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Poverty, Inequality, and Democracy

“MIXED GOVERNANCE” AND WELFARE IN SOUTH KOREA

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South Korea's developmental success has been widely praised as a remarkable, if not miraculous, achievement. Emerging from the devastation of the Korean War as an extremely poor nation, it was able to raise itself to the ranks of developed countries in just a few decades. Although its early spectacular rise took place under a military dictatorship, it was able to make a transition to democracy without losing its economic dynamism. Moreover, South Korea was able not only to reduce poverty but to keep social inequality in check during its period of rapid economic development. This is a combination of accomplishments that most other emerging economies have thus far been unable to match.

How did South Korea lift itself from the ashes of war and destitution to affluence? How did a ruthlessly authoritarian regime metamorphose with relative ease in the late 1980s into a stable democratic polity? What institutions and mechanisms led to the reduction of poverty and inequality under both authoritarian and democratic rule? Looking at social policy and styles of governance during the authoritarian period as well as after the transition to democracy helps to shed light on South Korea's developmental trajectory

The credit for South Korea's economic "miracle" typically is given to its strong state. Yet attributing the country's economic growth to the strong state alone fails to capture the idiosyncratic nature of Korean

authoritarianism—the delicate balance it maintained between force and governance. The Korean authoritarian state was repressive, but at the same time delivered good governance. We aim to disentangle the intricate complexities of Korean authoritarianism—without glossing over or excusing the ugliness and oppression of the military dictatorship—by looking not just at the power of the state but at how it exercised authority, and not just at state structures but at how the state actually governed. By examining the Korean experience from the 1940s to the early 2000s, we will show how authoritarian and democratic regimes have wielded power and structured the state-society nexus—the government’s relationships with business, labor, and civil society—and what the impact has been on levels of poverty and inequality.

Shortly after being liberated in 1945 after 35 years of Japanese colonial rule, the Korean peninsula was divided into two: The Republic of Korea (ROK, or South Korea) was founded in 1948 after three years of U.S. trusteeship, and the Democratic People’s Republic of Korea (DPRK, or North Korea) was founded in 1950 after five years of Soviet trusteeship. In June 1950, North Korea invaded South Korea, setting off a war that lasted three years and took a heavy toll on the ROK’s agrarian economy. To this day, a peace agreement ending the war has still not been signed.

During the First Republic (1948–60) under the presidency of Syngman Rhee, the ROK established a capitalist market economy and an anti-communist but authoritarian state. Although the state was not particularly effective during the early years after the war in achieving economic growth and development, it left a lasting impact on the social, economic, and political fabric of Korea. Seeking to promote development, the state mobilized and worked with nonstate actors, embarking on a cooperative path with the business community and voluntary agencies. Business firms became the funders of the country’s social safety net as well as engines of economic growth, and voluntary agencies—first foreign (after the war) and then local—were to become the state’s tools of social-service delivery.

The First Republic gradually lost support due to corruption and favoritism, eventually collapsing under the pressure of mass demonstrations across the country in 1960 and giving way to the Second Republic (1960–61). With a new and better constitution, the Second Republic was an improvement over the First and was a genuine, if short-lived, democracy. After a year of factional infighting and unruly public demonstrations, however, in 1961 it fell to a military coup headed by Major General Park Chung Hee. Park viewed the Second Republic as an exemplar of ineffective governance and made social discipline, economic modernization, and poverty reduction, along with anticommunism, his main priorities.

The authoritarian Park regime (1963–79) achieved a level of eco-

**TABLE—ECONOMIC GROWTH AND INEQUALITY
IN SOUTH KOREA (1960–2000)**

	1960	1965	1970	1980	1991	1996	2000	2008
GDP growth rate (%)	1.2	5.7	8.8	-1.9	9.7	7.2	8.8	2.3
Incidence of poverty (%)	n/a	40.9	23.0	9.8	5.3 ¹	3.3	7.6	5.0
Gini coefficient (all households)	0.45	0.34	0.33	0.39	0.31	0.33	0.39	0.30

Source: In-hoe Ku, *Income Inequality and Poverty in Korea* (in Korean) (Seoul: Seoul National University Press, 2006); Jean Drèze and Amartya Sen, *Hunger and Public Action* (Oxford: Oxford University Press, 1989); Bank of Korea, available at <http://ecos.bok.or.kr/>; Korea Institute for Health and Social Affairs, *Yearbook of Poverty Statistics* (Seoul: Korea Institute for Health and Social Affairs, 2009); Statistics Korea, available at <http://kosis.kr>.

