

Summary of Project

■ 과제 내용을 요약(한국어, 영어 각 한 페이지 이내)

Summarize the Project in both Korean and English.

(Length: less than one page for each summary)

Dilemma of Economic and Social Sustainability in Korea: Causes and Pathways of Escape

A Proposal for an International Workshop 2020

This proposal for an international workshop seeks to discuss the dilemma of economic and social sustainability faced by the Korean political economy. Also known as the “high-income trap”, the dilemma of sustainability describes the combination of socio-economic dysfunctions affecting new advanced market economies, namely, decelerating growth, rising income inequality, inadequacy of social welfare, skyrocketing real estate price, and extremely low fertility rate and hence ageing society. Shared to some extent by all advanced market economies, old and new, these dysfunctions appear to be most acute for the East Asian economies, and in particular, Korea. As with the concept of “middle income trap”, the concern is with the threat of not attaining further economic growth after the initial catch-up phase. In addition, it focuses on the threats to social sustainability arising out of increasing social polarization (and as a consequence, the shrinking of the middle class), and the political obstacles to developing effective policy responses. With particular reference to Korea, but also drawing on international comparisons, the proposed workshop seeks to deepen our understanding of why the dilemma of economic and social sustainability has become so acute and to explore possible routes of escape.

Korea’s dilemma is that the social benefits of manufacturing export-led development, spearheaded by the conglomerates or *chaebol*, have diminished. It is no longer creating enough high value-added jobs directly, and the “trickle down” effect through local productions chains has weakened owing to the internationalization of production. This has generated labour market dualization on many levels: *chaebol* versus small and medium enterprise; regular versus casual workers; export versus domestic sector; manufacturing versus services. On all four levels, women and youth are in the disadvantaged category. The proposed workshop will discuss these issues focusing on the post-2008 (global financial crisis) period, when the Korean governments of both left and right have become more proactive in light of the shortcomings of the prevailing neo-liberalism. Structured around three questions, the proposed workshop will discuss the content and consequences of government strategies in response to the dilemmas of economic and social sustainability:

1. *Why have Korean governments not succeeded in forging new inclusive coalitions for development?* This section will re-examine why Korea has lacked the key socio-political ingredients that enabled some European governments to forge successful political compromises that underpinned “flexicurity”-type policies that have eased the social effects of globalization without compromising competitiveness.
2. *How distinct are the strategies employed by Korean governments in comparison to those of existing advanced industrial democracies in response to the dilemma of economic and social sustainability?* This section will re-examine the economic and social strategies of the two previous administrations (2008-2017) from historical perspective and from international comparative perspective, focusing on their distinctive features and the challenges experienced in generating a model for inclusive growth.
3. *What are the available pathways of escape from the dilemma of economic and social sustainability?* This section will evaluate the performance of the current administration so far and consider its prospects for the remainder of its term of office. In particular it will consider whether the current administration is shaping the development pathway towards an escape, and who is driving this process, and how. For instance, is there a new inclusive coalition for development that is being forged? Can Korea return to the path of egalitarian growth to inspire other emerging economies? Are there any useful lessons that it can learn from, and provide to, other advanced industrial economies facing similar problems?

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대한민국 경제·사회의 지속가능성: 문제점과 정책제언

2020년 국제 워크숍 제안서

본 워크숍은 사회경제적 지속가능성 (economic and social sustainability) 확보에 있어 한국 정치경제가 직면하고 있는 문제에 대해 논의한다. 현재 새롭게 선진시장경제로 편입된 국가 중 많은 수가 성장 동력 약화, 소득 불균형 심화, 취약한 사회복지제도, 부동산 거품, 초저출산 및 초고령사회 등의 사회경제적 문제들로 인하여 “선진국 함정” (high-income trap)에 빠질 가능성이 대두되고 있다. 이러한 현상은 구(舊) 선진시장경제에 비해 동아시아 경제, 특히 한국에서 빠르게 확산되고 있다. “중진국 함정” (middle-income trap)에 빠진 국가들 뿐만 아니라 성공적인 추격 단계를 경험한 “선진국 함정”에 처한 국가들 또한 고소득 국가로 안착하기 이전에 경제성장률이 약화되는 것을 우려하고 있다. 사회적 측면에서는 양극화와 중산층 축소 그리고 효과적인 정책 대안 마련에 장애가 되는 정치적 걸림돌이 문제가 되고 있다. 본 워크숍은 한국 및 비교 연구를 통하여 사회경제적 지속가능성을 위협하고 있는 요인들에 대한 이해를 높이고 정책 방안을 논의할 계획이다.

