS, 2008: 99; See Table 5-8 below).

One day after the final draft had been released, labour groups started criticising it for lowering the replacement rate to 55%, calling for 60% (Kim, 1998). But the ministry issued advance notice of a new bill based on the final draft, in March 1998 and this was submitted to the National Assembly in May. The bill again met opposition from the GNP⁴² as well as civic organisations and labour unions, which sent a petition for more democratic procedures over the management of the pension fund. Following this, it took seven

⁴¹ He also answered in another interview that the SPSSW Office came to agree with the MOHW's idea on the condition that a decrease in the replacement to 55% would be achieved (NPHCC, 2015: 211).

⁴² Although the Grand National Party was the major opposition party in the Kim Dae Jung administration, it was the ruling party in the Kim Young Sam administration.

months to get the bill passed since the GNP did not agree on the bill and also submitted a revision⁴³ to the NPS law in September. The reform bill eventually passed the National Assembly in December 1998 by devising a compromise agreed upon by the government, the ruling party, and the GNP.

Given that a series of changes except the mono-pillar design continued to occur, it is possible to argue that the MOHW was willing to negotiate the remaining issues with political actors such as civic organisations, trade unions, and political parties. The ministry did take a more flexible stance on the contribution and benefit rate than the mono-pillar system. Assuming that the welfare bureaucrats negotiated every reform issue with political actors, it is difficult to explain why the collected evidence indicated that the MOHW had conditional negotiations to maintain the institutional status quo. Hence, the hypothesised second part has gone through multiple independent hoop tests.

⁴³ The GNP's revision aimed to reduce the benefit rate to 60%, postpone the coverage extension until 2000, and make the investment of the pension fund more transparent.

Table 5-8 Changes in the Reform Contents

	Proposal of the MOHW at the public hearing (22/01/1998)	Confirmed proposal of the MOHW (23/02/1998)	Reform bill <u>submitted</u> to the National Assembly (08/05/1998)	Reform act <u>passed</u> at the National Assembly (17/12/1998)
Structure	Mono-pillar	Mono-pillar	Mono-pillar	Mono-pillar
Contribution rate	(55% replacement rate) By 2009: 3 – 6 – 9% 2010~2014: 10.85% 2015~2019: 12.65% 2020~2024: 14.45% 2025~: 16.25%	9% (planning to gradually increase from 2010, considering socio-economic changes)	9% (planning to gradually increase from 2010, considering socio-economic changes)	9% (planning to gradually increase from 2010, considering socio-economic changes)
Replacement rate (40 years of contributions)	55% or 60%	55%	55%	60%
Starting age for pension collection	65 (increasing by a year for every five year from 2013 until 2033)	65 (increasing by a year for every five year from 2013 until 2033)	65 (increasing by a year for every five years from 2013 until 2033)	65 (increasing by a year for every five years from 2013 until 2033)
Starting date of the coverage extension for the self-employed in urban areas	July 1998	October 1998	October 1998	April 1999
Chairperson of the National Pension Fund Operation Committee	Not specified	Minister of Health and Welfare	Prime Minister	Minister of Health and Welfare

5.3.4 Did Welfare Bureaucrats Come to Achieve Expertise, Legitimacy, and Institutional Positioning?

With regard to the last part of the causal mechanism, it was expected that account evidence, if true, would be likely to leave empirical skid marks on the scene. Yet unlike the previous three parts, the thesis predicted that it would be more difficult to obtain relevant evidence since objection and institutional leverage from political actors are often perceived through informal channels. This can make it challenging to find such evidence, thereby inevitably making the researcher conduct a smoking gun test rather than a doubly-decisive test. Here three different periods shall be examined by considering the factors of expertise, legitimacy, and institutional positioning, to investigate why the MOHW managed to complete the reform in the last period, compared with the other failed attempts.

The first stage covers the whole period of the NPRB, when the MOHW struggled to have a strong voice in making its policy preference understood. Although the board consisted of different members from different backgrounds, social policy researchers supporting the mono-pillar scheme were under-represented compared to economic ones. Accordingly, it was not surprising that the NPRB's final recommendation was inclined to a structural reform. The ministry faced difficulties in eliciting enough support from the NPRB members, most of whom could exert institutional leverage on a mono-pillar reform plan. In other words, the welfare bureaucrats failed to secure both legitimacy and institutional positioning. Concerning expertise, however, the ministry was capable of independently formulating a parametric reform model, given that the first option in the NPRB's first draft (See Table 5-3) was designed by Oh Keun Sik at the National Pension Service (Lee, 2004: 233; Yoon, 1997). This organisation, a quasi-governmental agency under the wing of the MOHW, has been responsible for managing the scheme in practice and retained much administrative/research personnel. Apart from the previous example, Om Young Jin, Director General for Pension and Health Insurance, also described in the interview with the researcher how capable the ministry was of preparing for the reform.

The welfare bureaucrats were confident about discussing the NPS at the time. We were the last people to lose a debate with anyone over the scheme. We did a lot of research. And I had also received a PhD in the UK and Noh Kil Sang⁴⁴ was also extraordinarily competent in the MOHW.

⁴⁴ Noh Kil Sang was an expert member of the NPRB along with Wang Jin Ho (See Table 5-2).

The second stage deals with the period from January to August 1998, during which reform issues shifted from the NPS's institutional framework to the replacement rate and the transparent management of the pension fund. The MOHW continued to make its own proposals without reliance on other actors, and the researcher obtained an important document from Om Young Jin, indicating that the ministry did draw up its detailed plans, a document which was released at a public hearing on 22nd January 1998 (MOHW, 1998). As he mentioned in the interview with the researcher:

In the book *The History of the National Pension*⁴⁵, civic organisations argued as if they had contributed to our proposal all the way. For example, they came up with policy alternatives and then put political/social pressure on the ministry so that we accepted all of their opinions without objection?...As that document⁴⁶ shows well, the MOHW had already decided how the pension fund would be managed...We reported most contents of the document to the transition team of President-elect Kim Dae Jung, and it came to lay the foundation of the reform proposal of his administration.

Contrary to expertise, the ministry failed to achieve legitimacy and institutional positioning during this period. It originated from the MOFE's disinclination to lose jurisdiction over the pension fund. At the time, the MOFE was able to appropriate the fund reserves in the form of direct credits rather than marketable government bonds, thereby generating public concerns over the opacity of the fund management⁴⁷ (Kim, 2010: 119). And this forced lending to government was criticised for depositing the fund in the low profitable public sector, compared with the financial sector (MOHW, 1998: 4). These problems were raised more in the midst of the IMF financial crisis, which enabled the MOHW to include several measures in its proposals: 1) the National Pension Fund Operation Committee will be chaired by the Minister of Health and Welfare; 2) the committee will decide the extent to which the fund is allocated to the public sector; 3) the committee will decide the return rate of the fund invested in the public sector; 4) more representatives of the subscribers will join the committee; and 5) the information on how much and where the fund is invested will be open to the public.

⁴⁵ This book was written by the National Pension Research Institute, an auxiliary research-oriented organ in the National Pension Service. The book covers the whole history of the scheme along with a considerable number of interviews with relevant actors and official/unofficial documents by government ministries.

⁴⁶ Om Young Jin gave a presentation about the document at the public hearing on 22nd January 1998 (MOHW, 1998).

⁴⁷ Moon Hyung Pyo and Choi Kwang also mentioned the same problem in the interviews with the researcher.

However, several differences were made between the reform bill in May and one initially devised by the MOHW in February 1998. Three of the aforementioned five measures – 1, 3, and 5 – were modified or removed through the processes of a vice-ministerial talk and a cabinet meeting that took place in late April, and this seemed to have happened due to objections from the MOFE (Lee, 1998b; Munhwa Ilbo⁴⁸, 1998; Seo, 1998b). This clearly shows that the MOHW could not secure exclusive institutional positioning and thus started meeting vehement opposition from the GNP, civic organisations, and labour unions (People’s Solidarity for Participatory Democracy [PSPD], 1998; See also Health and Welfare Committee [HWC], 1998a: 1). Again the ministry failed to gain support from a majority of political actors.

The third stage covers the period from September to December 1998, when the reform proposal was passed at the National Assembly. The MOHW managed to achieve exclusive institutional positioning this time, for the World Bank (1998b: 29) urged the MOFE to phase out forced appropriations from the fund reserves. After the GNP had also submitted its own revision bill in late September, negotiations made rapid progress. The MOHW, the governing party, and the GNP agreed to make a unified proposal (HWC, 1998b; See Table 5-8 for the details), and the ministry therefore succeeded in securing legitimacy too. In the last stage, the MOHW came to achieve expertise, legitimacy, and institutional positioning contributing to the passage of the reform bill, as compared with the first and second stage.

The last part of the causal mechanism referred to considerable pieces of “independent” account evidence in forms of a press release, the author’s interviews, official documents, newspaper articles, and books written by relevant actors. In conclusion, the last part of the causal mechanism has survived a smoking gun test.

5.4 Shortcomings of Kim and Choi’s Argument

Before concluding this chapter, it is necessary to point out two shortcomings Kim and Choi’s theory has. To explain the process of the first reform, both the researcher and Kim and Choi have utilised the factors of expertise, legitimacy, and institutional positioning.

⁴⁸ Munhwa Ilbo interviewed Kim Byung Il, Deputy Director General for Fiscal Loan in the MOFE, about the MOFE’s objection against the third and fifth measures.

This thesis, however, differentiates itself from their approach, in terms of the empirical evidence used to show how the welfare bureaucrats managed to achieve legitimacy and institutional positioning.

With regard to legitimacy, Kim and Choi (2014: 274-275) claim that since the welfare bureaucrats alone were unable to implement their reform plan, they sought to find “coalition partners”, such as social policy scholars and civic organisations, to obtain political support under the Kim Dae Jung administration⁴⁹. In short, this line of argument leads to the view that the MOHW would not have achieved legitimacy without the support of coalition partners, and Yang’s research (2004) is cited to support such an argument. Yang is in line with Kim and Choi’s emphasis on the role of that new alliance, noting that the abrupt shift in reform strategy (from a bi-pillar to a mono-pillar structure) and in the coverage extension was made available in the context of changing coalitional dynamics (ibid.: 202). Yet, Yang does not provide empirical evidence in support of his argument, arguing that a labour group and civic groups stood behind the MOHW’s reform bill, and therefore that the NPS was reformed (ibid.: 200). In short, Yang seems to suggest a plausible conjecture that is not corroborated by physical evidence, and Kim and Choi are not likely to cross-check the validity of his argument on whether the MOHE succeeded to reform, as it wished, the scheme thanks to the help of such coalition partners.

Assuming that the MOHW relied upon the support of pro-welfare researchers and civic groups to complete the reform, how can Kim and Choi, and further Yang, explain that: 1) the transition team of President-elect Kim agreed with the MOHW’s idea even before Kim took office; 2) the MOHW did not reflect several demands from the coalition partners (e.g. phasing out forced lending to government from the pension fund reserves) from the beginning; and 3) they continued to oppose the MOHW’s reform bills due to its plan to cut the replacement rate more than they preferred, to increase contributions, or to not include phasing out forced lending from the NPS fund reserves?

Concerning institutional positioning, Kim and Choi (2014: 275) do not specifically present how the welfare bureaucrats came to secure it in the 1998 reform, mentioning in a loose sense that the democratisation in the late 1980s and the expansion of the business sector contributed to the loss of superior institutional positions enjoyed by economic

⁴⁹ Unlike previous presidents, Kim Dae Jung put more emphasis on social consensus by embracing social policy academics and trade unions (Kwon, 2003).

ministries in the social policy decision-making process. Although this description is useful to grasp the overall situation the welfare bureaucrats were facing at the time, it does not capture how such a circumstance was translated into the politics of pension reform and had a bearing on the MOHW and the MOFE. By dividing the reform into three different periods, the thesis has showed why and how the welfare bureaucrats managed to secure institutional positioning.

5.5 Conclusion

Considering the empirical data collected during the fieldwork, it is possible to say that Kim and Choi's theory was highly likely to function in the 1998 reform. The first, second, and third part of the formulated mechanism have survived hoop tests, implying that each of the hypothesised parts has a high level of certainty and a low level of uniqueness. But the researcher experienced more difficulty in setting his own standard for the last part of the mechanism, because Kim and Choi explain in a vague manner how legitimacy, and institutional positioning were fulfilled. Such ambiguity allowed the researcher to establish clearer criteria for the two sources of bureaucratic power, thereby being able to increase the confidence in the validity of the last hypothesised part. This thesis seeks to test an explaining-outcome causal mechanism to account for the Korean case, taking the view that it cannot be transportable to other cases. Although some existing approaches of welfare states were loosely tested in Chapter 3, this thesis, shall use empirical evidence again in the next chapter to explore why they are not applied to the first NPS reform in 1998. In doing so, the thesis shall refer to pieces of the empirical evidence collected to see if Kim and Choi's theory could be a sole approach for the 1998 reform by updating the researcher's confidence in the validity of other theoretical candidates.

Chapter 6 : Updating Confidence in the Validity of Existing Theories of Welfare States for the 1998 NPS Reform

6.1 Introduction

This chapter aims to update the researcher's confidence in the validity of existing approaches to welfare states for the 1998 reform. This is a necessary step to better justify why this thesis has adopted the explaining-outcome variant of process tracing. Although the thesis previously described why contemporary approaches are unlikely to be plausible options for the Korean case, it was drawn from an ex-ante inference with no empirical evidence. The chapter seeks to move one step beyond that. In other words, it is considered an attempt to convert the speculation into a detailed inference in light of the collected pieces of substantial proof. While the previous chapter was attentive to Kim and Choi's theory and the formulated mechanism, the current one relates to a search for another theoretical candidate. In doing so, it would be possible to answer whether Kim and Choi's approach could be a sole approach for the 1998 pension reform.

Given that the reform made a cut in the replacement rate from 70 to 60%, the researcher can rule out the possibility of applying any theories concerning welfare state expansion such as the industrialisation thesis, the power resources approach, and the Marxist approach. The power resources theory, for instance, can be also discounted by the absence of working-class mobilisation in Korean politics, and although trade unions could firstly participate in 'national decisions through the creation of a Tripartite commission' in the Kim Dae Jung government (Kuruvilla et al., 2002: 443), the 1998 reform resulted in a reduction in the replacement rate. The researcher, therefore, considers three different approaches that can account for the reduction in the replacement rate – the globalisation thesis, new social risks, and policy transfer via international organisations. The level of the confidence in such theories will be updated through relevant statistical data as well as the empirical evidence obtained.

6.2 Was the Globalisation Thesis Influential?

This part shall examine whether the 1998 reform was driven by economic globalisation that is considered to impose a constraint on the development of welfare states and to push for welfare state restructuring/retrenchment. This thesis begins by outlining how the globalist school defines globalisation and then why it argues that welfare states are

expected to converge towards a single model. Deriving a number of common factors from this argument, the thesis refers to a wide range of statistical indicators as well as the collected pieces of evidence to analyse the validity of the globalisation thesis in the 1998 reform.

6.2.1 Impact of Globalisation on Welfare States

The globalist school (Genschel, 2004) or the globalisation thesis (Hay, 2006c) maintains that an economically globalised world produces the internationalisation of markets which renders merchandise, money, and investments free from borders between national-state-territorial units (Scholte, 2005). Trade barriers and capital controls – which national governments enjoyed by modifying interest rates or taxation policy – consequently no longer exert a profound impact on capital markets. Now capital/asset holders can apply pressure on governments to minimise tax burden onto themselves whilst they had been previously restricted to national markets and influenced by governments' fiscal policy. Multi-national firms in particular take advantage of cross-border capital mobility to relocate their plants to more promising investment locations with less tax burden onto capital.

Accordingly, proponents of the globalisation thesis claim that the heyday of embedded liberalism is on the brink of collapse, whereby governments are forced to embark on a course of disembedding capital markets (Scharpf, 2000: 55). Economic globalisation can constrain governments' institutional capacities for political control, regulation, and stabilisation of economic activities (Cerny, 1995: 607). In light of this change, governments find themselves in serious conflict between attracting more foreign investors and continuing the status quo of welfare states. The globalists insist that existing welfare arrangements have entered a period of "permanent austerity" whereby the revenue sources of social policy significantly shrink (Genschel, 2004: 623; Schäfer and Streeck, 2013). Furthermore, it implies that such diminishing sources combined with lower taxes undermine the redistributive capacity of the state, shifting tax burden away from more progressive to more regressive instruments (Garrett and Mitchell, 2001: 162). Cerny (1995) predicts that what previously constituted public goods (e.g. welfare systems) is being integrated into a global marketplace in that a commitment to collective action and public goods tailored to nation-states is proved to be ineffective.

In conclusion, the globalisation thesis predicts that all developed economies will be equipped with a “converged” institutional structure, an economic framework which recommends substantial deregulation and shifts the balance of power towards capital (Hall and Soskice, 2001: 56). It inevitably leads us to a proposition that economic globalisation brings about the convergence of different welfare regimes whereby the Americanisation of social policy will be the prevailing trend (e.g. Walker, 1999; See also Tanzi, 2002).

6.2.2 Globalisation Existed but Only “at the Beginning” of the 1998 Reform

Was the first reform driven by globalisation? The research shall examine the extent to which Korean society was entering the period of globalisation, and it will be analysed with a wide range of quantitative indicators to understand the degree of globalisation in Korea. First, foreign direct investment (FDI) is one of the components of globalisation on which many relevant studies focus (Drahokoupil, 2008; Dunning, 1998; Penalver, 2002), since capital holders are likely to invest their money in places with lower taxes. FDI in Korea started to increase since 1993, and in particular it climbed more than 800% between 1993 and 1998. This increase needs to be understood as a product of the country’s continued effort for liberalisation, although the government refused to promote FDI to the extent carried out in the Southeast Asian countries (Kim and Hwang, 2000: 269).

Table 6-1 Foreign Direct Investment in Korea (% of GDP)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Korea	0.28	0.40	0.21	0.15	0.18	0.32	0.39	0.51	1.44
Japan	0.06	0.04	0.07	0.00	0.02	0.00	0.00	0.07	0.08
USA	0.08	0.38	0.30	0.75	0.63	0.75	1.07	1.23	1.97
Denmark	0.82	1.12	0.67	1.20	3.21	2.24	0.41	1.61	3.77
France	1.03	1.19	1.55	1.56	1.13	1.47	1.36	1.58	1.95
Germany	0.17	0.26	-0.10	0.02	0.33	0.46	0.26	0.58	1.05
Netherlands	3.40	1.74	1.73	1.83	1.90	2.73	3.73	2.68	8.70
Spain	2.61	2.17	2.11	1.85	1.74	1.32	1.50	1.52	2.32
Sweden	0.77	2.35	0.00	1.77	2.77	5.66	1.91	3.88	7.50
UK	3.07	1.44	1.40	1.56	0.94	1.65	1.97	2.44	4.60

Source: World Bank

(<http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?contextual=default>)

Second, it is assumed that the country would seek lower levels of corporate income tax to encourage corporate investment and create jobs if the globalisation thesis were valid. This proposition seems true given that the Kim Young Sam administration, which initiated a discussion on the need to reform the NPS, conducted a reduction in the tax three times (See Table 6-2). The cutback lay in the government's effort both to offset the increasing tax burden caused by the introduction of "the real-name financial transaction system" and to further strengthen business competitiveness prior to the establishment of the World Trade Organisation (Park, 2016: 168-173)⁵⁰.

Table 6-2 Corporate Income Tax Rate in Korea (combined)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Korea*	33.0	37.4	37.4	37.4	35.2	33.0	30.8	30.8	30.8
Japan	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	46.4
USA	38.7	38.9	38.9	39.8	39.7	39.6	39.5	39.5	39.4
Denmark	40.0	38.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0
France	42.0	42.0	34.0	33.3	33.3	36.7	36.7	41.7	41.7
Germany	54.5	56.3	58.2	56.5	52.2	55.1	55.9	56.8	56.0
Netherlands	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
Spain	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
Sweden	53.0	30.0	30.0	30.0	28.0	28.0	28.0	28.0	28.0
UK	34.0	33.0	33.0	33.0	33.0	33.0	33.0	31.0	31.0

Source: OECD (http://www.oecd.org/tax/tax-policy/tax-database.htm#C_CorporateCapital)

* The Korean data was obtained from the Korea Institute of Public Finance (2012: 13).

Third, the globalist hypothesis predicts that in an era of globalised economy, national governments find it challenging to secure the revenue sources of social policy, thereby leading to the marketisation of welfare states. Assuming that such prediction had become true, globalisation would have given no leeway for policy-makers to increase pension spending as well as public expenditure for social welfare programmes. Yet it did not happen ahead of the 1998 reform, because Korea had constantly boosted social spending in 1990s in terms of the ratio of both GDP and total government expenditure (See Table 6-3). Further, the pace of its social spending increase was rapid as compared with other

⁵⁰ The real-name financial transaction system requires every financial account to be registered under his or her real name in attempts to cut the politics-business ties as well as to make financial transactions transparent (Heo et al., 2008: 15). And the World Trade Organisation has been committed to linking globalisation with liberalisation along with the IMF and the OECD (Scholte, 2005:39).

major advanced economies, and this seemed to have happened in the situation where the country was equipped with the rudimentary system of a social safety net. In the same context, disconfirming the globalisation thesis, Kwon (2001b) argues that the Korean government began to play an increasing role in social welfare⁵¹. Linking his argument to the NPS reform helps understand why both the SPSSW office and the MOHW were willing to extend the coverage to the self-employed in urban areas.

Table 6-3 Public Social Expenditure⁵² in Korea

	% of GDP						% of total government expenditure			
	1985	1990	1995	1996	1997	1998	1985	1990	1995	2000
Korea*	.	2.7	3.1	3.2	3.5	4.8	.	12.5	14.0	18.3
Japan	11.1	11.1	14.1	14.3	14.4	15.2	.	.	39.2	42.1
USA	12.8	13.2	15.1	14.8	14.5	14.5	35.1	35.7	40.5	42.2
Denmark	19.3	22.0	25.5	24.9	24.2	23.7	.	.	43.6	45.1
France	25.2	24.3	28.3	28.6	28.5	28.6	48.6	48.9	52.3	53.8
Germany	22.2	21.4	25.2	25.8	25.4	25.4	.	.	46.1	56.8
Netherlands	23.8	24.0	22.3	21.2	20.5	19.9	.	.	41.6	44.1
Spain	17.1	19.2	20.7	20.6	20.0	19.9	.	.	46.7	49.8
Sweden	27.0	27.2	30.6	30.1	28.9	28.6	.	.	48.1	50.0
UK	18.2	15.2	18.3	18.1	17.6	17.9	.	38.8	44.3	46.4
OECD total	16.5	16.9	18.8	18.8	18.5	18.5	37.0	38.3	41.8	44.5

Source: OECD (2016a)

In relation to the cut in the replacement rate from 70 to 60%, however, one may claim that it must have been affected by the downward pressure of globalisation. Here the researcher pays attention to two aspects in weakening the validity of globalisation thesis, in terms of explaining-outcome process tracing that requires a hypothesised causal mechanism to elucidate all important aspects of a particular social event with no redundant parts left behind (Mackie, 1965, cited in Beach and Pedersen, 2013: 18).

⁵¹ It is not necessary, however, to compare pension spending on old-age and survivor benefits in Korea with those in other countries, given that NPS subscribers were required to pay contributions for at least 15 years to collect the benefit before the 1998 reform.

⁵² Provided by general government (e.g. central, state, and local governments), public social expenditure involves cash benefits, direct in-kind provision of goods and services, and tax breaks with social purposes (OECD, 2018).

First, it is highly unlikely that the benefit cut was made in the context of the shrinking revenue sources of social policy. Once the expenditures exceed the revenues the Korean government will be required to put money into the NPS to cover deficits because of its partial funding mechanism. Yet any full and reduced pension beneficiaries except special ones did not exist until 1998⁵³. It implies that in light of this circumstance as well as little effort made by the previous governments on social policy, the cutback does not seem to be associated with economic globalisation. Second, the 1998 reform was achieved through a series of continued commitments to blocking a more radical benefit cut. Not only did the bureaucrats in the MOHW keep opposing the significant benefit reduction supported by the SPSSW office and the NPRB, but civic organisations, trade unions, and political parties also played, to some extent, a role in minimising the retrenchment.

All the interviewees except Kim Sang Kyun, professor of social welfare at Seoul National University and general member of the NPRB, did not mention globalisation or economic growth; nor did they leave globalisation-related comments even in an indirect manner. However, Kim used globalisation in the interview with the researcher to describe why the SPSSW office was keen on the radical reform, answering that it provided new momentum for several reform initiatives. The establishment of the NCG – which allowed Park Se Il to increase political clout – was actually at the very beginning of the NPS reform, and the NWPB was consequently set up under the NCG to achieve “the globalisation of the quality of life”. This concept needs to be differently understood in that most of the policy issues discussed in the NWPB were aimed at expanding the welfare state. Hence, globalisation at the time was not the same concept understood by the globalisation school, but the “contextualised” one to adjust as many aspects of the Korean society to the levels of developed countries as possible⁵⁴. This feature can be substantiated by Kim Jin Hyun, Chairperson of the NCG, who mentioned in an interview that globalisation should proceed by first tackling issues that only concerned Korea (Kim, 1995: 3). This is why many media outlets criticised the Kim Young Sam administration for approaching globalisation with no clarity (Han, 1994: 3; Kim, 1994b: 3). Applying this perspective, it is possible to see the 1998 reform as a product of “adjustment” by which to complete universal pension coverage and reduce the replacement rate.

⁵³ As of 1998, full pension would be given to those insured for 20 years and more while reduced pension for between 15 and 19 years. Special beneficiaries refer to some recipients of survivor pensions, invalidity pensions, and lump-sum benefits.

⁵⁴ Suh Sang Mok, Minister of Health and Welfare at the time, revealed that he contacted Prime Minister Lee Hong Koo, Chairperson of the NCG, to tell that improving the social welfare system would also need to be part of the globalisation project (NPHCC, 2015: 190).

6.3 New Social Risks in a Post-Industrial Society?

This part explores if theories of new social risks (Bonoli, 2005; Esping-Andersen, 1999; Hemerijck, 2013; Pierson, 2001a; Taylor-Gooby, 2004) can be potential candidates in accounting for the 1998 reform. It begins by summarising economic and social backgrounds of new social risks and their differentiation from old social risks. The thesis then describes how policy-makers encountering post-industrial challenges try to deal with both risks, followed by the researcher's analysis on the theoretical validity of new social risks for the Korean case.