¹Figure for 1990.

economic growth and reductions in poverty and inequality unmatched by authoritarian governments elsewhere in the 1960s and 1970s. During Park's tenure, the economy maintained relative price stability, while the GDP growth rate soared from 5.7 percent in 1965 to 13.5 percent in 1976; inequality narrowed, as South Korea's Gini coefficient fell from 0.45 in 1960 to 0.39 by 1980; and the rate of absolute poverty dropped from an exceedingly high 40.9 percent of all households in 1965 to only 9.8 percent by 1980 (see the Table).¹

After Park's assassination in 1979, economic and social development continued under the Chun Doo Hwan military dictatorship (1981–87). A favorable international trade climate resulting from low energy prices and a strong Japanese yen spurred more rapid economic growth in the 1980s. At the same time, the Chun government introduced the concept of the "welfare state" to public discourse and began to plan and implement various social-welfare programs. Of course, Chun was motivated less by a commitment to socially guaranteed minimum standards of welfare than by the desire to increase his government's legitimacy and social control.

The transition from authoritarianism to democracy in the late 1980s led to the broadening of the social-insurance programs that aided a small segment of society into national-level programs that offered greater coverage; to the giving of greater bargaining power to trade unions; and to the weakening of the established network linking the state and capital, particularly the large business conglomerates called *chaeböl*. Income inequality was significantly reduced by rising wages, and the introduction of new social policies by the democratic regime (as well as the extension of effective existing policies) yielded higher levels of redistribution.

The Asian financial crisis of 1997 brought a sea change to every

aspect of Korea's social development. For the first time—and in the midst of the crisis, no less—an opposition party won, with the National Congress for New Politics–United Liberal Democrats coalition, led by Kim Dae Jung (1998–2003), taking power. It implemented policies to address the fallout from the financial crisis and reformed economic and social structures. Social safety-net measures such as unemployment insurance and social-assistance programs, often dubbed “productive welfare,” constituted the core of the Kim government's reform package. The traditional norm of lifelong employment, which had sustained Korea's earlier economic development, was replaced by a flexible labor market and various compensatory social-policy programs. These changes significantly affected the profile of the poor and vulnerable and presented new challenges and opportunities to the democratic government.

The State, Social Policy, and Governance

The Korean state was, on the one hand, a “hard-power” state that controlled and manipulated societal forces and, on the other, a “soft-power” state that provided effective governance throughout society.² Even authoritarian governments, if they are prudent, will want to be viewed as holding power legitimately and governing effectively. Thus the South Korean state sought to gain support and secure its grip on power by providing good governance.

Many authoritarian regimes try to promote the welfare of their citizens in order to gain and sustain legitimacy. By doing so, they also lessen the need to use coercive power. To be sure, South Korean authoritarian regimes, under constant pressure from below, never felt completely secure and used force ruthlessly when they thought it necessary. But such coercion does not account for the success of South Korean authoritarianism in achieving effective governance and economic modernization. These were products of the state's collaboration with nongovernmental partners.

This combination of coercive power and the delivery of effective governance is a key feature of South Korea's authoritarianism. Although the state ultimately was in command of its partners, it did work *with* them. It is true that the real decision-making power rested in the presidency,³ and the president's personal views and preferences often trumped sound policy recommendations from inside and outside the government. The Korean welfare state was formed within this framework of a state-led society and a president-led state. But the *management* of the welfare state was in the hands of an extensive alliance of the state, the business sector, and the voluntary sector.

The relationship between the South Korean state and the business community has been well-researched. The parallel alliance of the state

and the voluntary sector, however, has not. As in the case of business, voluntary agencies extracted concessions from the Korean authoritarian state, which relied on them to deliver social services because it lacked the means to do so itself. Voluntary agencies accepted the task and worked within the framework of state regulations while also carving out their own domain, in which they grew and flourished. Thus both business and voluntary agencies became indispensable partners of the state.

