Chapter 9

Conclusion

9.0. Introduction

This chapter takes account of the theoretical implication and contribution of the term of employment system and the analytical framework of the critical juncture in this study, which this study adopts and develops. Then, the findings and arguments of each chapter are reviewed comprehensively and collectively with a diachronic view of the approach taken by the historical institutionalists. This chapter also aims at suggesting new research questions by confessing the limitations and missing of this study.

The purpose of this study is to examine the transition made by the Korean employment system in the 1980s from a militant-dictatorship and the rapid economic development was lagged at a first time in Korean economic developmental trajectory (although it was temporary). The Korean employment system experienced critical fluctuation in its own trajectory, between 1997 and 1999. The study therefore investigates three times of labour policy reforms in this period that enabled greater labour flexibility, more comprehensive labour protection schemes, and significant political rights to unions, in order to illustrate the transformation of the employment system and complement the outcomes from a formal setting thereby, contributing to a welfare debate on the transition of the Korean developmental welfare state. Further this study has captured the major structural reforms of Formatted: Line spacing: Double

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the chaebol system, the financial market system and the public sector, driven by the state simultaneously during this period, because it presumes that the employment system consists not only of the labour policies but also, other institutional constraints which directly and indirectly influence the design and result of institutional arrangements.

9.1. Employment **System** and its **Implication**

The employment system, herein, is conceptualised as a combined set of institutions not only on the labour market, labour relations and labour protection, but also the industrial policy (structural reforms for redistributing resources and state's selective strategy for economic growth in the developmental context), financial policy (greater liberal- shareholder financial market) and the economic policy (regulation or deregulation of the private sector), which directly and indirectly affect the change and character of employment practices at the empirical level. Also, it is notable that the informal institutions embedded in employment practices through a past practice (i.e., lifetime employment, seniority-based contract, and firm-based welfare provision) will also be regarded as factors to employment system transformation.

The term of employment system was first presented by Haagh (2004: 155). It has been used as an analytical lens here to detect the changes in the labour market, labour relations and labour protection, which have been termed employment practices. It has been used to understand the institutional adaptation of the developmental welfare state, which entails four

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theoretical implications: First, the term employment system explicitly exposes the property of institutional complementarity (Boyer 2005; Chang 2007; Hall & Soskice 2001; Streeck 2009) which refers to the contribution of each individual institution enhanced by mutual cooperation with other institutions. For example, the conjunction of labour policy with an object of reforming to shareholder financial market provides superior performance of labour flexibility than that of each element of considered separately. Also, when these policies meet the occupational/contributory compensation system of Employment Insurance (EI), the welfare provision is more likely to contribute to the increasing pattern of income and welfare inequalities. Therefore, to illustrate the comprehensive nature of the employment system and its transformation, it is necessary to explore not only the labour policy but also, other affiliated policies such as social policy, industrial policy and financial policy.

Second, it is also noticeable that the performance of the complemented or combined sequence of each individual institution sharing similar policy goals and direction does not always produce a positive sum of policy outcomes. Rather, it could be a negative sum or an unexpected policy outcome by institutional complementarity, which this study terms the 'biased complementarity of institutions'. For instance, when Article 31 of the Labour Standards Act which intended to balance the flexibilities between regular-insider labour market and non-regular-outsider labour market (more flexibility in insider labour market and more security at margin) was combined with the Act on the Protection, etc. of Temporary Agency Workers formed for securing the job and work conditions of non-regular workers at margin, the policy outcome complemented from these rules appeared in contrast with the original intention of each rule, as if reproducing the dualism of rigidity in the insider labour

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market and the flexibility at margin, while reinforcing the inequalities of income and welfare provision between the insider and the outsider markets.

Employing the fact that the institutional change alters not only the constraints in which actors make strategic choices, but also ultimately reshapes the very goals and ideas that animate political action (Thelen & Steinmo 1992: 27), it is not impossible to explain this phenomenon. Unless we accept the only mechanism of institutional change; self-reinforcement, which maintains that a certain employment system implemented at a punctuated time will necessarily adopt a self-reinforcing mechanism, it is not so extraordinary that it betrays the occurrence of the outcome of complemented institutions over time due to various and sometimes contradictory interpretations and enactments of institutions by each actor. Thus, the logic of the employment system lowers our analytical scopes down to an actor-based approach in which the diverse and competitive interests (goals and ideas) of political actors matter when examining institutional change and its impact, and brings them back to the realm of politics, eventually. Herein, the third theoretical implication of employment system in which the property of actor-based approach is embedded, lies on the fact that the institutional changes are motivated more likely by endogenous and slow-moving causal processes than exogenous shock or contingency (Mahoney & Thelen 2010: Streeck 2009).

For instance, this study identified the Labour-Management-Government Tripartite Commission (LMGTC, established in 1998), as a watershed in the dismantling of the Korean developmental state and a commencing point for institutional innovation in the formation of a new Korean state (i.e., tripartisan system), but it could not follow the self-reinforcing or self-reproducing mechanism. Although a series of institutional supports for activating and reinforcing the LMGTC has been legalised for a decade, it has failed to break a path away from the past state-led policy making process, in which the bureaucrats had a central idea,

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role and responsibility. The solid relationship between the state-business controls on policy steering, and Jabour however, became isolated. This was caused by the lack of experience and the embedded practice of collective bargaining or corporatists' social consensus in Korean history, on the one hand, and by highly diverse interpretations and enactments of the LMGTC by each actor, on the other, Basically, the LMGTC stood on weak and ambiguous institutional foundations of organisational and functional objects, however, the intentions, interpretations and enactments of the LMGTC appeared extremely different from each other. The state wished to draw social agreements through the LMGTC so as to demonstrate tangible results to the international community in order to secure the IMF's loan deal for internal economic rescue, However, while the business segment desired to achieve greater flexibility in the labour market and mitigate the effect of the government's chaebol reform plans by participating in the LMGTC, the labour force desired to push forward industrial relations reform (of structural reform of *chaebols*) and gain political rights of unions through the newly implemented tripartisan system. Further, the understandings on the LMGTC and its role in the policy-making process seemed different from each other even as differences were evident within the government. Finally, in 2000, when the state escaped the worst of the economic situation, the LMGTC lost its institutional power over the actors, and its role and function in the policy-making process.