현재 한국에서는 대기업 또는 재벌이 이끄는 수출 및 제조업 중심 개발 전략의 사회적 혜택이 줄어들고 있다. 그 원인의 핵심은 생산기지의 탈산업화와 국제화가 고부가가치 일자리 창출 및 국내 가치사슬을 통한 낙수 효과를 약화한다는 점이다. 이러한 현상으로 인하여 재벌 대(對) 중소기업, 정규직 대(對) 비정규직, 수출산업 대(對) 내수산업, 제조업 대(對) 서비스업 등 노동시장의 이원화 (dualization)가 심화되고 있으며, 특히 여성과 청년층이 취약한 상황에 놓여있다. 이번 워크숍은 보수와 진보라는 이념적 진영을 벗어나, 신자유주의 체제에 대한 한계를 인식한 정부가 본격적으로 대응에 나서기 시작한 2008년 글로벌 금융위기 이후 한국이 어떤 문제에 직면하고 있는지에 대해 점검한다. 한국의 사회경제적 딜레마와 정책방안 및 효과에 대한 분석을 위해 아래 세 가지 주제를 토론할 계획이다.

1. 한국 정부는 왜 지속적 성장에 필요한 포용적 연합체 (inclusive coalition) 구축에 성공하지 못했는가? 본 세션에서는 경쟁력을 유지하는 동시에 세계화의 사회적 영향에 대응하기 위해 일부 유럽 국가들이 도입한 유연안정성 (flexicurity)과 같은 정책을 분석하고 유사한 정책 도입에 필요한 사회적·정치적 요소들을 한국적 배경에서 논의한다.
2. 한국 정부가 사회경제적 지속가능성 확보를 위해 도입한 전략은 여타 선진국 전략과 어떻게 다른가? 본 세션에서는 2008-2017 년 사이 경제·사회 발전을 위해 한국 정부가 추진한 정책을 역사적으로 살펴보고 국가간 비교연구를 통해 포용적 성장모델 구축 과정에 있어 고려해야 할 한국의 특수한 상황과 대응책에 대해 논의한다.
3. 사회경제적 지속가능성 제고를 위한 대응 방안은 무엇인가? 본 세션은 현(現) 정부가 추진하고 있는 정책 성과를 평가하고 남은 임기 동안 추구해야 할 정책 방향을 검토한다. 이를 위해, 현재 실시되고 있는 정책이 “선진국 함정”을 빠져나가기 위해 적절한 방안인지, 정책과정 및 정책 수립을 주도하고 있는 행위자가 누구인지 분석한다. 또한 지속적인 성장을 위한 포용적 연합체 구축의 필요성 및 가능성, 한국의 균형성장으로의 회귀 가능성 및 신흥경제에 주는 시사점, 유사 문제점을 겪고 있는 여타 선진시장경제가 한국에 주는 시사점 등에 대해 논의한다.

Workshop 1 13 July 2021, 10.00-12.45 (UK time)**Introduction from project director and co-researchers (10-15 minutes)**

Tat Yan Kong (SOAS)
 Ramon Pacheco Pardo (King's)
 Nahee Kang (King's)

Panel 1: formation of inclusive coalitions in Korea (3 x 15-minute presentations + 15 minutes discussion, Q&A)

Jiyeoun Song (SNU), *Rising Labor Market Inequality and Dualizing Welfare Regime in South Korea.*

Yoonkyung Lee (Toronto), *Labor movements in neoliberal Korea.*

Myung-Joon Park (KLI), *Recent dynamics of social integration policies and social dialogues in Korea.*

Discussant: Kevin Gray (Sussex)

10 MINUTE BREAK

Panel 2: economic and social strategies 2008-17 (3 x 15-minute presentations + 15 minutes discussion, Q&A)