6.3.1 Brief Summary of New Social Risks

The recent socio-economic changes we have witnessed since the late 20th century impose financial constraints on governments and undermine the foundations of industrial economies which provided justification for the development of established welfare states (Esping-Andersen, 1999). The shift from manufacturing to services also implies that governments in post-industrial realities are forced to confront “trilemma” between budgetary restraint, income equality, and employment growth, in which national policy-makers can pursue only two of these goals simultaneously (Iversen and Wren, 1998). The main reason behind the trilemma is that productivity growth in the service economy is generally unable to follow that in the manufacturing one (Baumol, 1967). Combined with lower productivity, the dominant pattern of employment in a post-industrial world is moving from full-time, continuous employment to part-time, intermittent employment, thereby creating working poor problems in labour markets (Bonoli, 2007: 50).

The demographic shift to population ageing also puts severe strain on the fiscal space of policy-makers, because it affects both the revenue and expenditure aspects of welfare states. On one hand, declining fertility rates result in fewer potential tax payers and thereby have a negative consequence on the potential tax revenue of future welfare systems. On the other, higher life expectancy generates more public spending for pensions, health care, and social care. This demographic transition naturally necessitates rising demand not only for the elderly; the post-industrial society also raises new demands for the provision of child care in a time of changing family structure (Hemerijck, 2013: 4). Family and gender issues considered to be secondary in the discourse of traditional welfare states have come forward at a time when a significant increase in female labour

force participation is taking place (Taylor-Gooby, 2004: 14). Thus, their massive entry into labour markets leads to the necessity of transforming the domain of child-rearing from “in” household to “by” the state or “on” the market, externalising the role of child care that used to be performed by unpaid married women (Bonoli, 2005: 433).

Yet social problems arising in the post-industrial age result from the fact that the service economy, population ageing, and women’s entry into labour markets are not supported by a series of “existing” social policies, most of which were designed to meet old social risks. In contrast, new social risks spread in an asymmetric way whereby a large minority of the population at a particular life stage – single parents, families with young children, low-skilled workers, the long-term unemployed, and the elderly and disabled with no relatives – are more vulnerable to related problems. Given the less institutionalised political mobilisation and social representation of those groups, social programmes designed specifically for them (e.g. child care, parental leave, day care, and active labour market policies) tend to generate competition between younger and older generations (Esping-Andersen, 1999: 147). In short, the traditional assumptions that had allowed the existing welfare states to flourish are not operating for those groups but being dualised in a manner that distinguishes outsiders from insiders (Häusermann and Schwander, 2012).

6.3.2 The First NPS Reform Driven by the Emergence of New Social Risks?

In a context of “permanent austerity” created by rapid demographic ageing, new family forms, and slower economic growth levels, governments are faced with considerable fiscal stress (Pierson, 2001b: 411). Financing social provision for new social risks, therefore, hinges on whether a wider range of social actors can agree on the “need to reform”, and the reform directions would be directed towards the gradual erosion of commitments to old risk policies rather than radical retrenchment given their popularity (Taylor-Gooby, 2004: 9). The literature on new social risks describes public pension systems as one of the social policies designed to tackle income instability after retirement. Public support for pensions is so solid and strong in most advanced political economies that reform attempts have faced significant resistance. The combination of population ageing and sluggish economic growth, however, makes it unlikely to provide current and future pensioners with generous benefits, compared with previous pensioners. Thus, governments seek to ensure that increases in retirement costs would not deteriorate fiscal

soundness ‘either by increases in public debt or by crowding out other essential public expenditures’ (Myles, 2002: 135).

Such multi-dimensional context leads policy-makers to take a specific approach that does not exclusively highlight one at the expense of the other, searching for positive-sum trade-offs (Pierson, 2001b: 427), and this mechanism of positive-sum trade-offs involves reforms both within and across existing policy arrangements. On one hand, it occurs “within” a single policy area in the form of “turning vice into virtue” (Levy, 1999), where cutbacks in one budget-consuming policy subsystem is offset by expansions elsewhere. For instance, in Britain the abolishment of the State Earnings Related Pension Scheme was made possible by the introductions of the State Second Pension and the Pension Credit, both of which sought to tackle poverty and economic insecurity among the present and future pensioners (Taylor-Gooby, 2005). Post-industrial welfare reforms could also be achieved in the form of particular package deals “across” multiple policy areas, and such deals consist of cost-containment measures in old risk policies and improvements or introductions in new risk provisions (Hemerijck, 2013: 105). For example, the flexicurity model recommended by diverse international organisations provides active labour market policies and generous unemployment benefits but in exchange for high levels of flexibility. In this respect, flexicurity involves a series of policies that target weaker groups either in or outside labour markets (Wilthagen and Tros, 2004: 170).

Is it possible to argue that the NPS reform in 1998 was driven by the emergence of new social risks? This thesis shall answer three different questions on the underlying assumptions of new risks in a post-industrial society. The first discussion concerns the fundamental question of whether the NPS was initially designed to ensure post-retirement income for the people at the time of introduction, which is one of the old risk issues. It is questionable. The NPS has adopted a partial funding mechanism where benefits are financed out of pension reserves to which pensioners contributed while they were working. Such mechanism was expected to collect a large amount of the fund until the scheme would be fully mature, and as a consequence, those who had already retired and were supposed to retire within 15 years⁵⁵ were not covered by the scheme. Given this feature, it is likely that the government, at the time of introduction, decided to introduce

⁵⁵ To receive the benefits, the NPS subscribers, at the time of introduction, were expected to pay contribution for at least 15 years.

the NPS with the aims of prioritising the working generation who would not retire in the near future, and mobilising the reserve funds for economic growth (NPHCC, 2015: 132).

Second, it is necessary to ask whether Korean society had stepped into the age of post-industrialism when the NPS reform was completed in 1998. This thesis shall suggest three macro-level indicators that enable us to understand the extent to which the country encountered post-industrial challenges. As Table 6-4 shows, Korea kept recording higher economic growth rates than other advanced political economies that had already established mature welfare states.

Table 6-4 Korea's Economic Growth Rate in 1990s

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Korea	9.8	10.4	6.2	6.8	9.2	9.6	7.6	5.9	-5.5
Japan	5.6	3.3	0.8	0.2	0.9	1.9	2.6	1.6	-2.0
USA	1.9	-0.1	3.6	2.7	4.0	2.7	3.8	4.5	4.4
Denmark	1.6	1.3	2.0	-0.1	5.5	3.1	2.9	3.3	2.2
France	2.9	1.0	1.6	-0.6	2.3	2.1	1.4	2.3	3.6
Germany	5.3	5.1	1.9	-1.0	2.5	1.7	0.8	1.8	2.0
Netherlands	4.2	2.4	1.7	1.3	3.0	3.1	3.6	4.3	4.5
Spain	3.8	2.5	0.9	-1.0	2.4	2.8	2.7	3.7	4.3
Sweden	0.8	-1.1	-1.2	-2.1	4.1	4.0	1.5	2.9	4.2
UK	0.6	-1.3	0.4	2.6	4.0	2.5	2.7	3.1	3.4

Source: Statistics Korea (<http://kostat.go.kr>)

The old-age dependency ratio in Korea as of 1998 was far lower than that in other OECD countries, although the birth rate had quickly fallen and the life expectancy risen. Nevertheless, the fact that the NPRB considered lowering the replacement rate from 70 to 40% shows that factors such as inadequate policy design (Kwon, 1999) had a greater influence than demographic ageing. With regard to female labour force participation, there had not been a large gap between Korea and the other countries except USA, Denmark, and Sweden (See Table 6-6). Overall, there is little evidence that supports the emergence of post-industrial society in Korea when the NPS was reformed in 1998.

Table 6-5 Korea's Old-Age Dependency Ratio

	1990	1995	2000	2005	2010	2015	2020
Korea	7	8	10	13	15	18	22
Japan	17	21	25	30	36	43	48
USA	19	19	19	18	19	22	26
Denmark	23	23	22	23	25	30	32
France	21	23	25	26	26	31	34
Germany	21	23	24	28	31	32	35
Netherlands	18	19	20	21	23	28	32
Spain	20	22	24	24	25	28	31
Sweden	28	27	27	26	28	32	34
UK	24	25	24	24	24	28	29

Source: Statistics Korea (<http://kostat.go.kr>)

Table 6-6 Female Labour Force Participation Rate in Korea

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Korea	47.1	47.1	47.0	47.0	47.8	48.5	49.1	50.1	47.4
Japan	50.1	50.7	50.8	50.4	50.2	50.0	50.1	50.4	50.2
USA	56.4	56.1	56.5	56.6	57.6	57.8	58.2	58.7	58.8
Denmark	61.5	61.8	62.1	61.5	57.9	57.9	58.2	58.7	59.4
France	46.1	46.2	46.6	47.1	47.4	47.8	48.2	47.8	48.0
Germany	43.4	48.0	47.7	47.6	47.5	47.7	48.0	48.5	48.9
Netherlands	43.0	43.8	45.1	45.6	46.7	47.4	48.4	49.8	50.7
Spain	33.8	34.2	34.8	35.5	36.5	37.0	37.6	38.2	38.6
Sweden	62.4	61.9	60.5	59.0	58.1	58.6	58.8	57.8	57.0
UK	52.6	52.5	52.2	52.2	52.3	52.3	52.7	53.2	53.2

Source: World Bank (<http://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS?locations=KR>)

Third, one can argue that the NPS reform in 1998 was completed in the form of positive-sum trade-offs that can be seen in the politics of new social risks, in that cutbacks in the replacement rate as a cost-containment measure was offset by expansions in the coverage. This argument, however, lacks credibility because the self-employed in urban areas cannot be seen as a new group exposed to new social risks. Not only did a post-industrial society not arrive at the time of the 1998 reform, but Korea had maintained far higher self-employment rate than any other countries. And the extension of social security coverage to excluded populations has been recommended by many international organisations such as the ILO with the intent of ensuring every citizen an access to social

security (Reynaud, 2002). If the increases in self-employment rate had been a product of post-industrialisation, the NPS would have covered the self-employed from the beginning.

Table 6-7 Self-Employment Rate in Korea

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Korea	43.0	40.8	39.5	37.3	37.3	38.0	37.1	36.8	36.7	36.8	38.3
Japan	24.2	23.3	22.3	21.2	20.2	19.1	18.6	18.3	17.7	17.5	17.3
USA	9.0	8.9	8.8	9.0	8.7	8.8	8.8	8.5	8.4	8.3	7.9
Denmark	10.9	11.1	11.4	10.8	10.7	10.8	9.8	9.5	9.3	9.4	9.7
France	14.2	13.7	13.2	12.7	12.2	11.7	11.3	10.8	10.5	10.2	9.8
Germany	.	.	.	9.8	10.1	10.4	10.6	10.7	10.8	10.9	11.0
Netherlands	12.1	11.9	12.4	11.4	11.4	11.8	12.4	12.7	12.3	12.4	11.7
Spain	28.5	27.1	25.8	25.1	25.5	25.9	25.8	25.2	24.7	23.5	22.7
Sweden	9.2	9.4	9.2	9.1	9.8	10.8	11.1	11.2	11.0	10.8	10.6
UK	14.7	15.2	15.1	14.6	14.3	14.2	14.4	14.5	13.9	13.7	13.1

Source: OECD (2017b)

6.4 Policy Transfer via International Organisations?

6.4.1 Role of International Organisations in Welfare Reform

As the world has grown more integrated in an era of globalisation, people come to witness similar ways in which their societies work in terms of economic system, polity, and culture pattern. A wide range of policies surrounding people as policy takers tend to converge on similar paths, too. In this context, increases in “policy transfer” has received much attention from students of comparative politics and public policy (Ellison, 2017). Policy transfer can be defined as ‘knowledge about policies, administrative arrangements, institutions and ideas in one political setting (past or present) is used in the development of policies, administrative arrangements, institutions and ideas in another political setting’ (Dolowitz and Marsh, 2000: 5). And such transformation voluntarily or coercively proceeds by one or more agents among six main categories: politicians; bureaucrats; policy entrepreneurs; knowledge institutions; academicians and other experts; pressure groups; and international organisations (Evans, 2009: 244). Given that some issues in the NPS reform, such as what to choose between a mono-pillar and a bi-pillar system and whether to phase out forced appropriations from the fund reserves, are associated with

international organisations, this thesis shall examine to what extent they played a role in the reform process.

Several supra-national organisations have exerted influence on social policy-making processes of national governments, and each institution is attentive to reflecting its own approach on social policy. First, the OECD, which is described as ‘one of the least clearly defined of all international organisations’ (Woodward, 2004: 114), seems not to take a consistent approach to social policy. Some of its publications call for the need to adopt a social investment approach focusing on education, training, and making work pay, while other publications warn of the negative impact of social expenditure on growth (Jenson, 2009: 41; Deacon, 2007: 57-58). In this context, the OECD emphasises the sustainability of public pensions and thereby the public-private mix in pension provision (See OECD, 2002a, 2002b, 2016b). Second, the IMF pursues “sound” social policies in favour of safety nets for the poorest rather than all income brackets⁵⁶ (Deacon, 2007: 47). This modest approach is understood as a product of its commitment to promoting high quality growth, ensuring that ‘sound macroeconomic policies and growth-enhancing reforms are both pro-growth and pro-poor’ (International Monetary Fund [IMF], 2000).

Last, the World Bank and the IMF have similar views on social policy issues, in particular when it comes to the ways in which poverty reduction can be dealt with. The Bank encourages governments to construct a safety net targeted at the poorest groups to allow them to maintain fiscal soundness (Deacon, 2007: 28). This commitment to macroeconomic stability has led the Bank to attach conditions to loans it provides to recipient countries, ranging from monetary and fiscal policy to public sector and social programmes (Dreher, 2002). With regard to social programmes, the Bank considers them a springboard for the poor to emerge from poverty and, in this sense, defines social protection as “social risk management” by which they would be able to engage more in higher risk/higher return activities (Holzmann et al., 2003).

This residual approach to social spending is also identified in a multi-pillar approach to pension system adopted by the Bank, and this strategy has been reflected in a series of publications (World Bank, 1994; 2001). The multi-pillar framework is based on the combination of: 1) a publicly managed, tax-financed system; 2) a privately managed,

⁵⁶A letter of intent of the Korean government to the IMF confirmed that the social safety net would be targeted for persons without own incomes and for the unemployed (Lee and Lim, 1998).

funded system; and 3) voluntary retirement savings, to ‘reduce financial risk to future pensioners through portfolio diversification’ (World Bank, 2006: xxiv). In an attempt to take a leading role in pension reform, the Bank accordingly set conditions on the adoption of a multi-pillar system for its lending to 68 countries through analytical and advisory services as well as over 200 loans and credits in the 1990s (ibid.: 127). The Bank differentiates itself from the ILO which prefers securing cross-class solidarity, cohesion, and social inclusion (Deacon and Cohen, 2011). The former uses the language of risk diversification and management, while the latter aims to reduce risk and uncertainty. In other words, the Bank steps away from a state-led approach to the public-private mix of pensions.

6.4.2 Dominance of Domestic Politics over International Organisations

Three international organisations were associated with the 1998 NPS reform directly or indirectly. First, the ILO’s perspective on minimum replacement levels was mentioned in pieces of empirical evidence (MOHW, 1998: 14; NPHCC, 2015: 231). They all refer to ILO Convention No. 102 which stipulates that the minimum replacement rate is to be at least 40% after 30 years of contributions, and this is why the MOHW did adhere to 55% based on 40 years of contributions. Yet its reference to the ILO was limited since other elements of the reform, such as why the MOHW preferred the mono-pillar structure, cannot be accounted for by the ILO.

Second, the IMF did not have direct involvement with the NPS reform although the economic crisis in late 1997 and the ensuing Stand-By Arrangement with the organisation provided substantial momentum for the MOHW’s mono-pillar option⁵⁷. A significant number of the conditions put by the IMF were associated with macro-economic policies, financial sector and corporate governance restructuring, and capital account and trade liberalisation; and the social safety net was to be strengthened to protect the most adversely affected in the transitional phase of adjustment (Lee and Lim, 1998). All the documents exchanged between the IMF and the Korean governments, available on the

⁵⁷ However, Om Young Jin, Director General for Pension and Health Insurance in the MOHW, answered in the interview with the researcher that when IMF negotiators visited Korea to discuss a bailout loan package with the Korean government, they recommended him to consider adopting either the Chilean individual capitalisation pension scheme or a three-pillar system. The researcher is not sure of its reliability because his comment could not be verified through triangulation. Here it is possible to consider two likely scenarios. If that is the case, their recommendation did not develop into a sort of policy condition even if the IMF’s preference was exactly the same as the World Bank. If not, it is possible that Om Young Jin might have confused the IMF with the World Bank.

IMF's website⁵⁸, do not contain any clauses concerning the NPS reform, reaffirming that the organisation pays special attention to social policies for the vulnerable rather than all income brackets.

Last, the World Bank (1998a; 1998b) did create a series of conditions through Structural Adjustment Loan (SAL) I and II approved in March and October 1998, respectively. Both loans clearly stipulate that the NPS would need to be reformed in a more “fundamental” manner that would lead to a multi-pillar system in the long run, an idea presented in the Bank's report (1994) *Averting the Old Age Crisis*. In doing so, the Bank demanded that the reform be a means-tested, non-contributory social pension, a privately managed funded pension, and a voluntary private pension, showing interest in giving the private sector a larger role and developing the financial market (1998a: 22; See also World Bank, 2000a). In the interview with the researcher, Choi Kwang, Minister of Health and Welfare between August 1997 and March 1998, also recalled the moment when the Bank's negotiators visited him.

After the Asian financial crisis hit the country and Kim Dae Jung was elected in late 1997, several people from the World Bank visited my office and mentioned about a bi-pillar reform option to me, saying that such idea was one of the great alternatives. But I did not seem very keen on it.

Among all the conditions about the NPS, the 1998 reform only accomplished a plan to phase out government borrowing from pension fund reserves in the form of direct credits and to phase in borrowing in the form of marketable government bonds, both of which were advocated by civic organisations as well as the MOHW. Yet, the Bank's requirement to establish a government task force (1998a: 22-23) – in which to complete a white paper on the multi-pillar framework – was not kept in a stringent manner. Although the Bank required the Kim Dae Jung administration to establish the task force by October 1998 and then to complete a draft of the white paper no later than November 1999, the government put off making decisions. The task force had a first meeting in December 1998 and finished off the draft in August 2000 without a “unified” agreement (Kim, 2010: 222-224). With regard to such non-fulfilment, the Bank mentioned in a later report that

⁵⁸ <http://www.imf.org/external/country/kor/index.htm>

Korea's earlier payment of SAL deterred itself from doing constant monitoring⁵⁹ (2006: 49 & 136).

To sum up, the World Bank had more influence on the NPS reform than the ILO and the IMF. The Bank set a series of policy conditions on the reform direction, hoping to transform the mono-pillar scheme into a multi-pillar one. The government cherry-picked some conditions depending on its preferences, while “pretending” to follow other conditions it did not advocate (NPHCC, 2015: 220-222; Kim, 2010: 215-217). Altogether, it seems that the Bank played a limited role in the reform but was not able to exert causal power to fully transfer its policy preferences.

6.5 Conclusion

In this chapter, the researcher could decrease the confidence in the theoretical validity of globalisation, new social risks, and policy transfer via international organisations for the 1998 reform. Although the theories were not tested in a stringent manner (as their causal mechanisms were not elaborated)⁶⁰, it is possible to argue that the causes on which the theories are based were not likely to have a meaningful role to play in the reform process. This implies again that they are unlikely to cover a number of crucial factors involved in the reform. This rough theory-testing was a necessary procedure in strengthening the researcher's confidence that Kim and Choi's theory is the most appropriate candidate for the 1998 reform.

⁵⁹ The Bank (2000b: 15) admitted that the objectives of the SAL II were too ambitious to comprehensively cover all areas of reform.

⁶⁰ In testing alternative theories, this research has adopted a quick, practical approach of process tracing that asks the fundamental question of whether it is ‘physically or theoretically even possible for X to affect Y’ (Mahoney, 2015: 208).

Chapter 7 : Tracing the Casual Mechanism of the National Pension Scheme Reform in 2007

7.1 Introduction

As the Korean government received bailout packages from international organisations⁶¹ between 1997 and 1998, the society slipped into a recession in the aftermath of the financial turmoil. The country, which had achieved remarkable economic development, found itself on the brink of national bankruptcy, being unable to govern the economy in the same ways it used to do. As the economy recorded negative growth and the unemployment rate soared to a historic high, the government started to tackle relevant issues through a series of social policy reforms (Shin, 2000). Further, Korea was experiencing rapid demographic changes emanating from low fertility rates and rising life expectancy, becoming an ageing society with the number of people aged 65 and over reaching 7% of the total population. Given that social insurance programmes were central to the welfare state in Korea, the changing nature of demographic structure was expected to undermine its foundation.

To make matters worse, the combination of the aforementioned transitions in economy and ageing population produced a significant number of people falling into “blind spots” of the social insurance system, placing pressure on the existing system to adapt to the new circumstances. Blind spots refer to zones that a driver is unable to see through side mirrors; they do exist but are not detected with mirrors. They also exist in social policy, and policy-makers have tried to reduce non-take-up by improving access to and raising awareness of various social benefits (Eurofound, 2015). Failure to resolve non-take-up, however, would end up with more households in poverty and thereby more public expenditures in the long run.

It is necessary to understand how blind spots are contextualised in the NPS, because they were the main reason behind the long process of the 2007 reform. The blind spot in the scheme has two aspects arising from the scheme’s institutional framework (Kim, 2013b: 9). The first is ascribed to the funded financing that left retirees and soon-to-be retirees⁶²

⁶¹ The IMF, the World Bank, and the Asian Development Bank.

⁶² When the scheme was introduced in 1988, the subscribers were required to pay contributions minimally for 15 years to get benefits. Those above 45 years of age were thus unable to receive any pension, because they could not meet 15 years at 60 years of age (the starting age of pension collection).

unprotected at the time of introduction, and they became the older generations in need of income support in the early and mid-2000s⁶³. The second results from a significant number of the self-employed who have temporarily stopped paying contributions due to no income, underreported earnings, or evaded contributions, since they pay all contributions unlike employees whose half of contributions are paid by employers⁶⁴. In other words, the first and second aspects relate to pension gap (and current pensioner poverty) and coverage gap (and future pensioner poverty), respectively. The NPS reform in 2007 needs to be understood from this perspective, given that those involved in the reform were in conflict over how such issues should be addressed.

This chapter first describes the development of the second reform by showing: 1) what key issues were; 2) why they were raised; 3) who were involved in the reform; 4) what the participants preferred; 5) why and how they began to struggle with each other; and 6) how they resolved policy conflict. Then the chapter seeks to explore the validity of Kim and Choi's theory in the 2007 reform, and the formulated mechanism is tested by various pieces of empirical evidence collected. Given that their theory highlights the role of welfare bureaucrats in achieving a parametric reform and mobilising their political resource to do so, the chapter focuses mainly on the mono-pillar design, parameter adjustments (both the contribution and replacement rate), and the Basic Old-Age Pension (BOAP), which was a non-contributory, tax-financed scheme. Strong disagreements existed among the welfare bureaucrats and lawmakers from the ruling and opposition parties with regard to those issues. Hence, the chapter also looks into the political dynamics of the reform.

This chapter is divided into three sections. The first section narrates the development of the 2007 pension reform that dates back to March 2002, when a committee was established in preparation for the first actuarial estimate in 2003. The second section is to test the validity of Kim and Choi's theory in light of the empirical evidence obtained, followed by a which concludes the chapter.

⁶³ As of 2005, only 30.8% of people aged 65 and over were the recipients of income security policies, such as public pension schemes and public assistance programmes (Korean Government, 2006: 103).

⁶⁴ As of April 2003, approximately 40% of all the self-employed stopped paying contributions (NPDC, 2003: 128).

7.2 The National Pension Reform in 2007

Before unfolding the story of the 2007 reform, it is necessary to define its temporal context within which the formulated causal mechanism operated. Just as the 1997 reform is characterised by a long-term process involving various actors, the thesis sees the 2007 reform as a product of “long-lasting” political conflict and negotiations. In doing so, it is expected that the researcher would be able to conduct multiple tests on the formulated causal mechanism, because the 2007 reform was preceded by several failed attempts through which the welfare bureaucrats came to grasp what was necessary to complete the reform. The second reform can be divided into three stages in accordance with their responses to bi-pillar reformers. The first period lasts from March 2002 to October 2003, when the government submitted a reform bill to the National Assembly, based on one of the committee’s recommendations. During this stage, the MOHW did not seek opinions from bi-pillar reformers. The second period is from November 2003 to January 2006, during which the ministry and opposition parties had been in intense conflict over the reform direction. Although the welfare bureaucrats and the ruling party continued to talk with bi-pillar reformers, no agreement was reached. The last period covers from February 2006 to July 2007 when the reform act was passed with the mono-pillar design preserved. In this period, the ministry and the ruling party selectively adopted the recommendations of the opposition parties.

7.2.1 The National Pension Development Committee and the Ensuing Reform Attempt by the MOHW

This thesis considers the setting up of the National Pension Development Committee (NPDC) the starting point of the 2007 reform. Apart from universal coverage, the 1998 reform laid the foundation for further reforms by introducing the actuarial estimates to watch over the financial situation of the NPS regularly. Accordingly, the NPDC was established in March 2002 to prepare for the first estimate in 2003. In its first meeting, the committee agreed to establish two Expert Committees on Institutional Development (ECID) and Actuarial Analysis (ECAA), which undertook relevant tasks in practice (National Pension Development Committee [NPDC], 2003: 224).