A clear lesson derived from this case was that the coalition or compliance of actors on a certain institutional implementation (or change) could have highly diverse reasons motivating participation in the new institution (Streeck & Thelen 2005: 26), so that there would be inherent dynamic tensions and pressures cementing the potentiality of further institutional change. To put it differently, the existing socioeconomic institutions are the products of the conflicts and agreements between the rule-makers and rule-takers (or between each rule-

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takers) not only over their *design*, but also over their *enactment* (Streeck 2009), and these self-undermining conflicting and dialectical properties of institutions underpin the interpretative struggle between those institutional actors who accept and those who challenge existing institutions (Mahoney & Thelen 2010). The term employment system which refers to a combined set of institutions, therefore, needs to examine not only the policy outcomes from a particular employment system but also the roles, interests, and responsibilities of actors, because the policy outcomes which are fraught with tension and pressure from the institutional actors make room for further institutional change and constrain actors' policy preferences and responsibilities. Here is the fourth implication of the employment system, and the reason for this study that separates the employment practices as policy outcomes from the employment system. Continuous and dialectical processes on institutional change mediated by each actor, are the focal points of this study to analyse the transformation of employment system.

To sum up, the change in the employment system may be entirely dependent on the politics that shape these institutional arrangements within the employment system. This may be done by compromising diverse and competitive interests of political actors. Although, increasing pressure from international markets and the demand for a proper democratic society from the international community via the waves of globalisation seem to have continually geared the Korean state to follow the 'best practice' (of Anglo-American neo-liberal order) in various policy areas, yet, a more persuasive explanation is that the domestic politics steers policy implementations in response to the change in internal and external environments. Thus, for instance, what matters to the political scientists, is not a certain type of political economy (i.e., character or convergence of neo-liberal political economy), but the way the individual state's institutional measurements correspond to the changing demands of the international market

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9.2. Critical juncture and its conditions

With the theoretical implications of the employment system in place, this study seeks to figure out the causal order of a change in the employment system and its policy outcomes through the perspective of institutional continuity and change. The primal axiom of the historical institutionalists' approach, that of the path-dependency thesis and the critical juncture framework, may be represented by the logic that the previous period's policy implementation and its continuity (or institutional legacy) affects present institutions (and its change) over time, and the goals, means and interests of actors are bound by the framework of the previous institutional sets. In this vein, classic examples of the critical juncture framework (e.g., Collier & Collier, 2001)¹ are captured by the fact that the heritage and influence of institutional and organisational systems extends to the long-term when a decisive phase and formation of a specific direction occurs at certain times (in a relatively short time). Thus, it is important to conceptualise the path of the first phase (punctuated equilibrium) from the institutional constraints (by the mechanism of increasing return, self-reinforcing or lock-in effect), in order to examine the change in institutional arrangements under the critical juncture framework. However, any discussion on institutional change within classical theorising about critical junctures frequently emphasises the role of external shock, so that it

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¹ The first edition was published in 1991.

places the responsibility for institutional change somewhere outside the existing political structure (i.e., economic crisis, war or political giant). It is not surprising, therefore, that despite the critical juncture framework, the policy inputs and outcomes through the critical juncture are clear (although it is seen as *ex post*) and there is little agreement on which political contexts pre-exist and how they work in the causal mechanism at the critical juncture.

Thus, this study adopts the historical institutionalists' approach as the main research framework, on the one hand, and tries to open the 'black box' (Falleti & Lynch 2009: 1145) between inputs and outcomes in the critical juncture framework, on the other. This implies that the analytical strategy of this study is underpinned by a presumption that not only affects the labour policies but also the process and results of conflicts, negotiations and compromise. It also affects Jabour policies directly. For instance, this study deploys and develops mainly by endogenous mechanism (i.e., role, motivation, and responsibility of elite bureaucrats in developmental state context) the origins, implementation and expansion of the Employment Insurance schemes and its consequence with labour policies and industrial policies, all of which contributed to the transformation of the employment system regardless of the 1997 Asian financial crisis. Economic crisis, at best, can be illustrated as a trigger to foster (smooth) institutional expansion of labour protection.

The focal points of this chapter examine the transformation of the employment system which lies at two phases within the critical juncture framework: first, it examines the causal conditions at work during the critical juncture period, along with how the political actors selectively choose a certain policy among the diverging policy options. To do this, this study distinguishes between two types of causal conditions; permissive conditions and productive conditions. The former presents the easing of constraints around the institutional structure to make room for actors to move and fill the institutional vacuum with alternatives. The latter in

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the presence of the permissive conditions, produces the institutional outputs that are (initially) locked in when the window of opportunity marked by the permissive conditions disappears and the juncture comes to a close (Soifer 2012: 1573-1576). For instance, on the matter of examining the transition of the ruling process on the employment system, the empowered labour from 1997's general strike, and economic crisis to the presidential elections of 1997, created permissive conditions to reshape the state-led policy making process. The president, Kim Dae-jung's labour-friendly gestures and his social democratic leadership (or as a result of that) restored state autonomy by Kim government's industrial reform plans backed by IMF, produced the tripartisan system (LMGTC) in policy-making process, which could be identified as a signal of dismantlement of developmental strategy on policy making pattern and of paving a new way of Korean state's transition. The outcome of these productive conditions can be seen as a Korean tone of tripartisan system, and the end of the juncture can be captured when the 1998 social pact was reached through the LMGTC, and the 1998 amendment of labour laws was legalised immediately in accordance of 1998 social pact.