In this way, South Korea had a kind of “mixed governance.” Its society was not monolithic but pluralistic, with a varied and vibrant civil society. Throughout the authoritarian period, even in times of harsh suppression of trade unions and other civic movements, there was constant pressure for democracy from below that eventually helped the country to make a transition to democracy. When authoritarianism collapsed in the face of massive and intense prodemocracy movements in 1987, the institutions of a reasonably pluralistic social order already existed, easing the way for the new democratic dispensation.

Corporatism and the Welfare State

Park and his successors built South Korea’s strong state, and they were brutal in their determination to hold on to power. Thus trade unions, along with any other opposition groups, were suppressed. But the state’s strategy was sophisticated, and aimed at mobilizing and coopting nonstate actors rather than merely marginalizing or outlawing them. The state was able to coopt the business community by fostering state-led *chaebŏl* monopoly capitalism, which was corrupt but nevertheless effective. The state mobilized voluntary agencies by allowing them to operate in return for their providing social services and staying apolitical. Similarly, it gained the cooperation of civil servants and policy experts by making them partners in governance. Both rural and industrial populations were mobilized through the Sae-maul Undong (“New Community Movement”), a government-initiated national campaign for mass mobilization that put local communities to work on infrastructure-building projects under the slogan of “self-reliance.”

Within this governance structure, the economy grew at an unprecedented pace, and the rate of poverty dramatically decreased. Although the direct effects of Park’s social policies were not always obvious, it cannot be denied that his government sowed the seeds of the Korean welfare state. In 1963, the country’s first social-insurance program, the Industrial Accident Insurance scheme, was introduced in order to ease workers’ resistance to industrialization and to reduce employers’ financial burden. That same year, the government introduced the experimental National Health Insurance Act, which covered public-sector workers,

private-school teachers, and employees of large firms. It became compulsory in 1977. Occupational-pension schemes for civil servants, military personnel, and private-school teachers were implemented in 1960, 1963, and 1975, respectively, to buy their loyalty.

The Livelihood Protection System (LPS), a poverty-relief program, was enacted in 1961. Yet it provided income support only to the elderly, the disabled, pregnant women, and children. Having a certain minimum standard of living was not considered to be a social right, and social policies were aimed at supporting economic growth more than citizen welfare. Therefore, social insurance was selective and did not extend to workers in the more marginal reaches of the economy, and social assistance was strictly means-tested. Furthermore, the number of social-assistance recipients tended to be restricted because the available budget was generally deemed short of what was needed to protect all the poor.⁴ As a result, social policies had little impact on poverty reduction and income inequality.⁵

Although the authoritarian government introduced only a minimal range of social policies, it managed and coordinated these policies well, enabling the country to combine economic development and poverty reduction. Various economic and rural-development initiatives—such as land reform, rice-purchasing schemes, formal educational institutions, public-health facilities, and insurance for industrial accidents and national health—were integrated to help provide social protection and reduce poverty.⁶

Those South Koreans who escaped poverty did so mainly through hard work and self-reliance, which define the Korean ethos. In other words, gains in poverty reduction stemmed largely from overall economic development and individual benefits derived from work and occupational (employment-based) welfare. The Korean brand of occupational welfare was an outgrowth of the state's ideological politics, which not only encouraged people to work and rewarded them for their efforts, but also promoted social responsiveness along with the national goal of economic growth. It reflected corporatist forms of mixed governance aimed at mobilizing capital and neutralizing labor. Reliance on occupational welfare under authoritarian rule helped to relieve the state from some of its responsibilities for welfare provision. This model has continued into the democratic period.