The ECID was in charge of preparing plans: 1) to stabilise the scheme financially; 2) to overhaul its operation to reduce coverage gap; and 3) to rationalise the benefit structure corresponding to socio-economic changes. Major discussions were directed towards the

first and second task, and, in particular, the coverage gap was projected to cause future pensioner poverty and undermine long-term financial sustainability. Although universal coverage had been “formally” achieved in the first reform, half of those newly covered requested an exemption from pension contributions⁶⁵. And many of the other half did not fully declare their incomes⁶⁶ (NPHCC, 2015: 264). The ECID reached a conclusion in the 16th meeting (20/11/2002) that this problem would be addressed by fixing loopholes rather than introducing a basic pension through its structural reform (NPDC, 2003: 230). The ECAA was to make a long-term actuarial model of the NPS and to project its future financial status. Demographic variables, one of the most important factors, were based on the 2001 population projection for Korea (Statistics Korea, 2001), and this report noted that the total fertility rate had dropped from 1.59 in 1990 to 1.47 in 2000 while the old-age dependency ratio had increased from 7.4 in 1990 to 10.1 in 2000 (ibid.: 2001).

In the middle of reform discussions, Roh Moo Hyun was elected president in December 2002. During his campaign, Roh continued to oppose a further cut in the replacement rate and argued that the current mono-pillar structure would be preserved (Kim, 2002). In contrast, the main opposition GNP (Grand National Party)’s candidate Lee Hoi Chang pledged to reduce the replacement rate to 40% through a structural reform⁶⁷. Such differences did not necessarily affect the election result, but the new administration might have made a turnaround in reform directions the NPDC was pursuing (Kim, 2010: 238). This however did not happen as the transition team of President-elect Roh Moo Hyun emphasised the need to adjust the contribution and replacement rate (The 16th Presidential Transition Committee, 2003: 192).

The ECAA completed the long-term actuarial status of the scheme in the 10th meeting (22/11/2002) and projected that the pension fund would be depleted by 2047 (NPDC, 2003: 71). Based on this projection, the ECID ended up with three reform options⁶⁸ that were recommended to the NPDC (ibid.: 16-17). The first was designed to freeze the benefit rate by raising the contribution rate to 19.85%. The second was focused on

⁶⁵ Moon (2002) notes that 5,320,000 persons, about a third of the total subscribers, were exempt from contributions as of the year 2002.

⁶⁶ Whilst the contributions of those employed in companies are automatically paid out of their salaries, those of the self-employed are calculated on the basis of their income tax return. Due to this difference, the self-employed have tended to underreport their earnings (Moon, 2002).

⁶⁷ Lee Hoi Chang’s election pledges were made with help from Kim Yong Ha and Ahn Jong Bum (Lee et al., 2002; Choi et al., 2002), both of whom adhered to the idea of a bi-pillar pension system in the 1998 reform.

⁶⁸ All the options were expected to delay the timing of the depletion to the year 2070.

adjusting both factors moderately, and the third aimed to minimise a reduction in the contribution rate by cutting the benefit rate to 40%.

Table 7-1 Three Reform Options of the NPDC

	First option	Second option	Third option
Contribution rate	<u>2010~2014</u> : 11.17%	<u>2010~2014</u> : 10.37%	<u>2010~2014</u> : 9.57%
	<u>2015~2019</u> : 13.34%	<u>2015~2019</u> : 11.74%	<u>2015~2019</u> : 10.14%
	<u>2020~2024</u> : 15.51%	<u>2020~2024</u> : 13.11%	<u>2020~2024</u> : 10.71%
	<u>2025~2029</u> : 17.68%	<u>2025~2029</u> : 14.48%	<u>2025~2029</u> : 11.28%
	<u>2030~</u> : 19.85%	<u>2030~</u> : 15.85%	<u>2030~</u> : 11.85%
Replacement rate (40 years of contributions)	60%	50%	40%

Source: NPDC (2003)

Although the NPDC initially planned to make a final decision during the 6th meeting (25/04/2003), deep divisions between labour and business groups inhibited a unified agreement from being made and thereby led the committee to have another meeting in late May. Such controversy had been already anticipated as the increasing number of non-state actors with different interests joined the committee. In the final meeting, the NPDC eventually failed to select a single option, although the second option gained the most support from academics, the media, research institutes, and government ministries. The business representatives preferred the third option that allowed them to bear the lowest cost burden, and the labour representatives showed fundamental distrust in the ECAA's projections⁶⁹ and urged it to redo the actuarial estimate (ibid.: 17; NPS, 2008: 200; Presidential Commission on Policy Planning [PCPP], 2008a: 39).

After the NPDC submitted a final report to the Minister of Health and Welfare, the MOHW started to have discussions with relevant ministries and stakeholders between June and August 2003 (NPS, 2008: 214-215). But strong disagreement still existed between labour and business groups; especially labour unions and civic groups raised much concern over the government that focused mainly on retrenchment rather than plans to fundamentally resolve the coverage gap. Some media outlets also criticised this approach, saying that it would increase the burden on office workers, higher-income brackets, and enterprises (Korean Economic Daily, 2003; Park, 2003). Kim Hwa Joong,

⁶⁹ The Korean Confederation of Trade Unions, which participated in the NPDC, claimed that the government had tried to “exaggerate” the NPS’s financial risk in two ways (Oh, 2003; 2006). First, the confederation disagreed with the NPDC’s assumption that the very low birth-rate would remain the same in the long term. Second, the confederation argued that the NPDC had to shorten 70 years of the actuarial projection to 60 years, because the last 10 years would witness a radical increase in the number of the elderly that would also negatively affect the future pensioners.

Minister of Health and Welfare (February 2003 – June 2004), recalled that time in the interview with the researcher:

We tried our best to safeguard the NPS. Liberal civic groups, however, unexpectedly gave the government a hard time and distorted information about the scheme...Insurance companies also continued to undermine the credibility of the NPS by using insurance planners, in a way that described the reform as “Pay More but Receive Less”.⁷⁰

The MOHW eventually decided to choose the second option (advocated by most of the NPDC members), as the official position of the government and then planned to submit it to the National Assembly by October 2003 (MOHW, 2003a: 3). The main opposition GNP, however, took a different approach in tackling the coverage gap and began to consider a plan to introduce a basic pension through a structural reform (Hong, 2003), and a coalition of five interest groups issued a public statement refuting the government decision (PSPD, 2003). In the wake of mounting criticism, the ruling party requested the ministry to decrease the replacement rate to 50% “gradually” rather than immediately from 2004 onwards (Millennium Democratic Party, 2003). Nevertheless, the MOHW focused more on promoting the option to the public in August 2003 through a press conference, a public hearing, and televised programmes (PCPP, 2008a: 40) than on reflecting the opinions of opponents, given that Kim Hwa Joong, Minister of Health and Welfare, clearly underscored intergenerational equity and sustainability in a televised debate in August (Sunday Diagnosis, 2003). The ministry submitted a reform bill that marginally modified the NPDC’s second option, to the National Assembly in late October.

7.2.2 Prolonged Standoff: Politics of Failed Pension Reform

It is worthwhile to look into the MOHW’s stance on main criticism raised at the time of submitting the bill. An internal document produced in September 2003 clearly shows that the ministry intended to push through its initial plan despite all the criticism, highlighting the urgency of the reform and dismissing suggestions that a basic pension would be needed to close the coverage gap ultimately (MOHW, 2003c). This document stays in line

⁷⁰ The MOHW responded to several major life insurance companies that produced disinformation about the NPS, by way of suing a branch manager for spreading it on the internet and of requesting the Financial Supervisory Service (a financial regulatory government agency) to investigate if insurance companies violated laws on insurance business (MOHW, 2003b). In relation to their interference, Lee Sang Yong, Deputy Director General for the National Pension Scheme (02/2004 – 01/2005), also mentioned this in the interview with the researcher.

with both Kim Hwa Joong's comment above and the contents of the bill, showing the MOHW's "unwillingness" to bargain with opponents.

In a meeting of the Health and Welfare Committee (HWC)⁷¹ on 25th August, the first meeting after the government issued advance notice of the reform bill, GNP members posed strong opposition as expected (See HWC, 2003a). There were two underlying aspects for their objection. The first resulted from President Roh reneging on his campaign pledge not to cut the replacement rate, and the GNP thus asked for a political apology from either him or Kim Hwa Joong. The second came from big divide on major issues between the MOHW and the GNP. The conflict laid in different policy instruments although both of them shared the same objective, which was to root out the coverage gap. The ministry sought to "gradually" rectify the loopholes in the NPS through a moderate approach (mono-pillar), whilst the GNP took a radical approach that could "rapidly" eliminate them, and further the pension gap, by introducing a new scheme through a structural reform (bi-pillar).

Accordingly, the MOHW concentrated on meeting expert groups, business communities, labour unions, and the media to gain political support for the bill (NPHCC, 2015: 283). Kim Hwa Joong, Minister of Health and Welfare, visited several GNP members in the HWC to ask for support (PCPP, 2008a: 26; Kim, 2003b); but, subsequent months rendered the ministry unable to turn the tide. The GNP members adopted the same stance at the HWC meeting on 24th November 2003 and then refused to deliberate on the bill on four occasions in December (Moon, 2003). Not only did such policy conflict exist, but political conflict over the involvement of President Roh's close aids in bribery scandals also resulted in a deadlock that led the GNP to boycott the National Assembly.

The GNP's criticism eventually made the MOHW announce that the ministry would form a special committee on income security for both current and future pensioners in February 2004 (MOHW, 2003d). Basic pension, however, was still not considered a viable option because the ministry clarified from the beginning that it would be discussed as a mid- and long-term measure (MOHW, 2004a; NPHCC, 2015: 284; NPS, 2008: 222). This implied

⁷¹ The HWC is a parliamentary standing committee that considers bills and petitions and propose policies falling under its jurisdiction. The Minister of Health and Welfare is required to attend meetings to answer questions from lawmakers.

that the ministry would adhere to the moderate approach⁷² for the time being rather than the structural approach advocated by the GNP. Lee Sang Yong, Deputy Director General for the National Pension Scheme⁷³ (02/2004 – 01/2005) and an Executive Secretary of the NPDC, answered in the interview with the researcher that:

We had also studied the basic pension at that time. The amount of taxes was expected to vary depending on how it would be designed. The basic pension is fundamentally a public assistance programme...It was not feasible because of huge budget spending. Under this circumstance, we pursued a system where those unable to currently pay contributions would be able to collect benefits later. We pursued a system where they should keep staying in, rather than withdraw from, the NPS later.

The reform bill submitted was no longer discussed in the HWC until the 16th National Assembly ended its term in May 2004. The political situation in the first half of 2004 had become highly volatile as President Roh faced parliamentary impeachment in March by opposition parties for allegedly violating the election law and getting involved in corruption scandals⁷⁴. Yet, they were unable to savour the event for long, because the 17th general elections held in April 2004 gave the pro-government Uri Party (UP)⁷⁵ a majority of 152 seats on a tide of widespread public discontent over the impeachment. The new composition of the HWC gave the government an advantage in that the UP held 10 out of the 20 seats⁷⁶, and in that only one additional lawmaker was needed to pass the bill.

As soon as the 17th National Assembly opened its first regular session, the MOHW resubmitted a reform bill on 3rd June 2004, which was mostly similar to one proposed in 2003 (NPS, 2008: 232). It again aimed to secure the scheme's long-term financial soundness and close the coverage gap gradually rather than to introduce a basic pension. Given that the GNP had opposed a similar bill in the previous parliament, why did the MOHW maintain its earlier stance again? In the interviews with the researcher, Kim Hwa

⁷² This approach aimed to strengthen existing public assistance for the income security of the older generation (PCPP, 2008b: 21).

⁷³ Lee Sang Yong was the first official serving as this post, which was created in February 2004 to improve the scheme and manage the pension fund effectively (Presidential Decree No. 18163). He answered in the interview with the researcher that the post was equivalent to Direct General for Pension and Health Insurance in relation to the NPS, playing a key role in making the directions of the reform and representing the MOHW's official position.

⁷⁴ Roh Moo Hyun resumed his official duties in May 2004 after the Constitutional Court had annulled the impeachment.

⁷⁵ The UP was founded in November 2003 with 49 reformist lawmakers from the ruling Millennium Democratic Party (42), the GNP (5), and a minor party (2), and strongly objected to Roh's impeachment.

⁷⁶ In the 16th National Assembly, the ruling party held 6 out of the 15 seats in the HWC.

Joong answered that the GNP's "political" unwillingness to handle relevant legislation led the ministry to maintain the same policy line, while Lee Sang Yong said from a "policy" perspective that much discrepancy existed between the GNP and the ministry. It is highly likely that this subtle distinction between the two bureaucrats results from a difference between the 16th and 17th National Assembly⁷⁷. Unlike its previous National Assembly, the 17th one witnessed the GNP's specific bills proposed and thereby moved the locus of opposition from politics to policy. Now the situation came to require actors to create a positive atmosphere for their own options to secure legitimacy.

On one hand, MOHW bureaucrats started to promote the significance of the reform by inviting influential journalists and civic groups and visiting lawmakers at the HWC (PCPP, 2008a: 53-55). The ministry's stance was well summarised by Lee Sang Yong's comment in a debate, which was held by the UP in June 2004, indicating that the reform would aim at stronger financial stability whereas introducing a basic pension would be "financially unrealistic" in the short term (Park, 2004). On the other hand, the Democratic Labour Party (DLP)⁷⁸ as well as the GNP preferred to introduce a basic pension through a structural reform (MOHW, 2004b: 6). Moreover, the combination of a trade union and a civic group also issued a joint statement calling for a bi-pillar reform in eliminating the coverage gap (PSPD, 2004).

Political gridlock is bound to continue when each group of actors continues to adhere to its own belief and is thereby unwilling to make a concession. With regard to the NPS reform, the reform process between 2004 and 2005 evolved in a way that magnified the downsides of each other's proposal instead of resolving differences. The MOHW focused more on highlighting why the reform would be necessary in the long term than on tackling the coverage gap head-on. The GNP, unlike the previous parliament, proposed a bill⁷⁹ in December 2004 that would be to split the current mono-pillar scheme into a bi-pillar one, where a basic pension would be tax-financed while an earnings-related pension would be provided by contributions (NPS, 2008: 235). Furthermore, all opposition lawmakers in the HWC often used a "boycott strategy" when the UP members made any moves to vote

⁷⁷ Kim Hwa Joong wound up her ministerial job on 1st July 2004 shortly after the 17th National Assembly opened.

⁷⁸ The left-wing DLP was the second biggest opposition party with 10 out of 299 seats in the 17th National Assembly.

⁷⁹ This bill was based on the research of a task force in the GNP, which was comprised of its lawmakers and pension experts such as Kim Yong Ha, Ahn Jong Bum, and Moon Hyung Pyo (Ha, 2004). They had continued to support the idea of a bi-pillar system since the process of the 1998 reform.

on the government- and the UP-drafted bills (See HWC, 2004a; 2004b). The ruling UP, however, did not closely cooperate with the government, given that its lawmakers submitted an individual bill in October 2004, a legislation which would be to drop the benefit rate to 50% with no increase in contributions (NPHCC, 2015: 284).

Table 7-2 Three Proposed Bills in the Second Half of 2004

	The MOHW	The UP⁸⁰	The GNP
Direction of the reform	Mono-pillar (Parametric reform)	Mono-pillar (Parametric reform)	Bi-pillar (Paradigmatic reform)
Contribution rate	<u>2010~2014</u> : 10.38% <u>2015~2019</u> : 11.76% <u>2020~2024</u> : 13.14% <u>2025~2029</u> : 14.52% <u>2030~</u> : 15.90%	9% (No change)	7% (Earnings-related pension)
Replacement rate (40 years of contributions)	<u>2004~2007</u> : 55% <u>2008~</u> : 50%	<u>2004~2007</u> : 55% <u>2008~</u> : 50%	20% (Basic pension) 20% (Earnings-related pension)

An internal document by the MOHW (2004b: 6) helps understand why the UP did not band together in that it commented about the absence of the official party line. This has been substantiated by Lee Sang Yong, Deputy Director General for the National Pension Scheme, who answered in the interview with the researcher that:

The ministry was not so much welcomed at high-level consultations with the governing party...Whilst the GNP was usually against the government bill, the ruling UP did not respond in perfect order...Politicians felt uncomfortable about the MOHW that argued for less benefits, because supporting the bill could lead them to lose support in their constituencies.

Given that Ryu Si Min who played a key role in proposing the UP's bill (Kim and Hwang, 2004) stated that a decision to raise contributions did not have to be immediately made (HWC, 2004c: 27-28), the UP was not likely to fully support the MOHW although it objected to the GNP's structural reform. This circumstance where anyone was unwilling to make a concession resulted in political gridlock, which lasted until the beginning of 2006. The heated exchanges among the MOHW, the UP, and the GNP are summarised in the table below to avoid the full narrative, but with no meaningful progress, during the period.

⁸⁰ The UP's bill was proposed by 19 members including Ryu Si Min who became the Minister of Health and Welfare in February 2006.

Table 7-3 Prolonged Deadlock

07/07/2004 (HWC, 2004c: 14)	Ko Kyung Hwa (GNP): A basic pension should be immediately introduced upon national consensus so that people falling in the coverage gap would be able to secure income after retirement.
	Kim Geun Tae (Minister of Health and Welfare): There is a high possibility that the basic pension would put more financial pressure on the government, although it sounds very attractive.
29/11/2004 (HWC, 2004d: 16- 17)	Jeon Jae Hee (GNP): The reform is necessary. But I do not support the government bill, which is merely provisional, in that it does not have any fundamental solutions for the coverage gap.
	Kim Geun Tae (Minister of Health and Welfare): Our stance is to first reform the scheme with focus on the government bill and then to discuss the possibility of a structural reform in the mid and long term. This sequence is the best in securing the stability of the scheme and enhancing people's trust in it.
28/12/2004 (HWC, 2004e: 4)	Ryu Si Min (UP): Three opposition parties have continued to boycott the HWC every time the committee has handled the bills. We are in a situation where voting is impossible due to the lack of a quorum. We should inform the National Assembly Speaker so that he will directly table the bills as is the Speaker's right.
24/02/2005 (HWC, 2005a: 34)	Yun Kun Young (GNP): Introducing the basic pension we have proposed is inevitable to remove the coverage gap.
	Kim Geun Tae (Minister of Health and Welfare): We should approach the basic pension with more time and discussion, considering if we can afford it, given the developing nation status and the domestic and external economic conditions, and if we can reach a consensus from the public.
28/03/2005 (HWC, 2005b: 17 & 22)	Song Jae Sung (Vice Minister of Health and Welfare): Our investigation concludes that the GNP's proposal is seriously problematic in several aspects.
	Yun Kun Young (GNP): I saw a staff member at the National Pension Service comment on our proposal. It was too inaccurate and it twisted the facts.
25/04/2005 (HWC, 2005c: 30)	Jeon Jae Hee (GNP): The government has been unwilling to introduce a basic pension, and such attitude causes the standoff.
	Kim Geun Tae (Minister of Health and Welfare): I must say something because of your unreasonable remark. The gridlock is not caused by us.
13/06/2005 (HWC, 2005d: 80)	Ko Kyung Hwa (GNP): It is a pity that I mention someone's name here. But I must say that Noh In Chul ⁸¹ who attended a public hearing ⁸² made a politically biased presentation. Some people say that he takes the lead in blocking our plan to introduce a basic pension.
29/11/2005 (Special Committee on the Improvement	Lee Suk Hyun (Chairperson of the Special Committee): All of the proposals have remained pending in the Legislation and Judiciary Subcommittee under the HWC. They have not proceeded further, for there are fundamental differences in their approaches... Mutual concessions are key to negotiations. Every party must take a step backward to reach a consensus.

⁸¹ Director of the National Pension Research Institute.

⁸² It took place on 3rd June 2005.

of the NPS, 2005: 2 & 5)	
21/02/2006 (Special Committee on the Improvement of the NPS, 2006a: 12 & 15)	Chae Su Chan (UP): I have often talked with people from the MOHW, but they are never keen on any changes. They are unwilling to make any concessions, arguing that there is no point in making a drastic reform.
	Kang Gi Jung (UP): I am fine with government measures to improve the financial soundness of the scheme, but urge the government to come up with a solution for the coverage gap
	Byun Jae Jin (Vice Minister of Health and Welfare): We will make utmost effort.

In April 2005, Kim Geun Tae, Minister of Health and Welfare, suggested, as shown in the table above, establishing a special parliamentary committee as the gridlock had persisted. Strangely, the first meeting was held in November since the UP and the GNP could not agree which party would head the committee (Sung and Ahn, 2005). The special committee wrapped up its 3-month activities in February 2006 holding five talks; but the two subcommittee meetings in 2006 were likely to deliver a better outcome than what the HWC had previously produced in that the ministry responded positively to UP lawmakers asking for more tangible alternatives. The MOHW could no longer turn the tide in a situation where even the ruling party began to show signs that it was ready to negotiate with opposition parties. Furthermore, the political change was followed by an internal change as President Roh announced a reshuffle of his cabinet in early February 2006, which included the replacement of Kim Geun Tae with Ryu Si Min.

7.2.3 Trying to Bury the Hatchet: Politics of Successful Pension Reform

It is necessary to take a careful look at Ryu Si Min, because his appointment played an indispensable role in making a difference in the reform process (NPHCC, 2015; Kim, 2010; PCPP, 2008a; NPS, 2008; Oh, 2006). Along with his fellow lawmakers of the UP, Ryu proposed a reform legislation in October 2004 that was different from the government bill (See Table 7-2). Apart from that, he had continued to argue that it would be worthwhile for the government to take the introduction of a basic pension into consideration (HWC, 2003a; 2004f; 2005e; Kim, 2004). This led him to submit another bill in November 2005 that aimed to reduce the coverage gap by introducing a monthly non-contributory pension⁸³ to the elderly in the bottom 20% of the income bracket. It seemed that Ryu continued to see the NPS reform subject to negotiation and bargaining (See HWC, 2006a: 26). Combined with this “policy” preference, Ryu was one of the

⁸³ The amount was 100,000 KRW, equivalent to approximately 55.40 GBP as of November 2005.

President Roh's key "political" allies⁸⁴ in the ruling UP, thereby being able to ask Roh, in late April 2005, to nominate himself as the next Minister of Health and Welfare (Ryu, 2009: 250). Ryu (2014a) mentioned that he was well prepared and could articulate potential solutions to pending issues, because it took about six months to succeed Kim Geun Tae.

Throughout the process of taking up the post, Ryu Si Min expressed that the ministry would grapple with the reform by reflecting different opinions from relevant political actors such as government ministries, the UP, and the GNP (HWC, 2006a: 66-67; MOHW, 2006a). In a nutshell, he intended to minimise the coverage gap by introducing a new scheme but with the existing mono-pillar design untouched (HWC, 2006a: 67). It is worth noting that the ministry was willing to adopt a "new" approach where it would seek to launch a new scheme⁸⁵ as well as to enhance long-term financial soundness simultaneously. This shift in reform strategy was ascribed to the GNP committed to removing the coverage gap through a bi-pillar reform. Bahk Jae Wan, chief secretary of the GNP in the HWC, explained his party line in the interview with the researcher:

We were aware of how serious both the fiscal instability and the widening coverage gap were. However, considering that any attempt only at a single aspect would eventually produce another reform, we decided to present an alternative that could handle both issues at once...Our proposal was founded on a multi-pillar system recommended by the OECD and the World Bank at the time.

The MOHW had in-depth internal discussions twice in March 2006 on the present situation of the reform and its potential alternatives; while the first meeting mapped out a plan to complete the reform by the end of 2006 through dialogue and compromise, the second one focused on the alternative options needed in negotiating with the GNP (PCPP, 2008a: 77-79). Then Ryu Si Min told the press that the ministry would seek a "middle ground" between its existing approach and the GNP's legislation (Beom, 2006; Han, 2006). Ryu (2009; 2014b; 2014c) revealed that the middle ground referred to a "package deal" comprised of the retrenchment-oriented existing measure and two new measures,

⁸⁴ President Roh let Ryu nominate the Vice Minister of Health and Welfare among high-ranking officials at the Ministry of Planning and Budget – which played a key role in drawing up a budget and managing its effectiveness – due to Ryu's lack of experience in public administration (Ryu, 2014a).

⁸⁵ It was based on Ryu's bill submitted in November 2005 (Jang and Jung, 2006; Ryu, 2013; 2014a).

one of which⁸⁶ aimed to minimise the coverage gap, figuratively speaking in a lecture (Ryu, 2014a) that:

The revision in the scheme was analogous to a boat without power supply... It was impossible to obtain parliamentary approval, because lawmakers sensitive to every election were very reluctant to pass the revision bill that was designed to increase contributions right now but would produce an expected outcome over the next several decades. Thus, the key to the revision was to add a tugboat that can push the non-powered boat along.

Given that Ryu compared the new measures to a kind of tugboat, the MOHW interpreted the middle ground in a different way that placed more emphasis on stabilising the scheme's long-term financial condition than on closing the coverage gap. It led the ministry to present a public assistance programme targeting a "limited" number of the elderly, rather than a "universal" basic pension⁸⁷ (Ryu, 2014c; PCPP, 2008a: 79). Concerning the NPS, Ryu (2006a) stated in a radio interview that the ministry could flexibly reconsider its previous stance on key parameters.

The ministry's willingness to make concessions materialised into a draft plan, and this was presented to the ruling UP on 2nd June 2006 (NPHCC, 2015: 287). The new draft differentiated itself from the existing bill in terms of addressing to some extent the coverage gap immediately. And the draft was designed to reduce the scale of the increase in contributions, as Ryu mentioned. In doing so, the MOHW intended to lessen the magnitude of the reform to secure legitimacy from the public as well as the main opposition GNP (PCPP, 2008b: 25).

⁸⁶ The other measure was to introduce a long-term care insurance that would offer care to the fragile elderly.

⁸⁷ Ryu (2014b) said that President Roh provided full support to ministers who created an effective action plan followed by sophisticated strategies. Kim Hwa Joong, the first Minister of Health and Welfare in the Roh Moo Hyun administration, also answered the same way (See also NPHCC, 2015: 353-356 for how each ministry enjoyed a higher degree of autonomy in Roh's administration).