Kahee Jo (King's), *Business structural power behind the industrial agenda-setting: How business became the back-seat driver in South Korea's EV policymaking.*

Robyn Klingler-Vidra (King's), *The rise of Start-up Asia: a comparative evaluation of China, Japan and Korea.*

Elizabeth Thurbon (New South Wales), *Still more 'creative' than 'destructive'? Is Korea overcoming the obstacles to its clean energy shift?*

Discussant: Kevin Gray (Sussex)

Panel 3: summary, theoretical discussion, final thoughts (10-15 minutes)

Tat Yan Kong (SOAS)
 Nahee Kang (King's)
 Ramon Pacheco Pardo (King's)

Workshop 2 14 July 2021, 10.00-12.45 (UK time)

Introduction from project director and co-researchers (10-15 minutes)

Tat Yan Kong (SOAS)

Ramon Pacheco Pardo (King's)

Nahee Kang (King's)

Panel 1: pathways of escape (I) economic & social performance 2017-20 (3 x 15-minute presentations + 15 minutes discussion, Q&A)

Jong-Sung You (Gachon), *The performance of the key policies of the Moon administration's income-led growth.*

Sophia Lee (Chungang), *Precarious workers in the era of melting labour.*

Kyunghoon Kim (King's), *The Moon administration's struggles in transforming state enterprises' focus without consensus.*

Discussant: Hyunji Kwon (SNU)

10 MINUTE BREAK

Panel 2: pathways of escape (II) prospects going forward 2020-22 (3 x 15-minute presentations + 15 minutes discussion, Q&A)

Christine Lee (King's), *Modernising the Korean labour market.*

Thomas Kalinowski/Nancy Kim (Ewha), *Korean welfare trilemmas and the political economy of the COVID response.*

Joohee Lee (Ewha), *The South Korean welfare state after the pandemic: How will work and care regimes change?*

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Workshop 1 (13 July 2021, 10.00-12.45 (UK time))

Panel 1: formation of inclusive coalitions in Korea

Labor movements in neoliberal Korea

Yoonkyung Lee (University of Toronto)

This presentation overviews the current labor movements in Korea in relation to the panel theme, the (failed) formation of inclusive coalition. Multiple divisions and stratifications within the labor market as well as in labor union structures have been the impediments to the building of broad social solidarity. In this context, workers have organized by experimenting alternative forms of labor unions and by engaging in novel protest repertoires to resist neoliberal conditions.

Rising Labor Market Inequality and Dualizing Welfare Regime in South Korea

Jiyeoun Song (Seoul National University)

While South Korea (Korea, hereafter) has been known as a successful model of high economic growth with relative income inequality, it has faced the rapid increase in labor market inequality along the lines of employment status, firm size, gender, and age group. The two financial crises have further fortified the dualistic labor market between the internal labor market (e.g., regular employment in large-sized *chaebol* firms and the public sector) and the external labor market (e.g., non-regular employment and SME employment). The expansion of welfare programs, especially after the Asian financial crisis, has not effectively dealt with the problems of rising inequality, either. Why has Korea failed to respond to the problems of rising labor market inequality and dualizing welfare regime? While the political partisanship of the government explains the different policy preferences of the labor market and welfare policies, a set of the structural constraints in the Korean political economy, ranging from the chaebol-centered economic system, globalization and technological innovation of Korean firms to the transition to the service economy, has determined the reinforcement of labor market inequality and dualizing welfare regime over the past two decades.

Recent dynamics of social integration policies and social dialogues in Korea

Myung-Joon Park (Korea Labour Institute)

Due to the neo-liberalist policy-drives since the 1990s, South Korea has suffered from their