The strong developmental alliance between the government and business was not a command-compliance relationship but rather a symbiotic one.⁷ The Korean government shifted the burden of welfare funding and delivery onto business. In return for the welfare assistance that it provided, business received direct subsidies or tax relief on production and exports, which not only benefited the businesses themselves but also helped the government to achieve its goal of economic growth. Clearly, this arrangement was mutually beneficial and

provided a basis of legitimacy for both parties—economic growth for the government and the accumulation of wealth for business. South Korea’s authoritarian leadership was wise to accommodate and to coopt the immense economic power of the *chaeböl*. Labor did not fare as well under authoritarianism, as trade unions were marginalized and repressed by the government and suffered from persistent internal divisions. During the transition to democracy, however, labor grew stronger and engaged in militant industrial action.

The mixed-governance system of occupational welfare was founded on two pillars: social insurance and corporatist paternalism. First of all, a series of government-designed insurance programs—industrial accident and health insurance, followed by national pensions and unemployment compensation—was imposed on employers and workers, who had to pay for them and manage them for the most part as well. Second, the authoritarian government emphasized the importance of a familial enterprising spirit that rejected the economic individualism prevalent in Western societies; it delegated welfare responsibilities to both workers and employers, and allowed state intervention in labor-management relations.

This corporatist version of occupational welfare developed throughout the authoritarian period. With the passage of the Labor Standards Act in the early 1950s, the Rhee government forced employers to improve working conditions more than they wanted. In the 1970s, the Kongjang Saemaul Undong (“New Factory Movement”) further strengthened the country’s corporatist paternalism through a successful campaign of mass mobilization and workplace-improvement projects across the country. Firm-based educational facilities, along with the meals, clothing, sports, and recreational and bath facilities provided by most firms, were manifestations of corporatist paternalism. Even in the 1980s, when the Chun government trumpeted the building of the welfare state, it was still primarily the occupational sector that was to expand and deliver welfare. In most firms, Labor Management Councils (LMCs) were forcibly established by state agencies as an extended arm of state control. The LMCs became the only legitimate arbitrators of labor-management conflicts.⁸

Employers did not always comply with the government’s directives and guidelines. In 1982, for example, the Korean Employers’ Federation refused to accept the government’s Company Welfare Funds worker-benefit scheme, which was to be funded by employers. Labor unions, the other corporatist partner, likewise began to resist the government’s will, particularly in the wake of the democratic transition in the late 1980s. By that time, unions had become more powerful, and large companies preferred to accept union wage demands rather than risk strikes and the interruption of production. Despite the government’s attempt to impose wage controls in the 1990s, wages escalated by more than 10 percent a

year on average during Kim Young Sam's presidency (1993–98). The financial crisis of 1997 brought an end to the wage boom, however, and Kim Dae Jung's government won some concessions from the national union associations to make the labor market more flexible—including both layoffs and an increase in nonregular workers. Finally the Kim Dae Jung government institutionalized the Tripartite Commission as the official body for corporatist intermediation.

Democratization did not disrupt occupational welfare. Rather, social-insurance programs continued and matured, with the occupational-benefits system prevailing over statutory insurance, even during the hard times of the 1997 financial crisis. The underlying rationale of mixed governance did change after the transition to democracy, however, and the paternalistic structure of occupational welfare gave way to more balanced negotiations and agreements. In addition, as unionization was normalized, occupational-welfare schemes in some cases developed into statutory rights. In short, occupational welfare remained at the core of the system, while the state took on new responsibilities regarding welfare provision.

The Voluntary Sector

Regardless of how strong the Korean state may have been at any given point, social-welfare and poverty-reduction measures never came from the state alone. Rather, it was the government's willingness to partner with business and civil society that paved the way for reducing poverty and inequality in South Korea. The common narrative of Korean political history pays plenty of attention to the alliance between state and business in this regard, but neglects the relationship between the government and other nonstate actors. Thus the state's alliance with voluntary agencies is a virtually unknown facet of governance in South Korea.⁹ In fact, from their earliest days on the scene, voluntary agencies were incorporated into South Korea's system of mixed governance.

Conventional wisdom has it that voluntary associations became significant social actors beginning in the late 1980s as a result of democratization. Yet the voluntary sector was established in Korea even before the authoritarian period, was never completely controlled by the authoritarian regimes, and persevered up to the reemergence of democracy.¹⁰ More important still, the state deliberately guided and mobilized the voluntary sector to deliver social services. The state's institutional adaptations and its integration and cooptation of the voluntary sector were another part of the pattern of mixed governance.