Table 7-4 Comparison Between the Previous Bill and the New Draft

	Previous bill	New draft	
		NPS	BOAP
Direction of the reform	Mono-pillar	Mono-pillar	Public assistance
Contribution rate	<u>2010~2014</u> : 10.38% <u>2015~2019</u> : 11.76% <u>2020~2024</u> : 13.14% <u>2025~2029</u> : 14.52% <u>2030~</u> : 15.90%	Gradual increase to 12.90% by 2017	Non-contributory
Replacement rate (40 years of contributions)	<u>2004~2007</u> : 55% <u>2008~</u> : 50%	50% (40%, depending on long-term socio-economic conditions ⁸⁸)	Monthly 80,000KRW ⁸⁹ The elderly ⁹⁰ in the bottom 45% of the income bracket

Despite such differences, the mono-pillar design remained intact as the BOAP was to be added to the existing list of public assistance programmes rather than being merged into the NPS. In terms of function, the BOAP differed little from a basic pension in narrowing the coverage gap of future pensioners, addressing elderly economic insecurity, and facilitating income redistribution. There was, however, a significant contrast between the two; whilst the basic pension was to involve a transition to a bi-pillar pension system, the BOAP was to preserve the mono-pillar structure – which incorporates a basic part (income redistribution) and an earnings-related one into a single benefit formula. This institutional complexity where the BOAP would coexist with the basic part of the formula reflected the MOHW’s commitment⁹¹ to the institutional status quo.

The UP to which the MOHW submitted the new draft crystallised its key idea to a number of bills in September 2006, when the regular session of the parliament opened. Several differences, however, existed between the ruling party and the ministry in contributions and the BOAP. Kang Gi Jung, who was a main proposer of the UP’s bills, explained about the differences in an interview (PCPP, 2008a: 88) that:

⁸⁸ Further decrease to 40% was considered to be possible in the 2030s when occupational and personal pension schemes would be firmly rooted (PCPP, 2008a: 81).

⁸⁹ About 45.40 GBP as of June 2006.

⁹⁰ Aged 65 and over.

⁹¹ The ministry put emphasis on promoting the new draft since June 2006. Its high-ranking officials made appearances on various media outlets and met individual HWC members to raise awareness of the draft (NPHCC, 2015: 289; PCPP, 2008b: 27-28). They also visited a major interest group for senior citizens and went on business trips to meet community leaders, who were the elderly generally, to “claim credit” for their attempt to introduce the BOAP (Ryu, 2014a; 2014c).

I told the government that it would be unavoidable to increase the BOAP's coverage to the elderly in the bottom 60% of the income bracket to reach agreement with opposition parties. Minister Ryu Si Min kept strongly calling for an increase in contributions until the last high-level consultations with the ruling party. But we had no option but to maintain the current 9% due to public backlash and economic conditions.

Ryu (2014c) mentioned that the ministry was willing to extend the coverage of the BOAP up to the elderly in the bottom 70% of the income bracket⁹² but could not stop the UP from pegging contributions at 9%. Here it is possible to understand how much political parties, regardless of their ideological orientation, have been unwilling to take political risk in raising contributions. This point shall be revisited in the next chapter to examine if neoliberalism had a significant impact on the 2007 reform (Jung and Walker, 2009). Meanwhile, the HWC witnessed a noteworthy change in its membership as Kim Jong In, lawmaker of the Democratic Party (DP), was replaced with Kim Hyo Suk from the same party. Given that Kim Jong In had objected to reform attempts at long-term financial soundness while advocating a universal basic pension (HWC, 2004d: 37-39; 2005c: 21-22; 2006a: 11-12; 2006b: 50), Kim Hyo Suk's stance must have been crucial for the government in the situation where the ruling UP holding 10 out of the 20 seats needed the support of one more lawmaker to pass bills in the HWC.

As the regular session of the parliament opened in September 2006, the left-wing DLP, a minor opposition party, also submitted legislation founded on the mono-pillar scheme but with more generous BOAP than the ruling UP's legislation. Then the MOHW and the UP were on the verge of reaching a consensus with the DP as well as the DLP, but failed to do so due to clashing views on the BOAP between the parties (PCPP, 2008a: 92-95; PCPP, 2008b: 34-36; Shin, 2006). By contrast, the GNP did not make a move to sit down at the negotiation table since it was still in favour of a bi-pillar reform (HWC, 2006c: 14; 2006d: 23). In a nutshell, the GNP was unwilling to give an inch unlike the ministry and the governing party that responded to its criticism through the BOAP, thereby motivating them to railroad their bills on 30th November and 7th December 2006. The two bills gained a majority vote by a narrow margin (11 out of 20 lawmakers), and Kim Hyo Suk of the DP voted in favour of them along with 10 UP lawmakers⁹³.

⁹² Ryu (2009: 281-282; 2014b; 2014c) added that he received approval from President Roh, the Prime Minister, and the Minister of Planning and Budget to secure an extra budget spent on the BOAP.

⁹³ Ryu Si Min, Minister of Health and Welfare, revealed that he had continued to ask Kim Hyo Suk to join the HWC in place of Kim Jong In, who opposed to the MOHW's reform proposal (Ryu, 2014a; 2014b; 2014c).

Table 7-5 Differences in the NPS Bills

	National Pension Scheme			
	The MOHW (06/2006)	The UP (09/2006)	The DLP (10/2006)	The HWC (30/11/2006)
Direction	Mono-pillar			
Contribution rate	Gradual increase to 12.90% by 2017	9%	9%	Gradual increase to 12.90% by 2017
Replacement rate (40 years of contributions)	50% (40%, depending on long-term socio-economic conditions)	50%	Gradual decrease to 40% by 2023	50%

Although the attempt to form a policy coalition foundered at the last moment, the two bills passed in the HWC can be considered a product of exchanging one thing for another. Given that the NPS bill was designed to maintain the mono-pillar design and adjust key parameters, the MOHW was likely to reflect its initial plan to raise contributions⁹⁴ (See Table 7-5). Regarding the BOAP, the elderly aged 65 and over were to receive 5% of the average monthly income of all subscribers over the previous three years, a flat-rate benefit proposed by the DLP.

Table 7-6 Differences in the BOAP

	Basic Old-Age Pension			
	The MOHW (06/2006)	The UP (09/2006)	The DLP (11/2006)	The HWC (07/12/2006)
Direction	Public assistance			
Coverage (of the income bracket)	Bottom 45%	Bottom 60%	Bottom 80%	Bottom 60%
Monthly Benefit	80,000KRW	70,000~100,000 KRW ⁹⁵	0.05A (2008) ~0.15A (2028) ⁹⁶	0.05A

But Korean politics turned into a state of massive chaos in early 2007, which in turn led to another stalemate over the bills. The Legislation and Judiciary Committee (LJC), which

⁹⁴ Ryu answered in the interview with the researcher that the ministry tried its best to reflect this plan in the final bill passed in the HWC.

⁹⁵ The elderly in the lowest and second lowest income bracket were to receive 100,000 KRW (about 54.95 GBP as of December 2006), and the other 70,000 KRW (about 38.47 GBP as of December 2006).

⁹⁶ "A" refers to the average monthly income of all subscribers over the previous three years.

reviews each bill passed at all standing committees ahead of a plenary session, did not do so until late March, because the GNP did not determine its position on whether it would submit its own bill directly to a plenary session⁹⁷ (See HWC, 2007a: 37 for a conversation between Kang Gi Jung and Bahk Jae Wan). It is substantiated by the timing when the UP's bills were passed at the LJC, two days before the GNP and the DLP agreed to form a policy coalition on 1st April (Ha, 2007; Park, 2007). The GNP made an aggressive movement to do so since February (Seo, 2007; Oh, 2007; Mo, 2007), while at the same time engaging in negotiations with the DLP in March (See NPHCC, 2015: 293 for Oh Kun Ho's description⁹⁸ of the negotiation process between the GNP and the DLP).

Behind the GNP's coalition plan was the ruling UP beset with internal unrest and political disintegration that had occurred since late 2006. Junior UP lawmakers dissatisfied with President Roh's way of state affairs started leaving the party and then formed a new one in February 2007, whereby the UP lost its majority in the parliament (Kim, 2010: 337; Hwang, 2007). In consequence, only few UP lawmakers such as Kang Gi Jung became involved in the reform on the individual level as the party found it difficult to cohesively respond to the GNP in such volatile situation (See PCPP, 2008a: 104 for Kang's complaint about the UP's policy leadership).

The National Assembly finally opened a plenary session on 2nd April 2007 to vote on the reform bills that was passed at the HWC in December 2006 and proposed by the GNP-DLP coalition on the day of the session. According to Article 96 of the National Assembly Act (1991), which stipulates that an original bill is given a chance to be voted on the condition that new amendments to it fail to gain a majority of votes, the coalition's proposals acquired priority. Yet the two NPS bills by the coalition and the UP did not earn a majority of votes unexpectedly (National Assembly [NA], 2007: 40). Meanwhile, most of the lawmakers who defected from the UP chose to abstain from voting for their previous party (19 lawmakers). With regard to the BOAP, the UP's bill – which was given a chance after the coalition's one had been voted down – was passed with an overwhelming majority (ibid.: 45).

⁹⁷ Paragraph 1 of Article 95 of the National Assembly Act stipulates that it is possible to propose an amendment to a bill, which is being put to a final vote at a plenary session, under approval of at least 30 lawmakers (National Assembly Act, 1991).

⁹⁸ Oh was a Senior Policy Advisor of the DLP at the time.

Table 7-7 Failed Attempts at the NPS Bills

	The coalition's bill (The GNP + the DLP)	The UP's bill (& the government)
Order of voting	First	Second
Direction	Mono-pillar	Mono-pillar
Contribution rate	9%	Gradual increase to 12.90% by 2017
Replacement rate (40 years of contributions)	Gradual decrease to 40% by 2018	50%
Number of votes	131 for, 136 against, and 3 abstained (total 270)	123 for, 124 against, and 23 abstained (total 270)

Table 7-8 Height of Lawmakers' Credit Claiming Behaviour

	The coalition's bill (The GNP + the DLP)	The UP's bill (& the government)
Order of voting	Third	Fourth
Direction	Public assistance	Public assistance
Coverage (of the income bracket)	Bottom 80%	Bottom 60%
Monthly Benefit	0.05A (2008) to 0.10A (2018)	0.05A
Number of votes	122 for and 144 against (total 266)	254 for, 9 against, and 2 abstained (total 265)

It was very ironic on the grounds that GNP lawmakers did not vote against the UP's BOAP bill with less coverage and benefit compared with their proposal, and such behaviour was driven by a calculation of political gains from elderly voters in their constituencies. As Bahk Jae Wan, chief secretary of the GNP in the HWC, explained in the interview with the researcher (See also NPHCC, 2015: 294 for his comment):

The BOAP was a brand-new policy. The NPS was going to remain the same since the relevant bills were rejected. I could say that the BOAP was a kind of carrot. We were worried about a scenario where our opposition to the BOAP would yield negative consequences on ourselves. Most of our lawmakers who were directly elected had no choice but to vote for it due to concerns about public discontent.

To borrow Ryu Si Min's expression, this result was analogous to a tugboat moving without ropes attached to a non-powered vessel. Media criticism was mainly targeted at GNP and former UP lawmakers who produced the political uncertainty, and they were

portrayed to support pork-barrel welfare projects only (Kukmin Ilbo, 2007; Hankook Ilbo, 2007). Yet it is necessary to note that the GNP did abandon the idea of a bi-pillar reform by proposing a new option founded on the mono-pillar design, thereby leaving some leeway to resume negotiations. Things predictably started to change as Kang Gi Jung (UP) and Bahk Jae Wan (GNP) returned to the negotiation table and then signed an agreement from the working-level talks on 25th April 2007 (PCPP, 2008b: 41; See also HWC, 2007b: 5). This agreement was in favour of a parametric reform option that would lead to a decrease in the benefit rate to 40%, and of more generous BOAP provision compared with the bill passed on 2nd April. The agreement paved the way for the two parties to settle the bills in the June parliamentary session (HWC, 2007c: 3).

Table 7-9 Final Approval of Relevant Bills on 3rd July 2007

	The NPS		The BOAP	
Direction	Mono-pillar	Direction	Public assistance	
Contribution rate	9% (no change)	Coverage (of the income bracket)	Bottom 60% (07/2008~) Bottom 70% (01/2009~)	
Replacement rate (40 years of contributions)	60% > 50% (2008) 50% > 40% (2028) (annual decrease by 0.5%P from 2009)	Monthly Benefit	0.05A (2008) to 0.10A (2028)	
Number of votes	154 for, 5 against, and 12 abstained (total 171)	Number of votes	158 for, 5 against, and 9 abstained (total 172)	

7.3 Testing the Causal Mechanism of “Role of Welfare Bureaucrats”

This section is to test whether the causal mechanism formulated from Kim and Choi’s theory (2014) can have inferential leverage in the 2007 NPS reform. The test will be carried out in light of multiple pieces of the evidence collected; but this thesis shall not seek, even if the causal mechanism is highly likely to be at play, to apply it to other cases because of the nature of explaining-outcome process tracing adopted.

Table 7-10 Formulated Causal Mechanism of Kim and Choi’s Theory

Cause	Causal mechanism				Outcome
	Part 1	Part 2	Part 3	Part 4	
The welfare bureaucrats in Korea	Welfare <u>bureaucrats try to carry out</u> a reform of the NPS, based on its current institutional structure.	Welfare <u>bureaucrats are engaged in policy conflict with those who seek a structural reform of the NPS</u>	Welfare <u>bureaucrats negotiate</u> other issues of the NPS reform with political actors on the condition that the current institutional structure is preserved.	Welfare <u>bureaucrats come to achieve</u> expertise, legitimacy, and institutional positioning.	The NPS reform in 2007

7.3.1 Did Welfare Bureaucrats Try to Carry Out a Reform of the NPS, Based on Its Current Institutional Structure?

It was expected that if the first part of the mechanism existed, it would be likely to leave its mark in the forms of trace and account evidence, and the researcher has identified multiple pieces of the data that could demonstrate the presence of the first part of the mechanism. The establishment of the NPDC is considered a prime piece of trace evidence per se because the committee served as an advisory body for the Minister of Health and Welfare, an organisation which was responsible for executing the first actuarial estimate in 2003 and outlining policy recommendations based on the estimation (NPDC, 2003: 25-26). Article 4 of the National Pension Act added as a result of the 1998 reform stipulates that both the contribution and benefit rate must be “modified” to ensure the long-term sustainability of the pension fund, and that the Minister of Health and Welfare is in charge of executing the actuarial estimates every five years (National Pension Act, 1999). It implies that policy recommendations based on the estimates would pursue “parametric reform” options adjusting key parameters, and thereby this made the NPDC members unable to elaborate structural reform options because doing so was beyond the reach of Article 4 (NPDC, 2003: 228-230; See also NPHCC, 2015: 349 for Kim Sang Kyun’s comment on the role of the NPDC).

The fact that the government submitted two similar bills to the National Assembly in both October 2003 and June 2004 also increases the researcher’s confidence in the presence of the first causal mechanism. The thesis earlier mentioned that Kim Hwa Joong, Minister of Health and Welfare (February 2003 – June 2004), chose to crystallise the NPDC’s second option (See Table 7-1) into a reform bill, given that the ministry had already been

keen on it (NPDC, 2003: 17). Consequently, the government proposal submitted in October 2003 was almost identical to the second option (National Pension Bill, 2003), and the following proposal in June 2004 continued to maintain the same combination of key pension parameters – the contribution rate of 15.9% and the benefit rate of 50% (National Pension Bill, 2004a).

The BOAP bill itself also reflects the MOHW’s commitment to safeguarding the existing mono-pillar design, although it was proposed by UP lawmakers (Basic Old-Age Pension Bill, 2006). The absence of a government-proposed bill between 2006 and 2007⁹⁹ can be regarded as a shift in its strategy in favour of the current design; but it is necessary to understand the context that brought about the idea of the BOAP. Initially suggested by Ryu Si Min, Minister of Health and Welfare (February 2006 – May 2007), the idea was focused on reducing the coverage gap but differentiated itself from a basic pension advocated by the GNP (Ryu, 2009: 276; 2014a; 2014b; 2014c; NPHCC, 2015: 287). Unlike a universal basic pension, the BOAP was devised to cover a “certain” portion of the elderly population selected through means-testing, which categorises this scheme into a public assistance programme. At the same time, however, the BOAP ended up covering a larger portion of people aged 65 and over (bottom 70%) than what typical public assistance programmes do.

The idea was unveiled in response to the GNP’s criticism in a manner that would not undermine the mono-pillar design, and the ruling UP was therefore able to extend the BOAP’s coverage from bottom 45% to 60% in discussions with the MOHW (NPHCC, 2015: 290; PCPP, 2008b: 28-29). Ryu Si Min repeatedly revealed that the MOHW obtained political support from President Roh and Prime Minister Han Myeong Sook, who in turn helped the ministry secure the extra budget required for the coverage extension (Ryu, 2009: 281-282; 2014a; 2014b; 2014c). Thus, this shows that the ministry did also provide support for the BOAP bill proposed by UP lawmakers.

The evidential power of the aforementioned trace evidence becomes more consolidated by considerable pieces of account evidence. The account evidence which will be suggested below points to the consistent effort of the ministry to seek a parametric reform. First, the researcher obtained an internal document by the MOHW (2003e) to report to

⁹⁹ Ryu Si Min mentioned in the interview with the researcher that the MOHW intentionally adopted the form of “legislation proposed by lawmakers” rather than by government directly, to reduce the amount of time spent sending a bill to the HWC.

the transition team of President-elect Roh Moo Hyun, and it is necessary to pay attention to the timing when this archive was made. The document contains what was being discussed in the NPDC as of “early January 2003”, which was approximately four and a half months before its members were gathered to select a final reform option (28/05/2003). Nevertheless, the document outlines the MOHW’s stance in favour of both a cut in the replacement rate to 50% and an increase in contributions up to 15% (ibid.: 7).

Shown continuously in other internal documents produced in 2004 (MOHW, 2004b; 2004c), the adherence to a parametric reform is in line with what Lee Sang Yong, Deputy Director General for the National Pension Scheme (02/2004 – 01/2005), answered in the interview with the researcher.

It was infeasible to introduce a basic pension due to its annual budget of about 10 trillion KRW¹⁰⁰. Even so, the government could not encourage private pension schemes or talk about a three-pillar system in a situation where private insurance companies wanted a society without the NPS...But it was impossible to go in that direction although we thought that a basic pension would be necessary someday.

Third, Ryu Si Min, Minister of Health and Welfare (02/2006 – 05/2007), found a structural reform impractical at the time, answering in an interview (2014c) that:

The question was whether it would be possible to introduce a basic pension. We would have done so if it did not accompany a comprehensive change in revenue and expenditure plans. How can the government coming to the end of its term do that? We told the president not to reshape the pension system but to do something viable only.

Fourth, Bahk Jae Wan, GNP lawmaker (05/2004 – 05/2008) and GNP chief negotiator in the HWC (08/2005 – 08/2006), explained in the interview with the researcher that the MOHW’s bargaining principle caused overlapping functions in the old-age pension system.

The idea of a structural reform was totally unacceptable for the ministry. To be honest, the BOAP produced by political compromise made the structure of the old-age pension system ambiguous. That is because the BOAP was to coexist with the basic part incorporated into the benefit formula of the NPS.

¹⁰⁰ Approximately 4.9 billion GBP as of December 2004, when the GNP proposed a legislation founded on a bi-pillar system.

Apart from different welfare bureaucrats involved in the reform process, Bahk Jae Wan's comment deserves attention in that he was one of the key politicians who had advocated a structural reform in opposition to the MOHW. Hence, it could further strengthen the researcher's confidence in the presence of the first part of the causal mechanism by securing another source of account evidence. Overall, based on the pieces of the collected evidence described, it is highly unlikely that we would have discovered them when assuming that the welfare bureaucrats sought the reform in ways that would transform the existing mono-pillar scheme into a bi-pillar one. In conclusion, the first hypothesised part has passed multiple hoop tests.

7.3.2 Were Welfare Bureaucrats Engaged in Policy Conflict with Those Who Seek a Structural Reform of the NPS?

The second part of the formulated mechanism was expected to produce both trace and account evidence. On one hand, the suggested trace evidence needs to substantiate the nature of policy conflict between the MOHW (pro-parametric reform) and its counterparts (pro-structural reform). In doing so, trace evidence would be able to strengthen evidential power with the description of its social/political context.

Two committees established in early 2004 and late 2005 manifest the presence of the policy conflict between relevant actors. The first committee, which served as an advisory body for the Minister of Health and Welfare, was formed in February 2004 to address the issue of coverage gap raised by the GNP and civic organisations (Special Committee on Income Security for Current and Future Pensioners, 2005). This was the moment when the ministry was facing vehement opposition especially from the GNP that advocated a bi-pillar reform and asked for a political apology from President Roh reneging on his campaign promise to oppose a benefit reduction (See HWC, 2003a; 2003b). The government bill, therefore, could not gain political momentum in the National Assembly, and the MOHW consequently announced the formation of a committee in February 2004 (MOHW, 2004a). Given that a press release from the ministry described the committee as a "countermeasure" to the GNP's critique (MOHW, 2003d), it is reasonable to consider the committee a thread of trace evidence depicting the policy conflict.

The second committee, unlike the previous one, was set up within the National Assembly to seek consensus for the reform in November 2005. Suggested by Kim Geun Tae,

Minister of Health and Welfare (07/2004 – 12/2005), the so-called Special Committee on the Improvement of the NPS (2005) consisted of two subcommittees, one of which handled issues on the coverage gap and the long-term financial sustainability of the scheme. The committee is better understood in the context of political gridlock where the ministry and the ruling UP were unwilling to budge an inch to the GNP, and vice versa. Such conflict is reflected in a resolution submitted to the parliament in June 2005, a proposition which demanded the establishment of a special committee (Resolution for the Formation of a Special Committee for the National Pension Scheme, 2005). The resolution mentioned that the committee would aim for social consensus that the government bill had not achieved due to several problems such as the wide-ranging coverage gap (ibid.: 2-4). The way in which the coverage gap would be tackled was at the heart of the debate since the other issues (e.g. fund management and financial sustainability) were subject to whether or not to make a bi-pillar reform (Special Committee on the Improvement of the NPS, 2006b: 13).

While the trace evidence demonstrates the presence of policy conflict, multiple pieces of account evidence depict the nature of the dispute between the MOHW and the GNP. First, Kim Hwa Joong, Minister of Health and Welfare (02/2003 – 06/2004), responded to GNP lawmaker Lee Won Hyung's criticism on the government bill at the HWC (2003a: 30). It was the moment when the ministry attempted to use existing public assistance programmes to address the coverage gap.

Kim Hwa Joong: I understood your point. But a basic pension and the National Basic Livelihood Security System¹⁰¹ are different matters from our perspective.

Lee Won Hyung: Let me wrap it up...The actuarial estimate must be done from scratch again. Let me be clear that the government proposal cannot pass the National Assembly because the variables put into the actuarial model are wrong, because the proposal does not have proper measures for more than half of the self-employed falling in the coverage gap, and because the whole nation is opposing the bill.

¹⁰¹ Implemented in 2000, the National Basic Livelihood Security System is a key public assistance programme designed to secure minimum standards of living for those eligible, regardless of their age and ability to work.

As the GNP proposed legislation demanding a bi-pillar pension system in December 2004, the locus of its opposition moved from politics to policy in the 17th National Assembly. The opposition party consequently started urging the MOHW to contemplate the feasibility of a basic pension. For example, GNP lawmaker Ko Kyung Hwa made an inquiry about the discussions of a bi-pillar reform to Minister Kim Geun Tae (07/2004 – 12/2005) at the HWC (2005e: 39).

Ko Kyung Hwa: Since whether to introduce a basic pension leads to issues on benefits and contributions automatically, my party wants to embark on comprehensive discussions about relevant topics.

Kim Geun Tae: I understood your point. But I find it impossible to draw conclusions about whether to introduce a basic pension, how to finance it, and how to improve the NPS between six months and a year. It is about a fundamental transformation in the Korean welfare system.

The continuing deadlock ended up with a shift in the MOHW's strategy by which the BOAP was utilised to bring the GNP and the DLP back to the negotiation table. The GNP, however, still remained dissatisfied with the BOAP in terms of the low coverage, regarding it as a makeshift solution to the coverage gap (See HWC, 2006e: 44). This led Ryu Si Min, Minister of Health and Welfare (02/2006 – 05/2007), to complain about the GNP's hard-line approach in a televised debate (Ryu, 2006b), a programme which GNP lawmaker Yun Kun Young who submitted a bill in December 2004 also attended.

Ryu Si Min: When putting yourselves into our shoes, you could say that a basic pension is extremely radical. I am telling you again that we do not deny the main purport of the GNP's proposal. We aim to alleviate to some extent elderly poverty rather than to provide everyone with the basic pension... We intend to support almost half of the senior citizens irrespective of the amount of benefits, with the hope that the GNP will contemplate and accept our idea rather than keep saying no.

The GNP was based on a peculiar model that only calculated the amount of money the subscribers, not the government, needed to “immediately” pay for a basic pension¹⁰²; but the model did not take into account its long-term effects that would “ultimately” bring about heavier tax burden on them (HWC, 2006c: 16-22). The policy conflict in 2006,

¹⁰² According to this model, the subscribers would be required to pay the remaining amount of money not covered by the merger of existing welfare programmes for the elderly with a basic pension (See HWC, 2006c: 19-20 for GNP lawmaker Ahn Myoung Ock's description).

therefore, was over “how” to finance a basic pension, as compared with the previous conflict over “whether” to introduce it. GNP lawmaker Kim Byung Ho urged Vice Minister Byun Jae Jin (02/2006 – 06/2007) to reform the scheme in a way that could better solicit public understanding (ibid.: 14).

Kim Byung Ho: Complexity always creates corruption, which in turn does chaos. The system must be simple and straightforward. Isn't it very clear to inform the people that the government ensures minimum income for them while their benefits are in proportion to their contributions?

Byun Jae Jin: Do you think that we have enough money in our budget?

As the GNP refused to offer any concessions to the MOHW and the UP, they came to railroad their NPS and BOAP bills at the HWC on 30th November and 7th December 2006, respectively, and succeeded in gaining a majority vote by a narrow margin. Yet the bills were left pending from early December 2006 to late March 2007 at the LJC, because the GNP did not determine its position on whether it would submit its own bills directly to a plenary session. This delay was made possible in part by the LJC membership advantageous to the GNP¹⁰³. Following this, Minister Ryu Si Min started changing his attitude to the GNP from a soft-line to a hard-line stance, according to which the GNP was referred to as a “party with more than 99% chance of winning the next presidential election but with less than 1% chance of showing accountability in governance” (Ryu, 2007). In a meeting of the HWC (2007a: 15), Ryu responded to GNP lawmaker Bahk Jae Wan who criticised him for insulting the GNP.