negative social impacts: labor markets were segregated, and inequalities increased. Mainly, firm size differentiation and the forms of employment contracts were the two critical impetuses of the rising inequality, while unionization was restricted to the primary labor markets (large firms and public sector) and failed to tackle the trend. Experiencing economic crisis and recession, Korean political power changed and its enthusiasm toward neo-liberalist reforms fluctuated. From the 1990s, all governments more or less searched for a consensual style of labor reforms, trying to activate the channels of social dialogues. This politics accompanied different types of policy-interactions according to the characteristic of the reform processes (participatory vs. unilateral) and reform results (balancing vs. unbalancing). Having started with a less-participatory but balancing-oriented policy-initiatives amidst the Kim Young-Sam administration, the consensual style of the reform drives was highly emphasized at the beginning of the Kim Dae-Jung administration through the creation of large social pacts in February 1998, which are assessed as a combination between more-participatory style and unbalancing-orientated policies. With the time, the Kim Dae-Jung administration moved to more balancing but less participatory style and this stalemate situation continued under the Roh Moo-Hyun government. Thereafter, the two conservative administrations (Lee Myung-Bak and Park Keun-Hye) maintained unbalancing-oriented reforms while being reluctantly and passively involved in social dialogues. After the candlelight demonstrations and impeachment of its predecessor, the current Moon Jae-In administration quite distinctively changed its policy stance towards balancing and participation. Minimum wage rapidly increased; the proportion of atypical workers in the public sector was dramatically reduced; 40 hour-week practices became substantialized; and new local initiatives at job creation by cooperation of stakeholders emerged in Kwang-Ju and were creatively implemented in other regions. However, despite its strong enthusiasm at its consensus-oriented policy-making, social dialogues in and out of the reformed tripartite body (ESLC) failed to gain discrete success due to internal disintegration at the KCTU, the more activist-oriented union confederation of the two. Having experienced the different fate of various national and local level practices, the social dialogue regime is expected to experience a further significant change in the subsequent government.

Panel 2: economic and social strategies 2008-17

Business structural power behind the industrial agenda-setting: How business became the back-seat driver in South Korea's EV policymaking

Kahee Jo (King's College London)

Behind the rapid growth of the electric vehicle (EV) industry in South Korea lies strong government support particularly during the Lee Myung-bak administration (2008-2012). The biggest beneficiary of this policy is the Korean manufacturing chaebol represented by

Hyundai, Samsung and LG – the big three. Interestingly, the Lee administration’s industrial policymaking was led by business elites from the big businesses who established an EV policy coalition. However, the existing literature of developmental state and state-business relations pays little attention to the business direct participation in industrial policymaking. Therefore, this paper raises a question: how could business elites from the big business directly participate in the policymaking process, especially agenda-setting, to promote the EV industry? To answer the question, this paper sheds light on the process of the systemic concentration of information to big business elites in the Korean automotive industry.

In conclusion, the paper argues that the direct participation of business elites in the Korean industrial policymaking is the result of the weak government capacity and chaebols' information monopoly - namely, the strong structural power of business elites. The key findings of the research show that the multi-layered automotive supply chain forms an information concentration on Hyundai Motor Group (HMG) due to 1) the market monopsony giving strong bargaining power to the lead firms (Hyundai and Kia), 2) the (sub)contract types leading to a vertical hierarchy of information throughout the industry, and 3) informal practices capturing suppliers' knowledge and technology. The research uses the process-tracing method to build a causal mechanism based on the different sources of data, including documents published by the government apparatus, business, and political watchdogs, local press, interviews with HMG's suppliers and surveys. The research contributes to the discussion of business structural power in the context of industrial policymaking. By doing so, it understands industrial policymaking from the business-dependent approach, deviated from the traditional state-centric perspective. Simultaneously, it reveals the representation issue in the South Korean EV policy by illuminating interfirm relationships in the automotive production system.

The rise of Start-up Asia: a comparative evaluation of China, Japan and Korea.

Robyn Klingler-Vidra (Kings College, London)

In this brief paper, we contribute to the “developmental state: dead or alive” debate (Wade, 2018; Hundt, 2014; Park, 2011; Kalinowski, 2008; Jayasuriya, 2005) by furthering the case that an assessment of the persistence (or not) of large firm support is too narrow a frame for answering the question of whether, and how much, the Northeast Asian developmental state has evolved. In our study, we find continuity in the state apparatuses to foster innovation and economic growth, with the target increasingly focusing on startups, rather than large national champion firms. What’s more, our research reveals that “Startup Asia” has internalized startup support to the point where national policies have pushed for fostering, or linking with, startup hubs elsewhere, in the U.S., Europe, and Southeast Asia, in particular. However, Northeast Asia’s contemporary innovation policy remains unique from increasingly ubiquitous Silicon Valley-style policy efforts. While not relying on the *keiretsu*, *chaebol*, or state-owned enterprises (SOEs) as drivers of innovation and job creation, Northeast Asian innovation poli

cy does still strive to infuse startup activity into the national innovation systems (NIS) dominated by these large firms – especially in the case of Japan and Korea. Startups, and their equity-financing, are supported as engines of innovation and talent creation in open innovation systems.