Second, another focal point to be examined is the transition of the employment system as a critical juncture that lies in the period of legacy, where the mechanisms of reproduction endow institutional stability. If the outcomes from the critical juncture extend over time, and various counterfactual mechanisms to change (i.e., increasing return) function well, it may offer a stability to the legacy, and the whole process of the critical juncture framework may be verified by explaining institutional change, properly. However, a lesson from this study specifies that the reproduction mechanisms are not automatic and quite rare in reality. In other words, the logic of accumulated conflicts and pressures during the antecedent and cleavage stages inherently branches a new way at the tipping point (punctuated), and the outcomes from the junctures continue over time with self-reinforcing mechanisms and are

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less constructive. Instead, the outcomes from the juncture are more likely to be re-directed, re-shaped, deadlocked or decayed in the ongoing process of institutions. For example, the outcomes from the juncture, a tripartisan system built for reforming policy-making process, were deadlocked and in decay, for the last decade as seen through diverse perspectives: the institutional and organisational functions of encouraging collective bargaining between the business and labour decreased, the state autonomy was regained through the juncture but power was lost after the worst of the economic situation was over.

To sum_up, the critical juncture framework in this study provides not only an analytical means of exploring the transformation of the Korean employment system with historical viewpoints, but also, an opportunity to verify the critical juncture framework itself, by applying it to the case of the transformation of the Korean employment system. As a result, this study contributes to the refinement of the critical juncture with a considerable political (actor-based) approach and a more detailed causal order. Therefore, this chapter presents more plausible and rich explanations on the causal mechanisms of the political dynamics that led to the transformation of the employment system during the critical juncture.

9.3. Transition: ruling, implementation, outcomes and <u>the</u> developmental state

The purpose of this section is to review the main arguments and to consider the interplay of different factors of each chapter.

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9.3.1. Developmental strategy on ruling over the employment system

the Korean developmental state's approach to reform of the employment system over time. Since the employment system is assumed to be steered by an endogenous mechanism of politics, to examine whether the reforms that were made to the employment system point to the decline or the re-establishment of the Korean developmental state, which type of model of governance was employed to deal with the demands of business and labour (a developmental state model, a post-developmental state, or something entirely different), and how and why the political elites and bureaucrats pursued specific policies, this is equivalent to exploring what and who enabled the reform of employment system.

The first subject of this study is the matter of the (institutional) changes in (or continuity of)

To this end, the LMGTC used as the organisation through the state's performance is analysed because it mediated the conflicts between business and labour and implemented institutional arrangements. In fact, 1998's experience of drawing the social pact between business and labour through the LMGTC was regarded as a critical juncture to embed a discipline of tripartisanship in the policy-making process of the Korean state, thereby breaking a path away from the traditional developmental strategy of the state ruling over business and labour. This implies that the reform of the employment system could be handled autonomously by business and labour's collective bargaining, rather than the state's unilateral policy implementation pattern of the past. However, this study is less confirming of the fact that once implemented; the institution and its enactment could extend automatically, as seen above. Rather, the critical juncture to establish a new institutional arrangement should be re-

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examined by investigating the pre-conditions of causal mechanisms before and through a critical juncture and the reproducing mechanisms after the juncture. The main questions on this subject, therefore, are: (1) <u>How</u> did the LMGTC originate, and has it been reinforced or has it decayed?; and (2) Depending on the answer to the first question, how can the Korean state be characterised after the <u>transformation in</u> 1998?

As seen in Table 9.1, the state's efforts to form a corporatist system in terms of the governing process with regard to the employment system were not new phenomena. Since the early, 1990's, political and economic conditions that predated the critical juncture – the existence of mobilised labour from 1987's Great Workers Struggle and organised businesses of the KEF (Korea Employers Federation), and corporatist attempts by the state (LRRC² and so forth) – acted as a critical antecedents in the building of the LMGTC. Also, it is noteworthy that the first civilian government (of Kim Young-sam) formed in 1992 sought to differ from the past authoritarian governments by dismantling the past developmental ruling patterns over society (i.e., disorganisation of EPB³), contributing the discarding of the developmental way of the rule and its autonomy from the business and labour. Then, the Jabour force's general strike in 1997 (the first in Korean history) acted as a permissive condition which, within the critical juncture, shaped the varied extents to which the tripartisan model was implemented. This situation was combined and boosted by the criticism on the Korean model hit by the 1997 Asian financial crisis, and the expectations on reforms introduced by the new government.

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² LRRC refers to the Labour Relations Reforming Commission, established in 1996 with state's idea of forming bi-partisan (or corporatist) system on labour policy implementation. The role and function of LRRC was focused on the making agreements between the business and labour so as to amend labour laws.

³ EPB refers to the Economic Planning Board, which played a role of planning comprehensive economic and industrial policy, with absolute confidence from presidents, and of controlling over all policy implementation of every bureau in the government. The EPB was regards as the pilot agency of Korean developmental state like MITI in Japan, and its dismantlement by Kim Young-sam in 1995 was recognised as a signal of retrenchment of Korean developmental state.

Ī	The institutional imple	ementation of the LMGTC, replacing the LRRC, during the critical	
	juncture was shaped by	a combination of political leadership, international pressure and the	 Deleted: the
ļ	state's restored autono	my with the reform projects which played a role of oppressing the	
	businesses and chaebo	ls, and ultimately reforming Korean industrial relations (into more	 Comment [Editor34]: Please keep this italicised consistently
•	liberal market economy). Although the change of relationship between empowered labour	Deleted: the
	[Table 9.1] Inward-Loo	king Korean Developmental Welfare State as a Critical Juncture ⁴	Formatted: Font: Italic
	Critical antecedent	Empowerment of labour since 1987 Great Workers' struggle and	 Formatted: Space After: 0 pt,
l		democratisation movements	Line spacing: Double
		First civilian (of Kim Young-sam) government launching in 1992 and their attempts to dismantle developmental context (i.e.,	
		disorganisation of EPB)	
Ī		State's corporatists' attempts (i.e., LRRC)	
	Permissive conditions	Labour's general strike in early 1997 due to state's unilateral	 Formatted: Space After: 0 pt,
I		amendment of labour laws in the end of 1996 (following re-	Line spacing: Double
		amendment of labour laws in March, 1997	
		Economic crisis by 1997 Asian financial crisis (contingent-	
ı		exogenous shock)	
		Political vacuum in 1997 Presidential election phase	
	Productive conditions	Labour incorporation by Kim Dae-jung's inauguration, and his	 Formatted: Space After: 0 pt, Line spacing: Double
		social democratic idea and leadership	. 3