Ryu Si Min: Do you think that our country is going to be okay if we keep adhering to our opinions? I think that GNP members in the HWC were great since you discussed, proposed, and put each bill to a vote. But it was GNP members in the LJC that blocked the tabling of the endorsed bills in December last year. I know well how it happened, and it is self-righteous to cling to their arguments even by neglecting procedures as stipulated by the National Assembly Act, because they find themselves right and others wrong. This is a threat to democracy.

In conclusion, it is unlikely for the researcher to repeatedly obtain all pieces of the trace and account evidence presented, when assuming that welfare bureaucrats in the MOHW

¹⁰³ The chairpersons of the LJC and its subcommittee reviewing bills passed at the HWC were all from the GNP.

did “not” engage in conflict with those seeking a bi-pillar reform. Accordingly, it is possible to conclude that the evidence has strengthened the researcher’s confidence in the validity of the second part of the formulated mechanism. The hypothesised second part has survived multiple independent hoop tests.

7.3.3 Did Welfare Bureaucrats Negotiate Other Issues of the NPS Reform with Political Actors on the Condition that the Current Institutional Structure is Preserved?

The thesis operationalised this part of the formulated mechanism by anticipating the presence of both sequence and account evidence. The third part shall be tested in a different way that strengthens the evidential weight of sequence evidence through account evidence, while the previous parts listed threads of the empirical evidence by type. As stated previously, sequence evidence pays attention to the moment when MOHW bureaucrats embark on negotiations with political actors involved. It implies that the timing of negotiations should “precede” that of the MOHW’s expectation that the existing mono-pillar design would not be undermined by its counterparts. Negotiations by definition aim to reach agreement through bargaining, which in turn require mutual concessions. In this context, mere discussions without concessions (e.g. Special Committee on the Improvement of the NPS in late 2005) are not considered evidentially valuable. If this hypothesised part is present, the welfare bureaucrats must be willing to negotiate other key elements but the institutional structure, with political actors. And the hypothesis needs to be supported by special pieces of evidence that demonstrate negotiations “following” the MOHW’s expectation that the existing mono-pillar structure would be kept.

All negotiation attempts took place after Ryu Si Min had become the Minister of Health and Welfare as Bahk Jae Wan¹⁰⁴, GNP lawmaker (May 2004 – May 2008) and GNP chief negotiator in the HWC (August 2005 – August 2006), mentioned in the interview with the researcher:

¹⁰⁴ First-term GNP lawmaker Bahk had a substantial role to play in the 2007 reform. He mentioned in the interview with the researcher that key decisions were inevitably made by him between 2006 and 2007, during which high-profile lawmakers in the GNP were engrossed in the GNP presidential primary in 2007 (See also NPHCC, 2015: 293 for Bahk’s description about a great deal of his discretion in negotiating with the MOHW and the ruling UP).

The MOHW was never willing to discuss a basic pension under Kim Geun Tae's ministership. But the ministry began to accommodate to some extent the opinions of opposition parties after Ryu Si Min became the new Minister.

Given his aforementioned description, it is possible to discover the MOHW's continuous attempts to hammer out agreement with the ruling UP as well as opposition parties under Ryu Si Min's ministership (Ryu, 2006b; 2009; 2014a; 2014c). The BOAP was designed to show the ministry's commitment to negotiations with the parties involved, for the GNP had criticised the government bill for being unable to close the coverage gap. As stated previously, however, the ministry tried to preserve the mono-pillar structure to the extent that the BOAP would cover a relatively larger number of the elderly (in the bottom 45% of the income bracket) compared to typical public assistance programmes. As Minister Ryu mentioned in a televised debate, this coverage could be also flexibly adjusted by bipartisan agreement (2006b; See also HWC, 2006f: 64).

The MOHW had the first round of negotiations directly with the GNP between April and June 2006 before officially announcing the BOAP, a negotiation which has not been hitherto "cross-verified" by the actors involved. Although the presence of this negotiation has been claimed by Minister Ryu (2009: 277; 2014b; 2014c), the GNP completely denied it when he publicised the issue in 2011 (Park, 2011; Kim, 2011). Ryu (2014b) explained in an interview how the negotiation developed, saying that:

I sought to have negotiations in a way that respected the GNP as much as possible. We, therefore, formulated the BOAP and discussed with the GNP before showing it to the ruling party, and the president received every briefing on what was going on. Granted *carte blanche* by the president, I conducted direct negotiations with Yun Kun Young and Bahk Jae Wan, who were the representatives of the GNP Chairperson Park Geun Hye. The Vice Minister or I myself participated in the working-level meetings with them. But the negotiation that lasted two months came to nothing.

Accordingly, the BOAP is considered to be an outcome of the MOHW's negotiation tactic emphasising compromise through bargaining. This is why the ministry devised it to bring the GNP to the negotiation table, and the negotiation was held mainly on the coverage

and benefit rate of the BOAP¹⁰⁵. Bahk Jae Wan recollected this moment during the interview with the researcher, answering that:

The negotiation happened between April and June 2006. Although the differences between the MOHW and the GNP became narrower than before, some disagreements still existed...I thought that the alternatives suggested by the government and the ruling party were leaning towards parametric adjustments rather than our structural reform option. Especially, the BOAP was not considered equivalent to a basic pension in terms of coverage and benefits.

As the GNP continued to cling to a universal basic pension, the first round of negotiations broke down as the ministry found it impossible to finance it (Ryu, 2009: 277; PCPP, 2008a: 79).

The second round happened between June and September 2006 with the ruling UP that supported a “parametric reform option” with contributions fixed at 9% (National Pension Bill, 2004b). Given that the MOHW came up with the BOAP in the form of a draft plan, this negotiation was a sort of high-level consultation between the ministry and the UP to develop the draft into legislation. There existed two key aspects on which the ministry made concessions especially in the last high-level consultation on 20th September 2006. At the request of the party, the MOHW did not stick to its earlier stance that the contribution rate should rise (PCPP, 2008a: 87-88; Kim, 2006). Regarding the UP’s unwillingness to raise it, Kang Gi Jung, lawmaker of the UP (06/2004 – 05/2008) and UP chief negotiator at the HWC (06/2006 – 05/2007), answered in the interview with the researcher that:

Given public distrust of, and strong resistance to the NPS, we thought that an increase in contributions would produce more opposition and thereby make it impossible to reform the scheme.

As the UP also insisted that the BOAP’s coverage be extended to the elderly in the bottom 60% of the income bracket, the ministry played an important role in drawing up an extra budget for the increase (PCPP, 2008b: 89-90). Such effort at negotiation shows that the

¹⁰⁵ Ryu Si Min answered in the interview with the researcher that in the negotiation with the GNP, the ministry came up with the BOAP provided to the elderly in the bottom 60% with the replacement rate of 5%. If his comment is true, the ministry did suggest more generous BOAP than one suggested to the ruling UP in June 2006.

UP's bills became the MOHW's official stance too since the ministry did not submit individual BOAP legislation. Minister Ryu (2014b; See also 2009: 281-282) recollected in an interview that President Roh helped secure the budget for the BOAP.

About three trillion won¹⁰⁶ were additionally allocated to the BOAP. The Minister of Health and Welfare could not secure this funding alone. But doing so was quite simple because it needed the president's attention. Then I asked him to make a call, saying "Please ring the Presidential Chief of Staff for Policy, Mr, President". He called the chief, who in turn told the Minister of Planning and Budget¹⁰⁷ and the Prime Minister. Then the Prime Minister assembled a meeting of vice ministers. This is how the budget was made.

Table 7-11 Second Round of Negotiations

		The MOHW (06/2006)	Compromise with the ruling UP (09/2006)
NPS	Direction	Mono-pillar	Mono-pillar
	Contribution rate	Gradual increase to 12.90% by 2017	9% (no increase)
	Replacement rate	Decrease to 50% by 2008	Decrease to 50% by 2008
BOAP	Direction	Public assistance	Public assistance
	Coverage (of the income bracket)	Bottom 45%	Bottom 60%
	Monthly benefit	80,000 KRW	70,000~100,000 KRW

In November 2006, the third round of negotiations aimed to seek support from minor opposition parties (the DLP and the DP) with two seats in the HWC. They were key to obtaining a majority, and this is why the MOHW started to engage in negotiations with them. In particular, that the DLP submitted legislation rested on the mono-pillar structure (See Table 7-5) made the ministry willing to offer more generous BOAP than the UP's bill by changing from a fixed amount of benefit to a flat-rate benefit as requested by the DLP¹⁰⁸. Oh Kun Ho, Senior Policy Advisor of the DLP at the time, described the ministry's stance during the negotiation process in an interview (NPHCC, 2015: 291).

¹⁰⁶ About 1.7 billion GBP as of June 2006.

¹⁰⁷ The Ministry of Planning and Budget played a role in drawing up a budget and managing its effectiveness.

¹⁰⁸ UP lawmaker Kang Gi Jung mentioned in the interview with the researcher that the DLP attached this condition for the negotiation.

We demanded the MOHW to accept the BOAP benefit rate of 0.15A¹⁰⁹. I thought that the ministry would do 0.05A, but not 0.15A. But the ministry said yes and then started discussing relevant issues with us and the DP. DP leader Kim Hyo Suk, however, objected to 0.15A, and his party consequently said no in two days because of excessive spending on the BOAP.

As described above, DP lawmaker Kim Hyo Suk opposed to the increase¹¹⁰. To offset its fiscal consequences, the MOHW and UP lawmaker Kang Gi Jung made a counter-proposal to the DLP by calling for a rise in contributions to 12.9% (PCPP, 2008a: 92-93; Lee, 2006). The negotiation did not bear fruit not because of the ministry but because of clashing views on the BOAP between the DLP and the DP. The latter did not agree with the former wanting to include a “legally binding clause” to detail a time schedule for the rise in BOAP benefit (NPHCC, 2015: 291; PCPP, 2008a: 92-95; PCPP, 2008b: 34-36; Shin, 2006). There were a series of “bargaining attempts” as compared with the UP bills, and the BOAP ended up with a flat-rate benefit as demanded by the DLP, which was later reflected in every proposal. The contribution rate and the BOAP’s coverage were also subject to flexible adjustment in trying to reach agreement.

Table 7-12 Third Round of Negotiations

		The MOHW & the ruling UP (09/2006)	The DLP (11/2006)	Failed compromise with the DLP and the DP (11/2006)
NPS	Direction	Mono-pillar		Mono-pillar
	Contribution rate	9%		12.9%
	Replacement rate	Decrease to 50% by 2008	Gradual decrease to 40% by 2023	Decrease to 50% by 2008
BOAP	Direction	Public assistance		Public assistance
	Coverage (of the income bracket)	Bottom 60%	Bottom 80%	“Agree to disagree”
	Monthly benefit	70,000~100,000 KRW	0.05A (2008) ~0.15A (2028)	

As the GNP renounced its preference for a bi-pillar reform as of 2nd April 2007, when the plenary session only passed the UP’s BOAP bill, the MOHW finally began the last round of negotiations with the GNP between April and June 2007. At that time, the opposition

¹⁰⁹ “A” refers to the average monthly income of all subscribers over the previous three years.

¹¹⁰ Kim Hyo Suk answered in an interview that the BOAP financed by taxes would lay huge burden on future generations (PCPP, 2008a; 96)

party was being criticised for only supporting pork-barrel welfare projects without considering measures to rationalise the NPS (Hankook Ilbo, 2007; See also NPHCC, 2015: 295 for Bahk's comment). The GNP consequently had no options but to make concessions¹¹¹ as its lawmaker Bahk Jae Wan answered in the interview with the researcher that:

Because we inwardly admitted that a basic pension for all people aged 65 and over could pose a problem, universalism was not regarded as the Maginot Line...We could have continued to veto negotiation attempts. I thought, however, that we had to find a solution through mutual concessions in a situation where we were unable to keep holding our earlier opinions.

Although the MOHW was not directly involved in the negotiation process, UP lawmaker Kang Gi Jung, who was the negotiation partner¹¹² with the GNP, answered in the interview with the researcher that he was sufficiently provided with the actuarial estimates of every reform option considered because of "close cooperation" with the ministry. In doing so, Kang imposed a condition to GNP negotiator Bahk Jae Wan, mentioning in an interview (PCPP, 2008a: 111) that.

I made it clear that every negotiation was conditional on whether the GNP would accept the BOAP bill passed on 2nd April, and thereby that it was impossible to merge the bill into the National Pension Act¹¹³. This condition took effect from the second round of the negotiations.

Throughout the negotiations, Kang and Bahk agreed to cut the replacement rate to 40% but without altering contributions, while at the same time increasing BOAP benefits from 0.05A (5%) to 0.10A (10%). Kang revealed in the interview with the researcher that this result arose from the UP's aim for the benefit rate of total 50%, which was later shared by the ministry and the GNP too. It is possible to reaffirm that political parties in Korea did prefer benefit reductions to contributions rise in seeking a parametric reform. Minister Ryu (2014c) explained this in an interview:

¹¹¹At the same time, GNP lawmakers started to understand the financial burden stemming from a basic pension (HWC, 2007c).

¹¹²Kang also mentioned in the interview with the researcher that the ruling UP's leadership entrusted him with full powers to carry out the negotiations.

¹¹³This is because the MOHW and the ruling UP considered the BOAP an individual scheme which is not associated with the NPS.

The answer is simple because the contribution rate could not be raised. Considering this, it was the replacement rate of 40% that was a more reasonable option in securing financial sustainability. It was based on no other reasons but technical judgment.

In June 2007, UP and GNP leaders decided to increase the BOAP's coverage from the elderly in the bottom 60% to 70% of the income bracket but did not detail a time schedule for the rise, as requested by the Ministry of Planning and Budget (MOPB) reluctant to secure the funds for financing the programme (NPHCC, 2015: 296). They instead agreed to form a parliamentary committee in January 2008 to discuss the schedule, and the MOHW did not have a crucial role to play in this negotiation¹¹⁴ because the increase to 70% hinged on the MOPB's decision. Another reason was the change in the government's chief negotiator from the Minister of Health and Welfare to the Prime Minister¹¹⁵ (Ryu, 2009: 284; 2014b; 2014c). The ministry instead focused on providing actuarial data and coordinating conflicting interests and disputes between the actors, as compared with the previous negotiations. But at the same time, the mono-pillar design advocated by the ministry remained unchanged.

Table 7-13 Last Round of Negotiations

		The MOHW & the ruling UP (12/2006)	The GNP & the DLP (04/2007)	Compromise with the GNP (04/2007)	Reform act (07/2007)
NPS	Direction	Mono-pillar			Mono-pillar
	Contribution rate	Gradual increase to 12.9% by 2018	9%	9%	9% (no change)
	Replacement rate	Decrease to 50% by 2008	Gradual decrease to 40% by 2018	Gradual decrease to 40% by 2028	Gradual decrease to 40% by 2028
BOAP	Direction	Public assistance			Public assistance
	Coverage (of the income bracket)	Bottom 60%	Bottom 80%	Bottom 60%	Bottom 70%
	Monthly benefit	0.05A	0.05A (2008) ~0.10A (2018)	0.05A (2008) ~0.10A (2028)	0.05A (2008) ~0.10A (2028)

¹¹⁴ A document by the government described that new Minister Byun Jae Jin, who was the Vice Minister under Ryu Si Min's leadership, focused on coordination with other government ministries (PCPP, 2008b: 42).

¹¹⁵ Bahk Jae Wan also answered in the interview with the researcher that he mainly spoke to one of the officials from the Prime Minister's Office.

To sum up, it is unlikely for the researcher to obtain pieces of the sequence and account evidence repeatedly, when assuming that the MOHW's bureaucrats negotiated "every" reform issue including the existing mono-pillar design, with political actors. The empirical evidence demonstrates that the bureaucrats were willing to make concessions to political actors on the condition that they would no longer try to insist on a bi-pillar structural reform. Accordingly, it is possible to conclude that the evidence has promoted the researcher's confidence in the validity of the third part of the formulated mechanism. The hypothesised part has survived multiple independent hoop tests.

7.3.4 Did Welfare Bureaucrats Come to Achieve Expertise, Legitimacy, and Institutional Positioning?

It was expected that account evidence would be likely to leave empirical fingerprints if the last part of the mechanism were present. Compared with the previous parts, it is relatively difficult to obtain relevant evidence that could demonstrate the validity of this hypothesised part since opposition and institutional leverage from political actors are often conveyed through invisible channels. Because of this feature, the researcher has selected a smoking gun test, and three periods shall be examined to analyse why MOHW bureaucrats managed to accomplish the reform in the last period compared with the preceding attempts.

The first stage covers the period from March 2002 to January 2007, during which the MOHW continued to support a parametric reform option recommended by the NPDC. The option sought to rationalise the NPS through parametric adjustments, while coping with the coverage gap by rectifying institutional loopholes in the NPS. Although the bills submitted to the National Assembly in 2003 and 2004 were mainly based upon the NPDC's research, it does not lead to the argument that the welfare bureaucrats could not independently formulate a reform model. This is because the NPDC served as an "advisory body" for the Minister of Health and Welfare, whereby the ministry could to some extent mobilise its capacity in appointing members. They cannot be simply regarded as external actors on which the MOHW relied in formulating policies, because the committee was formed by the National Pension Act (NPDC, 2003: 13). The ministry rather played a key role in providing the NPDC with long-term financial and actuarial data through the National Pension Research Institute under the MOHW (*ibid.*: 3-4). And the fact that several bureaucrats from the ministry and the institute joined the committee

does not support the argument that the ministry depended on external actors in policy-making to secure expertise. Here, it is possible to conclude that its bureaucrats rather worked in cooperation with different stakeholders.

But the ministry failed to secure legitimacy and institutional positioning due to objections from opposition parties. These two elements started moving together as political parties, which came to hold greater institutional influence through the HWC, became more interested in the political impact of the NPS reforms. The GNP as the largest party in the 16th National Assembly criticised the MOHW's approach for its inability to address the coverage gap and adopted a "boycott strategy" with another opposition parties in the 17th National Assembly, when UP lawmakers made moves to vote on the government- and the UP-drafted bills at the HWC (See HWC, 2004a; 2004b).

The second stage deals with the period from February 2006 to early April 2007, during which the ministry presented the BOAP in an attempt to silence the widespread criticism from opposition parties (Ryu, 2009: 276). The ministry sought to do so in a way that would not undermine the existing mono-pillar system, demonstrating that it was capable of devising a reform model independently as intended. With the help of DP lawmaker Kim Hyo Suk, the MOHW managed to "narrowly" secure legitimacy and institutional positioning in December 2006, when the UP's bills were passed at the HWC. Yet the factors did not last long as most of the lawmakers who left the ruling UP from January 2007 abstained from voting in early April 2007, when the Assembly opened its plenary session to vote on the bills (NA, 2007: 40). Although this political contingency did not directly result from the ministry, it can be said that failure to build a "broader" consensus inadvertently yielded such uncertainty, which ultimately led to a failure in securing legitimacy and institutional positioning.

The last stage covers the period from mid-April to July 2007, during which the UP and the GNP started negotiations on the basis of the mono-pillar system on which the coverage gap was dealt with via the BOAP. That the parties took the same approach shows that the MOHW had secured expertise in pension policy-making. Within that framework, they could draw a reform outline underlying the foundation of the final agreement (HWC, 2007c: 3). Although this negotiation helped the ministry strengthen legitimacy and institutional positioning, it is necessary to investigate whether the MOHW faced

resistance from economic ministries such as the MOPB or the MOFE¹¹⁶. Given that the BOAP, unlike the NPS, was to be “tax-financed” and would require a substantial amount of budget, it might have created friction regarding the securing the BOAP budget between the MOHW and such ministries.

Yet the researcher’s fieldwork highlighted that the MOHW carried out the reform in active cooperation with the economic ministries. A publicly released government report (PCPP, 2008a), for example, notes that the three ministries worked in concert to finance the BOAP, while at the same time clearly conveying their opposition against a basic pension supported by the GNP. Even considering a feature of government documents unlikely to reveal conflict between government agencies, multiple pieces of account evidence can strengthen the researcher’s confidence in the absence of opposition from the economic ministries. UP lawmaker Kang Gi Jung described in the interview with the researcher that they could not occupy strong institutional positioning about the reform direction.

The economic ministries did not have a strong voice in the reform at the time...Although they occasionally expressed their opposition to the introduction and expansion of the BOAP that would require the budget immediately, it was possible for the government to mediate the conflict for the sake of the NPS reform.

Lee Sang Yong, Deputy Director General for the National Pension Scheme (02/2004 – 01/2005), answered in the interview with the researcher that the economic ministries had more interest in the management of the pension fund than in the scheme itself.

The MOHW came into conflict with the MOFE that was interested in how to manage and utilise the pension fund but not in the NPS itself at all¹¹⁷. The MOFE wanted us to keep investing the fund...For the MOPB, utilising the fund was the path of least resistance without drawing up an extra budget. They wanted us to build new roads by using it. This is how BTL¹¹⁸ works, a concept which was firstly developed at the time.

¹¹⁶ This assumption is made in that the budget-compilation process in Korea was dominated by the Presidential Office, the MOPB, and the MOFE (Horiuchi and Lee, 2008: 864). While the MOPB was charged with drawing up a budget and reforming the public sector on a broader and long-term perspective, the MOFE oversaw tax and financial policies on a short-term one (Ringen et al., 2011: 25).

¹¹⁷ In the same vein, Ryu (2014c) also mentioned that the MOPB did not have any requirements for the direction of the reform.

¹¹⁸ BTL (Build-Transfer-Lease) is a new type of public-private partnership programme in which ‘the concessionaire makes an investment to BUILD infrastructure, TRANSFER the ownership to the central or local government upon completion of construction, and after having received the right to management and operation for a given time LEASES the facility to the government’ (Kim, 2005: 1).

Ryu Si Min, Minister of Health and Welfare (02/2006 – 05/2007), recalled how the MOHW succeeded to secure the BOAP budget, answering in an interview (Ryu, 2014b) that:

The MOPB imposed policy conditions that it had demanded the MOHW to implement the BOAP. There were six to seven strings attached...The MOPB raised these issues in late April 2006 when cabinet members gathered to attend a meeting for the allocation of the government's financial resources¹¹⁹. I came to secure the BOAP budget on the condition that the MOHW should satisfy all the conditions by the end of 2006.

It is highly likely that the MOPB did exert institutional leverage on the BOAP in that the programme was to be financed out of general taxation. As seen from the various pieces of empirical evidence presented above, the MOPB's positioning in the institutional setting partly contributed to the 2007 reform through its authority to allocate the budget. In June 2007, the MOPB also did not simply let UP and GNP leaders raise the BOAP's coverage to the bottom 70%, but instead requested them to not specify when to increase benefits from 0.05A to 0.10A (NPHCC, 2015: 296; Ryu, 2014c; Bahk, 2014). By contrast, the MOFE did not seem to have a role to play in the reform because its previous jurisdiction by which the fund reserves used to be appropriated for the low profitable public sector had disappeared after the 1998 reform. Minister Kim Geun Tae (07/2004 – 12/2005) could consequently thwart the MOFE's plan to draw from the pension fund for stimulating the economy (Kim and Lee, 2004; See also HWC, 2004d). This was also possible because the Chairperson of the National Pension Fund Operation Committee changed from the Minister of Finance and Economy to that of Health and Welfare in the 1998 reform.

Multiple pieces of account evidence point out that MOHW bureaucrats managed to secure expertise, legitimacy, and institutional positioning at the last moment of the reform in 2007. The “independent” presence of the empirical data has strengthened the researcher's confidence in the validity of the last part of the formulated mechanism. In conclusion, the last part of the causal mechanism has survived a smoking gun test.

¹¹⁹ President Roh annually convened this meeting to discuss the direction of fiscal policy and budget allocation for each policy area over the next five years. In the meetings, cabinet members tried to secure a larger budget for key tasks in their ministries (Kang, 2017). The meeting in 2006 was held on 22nd April.

7.4 Conclusion

Before concluding this chapter, the thesis would like to indicate a shortcoming of Kim and Choi's argument associated with the source of legitimacy. They argue that the welfare bureaucrats could 'obtain political support from the president and the governing party for a social investment strategy' (Kim and Choi, 2014: 280). This strategy was conceptualised as an effort to rationalise the NPS that otherwise would entail substantial fiscal spending, and thereby would use the resultant budget saving to reduce the coverage gap (Joint Workgroup of Private and Public Experts, 2006: 71). In other words, Kim and Choi understand that the 2007 reform was guided by the social investment strategy, which in turn enabled the welfare bureaucrats to garner support from President Roh and the ruling UP. The researcher's fieldwork, however, discovered that the strategy had little impact on the reform since the idea (the linkage between the NPS and the BOAP) was developed first and categorised later into part of the social investment strategy (Ryu, 2014b; 2014c). Even assuming that it exerted influence, it seems that the ruling UP did not support the strategy (Ryu, 2014a). UP lawmaker Kang Gi Jung also admitted in the interview with the researcher that the UP did not (See also Kang, 2006; Yoon, 2006).

Although Vision 2030¹²⁰ was a great plan, the UP, as far as I know, wanted to keep its distance from the government, rather than oppose the plan itself, due to our crushing defeat in the 2006 local elections¹²¹.

Employing a process tracing method, this chapter investigated whether Kim and Choi's theory has explanatory power in the process of the second reform. This thesis has utilised significant empirical evidence collected so that the researcher could demonstrate the validity of the four hypothesised parts of the formulated mechanism. Given that the first three parts and the last part have passed a hoop test and a smoking gun test, respectively, it can be argued that the welfare bureaucrats played a pivotal role in completing the reform by continuing down a specific path on which to utilise the BOAP to rationalise the NPS. The next chapter shall update the researcher's confidence in the validity of existing approaches to investigate whether Kim and Choi's theory ends up with a sole approach for the 2007 reform.

¹²⁰ "Vision 2030" is a government report that specified the way in which the social investment strategy would be applied to future policy plans.

¹²¹ Ahead of major elections, the ruling party has tended to differentiate itself from the government in a situation where the government was unpopular. President Roh's approval rating was about 15% in the third quarter of 2006 when Vision 2030 was announced (Gallup Korea, 2017).