Voluntarism in South Korea began with postwar emergency-relief activities. After the Korean War, there was an influx of foreign relief agencies into the country, and the mission of relieving the dire poverty and ruin that the war had left in its wake fell to them. In 1952, foreign

agencies formed the Korean Association of Voluntary Agencies to enhance and coordinate relief projects. By 1961, their combined annual budget was more than twice that of the Ministry of Health and Social Affairs. Foreign voluntary agencies began to retreat from the ROK in the early 1960s, however, as the advent of military authoritarianism brought with it tighter regulation over the sector. With their departure, local Korean voluntary agencies stepped in.

The flight of foreign agencies cut the flow of aid money from abroad, thereby leaving local groups to operate under serious resource constraints and forcing them to comply with government conditions for financing. The fragmented Korean voluntary associations needed government subsidies if they were to have any success in reducing poverty and inequality. For example, the Park government partially bankrolled the Saemaul Undong when they were first introduced in the 1970s, but by doing so it deliberately shifted extensive welfare responsibilities from the government onto voluntary groups and local communities. Moreover, the government's financial backing of the Saemaul Undong enabled it to limit the scope of the voluntary agencies' work to service provision and to keep them away from political advocacy. By mobilizing voluntary forces in this way, the Park regime accomplished two goals: It kept the voluntary sector in check and, more important, it significantly reduced poverty.

With the democratic breakthrough in 1987 came an expansion of the voluntary sector. In the eyes of the state, this presented two alternative possibilities: a latent adversarial powerhouse that would challenge the government on social issues, and a potential bank of human resources that would cooperate with the state to deliver social services to the people. The state responded to the politicization of welfare issues by coopting and incorporating leading voluntary federations into the government's policy-making process, but continued to mobilize the more conventional service-oriented groups for the task of social-service provision. This dual strategy allowed the government to use different institutional arrangements for handling the two branches of voluntarism. This bifurcation of the voluntary sector continued through the period of the financial crisis.

The corporatist ethos underlying South Korea's mixed governance blurred the boundaries between the state and civil society, impelling both sides to work together.¹¹ Corporatism has served as an effective institutional device to bring about compromise between conflicting social actors. Shifting welfare responsibilities onto the voluntary sector was a way not only of getting the job done cheaply, but also of integrating its institutions into a grand, shared national project of poverty reduction and modernization. The state was strong but could only achieve its developmental goals with the contribution of non-state actors. Although the precise form of mixed governance in South

Korea has fluctuated over time, corporatism has long defined the relationship between the state and the nonstate sectors.

Democracy and Mixed Governance

At various critical junctures throughout South Korea's history, pro-democracy groups asserted themselves vehemently, but they were repeatedly repressed by the state, their demands denied. By 1987, however, the autocratic order had weakened, and nationwide demonstrations erupted as Chun named Roh Tae Woo as his successor. Given the unrest, Roh announced that he would concede to many demands for reform, including the direct election of the president. Thus the efforts of the huge prodemocracy coalition, made up of the political opposition and civil society organizations, led to the breakdown of authoritarian rule and a democratic transition.

Before the transition, South Korea's form of mixed governance, though often discordant and disorderly, had managed to operate as an effective corporatist system. After 1987, democracy could endure and consolidate because its foundation had already been laid. Because the mode of governance during the authoritarian period had mobilized and even empowered nonstate institutions, the latter could engage with the democratic state and develop normal and balanced state-society relations. Indeed, as democracy deepened, state-society relations matured; the government no longer acted as autocratic overlord, and nonstate actors no longer served as its handmaidens. Korea successfully converted itself into a democracy with normalized democratic governance.

Has normalized governance worked well? The ability of the strong state at the center to impose its will has been curbed, as it should be in a democracy. The authoritarian state was effective in promoting economic growth, but it was also seriously deficient due to its corrupt practices and, of course, its repressive use of force. Democracy, generally if not always, has proved superior to autocracy in effectiveness as well as representation and fairness.¹² Although it may not be perfect, South Korea's democratic state has succeeded in implementing many overdue reforms, particularly after the economic crisis of 1997.