(Initial) Restoration of state autonomy by Kim Dea-jung

government's industrial reforms plan (structural reforming of

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chaebols, financial reform, public sector and labour relations), and backing by IMF Institutional displacement of LRRC with LMGTC Outcome 1998 social pact from LMGTC Formatted: Space After: 0 pt, Line spacing: Double End of critical juncture 1998 amendment of labour laws and KCTU's withdrawal Formatted: Space After: 0 pt, Line spacing: Double (failing) Mechanisms Decaying LMGTC: decline of organisational phase within state -Formatted: Space After: 0 pt, Line spacing: Double of reproduction entities and loss of functional role for provoking collective bargaining Relapse into traditional pattern of confrontation between the business and labour Breaking cohesiveness between state entities (Blue House - ruling party - bureaucrats) and less capacity of the state Segmentation of bureaucrats: conflicts between bureaus within the government But, recurrence of elite-bureaucrats in social policy reforms (i.e., Employment Insurance) Consequences Deadlocked partisan system Formatted: Space After: 0 pt, Line spacing: Double Continuity of state intervention on economic-social development (but, modified roles, ideas, motivations and responsibilities) Labour power declining and state-business collaborative relationships reinforcing (with less state autonomy)

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and weakened business complemented by the state's enhanced autonomy and reform projects did offer productive conditions at the juncture so that the social pact through the LMGTC could be revealed in February, 1998, this policy outcome came to close as the amendment of labour laws was implemented in 1998 according to the agreements of 1998 social and the KCTU withdraw from LMGTC right after the 1998 social pact. And also, as the state secured the rescue loan from the IMF, the experimental period of LMGTC ended.

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Further, the institutional implementation of the tripartisan policy-making process was not 'locked in', rather it provided room albeit with ambiguities in which actors could shift the impact of the LMGTC because the goal, interpretation and enactment of the state and social partners differed widely since its inception. When the state escaped the worst of the economic situation around 2000, the LMGTC tried to negotiate and compromise diverse interests of business and labour to overcome the crisis. But it lost its stature and organisational status which became quite ambiguous within the state entities, despite a series of institutional implementations to reinforce the LMGTC. The diverse and conflicting interpretations and enactments by each actor (and even within the government bureaus) did little to help. Thus, the KCTU, the largest and strongest national union, did not regroup after its withdrawal in 1998 so the tripartisan system appeared without the Jabour force and the traditional pattern of confrontation between business and labour continued.

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The state also experienced a fluctuation in the degree of its capacity, mainly caused by a break in the cohesiveness between the state entities (Blue House – ruling party – bureaucrats), by which this study measures the state capacity. The cohesiveness which was broken by and large because of Kim Young-sam's organisational reform of government (dismantlement of

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EPB in 1995), was restored during Kim Dae-jung's inauguration in 1998, however, it was broken down again by Kim Dae-jung's political corruption scandals in 2000. The ruling party refused to support President Kim Dae-jung in the imminent presidential elections, marking the first time such an incident had occurred in Korean history. Moreover, Kim Dae-jung's successor, President Roh Moo-hyun did not give his full confidence to the elite bureaucrats, so the segmentation of state entities was completely fostered.

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Moreover, another element supporting a decreasing capacity (cohesiveness) of the state was represented by the fragmentation of the elite bureaucrats. During the crisis, the state's prioritisation of policy implementation, the labour protection such as unemployment insurance schemes and creating job in public sector, with a result that the Ministry of Labour could have dominant power over other economic bureaus within the government. However, after the crisis ended, conflicts and stand offs between the Ministry of Labour and other major bureaus occurred more frequently, even at the enactment of already implemented labour protection schemes.

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At this point, it is <u>notable</u> that the <u>elite-bureaucrats</u> played a role <u>in</u> social policy expansion and <u>preed greater representation of the interests</u> of labour, on behalf of the unions in the LMGTC. Collective bargaining of 1998's social pact via the LMGTC was not an exchange of equivalents – labour market flexibility for workers' security (flexibility-security payoffs) – as seen in the case of the West, but an exchange of flexibility and the unions' political rights to organise unions in every industrial sector, to undertake political activity, and ultimately, set the institutional foundations to build a labour-centred political party. In the decade of the 2000s, the overriding concerns of labour seen via a couple of amendments to the labour laws. did not enhance the labour protection schemes for workers or ease the income and welfare inequalities, but gained institutional guarantees for liberal labour relations and union officials

status<u>es</u> and payment<u>s</u>. Thus, the roles, motivations, measurements and responsibilities of labour, were imputed to the social bureaucrats in the Ministry of Labour, KLI⁵, or other elite bureaucrats in the government.

To sum up, by examining the formation of the LMGTC and its operation, it can be seen that this requisite characteristic of the developmental state weakened, and consequently, so did the state's capacity. The institutional ambiguity of the LMGTC pointed to the fragmentation within the state's understanding of the LMGTC and tripartisanism and the disintegration of the strong bonds of cohesiveness within the state entities. Moreover, business began to penetrate governmental bodies, with the result that the state's autonomy was undermined. However, as seen during the process of implementation of EI and non-regular workers' protection schemes, and the increasing pattern of welfare provision in Chapter 8, the Korean state re-invented and re-invigorated itself by taking on the role and responsibility for enhancing labour (worker) protection by nurturing social bureaucrats. This is why this study labels this revised form of developmental state as the Korean developmental welfare state.

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9.3.2. Change and deadlock of Institutions, and crisis

This section <u>deals</u> directly, with the institutional changes <u>in</u> the employment system <u>as seen</u> <u>between 1980 and 2010</u>. In this study, the amendment of labour laws in 1997 <u>is</u> measured as not only performing the role of <u>a</u> critical juncture, that an institutional product from

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⁵ KLI refers to the Korea Labour Institute, which is a government-funded research institute under the Office of the Prime Minister, and plays a role of think tank of the Ministry of Labour.

continuous and dialectical process of the democratisation and economic liberalisation in 1980s, but also presenting the starting point of a new phase with tension and pressure between rule-makers and rule-takers. The reason this study sees the 1997 amendment as the critical juncture, in contrast to the common belief that the 1998 amendment of labour laws was the critical juncture in the transformation of the employment system, lies in the fact that the 1997 amendment set the legalisation of main issues of greater flexibilisation in the labour market, legalisation of the KCTU, and permitting political activities by unions, as seen in Table 9.2.