Chapter 8 : Updating Confidence in the Validity of Existing Theories of Welfare States for the 2007 NPS Reform

8.1 Introduction

This chapter aims to update the researcher's confidence in the validity of existing approaches to welfare states for the 2007 reform. In doing so, the thesis would be able to answer whether there could be another theoretical candidate for the case in addition to Kim and Choi's theory. The chapter attempts to address the problem of "equifinality", an issue that the literature on institutional change has often neglected by attaching too much importance to the cause and the resultant mechanism it highlights. Accordingly, this chapter relates to a search for alternative theories while the previous one directed its attention to the causal mechanism formulated from Kim and Choi's theory.

The researcher has decided to not touch upon any theories on welfare state expansion (e.g. the industrialisation thesis, the power resources approach, and the Marxist approach) since the 2007 reform yielded a cutback in the replacement rate. Bearing this in mind, the chapter shall explore four different approaches that could explain the reduction – the globalisation thesis, the impact of neoliberalism, new social risks, and policy transfer via international organisations. Detailed descriptions on the first, third, and fourth approach, which were provided in Chapter 6, are not discussed in this chapter. The level of the researcher's confidence in the aforementioned theories will be updated through relevant statistical data as well as empirical evidence collected.

8.2 Was the Globalisation Thesis Influential?

Based on the three quantitative indicators used in Chapter 6 – FDI, corporate income tax, and public social expenditure, the present chapter shall analyse the extent to which Korea was entering a period of economic globalisation ahead of 2007. First, Table 8-1 shows that its FDI peaked in 1999 but fluctuated afterwards, recording a considerable drop in comparison with the pre-reforms era; the figure also remained far lower than other developed political economies. Accordingly, it is difficult to conclude that the country was under the greater influence of globalisation – which would result in welfare state restructuring according to the globalisation thesis.

Table 8-1 Foreign Direct Investment in Korea (% of GDP)

	1995	1997	1998	1999	2001	2003	2005	2006	2007
Korea	0.32	0.51	1.44	1.92	1.22	1.03	1.52	0.91	0.79
Japan	0.00	0.07	0.08	0.27	0.11	0.20	0.12	-0.05	0.48
USA	0.75	1.23	1.97	3.00	1.61	0.97	1.06	2.12	2.35
Denmark	2.24	1.61	3.77	9.47	5.64	0.54	4.85	0.86	3.70
France	1.47	1.58	1.95	3.07	3.63	2.29	3.87	3.40	3.15
Germany	0.46	0.58	1.05	2.54	2.92	2.61	2.09	2.91	1.48
Netherlands	2.73	2.68	8.70	9.31	12.19	3.57	30.95	51.63	87.44
Spain	1.32	1.52	2.32	2.93	4.62	3.39	2.31	2.61	4.99
Sweden	5.66	3.88	7.50	22.38	7.59	1.81	5.34	5.25	9.46
UK	1.65	2.44	4.60	5.41	3.48	1.78	10.07	7.60	6.84

Source: World Bank

(<http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?contextual=default>)

Second, the government conducted decreases in the corporate income tax rate twice after the 1998 reform, a result which the globalisation thesis predicts. The Roh Moo Hyun administration, under which the 2007 reform took place, decided to cut the tax in 2003, although the president opposed doing it during the presidential campaign period in 2002 (Jeong, 2003). Yet, the tax gap between Korea and other OECD member countries was smaller in his administration than in the Kim Young Sam one that initiated the discussions on the first NPS reform, and this implies that the Roh government conducted a relatively moderate cut in corporate income tax (Korea Institute of Public Finance, 2012: 13).

Table 8-2 Corporate Income Tax Rate in Korea (combined)

	1995	1997	1998	1999	2001	2003	2005	2006	2007
Korea*	33.0	30.8	30.8	30.8	30.8	29.7	27.5	27.5	27.5
Japan	50.0	50.0	46.4	40.9	40.9	40.9	39.5	39.5	39.5
USA	39.6	39.5	39.4	39.4	39.3	39.3	39.3	39.3	39.3
Denmark	34.0	34.0	34.0	32.0	30.0	30.0	28.0	28.0	25.0
France	36.7	41.7	41.7	40.0	36.4	35.4	35.0	34.4	34.4
Germany	55.1	56.8	56.0	52.0	38.9	40.2	38.9	38.9	38.9
Netherlands	35.0	35.0	35.0	35.0	35.0	34.5	31.5	29.6	25.5
Spain	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	32.5
Sweden	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
UK	33.0	31.0	31.0	30.0	30.0	30.0	30.0	30.0	30.0

Source: OECD (http://www.oecd.org/tax/tax-policy/tax-database.htm#C_CorporateCapital)

* The Korean data was obtained from the Korea Institute of Public Finance (2012: 13).

Third, the globalisation hypothesis predicts that economic integration would render it difficult for national governments to increase public expenditure for social policies (Genschel, 2004; Schäfer and Streeck, 2013). Table 8-3, however, shows that the hypothesis does not seem valid for the 2007 reform, because the governments had constantly allocated more budgets for social programmes in the 2000s in terms of the ratio of both GDP and total government expenditure. Further, the pace was rapid in the Roh Moo Hyun administration as compared with other OECD member countries.

Table 8-3 Public Social Expenditure in Korea

	% of GDP						% of total government expenditure			
	1998	2001	2004	2005	2006	2007	1998	2001	2004	2007
Korea*	4.8	4.9	5.7	6.1	7.0	7.1	18.3	18.6	19.3	24.0
Japan	15.2	17.1	17.8	18.2	18.1	18.5	37.3	44.9	48.6	51.2
USA	14.5	14.8	15.8	15.6	15.7	15.8	41.7	42.8	43.4	43.1
Denmark	23.7	24.3	25.1	25.2	25.0	25.0	42.9	46.0	47.4	50.4
France	28.6	27.5	28.7	28.7	28.1	28.0	54.7	53.7	54.6	53.5
Germany	25.4	25.4	26.0	26.3	25.0	24.1	53.2	54.2	56.0	56.3
Netherlands	19.9	18.5	19.9	20.5	20.2	19.9	45.2	42.8	45.6	46.9
Spain	19.9	19.1	20.1	20.4	20.4	20.8	48.5	49.7	52.0	53.4
Sweden	28.6	26.9	27.7	27.4	26.6	25.5	49.9	50.6	52.5	51.4
UK	17.9	18.5	19.5	19.4	19.2	19.5	47.0	47.1	46.0	44.6
OECD total	18.5	18.3	18.8	18.8	18.5	18.3	43.7	44.8	45.6	45.3

Source: OECD (2016a)

Even assuming that capital/asset holders imposed downward pressure on public social expenditures, “tax-financed” social policies would have been largely affected in a way that would either block the introduction of new programmes or freeze/curtail budgets for existing ones. The BOAP, however, was a new scheme funded from general taxation, and its coverage and benefit level continued to increase through the negotiating process between the MOHW and political parties. Hence, it is unlikely that globalisation had a meaningful influence on the second reform. One may still argue that freezing the contribution rate may have been associated with an aspect of globalisation unwilling to put more financial burden on enterprises, which need to pay half of pension contributions

for their employees in Korea. The validity of such argument will be weakened by multiple pieces of account evidence closely in the following section – the impact of neoliberalism on the NPS (Jung and Walker, 2009) that sees the fixing of contributions at 9% as a result of the neoliberal ideology.

8.3 Impact of Neoliberalism in the Second NPS Reform?

This section is to investigate whether the NPS reform in 2007 was influenced by neoliberalism (Jung and Walker, 2009). Unlike the previous candidate, Jung and Walker’s explanation does not seek an ambition beyond the explanatory power of a specific case study. In other words, they are not attentive to the impact of neoliberalism in general, but only that of “contextualised” neoliberalism on the 2007 reform. The brief introduction of their explanation will be followed by updating the researcher’s confidence in its validity, and independent pieces of empirical evidence will be provided.

8.3.1 Impact of Contextualised Neoliberalism in the 2007 NPS Reform

Focusing on how the NPS is financed, Jung and Walker argue that neoliberalism needs to be differently understood in the Korean context. In contrast with European pay-as-you-go (PAYG) schemes, the partially funded system inherent to the NPS has inevitably created discussions on where and how the pension fund should be invested (Bonoli, 2003: 411). As the 1998 reform removed forced lending from the fund reserves for the public sector, there have been continuous demands to increase the proportion of the fund investment in the financial sector. In this process, Jung and Walker pay attention to the role of “neoliberal actors” such as financial institutions, conservative mass media, and economic bureaucrats. The authors insist that in order to invest more of the NPS fund in the financial market, the neoliberal actors have continued to create and dominate neoliberal discourse on the fund crisis since the 1998 economic turmoil – a narrative which regards more financialisation as a panacea for the fiscal instability of the scheme (Jung and Walker, 2009: 435-437). The authors conclude that such a discourse which permeated public opinion on the NPS ultimately led to the absence of an increase in contributions, dwarfing all other important issues such as worsening elderly poverty (ibid.: 438; See also Jung, 2009).

8.3.2 Were Relevant Actors Careful About the Neoliberal Actors and Their Discourse?

While conducting the interviews with those involved in the 2007 reform, the researcher prepared some questions in a specific manner that touched directly upon whether such neoliberal actors existed in the reform and, if this had been the case, whether they exercised greater influence over the actual reform process, to attain the fixing of contributions at 9%. Lee Sang Yong, Deputy Director General for the National Pension Scheme (02/2004 – 01/2005), admitted in the interview with the researcher that the neoliberal actors categorised by Jung and Walker (2009) did not help the MOHW stabilise the NPS.

Through their extensive sales network, insurance companies had continued to pass a rumour that the pension fund would be exhausted soon. The MOHW had a really tough battle against the MOFE and the Financial Supervisory Commission¹²² as well as insurance companies...Both the insurance sector and economic bureaucrats took the same approach to social insurance programmes.

Denying the impact of such neoliberal actors, Bahk Jae Wan, GNP lawmaker (May 2004 – May 2008) and GNP's chief negotiator in the HWC (August 2005 – August 2006), answered in the interview with the researcher that the main reason behind the freezing was sluggish domestic demand emanating from social insurance payments (See also Bahk, 2014).

There were several factors that dampened domestic demand. One factor was the slower growth of disposable income relative to gross income growth, and this was due to rising social insurance payments rather than taxes...Hence, the GNP reasoned that a sharp increase in contributions would significantly lower the incentive to work and arouse strong public resistance amid the slow economy and weak private consumption.

Kang Gi Jung, UP lawmaker (May 2004 – May 2008) and UP's chief negotiator in the HWC (June 2006 – May 2007), answered in the interview with the researcher that Jung

¹²² Given the context of Lee's comments during the interview with the researcher, it is likely that the MOFE did not do the same things as insurance companies did. Instead, he kept highlighting that the economic ministry was rather interested in how the pension fund could be utilised for economic purposes. Concerning the Financial Supervisory Commission, which supervises and regulates financial institutions, Lee's comment can be understood as the unwillingness of the commission to penalise insurance companies strictly for circulating the rumour.

and Walker's argument was utilised as one of the reasons, rather than the only one, to oppose the hike of contributions.

Given existing public distrust in the NPS, the UP judged that raising the contribution rate could face strong resistance, making it impossible to reform the scheme. Something similar to Jung and Walker's argument was raised during the negotiation process. But it is not true to say that fixing the contribution resulted only from that, because various factors were taken into account. Their argument was one of the aspects generated by the uncertainty of the estimated data as mentioned earlier.

Ryu Si Min, Minister of Health and Welfare (February 2006 – May 2007), answered in an interview (2014a) that raising contributions was more politically volatile and infeasible than lowering the replacement rate, an issue which civic groups such as subscriber groups as well as politicians continued to oppose.

Civic groups took a strong stand against rising pension contributions. All of them opposed the plan. There were no groups in favour of it. Needless to say, People's Solidarity for Participatory Democracy¹²³ and labour groups like the Korean Confederation of Trade Unions and the Federation of Korean Trade Unions objected to an increase in contributions, because they were the representative groups of NPS subscribers.

Responding to a question that characterised the 2007 reform as being inclined towards a right-wing perspective on welfare, Minister Ryu explained in an interview (2014c) that some domains of public policy such as the NPS reform should be handled independently of a specific political ideology.

Public administration involves the exercise of legal force in actual practice. Collecting contributions is one such example. Based on law, acts of administration are to make decisions that presuppose compulsory execution. When doing such things, decision makers, be they conservative or liberal, cannot help but consider the very nature of an issue. The NPS reform is after all a question of money, and the money belongs to the people, not the government. Hence, differences between conservatives and liberals become meaningless when we focus on the stable management of the fund.

¹²³ People's Solidarity for Participatory Democracy, one of the most outspoken liberal civic organisations, called for the introduction of a basic pension to address the coverage gap, describing the government's approach as prioritising long-term fiscal soundness over old-age income security (PSPD, 2006; 2007).

If the neoliberal actors – financial institutions, conservative mass media, and economic bureaucrats (Jung and Walker, 2009: 433) – were assumed to fuel the discourse on the fund crisis and exerted their influence in the reform, Jung and Walker’s explanation leaves the following aspects unanswered, questions which could challenge the strength of their causal explanation. First, government ministries including the MOFE and the MOPB initially supported a reform proposal of the NPDC that would lead to an increase in pension contributions (NPDC, 2003: 17; NPS, 2008: 215; PCPP, 2008a: 39). Second, the neoliberal actors did let the MOHW keep pushing forward such a proposal rather than block it from the beginning. Third, political parties were willing to increase the contribution rate to offset the rise in BOAP benefit in November 2006, when the UP, the DLP, and the DP were having in-depth discussions about the reform. Fourth, why and how did the neoliberal actors exert influence “only” on the last negotiation in April-June 2007, during which the UP and the GNP agreed on no increase in contributions?

The aforementioned aspects reflect that Jung and Walker’s theory does not seem to reach the degree of minimal sufficiency, leaving some redundant parts unexplained. In addition, Bahk Jae Wan, Kang Gi Jung, and Ryu Si Min’s comments, as mentioned above, also seem to question the explanatory power of the neoliberal theory for the 2007 reform. It is thus impossible to simply conclude that their decision, or implicit permission, to fix contributions resulted from the discourse on the NPS fund crisis by the neoliberal actors. Yet, given that Kang Gi Jung simultaneously described Jung and Walker’s argument as one of the reasons for the fixing of contributions, this thesis cannot totally discredit the validity of their theory. Doing so requires further studies to collect more relevant evidence, which, for example, shows if the neoliberal actors defined by Jung and Walker (2009) actually intervened in the reform process.

Combined with the evidence in Section 8.2, the account evidence in the current section demonstrates that economic globalisation, which seeks to alleviate the enterprises’ tax burden, did not seem to exert considerable influence on the 2007 reform.

8.4 New Social Risks in a Post-Industrial Society?

This section seeks to explore the potential of theories of new social risks for the second reform. In the conclusion of the previous chapter, the thesis already illustrated that the social investment strategy mobilised to encounter new social risks had little impact on the reform. This implies that the reform was not regarded as a measure to secure budgets for social investment policies in another field. But when we look into positive-sum trade-offs “within” a single field, it may be possible to see the reform an exemplar of a “turning vice into virtue” strategy through which cutbacks in one budget-consuming policy subsystem are offset by expansions elsewhere (Levy, 1999). As a result of the reform, the benefit rate would drop gradually from 60 to 40% while the BOAP was introduced to reduce the coverage gap. To investigate the theoretical validity of new social risks, it is necessary to raise the following questions: 1) Can the NPS be defined as an “established” institution designed to address old social risks?; and 2) Did the BOAP aim to protect groups that have newly emerged in a post-industrial world?

It is not easy to answer the first question because the scheme has adopted a partially funded system that, unlike PAYG schemes, does not have contributors and pensioners simultaneously at the time of introduction. On one hand, the NPS was barely institutionalised since full pensioners who met minimum 20 years of contributions did not exist until 2007, although there were some recipients of survivor pensions, invalidity pensions, and lump-sum benefits. Hence, most of the subscribers had not experienced how pensions would positively affect their post-retirement life. On the other hand, the scheme was developing into an established programme, given that a larger working population had been paying contributions with the expectation of receiving a certain amount of pension calculated by a pre-defined benefit formula. In sum, there were limits to characterising the NPS as a firmly entrenched system from both perspectives.

The second question can be answered to better update the researcher’s confidence in the validity of new social risks theories. As Minister Ryu (2006b) admitted in a televised debate, both a universal basic pension and the BOAP shared the same goal of tackling the coverage gap. A document by the GNP (2004: 6-9) that detailed its plan for a bi-pillar reform clarifies that two groups had been exposed to the coverage gap. The first group was the elderly aged 65 and more among which about half of all households with a head of household over age 70 were below 40% of median income, and their largest income

source was private transfers (Moon, 2009: 120). The second included a significant number of the self-employed who had temporarily stopped paying contributions, had underreported earnings, or evaded contributions, all of which could engender future pensioner poverty.

However, the BOAP that provided those groups with cash transfers does not seem to fit in a post-industrial society, where a new social risk associated with the elderly is elderly “care” provided by female homemakers in traditional welfare states (Bonoli, 2005; Taylor-Gooby, 2004; Hieda, 2012). On the contrary, “cash” transfer programmes for the elderly such as old-age pensions were designed first and foremost in post-war industrial welfare states, representing “traditional compensation policies” (Kuitto, 2016). It implies that what is called an old social risk – a threat to income security in old age – was “never old” in the process of the 2007 reform, considering both the partially funded NPS and little attention to the elderly in the Korean welfare state (Chon, 2014: 706). Hence, it is possible to understand the 2007 reform in a way that directed more attention to the elderly at the time, and this attention materialised in the form of cash transfers rather than in-kind assistance.

8.5 Policy Transfer via International Organisations?

GNP lawmaker Bahk Jae Wan commented in the previous chapter that his party devised a bi-pillar option by referring to a multi-pillar system promoted by the OECD and the World Bank. This section, therefore, explores if policy transfer via international organisations could account for the 2007 reform. The analysis will be focused on voluntary transfer or lesson-drawing (Dolowitz and Marsh, 1996; Rose, 1993), because there was no direct, coercive involvement of international organisations in the reform process.

The multi-pillar framework is comprised of 1) a publicly managed, tax-financed system; 2) a privately managed, funded system; and 3) voluntary retirement savings, to ‘reduce financial risk to future pensioners through portfolio diversification’ (World Bank, 2006: xxiv). Following this categorisation, the first pillar serves to guarantee a minimum pension with the objective of alleviating old-age poverty, while the second pillar focuses on providing an adequate pension according to contributions of subscribers. On one hand, the GNP’s proposal corresponded structurally to the framework with the first and second

pillar serving as a universal and an earnings-related provision, respectively (GNP, 2004; National Pension Bill, 2004b). On the other, the GNP was more committed to the need for every elderly person to receive benefits through a universal basic pension by the state (ibid.: 1; NPHCC, 2015: 364), while the multi-pillar framework emphasises a better diversification of risks through the different combinations of public-private mix (Dorfman et al., 2008). Another distinction was that the party did not consider the possibility to privatise the earnings-related second pillar, as GNP lawmaker Bahk Jae Wan answered in an interview (2014):

When examining a structural reform option in earnest in 2006, but we never considered the possibility to privatise the earnings-related pension provision. The GNP just reasoned that regarding the fund management, it would be better to establish a strong independent public corporation like the Bank of Korea¹²⁴.

Pension expert Kim Yong Ha, who was involved in making the GNP's bi-pillar proposal, also recollected in an interview that the party did not plan to privatise the earnings-related provision (NPHCC, 2015: 364). Then how can we understand the multi-pillar framework in the reform process? It is likely that the model evolved to match the Korean context where the NPS had not been institutionalised in alleviating destitution in old age ahead of 2007. In this vein, the contextualised approach could be interpreted as a measure for strengthening the aspect of basic income security through the first pillar (Kim, 2007), whereby the GNP was reluctant to make a compromise on the BOAP with the MOHW and the ruling UP. Nevertheless, it is difficult to assume that the ministry would have devised the BOAP even without the GNP's opposition (See Ryu, 2009; 2014a; 2014b; 2014c).

Accordingly, the researcher's tentative conclusion is that the voluntary policy transfer seemed to be at play but in a distinctive manner that involved 'adjusting for contextual differences' with the intention of improving the original model rather than 'enacting a more or less intact program' already in effect (Rose, 1993: 30). In sum, it is fair to conclude that the GNP's reference to the multi-pillar framework by the OECD and the World Bank deserves more attention as a potential candidate. At the same time, however, the researcher does not conclude that it exerted a causal effect on the 2007 reform, because its causal mechanism has not been conceptualised and tested in a strict manner.

¹²⁴ It is an independent central bank in Korea. Given this comment, the GNP wished to have the pension fund managed in an independent manner that would not be politically influenced.

Further studies will be needed to do so with relevant evidence, such as the evidence showing whether the pension market in Korea matured in providing private earnings-related schemes ahead of the 2007 reform.

8.6 Conclusion

This chapter sought to search for theoretical alternatives for the 2007 reform. Using relevant statistical data and empirical evidence collected, the researcher could update the confidence in the validity of the globalisation hypothesis, the impact of neoliberalism, theories of new social risks, and voluntary policy transfer via international organisations. Unlike the first three candidates, the thesis has concluded that it is worthwhile paying more attention to the last one by formulating and testing its causal mechanism with relevant empirical evidence.

Chapter 9 : Discussions on the Key Findings

9.1 Introduction

The previous four chapters allowed the researcher to strengthen the confidence in the validity of Kim and Choi's theory (2014), which puts emphasis on the role of welfare bureaucrats in the NPS reforms. To address the problem of equifinality that the literature on institutional analysis has often neglected in explaining changing processes, chapter 6 and 8 also casted a wide net for plausible alternative accounts. In consequence, this thesis concluded that Kim and Choi's approach is highly likely to be the sole one that can fully explain the 1998 reform, whilst the 2007 reform would need further studies that look into Jung and Walker's theory (2009) and the GNP's voluntary policy transfer via international organisations. No matter whether they are theoretically valid, the four parts of the formulated mechanism – which have been conceptualised and tested in the thesis – can be considered a unique causal mechanism encompassing both pension reforms.

The key findings identified shed new light on various aspects of empirical, methodological, and theoretical discussions, and this chapter touches upon them by placing each dimension in a broader context. In the first section, the thesis explores a transformative shift in pension politics between the pre-reforms and the period of the reforms. The second section addresses methodological aspects on how process tracing can be better utilised in actual research practice, based on its application to the study of the NPS reforms. The final section develops theoretical discussions on institutional analysis by exploring what theoretical aspects the NPS reforms have reflected.

9.2 Understanding Changes in Pension Politics

The thesis has examined the politics of pension reform that occurred in 1998 and 2007. The thesis argues that the features of the reforms can be placed on a different institutional path as compared with the pre-reforms, an era which is labelled as a “developmental welfare state” (Choi, 2012; Kwon, 2005), such a notion necessitates satisfying three requirements – *objectives, institutional arrangements, and actors*. Accordingly, Section 9.2 focuses on answering one of the research questions: What differences in pension politics can be identified between the pre-reforms and the period of the reforms?

9.2.1 Pension Politics of the Pre-Reforms

The notion of developmental welfare states is understood as the state's commitment to applying the attributes of developmental states to social policy, and such attributes are predominantly structured to facilitate economic development. The developmental welfare state operates in ways that provide social security primarily for selected and relatively privileged groups who are considered main drivers for the *objective* (Ringen et al., 2011: 32). Yet, the objective of economic development is not equivalent to the absence of welfare purposes; it is rather appropriate to understand that welfare functions are subordinate to the primary goal. Following this economic logic, the Ministry of Economic Planning Board (MEPB) and the KDI, a government think tank for economic policy, suggested introducing the NPS initially (NPS, 1998: 111), and their main idea behind it was that its introduction would contribute to *further economic growth* by addressing relative poverty in the long run (Yang, 2008: 126).

With regard to *institutional arrangements*, social insurance is the main component of the developmental welfare system. The state positions itself mainly as a regulator that makes statutory rules of, but provide little direct finance for, welfare programmes (White and Goodman, 1998). Hence, social insurance programmes are initially put in place since they are financed from contributions paid by employers and/or employees. Founded on this logic, the NPS adopted a *partially funded system* that allowed the government to not finance pension benefits immediately; they were to be financed by contributions from employees and/or employers. Such an arrangement was a clear indication that the NPS was initially focused on providing a retirement income for the younger working generation rather than retirees and soon-to-be retirees unable to satisfy the minimum contribution period to receive the benefits.

Concerning *actors*, the developmental welfare state relies on the capacity of economic bureaucrats and their extra-bureaucratic niches to make social as well as economic policies, whilst welfare bureaucrats find themselves difficult to form an effective advocacy coalition for their agenda (Kwon, 2003: 75). Likewise, *bureaucrats and experts in the MEPB and the KDI* were deeply involved in designing the NPS, although welfare bureaucrats to some extent participated in doing so (NPS, 1998: 111; Yang, 2008: 129-132). MEPB Minister consequently ended up chairing the National Pension Fund Operation Committee, and according to the portfolio of assets in its own way, a significant

portion of the fund had been invested in macro-economic projects from 55% in 1988 to 68% in 1996 (NPS, 2005: 356). The MOHW was responsible for the operation and management of the scheme but had limitations without the jurisdiction of managing the pension fund.

In conclusion, multiple goals, actors, and jurisdictions overlapped in the pension politics of the pre-reforms.

9.2.2 Pension Politics During the Period of the Reforms

Employing a process tracing method, this thesis has identified the way in which welfare bureaucrats in the MOHW played an indispensable role in the two pension reforms. Their changing role not only produced the dissimilar patterns of pension politics, but also transformed the nature of the NPS into a new framework.