In China, Japan, and Korea alike, the institutions that were once responsible for developmental state policies have evolved in how they operate, and who they partner with in the private sector. The timing for the advance has varied across the countries, though, with Japan's shift beginning in the 1990s, Korea on the heels of the East Asian Financial crisis and then China's startup promotion advancing from the beginning of the 2000s. Also, the Chinese context has seen decidedly less in terms of large firm-startup collaboration, in comparison to Japan and Korea.

Still more 'creative' than 'destructive'? Is Korea overcoming the obstacles to its clean energy shift?

Elizabeth Thurbon* (UNSW Sydney)

*Presenting on behalf of Elizabeth Thurbon (UNSW Sydney), Sung-Young Kim (Macquarie University), John Mathews (Macquarie University) and Hao Tan (University of Newcastle).

We develop a new way of analysing the state's strategic role in the clean energy shift. We do so by synthesizing Schumpeterian understandings of 'creative destruction' and techno-economic change with cutting-edge developmental state theorizing centred on 'developmental environmentalism'. Our approach allows us to explain South Korea's mixed results in the clean energy shift over the 2008–2020 period by focussing on varying degrees of alignment between the state's 'creative' and 'destructive' ambitions and capabilities. Following a period of misalignment characterized by a creative emphasis (2008–2015), we have seen growing alignment between the state's 'creative' and 'destructive' endeavours (2015–present). On the basis of our analysis, we anticipate that Korea's hitherto mixed results are likely to give way to more consistent strides towards greening the national economy. Beyond Korea, our fresh analytical approach may be applied to other national contexts, helping to advance broader debates about the state's strategic role in the clean energy shift.

Workshop 2 14 July 2021, 10.00-12.45 (UK time)

Panel 1: pathways of escape (I) economic & social performance 2017-20

The performance of the key policies of the Moon administration's income-led growth

Jong-sung You (Gachon University)

Inaugurating with high expectations of the public, after the impeachment of the former president Park Geun-hye, President Moon Jae-in pledged to ensure “equal opportunities, fair procedures, and just outcomes” for Koreans. The Moon administration proclaimed the pursuit of income-led growth strategy, as opposed to profit-led or investment-centered growth strategy of previous administrations. The income-led growth strategy, adapted from the wage-led growth strategy proposed by ILO economists, intended to increase wages and household income, boost domestic consumption, and promote equitable growth. The key policies included raising the legal minimum wage from 6,470 won in 2017 to 10,000 won and transforming non-regular workers in the public sector to regular workforce during the presidential term of five years (May 2017 to May 2022).

Although the administration faithfully implemented these policies, the outcomes were not favorable. The rapid increase of minimum wage had negative effect on employment for low-skilled workers in the service sector, and small business owners criticized the government. The policy did not help reduce income inequality, either. According to household surveys, bottom quintile’s labour income fell because of increased unemployment and reduced working hours while top quintile’s rose, widening the gap between the rich and the poor. Regularization of non-regular workers in the public sector has brought about labour-labour conflicts, and the youth perceive the policy as unfair. They think the policy rewards non-regular workers undeserving status. Moreover, the skyrocketing real estate prices despite a myriad of regulations to curb speculation as well as the revealed speculation by the employees of the Korea Land and Housing Corporation made the majority of the population to withdraw their support for the administration, which was manifested in the recent Seoul and Busan mayoral by-elections. Unrealistic regulation of labour and real estate markets produced unintended adverse effects, while the administration was too timid in raising tax revenues and expanding social safety net.