The implication of the 1998 amendment Jay in pushing forward to start immediately such issues that were already legalised but withheld or delayed by 1999 or the 2000s. Herein, it is notable that the principle of the 1998 social pact via the LMGTC, which underpinned the 1998 amendment of labour laws, had also already been established two years previously with the establishment of the LRRC, and the origins of Article 31 in the Labour Standards Act (for greater labour flexibility) lay in the LRRC's unsuccessful attempts to revise the Labour Standards Act in 1996 and, in fact had its origins in the postponed attempt to amend Korean labour law a decade earlier (the Parliament's proposal for 1988 amendment of the labour laws and President Roh Tae-woo's veto). Indeed, the fundamental proposals contained in the February 1998 LMGTC agreement (1998 social pact) were strikingly similar to the previous government's 1996 proposal for the amendment of the labour laws. Moreover, it was seen that the 1998 article on collective layoffs did not differ significantly from the 1991 Supreme Court ruling that extended the 1989 provision that permitted mass redundancies only in cases where without reasonable reason the business operation to mass redundancies would be jeopardised (Supreme Court, Ruling No. 87DaKa2132).

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[Table 9.2] Changes of labour	laws and labour protection	legislations (selected	1980-2010
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Year	Labour market/ Labour standard	Labour relations	Labour protection
1987	Reduction in working hours (48 hours) Abolition of flexible working hours system	Reduction in the restrictions on the formation of unions	Creation of minimum wage system (1986)
		Elimination of the restrictions on union	, ,
		officials	of bankruptcy (last three months' wages)
		Re-establishment of the union shop system	
	Creation of industrial maintenance by the		
1989	Labour Relations Commission for unfair		
	layoffs and time-offs		
	Reduction in working hours (44_hours)		
			Creation of Employment Insurance Act
1995			
	Greater flexibility in the working hours		
1997	system	Prohibition on the payment of full-time	
		union officials by employers (starting from	

⁶ For more details, see Appendix 1 in this thesis.

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	Facilitation of 'part-time' work	2001)	
	Introduction of layoffs in cases of urgent	Legalisation of multiple unions (with	
	business reasons (starting from 1999)	immediate effect for sectoral or national	
	Elimination of the Labour Relations	unions, with enterprise unions starting	
	Commission's approval for mass layoffs	from 2002)	
	Elimination of priority re-hiring of former	No responsibility on employers to pay	
	workers	during the labour disputes	
		Ban on political activities by unions lifted	
		Ban on third-party intervention lifted	Creation of the Act on the Protection, etc.
			of Temporary Agency Workers
1998	Immediate effect of layoffs in cases of	Reduction in the restrictions on the	(determining allowed industries,
	urgent business reasons	formation of unions	restriction on the contract type, and
	Broader re-definition of "urgent business		making clear of juridical relations
	reasons" for mass redundancies		between prime employer, sub employer
	(including the cases of selling offs and		and agency worker)
	M&A)		Four times amendments of EI act
			(increasing eligibility)

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	Greater flexibility in the working hours		
1999	system and massive lay-offs (partly		
	removal of restriction on dismissal		
	exception)		Creation of Motherhood Protection
			(compensation for maternity leave and
2001		Delay the due date of legalization of	paternity leave)
		multiple enterprise unions (from 2002 to	
		2007), and prohibition on the payment of	
		full-time union officials by employers (from	
		2001 to 2007)	
	Reduction in working hours (40_hours,		
2003	starting from 2004 and annually expand		
	its coverage by firm size)		
	Greater flexibility in the working hours		
	system		Creation of Act on the Protection, etc. of
			Fixed-term and Part-time Workers
	Greater allowance on using temporary	Delay the due date of legalization of	(prohibition on using fixed-term and part-

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2006	agency workers	multiple enterprise unions (from 2007 to	time contract more than two years, effect
		2010), and prohibition on the payment of	as from July 1 2007)
		full-time union officials by employers (from	
		2007 to 2010)	
	Greater allowance on using fixed-term		
2007	and part-time workers		
		Legalisation of multiple unions (with	
2010		enterprise unions starting from 2011)	
		Ban on payment to unions officials	
		ban on payment to unions officials	

It seems clear, therefore, that it was the economic crisis that drew the actors together to sit at this *new* negotiating table, the LMGTC and provoke the immediate enactment of the already amended labour laws. However, the principles and directions of institutional change were not remoulded by the crisis but locked in by the legacy of institutional trajectory.

Another instance of institutional transformation by endogenous factors is the EI whose origins, implementation, and development were already made clear by the early 1990s by the elite bureaucrats and a pilot agency in the Ministry of Labour and KLI who were insulated from social groups and had sufficient autonomy and the capacity to play a key role in shaping the initial EI enactment in 1994-1995. The bureaucrat-led pattern of developing the course of EI, including the four amendments in 1998 and the worker protection regulations continued since 1998. This pattern was the result of the combination of state interventionism and the 'low level of social cohesion' within labour, which was common in the 'developmental contexts' (Haagh 2006: 417). In this vein, the case study of EI entailed two important arguments: First, in contrary to the democratisation thesis that the development of social rights was steered by the rise of civil and political citizenships, in the Korean case, elite bureaucrats insulated from social interest groups still had dominant power over the setting of the social rights agenda and the development of social welfare; Second, the institutional

Returning to innovation and continuity in the employment system, whereas further institutional measures for the labour market flexibilisation were legalised since the 1998 amendment as seen in Table 9.2, institutional measures for reforming labour relations such as issues of prohibition on the payment of full-time union officials by employers, and

purpose of Korea's social polices was no longer subject to an economic rationale which the

productivist welfare theorists insisted on.