First, the uncomfortable coexistence of economic and welfare objectives has *institutionally disappeared* since the 1998 reform. But this does not imply that the welfare bureaucrats alone succeeded to make it happen. Rather, it is fair to say that they took advantage of a window of opportunity opened by three events – a bailout from the IMF, a power shift to Kim Dae Jung, and a condition attached by the World Bank. The first and second created a social and political climate, respectively, discrediting the primacy of economic bureaucrats in the NPS (Yang, 2004: 199). They were unable to exert institutional leverage over the pension fund as the World Bank (1998a; 1998b) imposed various policy conditions to loans, one of which called for the phased reduction of forced government appropriations from the pension fund. In addition, the first reform brought the change in the Chairperson of the National Pension Fund Operation Committee from MOFE to MOHW minister, indicating that the fund would not be forcefully earmarked for macro-economic projects. That is, the first reform placed the NPS into a new framework that would no longer serve as a tool in mobilising domestic capital for state projects. Since then, the scheme has carried out welfare-oriented functions that aim to ensure post-retirement income. The pension politics in 2007 was focused on how to enrich the substance of the scheme. A representative example was the conflict over the coverage gap and long-term financial sustainability. Both issues can be understood from the welfare perspective, and those involved in the reform, such as the MOHW, political parties, and civic groups, did pursue distinctive approaches and solutions.

Second, three key features (selectivity, social insurance, and inadequate design) that were institutionalised in the pre-reforms became *de-institutionalised* through the reforms. Considering that the 1998 reform completed universal pension coverage, the feature of selectivity in the scheme came to an end. However, it was ostensible universal coverage due to the coverage gap inherent in the NPS. Along with retirees and soon-to-be retirees excluded at the time of introduction, a significant number of the self-employed had been exposed to such institutional loophole. In this context, not only did the introduction of the BOAP erode the foundation of the Korean old-age pension system, but it also signalled the refashioning of the state from a regulator to a provider, which funds welfare programmes out of general taxation.

This thesis proposes that inadequate initial design can be categorised as a feature of the developmental welfare state applied “only” to the NPS. Kwon (1999) argues that its financial vulnerability is ascribed to deficiency in policy design by which too generous pensions were promised despite the low contribution rate. He further claims that the government already recognised the likelihood of fiscal instability¹²⁵ but neglected it in order to utilise the scheme for economic and political purposes (ibid.: 32). In light of multiple threads of evidence obtained, the researcher is in line with Kwon’s argument. For instance, the KDI (1986: 171-173) had already released a report that forecasted the fund to be depleted by 2049 and therefore recommended regular reforms beforehand. It is possible to raise a question about why the government nevertheless launched the scheme. Several government documents point to its early introduction but do not describe the reason behind it (NPS, 1998: 127; 2008: 56). In the interviews with the researcher, Om Young Jin and Kim Sang Kyun answered that the Chun Doo Hwan government – which decided to initiate the scheme – was keen on giving the public a positive view of the NPS (See also MOHW, 1998: 5; NPDC, 2003: 100). Whatever the reason may be, it is reasonable to infer that the inadequate design was tolerated for economic and/or political, rather than welfare, objectives. Accordingly, the thesis suggests that the two reforms helped liquidate the legacy of welfare developmentalism by rectifying the inadequate design of the NPS.

¹²⁵ Two government documents admit that initial policy design was financially inadequate (NPS, 1998: 127; 2008: 56).

Third, economic bureaucrats have *no longer* exerted institutional leverage on the NPS fund since the 1998 reform through which the MOFE was deprived of the jurisdiction of managing the fund. In the 2007 reform, the MOPB responsible for drawing up the government budget contributed financially to the BOAP's introduction in concert with the MOHW. Yet there had been the MOFE's attempts to encroach upon the MOHW's jurisdiction over the fund. As described in Chapter 7, a representative example was the conflict between Kim Geun Tae and Lee Hun Jai (Kim and Lee, 2004). Serving as Deputy Prime Minister as well as MOFE minister, Lee attempted to stimulate the economy by mobilising the pension fund. But MOHE minister Kim could institutionally thwart his plan, because the Chairperson of the National Pension Fund Operation Committee has changed from MOFE to MOHW minister since the 1998 reform. This implies that the economic ministries have become unable to take the initiative in mapping the direction of pension reforms as well as utilising the pension fund.

Then has the decline of economic ministries led to the incline of welfare ministries (e.g. the MOHW) automatically? This thesis claims that it depends on two factors. On one hand, the features of the developmental state still exist, although the developmental welfare state does not serve as the main rationale of the NPS. The literature on the former has considered a powerful leadership and deep links between politics and business as the features of the developmental state (Leftwich, 1995; Stubbs, 2009). In early 2017, Korean society witnessed the re-emergence of such features in the management of the pension fund. Behind the former president Park Geun Hye's impeachment and imprisonment was the abuse of her authority by pressuring the Minister of Health and Welfare to support a merger between two Samsung Group affiliates. Even if the support had been expected to result in a huge loss for the pension fund, the National Pension Service¹²⁶ as a major shareholder of the firms backed the deal. Consequently, not only was Park arrested, but both the Chief Investment Officer at the National Pension Service and MOHW minister were also sentenced to two and a half years in prison. The reason behind Park's misfeasance lies in 'a collaborative but illiberal relationship between the state and private capital' (Johnson, 1989: 64; See also Evans, 1998). The involvement of the pension fund in the merger was in response to Samsung's bribery for a confidante of Park, whereby Samsung heir Lee Jae Yong was also sentenced to five years in prison. This affair shows that a clean break with the legacy of developmentalism in the democratic welfare system

¹²⁶ Under the MOHW, the National Pension Service is an auxiliary organ in charge of managing the fund.

would determine the extent to which welfare bureaucrats exert greater influence on the NPS.

On the other hand, the combination of the languishing developmental welfare state and democratic consolidation in Korea has led to the emergence of veto players in pension politics. Unlike the developmental (welfare) state that did not allow political parties and civil society to have a role to play (White, 1995; Kim, 1997b), they have become more influential in ways that facilitate or slow down the decision-making process. The 1998 reform involved a series of gradual, parametric changes within the mono-pillar framework advocated by the MOHW, political parties, and civic organisations. It is consistent with the argument that only incremental change is possible if the preferences of different veto players surround the status quo (Tsebelis, 2000: 463). But the 2007 reform yielded more significant changes in that the GNP as the most influential veto player sought to change the existing framework and resulted in political deadlock to some extent. This political instability allowed welfare bureaucrats to act as compromise seekers by presenting the BOAP to persuade the GNP. This is in line with Marier's argument that when confronted with political deadlock, public bureaucracy can be more politically influential (2005: 524). In future reforms, welfare bureaucrats are expected to exert greater influence if they can identify the preferences of potential veto players and the policy distance between the two groups (König and Debus, 2010).

9.3 What This Thesis Suggests for Future Process Tracing Research

Considering multiple theoretical candidates, the thesis employed process tracing to infer the causal mechanism working behind the profound changes in the NPS. In doing so, this thesis ended up identifying several methodological aspects of process tracing.

First of all, those employing process tracing methods are required to specify the ontological and epistemological foundations of their research. Although the term process tracing has long been used, we are witnessing its diverse applications within qualitative social science. This divergence derives from different ontological and epistemological assumptions on which each research project is founded, which in turn lead to different understandings of causal mechanism particularly. Hence, the absence of such fundamental discussions could bring about the absence of consistency in applying process tracing to research. While reviewing the existing literature on it, this thesis discovered

that there are varieties of process tracing methods ranging from stricter applications (Beach, 2013; Mahoney, 2012) to less strict applications (Bennett, 2010; Hall, 2006), in terms of the nature of causal mechanisms. The two perspectives diverge from the way in which a causal mechanism is defined and then discovered, and the stricter application of process tracing considers it something to which social researchers aims to take a step closer rather than fully identify. Instead of selecting one approach recklessly, the researcher sought to trace back the philosophical foundations of this thesis and connect them to causal mechanisms as described in Chapter 3 – a foundationalist ontology and a realist epistemology. This stance continued to shape the research questions, the method, types of empirical data gathered and analysed, and their implications. Hence, this thesis has ruled out a probabilistic view of causality that sees causal mechanisms as a series of intervening variables, because the thesis seeks to infer, rather than observe, the nature of causal mechanisms in accordance with the realist epistemology. With the example of Kim and Choi’s theory, it would have been difficult to analyse if its formulated mechanism had been divided into four intervening variables (e.g. the existing mono-pillar design, policy conflict, negotiations, and three sources of bureaucratic power). They do not tell “who” engaged in “what activities” “under what conditions”, whereby the mechanism would have remained opaque with no causal mechanism detailed theoretically.

Second, the feasibility of doubly decisive tests (high certainty and high uniqueness) depends on what, where, and how we research in actual research practice. Even if multiple threads of decisive evidence exist somewhere, it may be difficult to obtain, or get access to, them due to confidentiality or sensitivity¹²⁷. For instance, the researcher visited the National Archives of Korea¹²⁸ to collect internal documents related to the 2007 reform but identified no documents produced after 2005, whereby Chapter 7 and 8 relied more on elite interviewing and interview transcripts¹²⁹. For this reason, those employing process tracing may be faced with decisions to choose between certainty and uniqueness, and this thesis agrees with Beach and Pedersen who suggest prioritising the former over the latter (2013: 105). It is because failing a hoop test (high certainty and low uniqueness) significantly decreases our confidence in the presence of a hypothesised mechanism,

¹²⁷ This is particularly the case for researchers who plan to analyse political phenomena in countries that have few facilities responsible for record management or have little awareness for public information sharing.

¹²⁸ It is a central institution that is in charge of record management policies and collects and preserves national records.

¹²⁹ Ryu (2014a; 2014b; 2014c) and Bahk (2014).

while disqualification from a smoking gun test (low certainty and high uniqueness) does not make any difference.

Instead, this thesis suggests designing hoop tests that are more demanding and thus harder to pass (Mahoney, 2012: 576). Let us take an example of the third part of the causal mechanism formulated from Kim and Choi's theory (2014) – welfare bureaucrats negotiate other issues of the NPS reform with political actors on the condition that the current institutional structure is preserved. This thesis could increase the confidence in the presence of part 3 through various traces of the MOHW's conditional negotiations with the UP, the DLP, the DP, and the GNP, all of which have passed multiple hoop tests. The empirical evidence allowed the thesis to identify with whom the ministry had negotiations, its top priority, and the resultant condition for the negotiations with political actors. The proof's inferential value, however, would have been moderate if part 3 had been designed as follows – welfare bureaucrats engage in negotiations with political actors. Corroborating this hypothesis is also passing a hoop test but does not attach greater inferential value, unlike part 3, to the evidence of conditional negotiations than to that of mere negotiations. This is because that hypothesis is not attentive to the relative infrequency of part 3. Additionally, the discovery of new historical facts could follow as a result of efforts to generate and pass demanding hoop tests. For instance, this thesis could secure the evidence from Bahk Jae Wan that there were closed-door negotiations between the MOHW and the GNP from April to June 2006. The negotiations have not been cross-verified by those involved, because the GNP continued to deny their presence when Ryu Si Min publicised this issue in 2011 (Park, 2011; Kim, 2011). Not simply did Bahk's comment in the interview with the researcher itself pass a hoop test, but also it has officially completed the unveiling of a new historical event.

Third, process tracing researchers cannot overemphasise the importance of data collection. Considering that process tracing attends to the presence/absence of a hypothesised causal mechanism, they should be able to collect multiple pieces of relevant evidence. Particularly in the field of political science, the process tracing method often involves the analysis of institutional stability and change at the highest level of policy-making process, and government documents and policy-makers could be critical sources of data about the political phenomenon of interest. Accordingly, this thesis put more emphasis on primary sources, than secondary sources, of evidence in that the former was expected to further illustrate the dynamic nature of the NPS reforms.

Above all, elite interviewing played a central role in updating the researcher's confidence in the validity of the tested theories for two reasons. The first is that this thesis has adopted the perspective of structural individualism as noted in Chapter 3, an approach which seeks to analytically explain macro social phenomena through the inter-relationship between macro- and micro-level properties (See Figure 3-1). The interview questions were therefore designed to ask: 1) under what institutional circumstances welfare bureaucrats attempted to reform the NPS; 2) what reform options they were supporting and why; and 3) in what process they managed to complete the reforms. The second reason is that the interviewees were required to answer specific questions that touched directly upon the tested theories (e.g. What was a key principle for the MOHW in pursuing the reform? What was the economic ministries' stance on the reform? What made you reluctant to raise pension contributions?). Process tracing researchers are recommended to conduct (elite) interviews to update their confidence in a more direct way – if circumstances permit. In this context, although secondary sources of evidence are useful to achieve triangulation along with primary sources, they have limits in carrying more inferential weight in themselves. Given that secondary sources have been filtered and restructured in other studies, this thesis suggests considering them supplementary to primary sources in process tracing research.

Fourth, process tracing researchers should take equifinality seriously. By its definition, equifinality refers to multiple convergence by which alternative causal paths produce the same outcome. Tracing processes of political phenomena basically attends to how a cause exerts influence to them, and to maximise its explanatory power, the analysts should take the possibility of alternative pathways into consideration simultaneously. There are some qualms, however, about the literature on institutional analysis whether it casts a wide net for alternative candidates. Checkel (2015: 79) labels this problem “the either/or” type in which a single approach becomes the sole one without careful discussions on the validity of others. In particular, the literature on institutional change has crystallised diverse theoretical frameworks ranging from critical junctures to four types of incremental change (layering, drift, conversion, and displacement) to ideas and discourses. This reflects how change is often barely explored with a single framework, and the researchers need to avoid explaining, with relative certainty, institutional change laden with uncertainty. Put differently, analysing institutional phenomena should not aim to provide

explanations by subsuming them under covering laws, in the sense of Hempel (1965)¹³⁰. Drawing greater attention to a factor needs not to be done at the expense of all other variables (Hay, 2006a: 72). Instead, it would be possible to get a better analytical purchase by discussing how and why the causal mechanisms formulated from rival approaches would have produced dissimilar phenomenon.

Taking equifinality into serious consideration, this thesis did not aim to give a definite answer on whether to accept/reject the tested theories. This is because it started with the realist epistemology according to which the methodological foundations of process tracing were drawn. Hence, this thesis tried to “update” the researcher’s confidence in the validity of the approaches analysed, focusing on two aspects of updating to address equifinality. The main analysis centred on the causal mechanism formulated from Kim and Choi’s theory (2014), and the empirical evidence collected made it possible to increase the confidence in the validity of that theory. Further, the evidence was also utilised to test that of alternative approaches – the globalisation thesis, new social risks, policy transfer via international organisations, and the impact of neoliberalism. In conclusion, this thesis could significantly discredit the validity of some approaches and conclude that further studies would be required to investigate the explanatory power of other approaches. It is highly likely that Kim and Choi’s theory is the sole approach for the 1998 reform, but not for the 2007 reform due to the potentials of Jung and Walker’s approach (2009) and the GNP’s voluntary policy transfer via international organisations. Casual explanations become more analytical and convincing by showing that the collected evidence is unlikely to exist if alternative theoretical approaches are valid. Theory-oriented explanations do not imply that we orient our research towards a single theory and further clarify the working of its mechanism in light of the evidence that does not correspond to that theory.

Last, what can we learn by employing process tracing methods? The main aspect that differentiates it from other methods is the systematic understandings of causal processes. Unlike existing methods likely to describe the influence of a cause, process tracing attends to the incorporation of its mechanism into causal explanations. As stated earlier, however,

¹³⁰ For instance, Blyth’s understanding on change is oversimplified and deterministic, considering his description that ‘large-scale institutional change cannot be understood from class alignments, materially given coalitions, or other structural prerequisites...[I]nstitutional change only makes sense by reference to ideas’ (2002: 251). Similarly, an earlier version of the punctuated equilibrium model – macro historical analyses – has been criticised for seeing transformative change as a consequence of structural, antecedent factors while neglecting the role of actions and decisions (Capoccia, 2015).

it seems that the shared interest in causal mechanisms does not lead to a shared method of identifying and tracing them. This indicates that process tracing is in its early stage of development and would therefore necessitate its actual application to the explanation of social phenomena rather than methodological discussions. In this context, this research can be understood to fill this gap. Another shortcoming can be a rather subjective algorithm for deciding when to stop gathering and analysing evidence. In other words, how much evidence is needed to increase the confidence in the validity of the causal mechanism? Although the existing literature suggests utilising triangulation, it is also dependent on a researcher's subjective decision. This issue can be a limitation of this thesis and process tracing broadly. These two shortcomings shall be revisited in detail in the conclusion chapter.

9.4 Theoretical Discussions

This thesis began by touching upon theoretical discussions, ranging from the new institutionalism to path-dependence to institutional change. Then, it laid the ontological and epistemological foundations of institutional change founded on historical institutionalism, and introduced a process tracing method to capture the causal mechanism working behind the profound change in the NPS. The thesis could consequently increase its confidence in the validity of Kim and Choi (2014), while also updating it in the validity of other theoretical approaches. Drawing on the key findings identified in Chapter 5-8, this section returns to theoretical discussions on institutions as well as on the NPS reforms. Based on the principle of minimal sufficiency at which explaining-outcome process tracing aims, Section 9.4.1 analyses whether the causal mechanism formulated from Kim and Choi's theory can explain the NPS reforms in a sufficient detail. In doing so, this thesis will provide a better theoretical understanding of the Korean old-age pension reforms. Section 9.4.2 is where theoretical discussions on institutions are examined on the basis of what Chapter 1 and 2 discussed, focusing on institutional continuity and change.

9.4.1 Complementing Kim and Choi's Theory for Minimal Sufficiency

Kim and Choi's theory was constructed to explain the NPS reforms in the Korean context. Given that its validity has become strengthened vis-à-vis other theoretical candidates, what remains is to investigate if the formulated mechanism tested is able to reach the degree of "minimal sufficiency" with no redundant parts being present (Beach and

Pedersen, 2013: 63). How can we define the minimal sufficiency of the NPS reforms? What features should be included for it?

Given this thesis's analysis on the NPS reforms, they are considered to have three defining features that need to be incorporated for minimal sufficiency. First, the scheme continued to maintain the mono-pillar framework that has existed from its birth. Through the process of each reform, that institutional design became more resilient to the attempts of bi-pillar reformers to overturn it. Second, although the scheme had achieved universal coverage through the 1998 reform, its adherence to the mono-pillar design ended up producing the BOAP in the 2007 reform. The 1998 reform solidified the NPS's status as a central old-age pension scheme for the citizens, while the 2007 reform saw the introduction of the BOAP, which was complementary to the NPS. Third, the benefit rate has substantially decreased from 70 to 40% without raising contributions. The NPS, which was introduced with an initial replacement rate of 70%, experienced radical decreases to 40% as a result of the reforms.

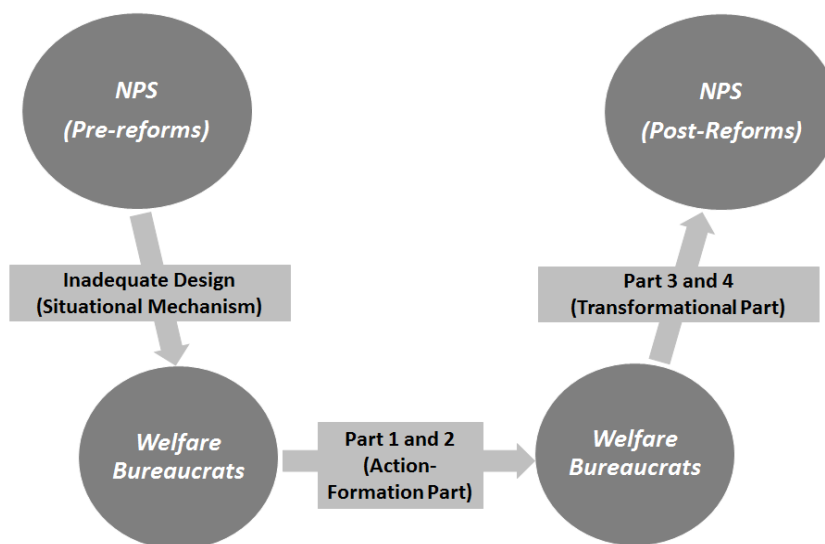
Hence, the causal mechanism formulated from Kim and Choi (2014) is required to explain the aforementioned features to reach the degree of minimal sufficiency. Yet, although the formulated mechanism is key to understanding the first and second aspects, it is unlikely to explain the third one – Why has the replacement rate considerably dropped from 70 to 40% through the two reforms? In other words, the formulated mechanism needs to entail something that can provide the missing link about “under what circumstances” the welfare bureaucrats pursued the NPS reforms based on the mono-pillar framework. Put simply, the missing link should contain information on “what drove them to have little choice but to retrench the NPS in a parametric manner”. Why did the welfare bureaucrats, and even bi-pillar reformers, recognise that the pension reforms were inevitable?

As far as those questions are concerned, numerous pieces of evidence collected substantiate Kwon's argument (1999) that the reforms resulted from inadequate policy design that promised too generous pensions but with low contributions (MOHW, 1998; 1999; 2006b; NPS, 1998: 155; NPDC, 2003: 99-100; PCPP, 2008a: 12; National Pension Research Institute, 2010: 162-163; 2015: 82). In the interviews with the researcher, it has been also addressed by Choi Kwang, Kim Sang Kyun, Moon Hyung Pyo, Moon Jin Young, Om Young Jin, and Lee Sang Yong. Such deficiency can be understood to create an inevitable circumstance where bi-pillar reformers as well as the welfare bureaucrats

could not help but reform the NPS. Unlike the formulated mechanism tested that could be applied to other temporal contexts (e.g. potential reforms of the NPS in the near future), the inadequate design is limited only to the NPS. In other words, it is a “non-systematic”, “case-specific” mechanism since its negative impact was to be magnified in combination with the scheme’s partial funding system. The inadequate design – which produced the distinctive patterns of pension politics – had inevitably pressurised those involved in the reforms to overhaul the scheme before full pensions were provided.

In Chapter 3, the thesis noted that the approach of structural individualism would be applied in better explaining the NPS reforms, an approach which seeks the analytic explanation of macro social outcomes through the combination of a situational, an action-formation, and a transformational mechanism (See Figure 3-1). Founded on structural individualism, the thesis provides the “sufficient” explanation of the NPS reforms composed of the inadequate design mechanism (Kwon, 1999) and the causal mechanism formulated from Kim and Choi (2014), as below.

Figure 9-1 Sufficient Explanation of the NPS reforms



At the top left is the NPS prior to each reform, and in the reform process it exerted influence on the welfare bureaucrats (and also bi-pillar reformers) through the situational mechanism of the scheme’s inadequate policy design.

The causal mechanism developed from Kim and Choi’s theory (2014) cannot be defined as a single one since it does contain the features of both an action-formation and a

transformational mechanism. Linking collective actors' ideas to their actions (action-formation mechanism), the first¹³¹ and second¹³² part of the formulated mechanism are associated with the policy preference of welfare bureaucrats for a parametric pension reform with the existing mono-pillar design untouched, and the resultant involvement in conflict with bi-pillar reformers who sought to undermine it. Linking collective actors' actions and interactions to social outcomes (transformational mechanism), the third¹³³ and fourth¹³⁴ part of the formulated mechanism show that welfare bureaucrats were willing to negotiate any reform issues except the mono-pillar structure, with political actors and thereby managed to secure expertise, legitimacy, and institutional positioning ahead of each reform. Given that the formulated mechanism integrates all the parts into a single framework, this thesis suggests calling part 1 and 2 an action-formation part and part 3 and 4 a transformational part, rather than dividing them into two independent mechanisms.

To summarise, Figure 9-1 shows that the NPS reforms in Korea can be explained in a sufficient detail through an amalgam of Kwon's inadequate design mechanism (1999) and the causal mechanism developed from Kim and Choi (2014). The former as situational mechanism is useful to understand why welfare bureaucrats, and even bi-pillar reformers, recognised that the reforms were "inevitable", while the latter helps answer why and how the NPS continued to experience a parametric reform. By combining those two mechanisms, this thesis has developed the best possible explanation of the NPS reforms and expects later studies to test the theoretical validity of the combination.

Given the context in which causal mechanisms operate is likely to affect their functioning or meaning (Falleti and Lynch, 2009: 1145), it is necessary for this thesis to identify a contextual condition of the aforementioned two mechanisms. This is also because the thesis has employed an explaining-outcome process tracing, which necessitates a very specific context through which the functioning of the mechanisms is understood. Although it resides outside the theory, the context is 'relevant to the process and outcome under study' (Falleti and Lynch, 2009: 1153). It can be said that the context permeates into the mechanisms by functioning as a conjectural condition. The thesis suggests

¹³¹ Welfare bureaucrats try to carry out a reform of the NPS, based on its current institutional structure.

¹³² Welfare bureaucrats are engaged in policy conflict with those who seek a structural reform of the NPS.

¹³³ Welfare bureaucrats negotiate other issues of the NPS reform with political actors on the condition that the current institutional structure is preserved.

¹³⁴ Welfare bureaucrats come to achieve expertise, legitimacy, and institutional positioning.

considering “rapid demographic transition” as the context that facilitated the functioning of the two mechanisms, a context which has had repercussions on the NPS’s long-term sustainability. The researcher cautiously estimates that had it not been for that rapid change, the scheme would have experienced either fewer or more moderate reforms. Indeed, it seems that the population ageing did not seriously appeal to policy-makers in the 1998 reform. For example, NPPM-95 – which was an actuarial model used in the first reform – made a rosy projection on the total fertility rate (TFR) that would stay between 1.70 and 1.80 in the long run (National Pension Research Centre, 1998: 34). In addition, Moon Hyung Pyo, Kim Sang Kyun, Om Young Jin, and Choi Kwang answered in the interviews with the researcher that they did not take the likelihood of low fertility rate seriously. Rather, increased life expectancy, rather than low fertility rate, was the main element of discussions on the demographic ageing (MOHW, 1998). Although the TFR always declined prior to each reform, the 2007 reform particularly witnessed its significant drop to 1.08 in 2005. This thesis does not seek to investigate in detail the extent to which the rapid demographic transition precipitated the functioning of the mechanisms, an issue which requires further studies. However, it is obvious that the two mechanisms did interact with the context more in the second reform than the first one.

Table 9-1 Changes in TFR and Life Expectancy

Year	TFR	Life expectancy	Year	TFR	Life expectancy
1970	4.53	62.3	1999	1.45	75.5
1980	2.82	66.1	2001	1.30	76.5
1990	1.57	71.7	2003	1.18	77.3
1995	1.63	73.8	2005	1.08	78.2
1997	1.52	74.7	2007	1.25	79.2

Source: Statistics Korea (<http://kostat.go.kr>)

9.4.2 Theoretical Discussions on Path-Dependence and Change

Drawing on the key findings on the NPS reforms, this thesis provides some implications for current understandings on how institutions change and stay still.