The Asian financial crisis had devastating economic and social repercussions, such as increasing unemployment and widening income disparities. The crisis prompted South Korea to reform its welfare system, although other regional powerhouses such as Hong Kong and Singapore weathered the crisis without undertaking welfare reform.¹³ In the ROK, however, the crisis also marked a political turning point. The election of Kim Dae Jung as president in December 1997 marked the first handover of power from the conservative ruling elites to an opposition party since the establishment of South Korea in 1948. The transfer of political power helps to explain why Korea alone undertook welfare reform. The

economic crisis created grave problems that demanded some kind of response from a democratic government, and a reshaping of social policy was an obvious step. Neighboring authoritarian regimes, by contrast, felt no need to respond to citizen demands.

Due to high unemployment caused by the economic crisis and subsequent corporate restructuring, the Korean government was no longer able to meet the population's social needs through economic growth. As the job market shrank and unemployment rose, inequality widened and more and more people fell into poverty, as the social safety net was still largely tied to the workplace. In Korea, employment has always been central to welfare provision—as the source both of income and of access to social benefits through social-insurance programs.¹⁴

Given the minimal role of state welfare and the strong emphasis on self-reliance, there were insufficient public provisions available for the newly unemployed in a country that had maintained almost full employment prior to the economic crisis. For most of South Korea's history, family support and occupational welfare had compensated for the lack of government-provided welfare. In the wake of the crisis, however, they were ill-equipped to protect citizens from the fallout.

In the end, however, it was political dynamics more than economic necessity that shaped the direction of welfare reform in Korea. Rather than the social role of the state contracting, as might have been expected for economic reasons, it instead expanded. Three key factors led to this outcome: first, the social-policy paradigm and political strategy of President Kim Dae Jung; second, advocacy on the part of a strong and newly empowered civil society; and finally and decisively, the combined and cooperative efforts of influential forces from above (state elites) and new forces from below (civil society organizations) to understand and combat the crisis.

With the new policy, the state took a notable step toward becoming a welfare provider, particularly of social assistance and unemployment compensation. Under the reformed Korean welfare system, the state's primary role is still a regulatory one, but it now has a secondary role as a provider as well. Despite the shift, the government maintained a strong commitment to economic growth and development.¹⁵ As a result, unemployment compensation was improved and extended, and discretionary poverty relief was replaced with a modern rights-based system of social assistance. With the new National Basic Livelihood Security (NBLs) Act of 1999, the state took on the responsibility of ensuring a "social minimum." In principle, the new assistance program guarantees income support to all who need it. Under the old LPS, support was not provided to those able to work, and therefore excluded able-bodied citizens between the ages of 18 and 64. Public expenditure on social assistance more than doubled in the five years after the crisis, increasing from 1.3 percent of the state budget in 1997 to 3.3 percent in 2001.¹⁶

Although the postcrisis reform strengthened income-maintenance programs such as social assistance and unemployment benefits by extending their coverage and raising benefit levels, the social-security system as a whole remained incomplete. Despite increasing social expenditures in recent years, South Korea's

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overall welfare-related spending as a proportion of GDP still lags behind that of other developed nations. According to the 2009 OECD Factbook, in South Korea only 6.9 percent of GDP went to gross public social expenditure—the lowest share of any OECD country.¹⁷ To be entitled to social-assistance benefits in Korea, claimants must prove that they do not receive private assistance from extended-family members called “supporters.” Moreover, the income *capacity* of these so-called supporters is also taken into account, re-

gardless of their actual income.

The total number of social-assistance recipients has not changed much over the years, even when compared to coverage under the old system. Between 1997 and 2009, the number of people receiving social assistance increased by only about 200,000—going from 1.4 million at the beginning of the period to 1.6 million at the end.¹⁸ Under the NBS system, only 3.2 percent of the total population was covered, while roughly 9 percent of the population was estimated to be living in poverty throughout the first decade of the 2000s. Because of its strict eligibility criteria, the new system has left a large share of the country's poor unprotected. The NBS guaranteed all recipients its main income support—that is, the Livelihood Benefit—which under the old system was not provided to those who were able to work. The number of those eligible for the Livelihood Benefit thus increased from 0.5 million people in 1999 to 1.5 million people in 2000. Despite the increasing number of those receiving the Livelihood Benefit, however, the total number of social-assistance recipients did not change much in comparison with the coverage under the previous system—1.41 million recipients in 1997 and 1.57 million in 2009.