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legalisation of multiple unions stood still till 2010. This phenomenon was strongly connected to the theoretical argument that legislative reform of the labour code embodied two conflicting demands: the desire to restore a sense of social justice (social democracy in a broad sense, and workers protection in a narrow sense) and the affirmation of the process of marketisation supported by a powerful group (primarily business) (Haagh 2002: 87). As with Haagh's study (Haagh 2002: 96-97), the development (liberalisation) of labour relations and political democracy were issues central to labour. In particular, the KCTU's support for social democratic measures that enhanced labour's power in labour and industrial relations above all other goals proved to be a constant. Even when further labour market flexibilisation issues such as the protection of irregular workers and temporary agency employees reemerged in the mid-2000s, the KCTU was less concerned with these than with the strengthening of industrial-level collective bargaining and the establishment of a labourcentred political party. Indeed, this was the KCTU's ultimate aim when it provisionally agreed to participate in the LMGTC in 1998. Therefore, it was confirmed again that the collective agreement between business and labour in 1998 was a political exchange not between flexibility-security as commonly seen in the West, but between flexibility-political rights.

In a nutshell, although the 1997 amendment embodied a fundamental restriction on the extent and scope of reforming the employment system in the future, it encompassed huge room for institutional ambiguity with reserves and grace, for each actor to re-negotiate, re-create, and re-form (or delay) the institutions. Therefore, the real practice of transformation in the

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⁷ This was caused by the confliction between the business and labour. On the matter of banning on payment to unions officials, the business approbated, but the labour opposed with logic of this regulation threatens the labour power. On the other hand, on the matter of approving multiple unions at the enterprise level, the business opposed, but the labour approbated.

employment system is not <u>as</u> simple as <u>the</u> rule-makers expected, but very complicated or sometimes biased toward the original intention of institutions seen below.

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9.3.3. System and practice, the biased complementarity of institutions

The transformation of employment system is an ongoing project, and the labour market and labour practices are ultimately constructed by the complicated (expected or unintended, sometimes biased) complementarities of the institutions and the shift in line with the political conflicts that emerge due to the gap between actors' interpretations and the actual enforcement of labour and economic policies. As seen in the previous section, the impact of the policy-making (ruling) process on the employment system (policy outcomes) appeared to differ from the original intentions of the rule-makers (state-led, but the organisations of business and labour approved this) and institutional outputs (LMGTC with tripartisan discipline), because the goal and interpretation about the LMGTC differed for each actor. In a similar vein, the practices of the labour market, labour relations and the labour market could be identified by the biased complementarity of institutions as seen in Table 9.3.

[Table 9.3] Transition of the Employment System as a Biased Complementarity of Institution

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Policy output

Policy outcomes (employment practices)

Ruling	Tripartisan system of LMGTC	Tripartisan system without labour ◆	Formatted: Space After: 0 pt,
process		(Withdrawal of KCTU)	Line spacing: Double
		Role and responsibility of Social	
I		bureaucrats acting on behalf of labour	
		(modified developmental context)	
Labour	1997 amendment of labour laws	Greater rigidity in core-regular workers *	Formatted: Space After: 0 pt,
market I:	(Greater flexibility in the working	labour market, and greater flexibility at	Line spacing: Double
l Flexibility	hours system, in using of 'part-	margin	
	time' work, and in layoffs in cases		
	of urgent business reasons)		
Labour	1995 EI act	Increasing statutory welfare and	Formatted: Space After: 0 pt, Line spacing: Double
market Ⅱ:	1998 Act the Protection, etc. of	stagnant firm-based welfare	
Security	Temporary Agency Workers	Broadening and deepening income	
	2006 Act on the Protection, etc. of	inequality in wage and compensation	
	Fixed-term and Part-time Workers	Increasing gap of application of ALMP	
		between regular workers and non-	
		regular workers	
Labour	Logalization of multiple unica-	Localization of VCTU and forming	
Labour	Legalisation of multiple unions	Legalisation of KCTU, and forming labour party (but, failed soon)	Formatted: Space After: 0 pt, Line spacing: Double
relations	Ban on political activities by unions		
	lifted	Continuing dominant power of <i>chaebols'</i>	
	Ban on third-party intervention	union (of regular workers)	
	lifted	Continuing or reinforcing firm-based	
		unionism and business unionism	
Industrial	Structural reforming of <i>chaebol</i> s	Restructuring supply chain with strong •	Formatted: Space After: 0 pt, Line spacing: Double

reforms

Financial reform for shareholder vertical hierarchy (more flexible and economic system

competitive)

much need for short-term profit based management and flexible contract (dismissal of lifetime employment practice and seniority-based contract)

First, the dualism in the labour market was boosted and widened since the 1998 amendments of labour laws. The original intentions had been to enhance flexibility in the insiders' labour market so as to balance the degrees of flexibilities between the (regular workers) insiders' market and (non-regular or atypical workers) the outsiders' market. However, the biased complementarity among institutions in fact led to a combination of institutions thereby, strengthening the rigidity of the insiders' labour market and bringing about illegal use of non-regular workers and increased flexibility in the outsiders' labour market. More specifically, by introducing the Labour Standards Act and the Act on the Protection, etc. of Temporary Agency Workers, in 1998, policy makers (or social partners within the LMGTC) believed that the traditional rigid (closed/impervious) insiders' labour market would be dismantled, with the consequence that the labour market for non-regular workers at the margin would become more flexible (mobile/ permeable) into the core labour market through the effect of the former and that they would be protected by the latter.

In reality, however, the employers' efforts to increase labour flexibility in workplaces were hampered by the legalised unions and the web of regulations on dismissals contained in the Labour Standards Act. As a result, employers sought alternative measures for achieving labour flexibility and they have since then been using the in-house subcontracting system

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over the past decade, even though it has been ruled <u>as</u> illegal use of temporary agency workers by the <u>Supreme Court</u>. This illegal use of temporary agency workers can be explained as the result of the fundamental undermining of an institution's original intentions and functions that occurs when rules are ambiguous enough to permit different (often contrasting) interpretations among actors.