In the absence of exogenous shocks, the NPS did experience transformative changes, leading to the argument that significant results can also originate from an accumulation of incremental, endogenous changes (Streeck and Thelen, 2005). On this view, the period of change is not sharply distinct from that of reproduction, and change-seekers try to exploit ambiguity by interpreting, debating, and contesting institutional rules, whilst

change-resisters seek to resolve it and continue to mobilise political support for existing arrangements. From the beginning, the NPS was exposed to the possibility of institutional gaps originating from its partial funding system, which generated a time lag of 20 years until full pensions were provided. This aspect made it possible to produce the constant dynamic interplay between the welfare bureaucrats (change-resisters) and bi-pillar reformers (change-seekers) in the forms of political/policy disagreements, conflict and the resultant negotiations.

The possibility for different interpretations implies that while institutions structure politics, they do not determine political beliefs or outcomes (March and Olsen, 2006: 8). Actors may seek heterogeneous policy trajectories even in the face of broadly homogenous social, economic, and political circumstances. Inherent in the NPS, the inadequate design combined with the rapid demographic transition narrowed the range of reform options down to a specific path towards long-term financial stability; but in no case did the relevant actors agree on through what options such an issue would be dealt with. In the 1998 reform, the welfare bureaucrats struggled to defend the existing mono-pillar design in the NPRB, where the majority of its members supported bi-pillar reforms. The bureaucrats, however, could later mobilise political support for the institutional status quo in a more favourable condition opened by both the financial crisis and the power shift to pro-welfare politician Kim Dae Jung in late 1997. Consequently, they managed to secure universal pension coverage and redirect the NPS's multiple, but mutually exclusive (economic and welfare), objectives to a single, coherent (welfare), objective¹³⁵ by obtaining the jurisdiction of managing the pension fund from the MOFE. In the second reform, the welfare bureaucrats aimed at the parametric reform of the NPS but were faced with strong opposition from bi-pillar reformers such as the GNP. It was difficult for them to gain political support in a situation where the mono-pillar design was perceived to be vulnerable to the coverage gap, and where bi-pillar reformers continued to hold the idea of a universal basic pension to tackle the coverage gap. Although the mono-pillar design became self-reinforced again, the 2007 reform left the possibility open for future reforms due to the structural complexity resulting from the coexistence of redistributive function in both the NPS and the BOAP.

¹³⁵ This could be seen as the conversion mechanism; but further studies are required with relevant process tracing evidence.

Through the two NPS reforms, this thesis has identified the long-term impact of an initial choice on subsequent events. In the politics of path-dependence, the benefit of the initial choice increases with following choices down that institutional path, while raising the cost of exit to different paths (Pierson, 2000: 252). As the NPS had been introduced in 1988 by adopting the mono-pillar design, the subsequent chain of events started to generate positive feedback. Initially beginning with workplaces with more than 10 employees, the NPS ended up covering workplaces with more than 5 employees in 1992, farmers, fishermen, and the rural self-employed in 1995, and the urban self-employed in 1999. A series of these developments imply incorporating more subscribers into the scheme and are thus considered to set into motion self-reinforcement. In particular, the 2007 reform introduced the BOAP rather than a universal basic pension despite their similar functions, and this clearly shows the difficulty of overturning the mono-pillar design initially chosen.

The politics of path-dependence in the NPS reforms was replete with political conflict and contestation; the period of stability did not simply let institutions dominate actors. Employing a process tracing method, this thesis has discovered that the reforms always allowed the emergence of “vibrant” path-dependence politics over the existing mono-pillar design. Welfare bureaucrats were initially in conflict with bi-pillar reformers but sometimes attempted to make concessions to the extent that pension parameters were flexibly adjusted. In particular, the 2007 reform deserves more attention as to how path-dependence could be differently analysed. On one hand, one may argue that the second reform produced the positive feedback of the existing mono-pillar design. On the other hand, by paying attention to how the BOAP was presented in the reform process, it can be argued that ‘while defenders of the status quo may be able to preserve the original rules, they are unable to prevent the introduction of amendments and modifications’ (Mahoney and Thelen, 2010: 17). Hence, institutional reproduction and change can be two sides of the same coin, implying that the persistence of particular institutional arrangements implicitly reveals aspects of potential vulnerability (Conran and Thelen, 2016: 63). Path-dependence may not be staying on the exactly same path since the “politics” of path-dependence could drift away from that path.

Again, this perspective leads to the argument that it may not be worthwhile to draw a sharp distinction between path-dependent and path-departing moments. In doing so, we could be caught in a conceptual schema that equates incremental with reproductive minor

changes and thereby reduces incremental changes to simple adjustments for the purpose of institutional continuity (Streeck and Thelen, 2009: 103). The ways in which institutions change are not like simple linear regression where a single explanatory factor brings about a change in a whole component. A particular mechanism that accounts for an arrangement's stability or change does not necessarily lead to the same result in other arrangements. As seen in this study of the NPS reforms, the scheme experienced profound changes but with the mono-pillar design being path-dependent. In this context, the causal mechanism formulated from Kim and Choi (2014) provides a useful causal explanation not only in explaining how the mono-pillar structure continued to survive but also in painting a picture of how the NPS altered dramatically through the reforms.

Last, the blurring line between change and stability raises more attention to the role of agency. Institutional phenomena do not occur in a vacuum, and actors are thus able to exercise more influence in producing them. Rather than being determined by institutional rules, agents can seek the ongoing mobilisation of political resource for protecting as change-resisters, or reversing as change-seekers, the rules. Throughout the reform processes, the welfare bureaucrats continued to actively choose which arrangements in the NPS they would prioritise and thereby institutionalise. Doing so, therefore, involved making concessions on other reform issues, if necessary, on the condition that the existing institutional structure would remain untouched. The same goes for bi-pillar reformers too, although they failed to attain their intended goal at the last minute of the reform process. In the 1998 reform, the SPSSW office played a significant role in establishing the NPRB and appointing many of its members who could support a bi-pillar pension reform. The 2007 reform witnessed more involvement of bi-pillar reformers, such as the GNP and the DLP, in the reform process, and their policy preference managed to achieve a half-success by rendering the MOHW present the BOAP to address the coverage gap, a non-contributory scheme which did not exist in the ministry's initial proposal.

Chapter 10 : Conclusion

10.1 Introduction

By employing process tracing to explain the NPS reforms, this thesis aimed to make contributions to the existing knowledge in three ways. Empirically, it discovered that there was profound difference in pension politics between the pre-reforms and the period of the reforms. Methodologically, this thesis attempted to put process tracing in practice by suggesting how deductive and explaining-outcome process tracing can proceed. By converting plausible stories into mechanism-centred explanations, this method is more suitable to analyse complex social phenomena in a more systematic manner. Theoretically, this thesis investigated the explanatory power of existing welfare state theories and advanced the causal explanation of the NPS reforms in Korea. Hence, this thesis managed to capture the dynamic interplay between actors and institutions; the welfare bureaucrats played a significant role in producing institutional change, although the latter constrained the range of reform options they could choose.

This thesis explored the main research question of “*how the two NPS reforms in 1998 and 2007 unfolded*”. Founded on a foundationalist ontology and a realist epistemology, it has employed process tracing to examine the development process of the NPS reforms. This chapter concludes the thesis by answering the research questions outlined in Chapter 3. In addition, the concluding chapter discusses the limitations of the thesis, which can be applied to a process tracing method broadly, and makes suggestions for further research.

10.2 Answering the Research Questions

- *How did the two NPS reforms in 1998 and 2007 unfold?*

Firstly, welfare bureaucrats at the MOHW played a pivotal role in the reform processes (Kim and Choi, 2014). They put emphasis on parametric reforms that adhered to the NPS’s mono-pillar design. The commitment to it rendered the bureaucrats come into conflict with bi-pillar reformers, such as the SPSSW office and a majority of the NPRB members in the 1998 reform and the GNP in the 2007 reform. The policy conflict, however, was resolved by the willingness of the welfare bureaucrats to negotiate any reform issues except the existing mono-pillar design. They considered its maintenance a

top priority for which other issues (e.g. changes in pension parameters) could be flexibly adjusted. Consequently, the bureaucrats managed to secure expertise, legitimacy, and institutional positioning on the verge of concluding the reforms.

Secondly, the thesis suggested that inadequate policy design rendered reform participants recognise the reforms in ways that would be to retrench the NPS (Kwon, 1999). In other words, such deficiency that promised too generous pensions but with low contributions created inevitable situations where bi-pillar reformers as well as the welfare bureaucrats could not help but overhaul the scheme. Combined with the rapid demographic transition in Korea, the inadequate design mechanism further constrained the range of reform options the concerned parties could seek.

- *Why did the NPS change radically in a short time?*

On one hand, the reason why the adherence of welfare bureaucrats to the mono-pillar design produced different outcomes in the two reforms resulted from institutional features and the resultant reform strategies by political actors. Initially, the NPS was not extensive, leaving retirees and soon-to-be retirees unprotected at the time of introduction. To address that issue, the welfare bureaucrats in the 1998 reform managed to achieve universal coverage based on the mono-pillar design. The 2007 reform, however, witnessed a shift from the NPS-centred old-age pension system since the scheme started to face institutional loopholes, which emanated from those unable to pay pension contributions and worsening elderly poverty. Political parties such as the GNP called for tackling them through a bi-pillar reform; but the welfare bureaucrats ended up presenting the BOAP rather than a universal basic pension, to address such loopholes in a way that would not undermine the mono-pillar design.

On the other hand, the significant decrease in the replacement rate from 70% to 40% can be considered a political outcome of the dynamic interplay between the NPS and reform participants. It seems obvious that the former's inadequate design led the latter to seek retrenchment-oriented changes. Hence, a reasonable assumption can be made that three options (benefit cuts, contribution increases, and a combination of both) would have been in the hands of political actors. This raises the question as to why the first option was always selected in the reforms? This is because political parties found benefit cuts more politically feasible than contribution increases in seeking retrenchment; trade unions as

well as business groups were not happy with attempts to raise contributions. In consequence, the welfare bureaucrats were not also stubbornly opposed to it.

- *Can existing theories of welfare states explain the two NPS reforms?*

Applying a coherent and comprehensive theory-testing, this thesis identified that Kim and Choi's theory (2014) can best explain both reforms. First, this thesis explored and ruled out theories of welfare state expansion (e.g. the industrialisation thesis, the power resources approach, and the Marxist approach), because both reforms produced benefit cuts from 70% to 60% to 40%. Second, in light of the empirical evidence collected, the researcher could significantly increase the confidence in the validity of Kim and Choi's theory. Third, this research also investigated the possibility of alternative theories to address the issue of equifinality.

Theories of new social risks were unable to explain the reforms for two reasons. First, the NPS had not been institutionalised long enough to ensure old-age income security even before the reforms, due to its partial funding mechanism. Second, the groups that benefited from the reforms – the self-employed in urban areas and the elderly in the bottom 70% of the income bracket – were not associated with new groups exposed to new social risks.

Policy transfer via international organisations was taken into consideration too. Given that the World Bank's multi-pillar framework never materialised, the policy transfer mechanism had little impact on the 1998 reform. This thesis has concluded, however, that further studies would be required to investigate its explanatory power for the 2007 reform. Although the BOAP did not correspond exactly with the first pillar as a universal basic pension, the GNP's reference to the framework's first pillar did create a political environment that led the MOHW to present the BOAP with similar objectives to the basic pension.

This research has decreased its confidence in the validity of the globalisation thesis for the reforms. Although some indicators like foreign direct investment and corporate income tax indicate the influence of economic globalisation in Korea, the actual reform processes were not compatible with the globalisation thesis. Although the concept of globalisation existed in the very beginning of the 1998 reform, it became contextualised

as efforts to catch up with advanced political economies. The 2007 reform introduced the BOAP financed out of “general taxation”, and its coverage and benefit level kept increasing through the negotiating process between reform participants.

Lastly, this thesis explored the explanatory power of Jung and Walker’s theory (2009) for the 2007 reform, which emphasised the role of neo-liberal actors in fuelling the discourse on the pension fund crisis and yielding the fixation of contributions ultimately. Although multiple pieces of the evidence undermined the strength of Jung and Walker’s explanation, the evidence demonstrates that this argument was brought up in the negotiation process, describing it as one of the many aspects that kept reform participants from raising contributions. Accordingly, this thesis has not fully discredited the validity of Jung and Walker’s theory.

- *What differences in pension politics can be identified between the pre-reforms and the period of the reforms?*

Three aspects exist that can differentiate the period of the reforms from the pre-reforms – objective, institutional arrangements, and actors. First, the reforms marked a transition from the NPS with multiple, but mutually exclusive, objectives to the NPS with a single, coherent objective. The overlapping of economic and welfare objectives disappeared as a result of the 1998 reform as the MOHW managed to obtain the jurisdiction of managing the pension fund from the MOFE. Second, the features of selectivity, the state as a regulator, and inadequate design, which were embedded in the pre-reforms, became dis-embedded or blurred. As the first reform achieved universal coverage, the scheme ended up incorporating every worker into its framework. It was in the second reform that the state started positioning itself also as a provider by introducing the tax-financed BOAP. Both reforms, moreover, contributed to breaking from the legacy of welfare developmentalism by rectifying the scheme’s inadequate design – which was tolerated for economic and/or political purposes at the time of introduction. Third, the reforms deprived economic bureaucrats of “institutional” grip on the NPS as they lost the jurisdiction of managing the pension fund in the 1998 reform.

10.3 Limitations of the Thesis (and Process Tracing)

This thesis has its limitation in relation to the amount of the empirical data collected during the fieldwork. In other words, although Kim and Choi's theory (2014) seems to best explain the NPS reforms, the fieldwork was unable to obtain more threads of the evidence that can help adjudicate the validity of alternative theories such as policy transfer via international organisations and Jung and Walker's theory (2009). This limitation concerns to what extent data-collection process should be carried out. That is, the analysts can face a practical dilemma where they are forced to choose between intensive and extensive data collection. On one hand, although testing a wide range of theoretical candidates – extensive data collection – can further address equifinality, it may not be feasible when a significant number of theories exist for a social phenomenon (e.g. welfare state change, democratisation, and economic development). On the other hand, it could be viable to focus more on the studied theory than its rival theories as carried out in this thesis – intensive data collection. In a way, however, this way of data collection may be criticised for not going into equal depth on alternative theories compared with the main theory tested. This thesis instead performed process tracing mainly on Kim and Choi's theory but at the same time tried to adduce some evidence to highlight the anomalies incompatible with the rival theories in decreasing the confidence in their validity (See also Bennett and Checkel, 2015: 24).

Another limitation of this thesis (and broadly process tracing) is the subjective decision on when to stop gathering and analysing evidence. This thesis recognised that it could be also exposed to this issue, especially when conducting an interview with UP lawmaker Kang Gi Jung. As stated earlier, he answered that the fixation of contributions at 9% in the 2007 reform was to some extent ascribed to what Jung and Walker (2009) argue. The researcher had originally intended to further secure triangulation by interviewing him last; but he unexpectedly provided some clues that could support the theories of Jung and Walker as well as Kim and Choi, thereby leading this thesis to the conclusion that it cannot fully discredit the validity of the former. But what conclusion would have been drawn if Kang had not been interviewed? This thesis would have significantly decreased the confidence in the validity of Jung and Walker's approach. Can process tracing studies have a clear-cut measure of triangulation? Assuming that we have discovered the same information from diverse, independent data sources, to what extent are we confident that next sources that was not visited would correspond with that information too?

Accordingly, this thesis has concluded that further studies would be required to evaluate the explanatory power of policy transfer via international organisations and Jung and Walker's theory.

The issue of subjectivity can also occur in data-collection process in an unanticipated way. As shown in this thesis, process tracing research necessitates enormous amounts of information and data to investigate the validity of theoretical approaches. It is therefore worthwhile to notice in what order such evidence has been obtained. Put differently, the sequence of collecting the evidence could make a difference in a researcher's findings. Again taking an example of UP lawmaker Kang Gi Jung, it is possible to suppose a situation where he was interviewed in an earlier phase of the fieldwork. Then the researcher would have put more effort into collecting more information about Kang's specific comments that could support Jung and Walker's theory (2009). Caused partly by the researcher's decision to interview Kang last, limited time and space for further investigating his comments have made the thesis abstain from making a "strong" update on Jung and Walker's approach. This implies that no matter how process tracing researchers have an elaborate plan on data-collection process, they cannot predict in advance what information documents and/or interviewees will provide. At first glance, deciding what to gather first may have little to do with the analysts' subjective decision, since they do not know a priori what evidence will be found in fieldwork. But nevertheless, such a choice may lead to "unintended" consequences on the later direction of the research, and this is why self-declared process tracers should be very cautious to declare that their conclusions would have been the same even if more or different threads of evidence had been obtained.

In conclusion, the existence of the aforementioned methodological challenges may run the risk of failing to label process tracing as a method. The reality is that although process tracing researchers share a common goal for tracing causal mechanisms, they seem to not share a common method for doing so. In other words, process tracing could be rather seen as an approach, being still in an embryonic stage that requires building on similar methodological perspectives on causal mechanisms (See also Hay, 2016). Drawing on this shortcoming, this thesis put emphasis on suggesting a kind of, rather than the, practical guideline that can help process tracing reach the status of an established method.

10.4 Suggestions for Further Research

This thesis would like to make three suggestions for further research. First, it is necessary to examine the politics of the BOAP reform that took place in late 2013. Although this reform yielded a considerable improvement in BOAP benefits, its decision-making process was full of pension politics: there was policy conflict between the former president Park Geun Hye and the Minister of Health and Welfare. The latter resigned from his post since he had opposed Park's plan that would connect the amount of BOAP allowance to the length of NPS contribution payment. This thesis identified that the MOHW considered the NPS and the BOAP independent of each other, and Park's plan seemed incompatible with it. Hence, the BOAP reform would be another case that could partly test Kim and Choi's theory. Second, it is worthwhile paying attention to a reform committee that has just been established to prepare for the fourth actuarial estimate in 2018. This thesis suggests exploring what measures the committee would recommend to tackle policy issues such as the highest elderly poverty rate among OECD countries, and whether those measures would be compatible with the formulate mechanism tested. Third, it would be interesting to further test Jung and Walker's theory (2009) and the GNP's voluntary policy transfer via international organisations in light of the relevant evidence.

Appendices

Appendix A: Information Sheet

Research Project on the Reasons How the Reforms of the National Pension Scheme in 1998 and 2007 unfolded – Information Sheet

Hi, my name is Hyungyung Moon, a 2nd year PhD student in the Department of Social Policy and Social Work at the University of York. I would like you to take part in my research study that seeks to explain the institutional change of the National Pension Scheme (NPS) in Korea. Introduced in 1988, the scheme has witnessed two major reforms in 1998 and 2007, and I am interested in capturing their causal pathways.

As an expert involved in the NPS reforms, you will have a chance to express your insight and experience. This research is supported by my supervisor, Dr. Stefan Kühner, and the ethical committee at the University of York. I can ensure you that this research is legally and ethically acceptable. However, I would like to address your right: 1) to decline to take part in the interview; 2) to stop your participation at any time; and 3) to refuse to answer or respond to certain questions.

If you have decided to participate, I will conduct a face-to-face interview with you at a mutually agreeable time and place. It is expected that the interview will last about an hour. While being interviewed, you will be asked to answer a number of questions on your direct or indirect involvement with the NPS reforms, what your opinions are, and why. As such, what you comment will be significantly utilised in developing and supporting my research. There are two important things to be done in the beginning of the interview. I will first briefly explain the purpose of the interview. If anything remains unclear or you have anything to ask, please do not hesitate to do so. Second, I will ask you to fill out a Consent Form – a necessary document to be submitted to the ethical committee at the University of York.

With your permission, the interview will be recorded to enable me to produce an accurate transcript of our conversation. I promise you that your personal details as well as the interview transcript will be accessible only to me and my supervisor and be kept in a safe, password-locked location at the University of York. The transcript may be given to you upon request. If you choose not to be recorded, however, I will be happy to take notes instead. At the moment, I expect that only one interview will be necessary. In case that additional information is needed for clarification, I will contact you by e-mail or phone within a year after this interview. The data collected from

the interview will be analysed and used in my PhD thesis and related research outputs such as journal publications, conference papers, and presentations.

With regard to the way in which your information is quoted in the aforementioned research outputs, you will be given three options:

- 1) The researcher may use **both** my name and my job title;
- 2) The researcher may use **only** my job title; or
- 3) The researcher may **neither** my name nor my job title.

If you select option 2 or 3, a pseudonym will be applied. However, please be aware that even if you choose option 2 or 3 this does not always secure your absolute anonymity because readers of research outputs may be able to recognise who was interviewed due to your distinctive insights and ideas. To minimize the risks to confidentiality, no personal identification details except your professional information will be recorded. In addition, any interview questions that may reveal your identity and sensitive information will be excluded if you ask me to do so.

If you have decided to take part in an interview, please contact me at:

Hyun-gyung Moon

E-mail: hm761@york.ac.uk

Address: RCSS (Research Centre for the Social Science), 6 innovation close, Heslington, York, YO10 5ZF

If you have any questions about the research, you can also contact my supervisor at:

Dr Stefan Kühner

Tel: 01904 321 248

E-mail: stefan.kuehner@york.ac.uk

Address: Department of Social Policy and Social Work, University of York, Heslington, York, YO10 5DD

If you want to make a complaint about my conduct, please contact:

Interim Ethics Committee

Department of Social Policy and Social Work, University of York, Heslington, York, YO10 5DD

Appendix B: Consent Form

Research Project on the Reasons How the Reforms of the National Pension Scheme in 1998 and 2007 unfolded – Consent Form

Please tick the appropriate boxes.

	Yes	No
I am voluntarily participating in this interview.		
I have been informed that our conversation will last about an hour.		
I was given an Information Sheet about the research before this interview and have had an understanding of the research.		
I understand that I have a right to stop my participation at any time and refuse to answer or respond to certain questions.		
I agree that our conversation will be recorded so that the researcher will be able to listen to it again later and make an interview transcript.		
I understand that the researcher may have to speak to another person if I tell him that I or someone else is at risk of harm.		
I understand that I can request a copy of the transcript upon request.		
I understand that my words may be quoted in research outputs.		
Please choose one of the following options regarding the way in which my words will be quoted in research outputs. Please note that your choice of either 2) or 3) will be allocated a pseudonym.		
1) The researcher may use both my name and my job title.		<input type="checkbox"/>
2) The researcher may use only my job title.		<input type="checkbox"/>
3) The researcher may neither my name nor my job title.		<input type="checkbox"/>
I understand that my absolute anonymity cannot be always guaranteed due to my own insights and ideas.		
I have been informed that the recording and the transcript will be safely kept in a University of York server and a safe, password-locked place, respectively.		

Name: _____

Signature: _____

Date: _____

Appendix C: Topic Guide

Research Project on the Reasons Why the National Pension Scheme in Korea has witnessed Significant Reforms – Topic Guide

1. Administration (5 minutes)

- Thank the interviewee for taking part in the research.
- Explain the purpose of the research.
- Complete an informed consent form.
- Reassure confidentiality.
- Any questions or concerns?

2. Opening Development Phase (10 minutes)

- Can you describe the political, economic, and social context in which the NPS reform took place?
- How did you participate in the reform?
- What was your role?
- How important was your role?

3. Central Core Phase (40 minutes)

- What do you think were the key issues of the NPS reform?
- Do you know what motivated the opening of the NPS reform committee?
- Who joined the committee as a member?
 - Who was the most influential member? Why?
- Are there any differences between the first and final proposal?
 - Why did that happen?
 - Who were for/against the final proposal? Why?
 - How was policy conflict resolved?
- Was the committee given self-autonomy?
 - Do you think your/the other members' voice was properly heard and then reflected in the proposal?
 - Was there any hidden power that disturbed the activities of the committee?
- What reform option did you advocate? Why?
 - Did other reform actors advocate your preference?
 - Did you experience any policy conflict with other reform actors?
 - What did you do to resolve the conflict?
- Why did you decide to engage in negotiations?

- Did any condition for the negotiations exist?
- What reform option did your negotiation partner advocate?
- What was your stance on an increase in the contribution rate? Why?
 - How did trade unions, civic groups, and business groups respond to attempts to increase the contribution rate?
- What do you think of Theory A, B, or C, given your participation in the NPS reform?
 - What could be the most influential one?
 - Do you think one of the three is fully compatible with the reform process?
- Do you have your own opinion except the three? Why?
- What were characteristics of the political context regarding the NPS?
 - Strong veto possibilities?
 - Weak veto possibilities?
- What were the institutional characteristics of the NPS?
 - High level of discretion in interpretation/enforcement?
 - Low level of discretion in interpretation/enforcement?
- Were you aware of those features in the reform process?

4. Closure Phase (5 minutes)

- What lessons did you learn from the NPS reform?
- Would you like to clarify or expand on anything you said?
- Any questions or concerns?

Abbreviations

APEC	Asia-Pacific Economic Cooperation
BOAP	Basic Old-Age Pension
CSS	Committee for Social Security
DLP	Democratic Labour Party
DP	Democratic Party
ECAA	Expert Committee on Actuarial Analysis
ECID	Expert Committee on Institutional Development
FDI	Foreign Direct Investment
GNP	Grand National Party
HWC	Health and Welfare Committee
ILO	International Labour Organization
IMF	International Monetary Fund
KDI	Korean Development Institute
KIHASA	Korea Institute for Health and Social Affairs
MEPB	Ministry of Economic Planning Board
MOFE	Ministry of Finance and Economy
MOHW	Ministry of Health and Welfare
MOPB	Ministry of Planning and Budget
NA	National Assembly
NCG	National Committee for Globalisation
NPDC	National Pension Development Committee
NPHCC	National Pension History Compilation Committee
NPRB	National Pension Reform Board
NPS	National Pension Scheme
NWPB	National Welfare Planning Board
OECD	Organisation for Economic Cooperation and Development
PAYG	Pay-As-You-Go
PCPP	Presidential Committee on Policy Planning
PSPD	People's Solidarity for Participatory Democracy
SPSSW	Senior Presidential Secretary for Social Welfare
TFR	Total Fertility Rate
UP	Uri Party

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