Adding to the challenge of providing for the needy, a growing number of Koreans have become “nonregular” (temporary) workers, who are often referred to as “outsiders.” “Insiders,” by contrast, are the regular workers who are protected by social insurance. As the Table on page 122 shows, income inequality has increased significantly since the Asian financial crisis—with the country's Gini coefficient increasing from 0.33 in 1997 to 0.39 only three years later. This widening gap can be

attributed largely to greater wage disparities between regular and non-regular workers in the context of economic globalization and neoliberal structural reforms. Although social insurance is not directly designed to provide a minimum income, it does provide a high degree of income security, and social transfers other than means-tested benefits play a significant role in alleviating poverty and inequality.¹⁹ Many temporary workers, however, are not covered by social-insurance programs.²⁰ As of August 2010, less than 36 percent of nonregular workers were covered, compared to between 83 and 98 percent of regular workers.²¹

Although Kim Dae Jung's reform measures were impressive, transforming the state's role and increasing its contributions to the social-security system, the outcomes have fallen short of expectations. Despite the reforms, welfare policy still had problematic characteristics (notably its limited coverage) that restricted its impact on poverty and inequality. Under democratic governments, the ROK has seen a deepening bifurcation of the labor market and a consequent increase in income inequality. Although political democratization led to an expansion of welfare policies, even democratic consolidation may not be a sufficient condition for effectively mitigating income inequality.

The Lessons of the Korean Experience

Scholars have arrived at different conclusions as to whether authoritarian or democratic regimes are better for economic growth and poverty reduction. Many believe that strong states—whether authoritarian or democratic—are the key to achieving development goals in poorer countries. In the case of South Korea, however, a strong state was only half the equation. In order to understand the country's success and draw lessons for developing countries, we must acknowledge the dual nature of South Korea's authoritarian state and look at how it exercised authority: It used brutal force (hard power) when necessary in order to maintain its rule, yet it coopted and worked with nonstate actors in order to deliver social services to the people (soft power) and also to bring economic growth to the country.

Through this mode of mixed governance, the strong state was able to make great strides in the reduction of poverty and also had some success in narrowing inequality. It was this characteristic of South Korean authoritarianism—good governance via partnerships with business and civil society—that spurred economic growth and development, not its willingness to use coercive force. Paradoxically, in adopting this form of corporatism, South Korea's authoritarian government laid the groundwork for the transition to democracy by allowing a well-organized civil society to emerge.

Policy makers and scholars alike tend to assume a fixed dichotomy between democracy and authoritarianism (or between strong states and

weak states) rather than looking at how the state can work with other stakeholders in society. Yet the South Korean experience shows that a state willing to partner with nonstate actors in managing economic development and poverty reduction can achieve remarkable success, regardless of regime type. A number of poor developing countries would likely benefit if their governments were to ally with local stakeholders in this way. In short, a close look at social policy, economic growth, poverty, and inequality during South Korea's period of authoritarian rule reveals that the country's successes stemmed not from the state's coercive strength but rather from policies that allowed business and voluntary agencies to become integral players in the country's governance. Although this model confirms that good governance is the key to effectively addressing socioeconomic ills, it does not come down obviously on the side of either authoritarianism or democracy. Yet by implementing such a form of mixed governance, states are not only choosing a path that will result in economic development and social solidarity, but also one that will prepare the way for democracy.

Democracy by itself, of course, cannot guarantee prosperity and equality. For all its economic and political progress, South Korean society is now faced with new challenges. The widening income gap between regular and nonregular workers as well as an aging population threaten to undermine what the country has so far achieved. The state needs to accept greater responsibility for social-welfare programs that families, the business community, and the voluntary sector have been implementing up to now. At the same time, it is important to note that, in an era of neoliberal labor policies, social policy alone cannot close Korea's widening income gap.

NOTES

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