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Further, the macro-structural reforms that targeted the chaebols to re-shape Korean economic system into a neo-liberal order, contributed not only to reform the supply chain structure in the Korean industry, but also make employers value and introduce considerable flexibility at workplaces. Chaebols or large firms (especially those in manufacturing industries) increasingly began to employ an outsourcing system that in turn fostered a transition in their production systems, resulting in a highly stratified subcontracting structure with a distinct vendor hierarchy. Suppliers located at the lowest end of the supply chain had no choice but to try to gain a competitive edge by paying low wages to workers on temporary or fixed-term contracts, leading to an increase in non-regular workers in the labour market. In turn, an increase in indirect employment due to the expansion of outsourcing, the temporary agency system, and subcontracting and in-house subcontracting for achieving higher labour flexibility and lower labour costs fundamentally <u>transformed the prevalent</u> relatively homogeneous labour market into a highly heterogeneous one in which various types of contracts existed side by side. The size of the core (insiders) market that provided stable jobs at large firms and in the public sector decreased, while the number of unstable and low-paid jobs at the margin increased.

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Second, these changes in the labour market presented a serious challenge to the unions representing full-time (regular) workers. Complemented with the firm-based unionism, *chaebols* and large firms' unions became trapped in business (utilitarian) unionism which

refers to a union movement that focuses on the immediate economic interests of union members – such as wages, welfare, working conditions, etc. – rather than emphasising social and political issues like labour unions in the West⁸ or Korean unions before the 1998 structural reforms. In particular, firm-based unionism, which in the main represented only regular workers at large firms, directly resulted in the isolation of non-regular workers. Under firm-based unionism, non-regular workers were necessarily regarded as outsiders as they did not qualify for union membership. In this respect, firm-based unionism represented only regular workers and inherently excluded many atypical workers, such as non-regular workers, subcontractor employees, temporary agency workers, and the unemployed, with the result that the interests of regular workers were over-represented by the such unions, whereas non-regular workers had no legalised and organised power and channel of collective action for presenting their interest (i.e., wage, working-hours, contracts, welfare provision, and so on) to employers.

Besides, the fragmentation of the labour movement due to firm-based unionism and two competing national unions (the KCTU and FKTU) should be noted as factors that weakened labour's collective bargaining position. The KCTU's failure to establish a labour-centred political party due to collusions between large firms' union officials and employers, and the political scandals grupting within the factions in the KCTU, contributed to the decline of labour power.

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⁸ Political unionism pursues a particular political ideology or political purposes and is associated with a particular political party or trade union movement. The most typical political unionism is revolutionary unionism, which is founded on Marxist (Leninist) ideology or another such radical ideology, and whose top priority is the transformation of capitalist society. By contrast, social unionism seeks ways to promote the interests of wage-workers as well as the wider citizenry by raising and aiming to resolve not only the union members' economic interests but other social and political issues. The philosophy of unions in German and Nordic countries is a prime example of social unionism.

Third, <u>a combination</u> of labour market dualisation, firm-based unionism (in particularly of large firms employing many regular workers), and the industrial reform to liberal market economy, <u>along with</u> the active labour market policies (ALMP) of EI contributed to reinforcing the inequalities of wage, income, and welfare provision. For instance, low-income non-regular workers, who are rarely organised but make up half the total wage workers in the Korean labour market, are excluded by the social security system.

Despite the EI bringing about a more protective employment system, based on the social bureaucrats' conception of a flexicurity model, the occupation-based beneficiary system of the EI selectively served regular workers in larger firms and fostered the increasing inequality in welfare provision and ALMP for workers. The attributes of the occupational compensation system under EI reinforced labour market dualisation by drawing a sharp line between the contributors and the non-contributors, between the large premium payer and the small premium payer, and between the regular workers and non-regular workers. In so doing, it <u>pushed</u> outsider workers to the boundary of the EI, and there <u>emerged</u> a new role, new responsibilities, and a new kind of welfare funding (taxation) for the developmental welfare state. This policy outcome was not the one that the state expected when it designed EI and resulted in a shifting of economic circumstances and unforeseen changes in other policy realms. When the state initially considered the formation and the design of EI, no one could have foreseen the coming economic crisis, the resultant unprecedented levels of unemployment and the failure of EI's occupational/ contributory compensation system to address the levels of unemployment and meet non-regular workers' needs and function as a means of building a golden triangle of flexicurity.

Also, it <u>confirmed</u> the argument that the traditional developmental state <u>had</u> transformed into a neo-liberal state after 1998s reform projects, leading to an increase in firm-based welfare

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provision (i.e., Hundt 2009: 99-101) or the common belief that firm-based workers welfare was still the dominant form in the Korean welfare system. This is misleading. Instead, it is more convincing to view the Korean state as having adopted a new interventionist role in the realm of social protection, as having developed new institutional sets, and taken on new responsibilities, although it had very limited function and coverage. The expenditure on and expansion of worker protection via statutory institutional arrangements demonstrated the increased role and function of the Korean state in welfare provision. It should be noted that labour, had little impact on this development due to the fact that corporatism had not been embedded in Korean society to any great degree. The rapid and systematic development of the statutory social provision since the 1997 crisis was reminiscent of the critical role played by the developmental state in the period that witnessed the fastest economic development (1970-1980). Moreover, as seen above, the institutional arrangements for worker protection in the labour market was characteristic of a flexicurity model – where workers were compensated, trained and motivated to become re-employed in a highly mobile labour market — even though it appeared to be in its infancy.

Thus, the Korean welfare system transformed from a firm-based and family-oriented system to a state-centred and state-controlled welfare system. Herein, another reason why this study argued that the Korean developmental state shifted to the developmental welfare state lay in the fact the tradition of state's intervention and investment had always, followed a self-reinforcing path in labour protection. Indeed, it was the social bureaucrats in the Ministry of Labour and the KLI that led the policy initiatives on EI and its expansion. Although there were internal veto possibilities on EI implementation within the bureaucracy (from economic bureaucrats), the economic bureaucrats' veto possibilities were ultimately not strong enough to block or mediate the setting of policy either during the phase in which EI emerged or

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during the phase in which EI was expanded. Instead, the social bureaucrats took on the responsibility for the institutional arrangements on labour protection and sought to persuade their opponents and expand their alliances (within and outside the state), while the triumvirate of labour, business, and the state within the LMGTC began to lose its power from 1999 after the worst of the economic <u>crisis</u> was over.