Precarious workers in the era of melting labour

Sophia Lee (Chungang University)

The Moon administration's struggles in transforming state enterprises' focus from economic to social goals

Kyunghoon Kim (King's College, London)

The paper analyses the Moon administration's state enterprise policies used in achieving social goals and how they have been perceived and performed. State enterprises are useful tools for the government as they offer sizable off-budget resources and the executive has strong influence in shaping their corporate governance. The Moon administration argued that state enterprises should play a stronger role in achieving social objectives as Korea had become an advanced economy that suffered from high levels of inequality and the growth-first mindset. Therefore, with an aim to achieve sustainable development, the government actively mobilised state enterprises to carry out various policies such as job creation, public housing provision, and nuclear phaseout. However, the paper finds that the government faced challenges in shifting state enterprises' focus from economic to social goals as there was a lack of consensus on whether social objectives should be priorities, on the importance of solving social challenges while sacrificing other values, and on the appropriateness of the objectives themselves. The paper argues that future governments will need to devote greater political capital to bring about consensus if they want to successfully shift the goals of state enterprises.

Panel 2: pathways of escape (II) prospects going forward 2020-22

Modernising the Korean labour market

Soohyun Lee (King's College, London)

Korea has been heralded as a success case of development not only in economic but also in social achievements. However, the Korean success story has started to display 'cracks'. Admittedly, the slowing down of growth rates is something one might expect with the maturation of the economy. But we also observe a significant increase in social inequality, unemployment (especially, youth unemployment) and labour market dualisation with a massive increase in irregular employment. In this presentation we show the trend of rising inequality and labour market dualisation and propose recommendations to modernise the Korean labour market in order to promote inclusive growth. In our recommendations we highlight that, as growing dualism in the labour market is one of the key factors behind rising inequality, re-regulating the labour market is as important as improving the social protection system. Without tackling poor employment practices and poor legal compliance, Korea will

not be able to reverse labour market dualisation and social polarisation.

Korean welfare trilemmas and the political economy of the COVID response

Thomas Kalinowski/Nancy Kim (Ewha Womans University)

If we want to understand recent, ongoing and future Korean developments, we need to understand the legacy and transformation of Korean state-led model of capitalism. A good way to advance our understanding of this Korean development model is to look at it from a comparative political economic perspective. More concretely, we investigate Korea's response to the COVID crisis and Korean welfare reforms. Drawing on comparative data (from 30 countries) and Varieties of Capitalism research, we describe five Varieties of Welfare. We find that countries cluster into these five Varieties of Welfare – in terms of welfare outcomes, institutions, and policies (specifically, policy responses to COVID-19). We analyze Korea's particular Variety of Welfare and Welfare Trilemma; and explore the notion of a Korean hybrid model. We conclude with prospects for Korea to pursue a more balanced (rather than pathological) and institutionally feasible (from a Varieties of Capitalism/Welfare perspective) hybrid pathway to welfare.

The South Korean Welfare State after the Pandemic: How will work and care regimes change?

Joohee Lee (Ewha Womans University)

A crisis like covid-19 can open a space to change and transform. Korea is one of the most overworked countries of all time, with almost 40 percent of workers in nonstandard employment relations. The financialization of the Korean economy is responsible for this stalemate. The East Asian miracle was also fully gendered process. It was young unmarried women who provided cheap labor critical for the development of labor-intensive export industries. The pandemic and Korean development model have one common element that deteriorated women's status in society: "care" as shadow labor. The burden of unpaid care grew substantially during the pandemic and disproportionately carried by women. Care regime and work regime are intricately interrelated. The Korean work regime of highly sex-segregated labor markets and wage penalty for women subsidizes the care regime's lack of public provision and proper regulation. Thus Korea became a welfare laggard, the Confucian and liberal welfare state.

The pandemic has accelerated the pace of digitalization 2 to 3 times faster. In addition, due to extremely low fertility rates, the great demographic transformations lay ahead of Koreans. To improve defective work and care regimes, Koreans should promote social finance by

increasing the amount of socially responsible investment capital that are favorable to labor and environment. Because existing financial power has been concentrated on large conglomerates, small-sized high tech companies developing new technologies, eco-friendly companies and SMEs that can create decent jobs have been suffering difficulties due to structural underinvestment. At the same time, Korea also need a new paradigm of social rights. The citizen-worker-carer model endorses equal distribution of care work in families, in addition to increased provision of public care services. It may require radical equality promoting policies in the area of parental leaves, working hours, and flexible work schedules, and even universal basic income.