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9.4. Causal mechanism in employment system transformation

As the previous section 9.3 alluded, the causal mechanism in the employment system appeared to intertwine itself between the policy outputs and outcomes, mediated by actors over time. The institutions were the products of compromise and defiance of the actors, imaging social contradiction, as an isomorph. The explanations that a certain single factor of exogenous shock or contingent event produced a wholesale transition of the institution could not explain another proposition (explanandum.). The causal order that was revealed in this study on the transformation of employment system, seemed as interactive (of inter-factor), multilateral (of actors), and multidimensional (of labour market, relations and protection), while the direction of causality varied so that the distinction of independent factors and dependent factors became less meaningful in the historical process, and the causal chains ultimately opened up.

The institutional change over time in historical process is mirrored as <u>being continuous</u>, endemic and dialectical. <u>The</u> perspective of path dependency (whether it is classical or newly

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⁹ In Table 9.3, causal orders appear across the rows and columns.

theorising) enables the institutions to play an important role at the meso-level of political decision making as they function as filters for the individual interpretations of the given contexts and thus, structure not only the strategies but also the goals pursued by actors. Also, it is these institutionally constructed preferences that directly disembogue in the 'historical institutionalist' claims to treat institutions as endogenous, causal variables that are met to add substantially to the understanding of contemporary societies; they are also closely related to claims suggesting that employment institutions only matter in interaction with other factors; "as a result it is impossible to make predictions if individual instances of policy outcomes solely on their basis" (Bonoli 2001, 264). In this sense, at the heart of the current theoretical innovation within the comparative labour market literature, which most institutionalists' thinking put into the concept of institution, lie distinct institutional configurations of industrial (firms) and social policies that generate a particular systemic logic of labour (flexibility). Various performances from certain institutional adoptions or borrowing practices can be derived from distinct institutional configurations in each country.

Focussing on the methodological matter of measuring institutional complementarity, however, it is not as easy a task as Boyer's simple equation. Even with an eye on the employment system in the Korean developmental state, this study presents that the labour policy, industrial policy and social policy interact with each other on the level of formal institutions, on the one hand, as employment practices interplay with state's embedded role toward business and labour, and roles, capacity, preference (motivation), and responsibilities of political elites and bureaucrats on the level of empirical policy outcomes, on the other. The

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¹⁰ Boyer formalised the concept of institutional complementarities in a straightforward: two elements, E and E', are said to be complementary if the performance of the conjunction of E and E' is superior to the performance of each element considered separately; i.e., R(E,E')>R(E) and R(E,E')>R(E') (Boyer 2005, 44-80).

dialectical pattern of change between the formal sets of employment system and the empirical outcomes of employment practices is shown as being a continuous and slow-moving process.

9.5. Concluding remarks: missing questions

This study tries to draw a comprehensive illustration of the Korean developmental state to a-developmental welfare state, with an institutional instance of the transformation of its-employment system. Through this research, formal institutional arrangements of the-employment system and the-empirical outcomes of practice are invoked <a href="along with in-depth analysis of the political dynamics in the process of institutional change.

The common themes in comparative political economy and capitalist states <u>deal with the</u> restructuring of <u>the</u> democratic nation-state, the liberalisation of national economies, and the concurrent globalisation of market and of the political institutions that regulate them. To do this, this study includes the transformation of labour laws in the direction of greater flexibility, the change of collective labour relations, and the policy innovation on labour protection, on the one hand, the transformation of ruling process by government and other social groups, restructuring of industrial relations (supply chain structure), and the embedded role of state and labour practice at workplaces, on the other.

In doing so, the role and capacity of <u>the</u> state to shape social relations and <u>the</u> institutional arrangements for the capitalist economy under conditions of increased globalisation emerge as the core factor. In order to discuss the state's capacity, <u>one</u> needs to understand the

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cohesiveness within the state. This study conceptualises the Korean state as a <u>combination of</u> the state entities of the ruling party, the government and the Blue House (dang-jeoung-cheong), and emphasises <u>a change of relationship and cohesiveness between them.</u>

Particularly, in the developmental context, the role, motivation, responsibility and capacity of government were at centred of research in line with the democratisation and globalisation, and in the perspective of transition of developmental state. However, this approach is not political, but administrative.

Here lies an unquestioned question that this study seems to have missed; how did the 'the restructuring of (Korean) democratic nation-state' affect, the transformation of the employment system. This study emphasises the working process of rules and practices over the society within the Korean nation-state, but does not enlighten one on Korea's endemic political and institutional contexts such as its own political system, electoral system, political party structure, and the role and relationship of the parliament and the judiciary on the transformation of the employment system.

In addition, while recent political economy researches address the convergence and divergence of different national models of modern capitalism as well as the possibilities for a regional model of a socially regulated market economy (i.e., European or Nordic model), this research does not reach further to conceptualise and analyse the regional contexts of East Asia. It is a general belief that the East Asian developmental states (Japan, Korea, Taiwan and in similar vein, Hong Kong and Singapore) pose common political and cultural contexts on labour market regulation and labour protection practices. In fact, this study brings about the paternalism in this policy realm such as life-time contracts and seniority-based salary system in labour market, and family-oriented and firm-based welfare provision. These elements are re-examined and concluded as that there have been huge changes because of the

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complemented effects of diverse institutional regulations. However, it is still inconclusive that these phenomena could be seen as being convergent in this region or internationally or be divergent for each nation-state in this region or another regional exceptionality of this region.

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of employment system, which

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1 Centered, Boldface, Uppercase and Lowercase Headings

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- 3 Indented, boldface, lowercase heading with a period.
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If 9.1 is a second level heading, I have made the changes here as per the Table above. Please make heading styles consistent.

Page 1: [11] Comment [Editor10]

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Do you mean to say 'factors responsible for the transformation of the employment system'?

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Do you mean to say how the LMGTC was understood/ viewed by different elements?

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Do you mean to say 'examining the effect of the transition of the ruling process on the employment system'?

Page 8: [18] Comment [Editor24]

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Page 8: [19] Comment [Editor25]

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Was this an instance of a tripartite system coming into play? Is that what you meant?

^{&#}x27;...governing not only the labour market.....level.' Is this what you mean to say?

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