

The London School of Economics and Political Science

**The Patterns and Dynamics of
the Civil Service Pay Reform in Korea**

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Declaration

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Abstract

In the years following the economic crisis of 1997, Korean policymakers have focused on reforming the civil service by introducing New Public Management (NPM) ideas and practices. By the involvement of top decision-makers to individual central government departments, attempts were made to enhance the materialistic incentive, to reinforce performance management, and to improve flexibility and efficiency of government organisations. Despite these endeavours, the public management reforms in Korea seems to have not yet reached the expected goals. In the search of the cause of such discrepancy, this study investigated the developmental process of four representative civil service pay reform cases, namely, (1) public-private pay balance, (2) performance-related pay, (3) total payroll cost management, and (4) senior civil service pay. In order to do this, the data was collected from relevant documents and archives, such as government publications and newspapers, as well as interviews with 39 policymakers and experts.

The analyses of the cases show how different motives and behaviours of key actors- the president and core departments- led to varying degrees of attainment in terms of the outcomes of the reform. While NPM-inspired institutions were transplanted in appearance with necessary legal regulations and arrangements established by enactment in the initiating phase, the effectiveness and sustainability of the reform was limited due to the shift of ownership of the reform from the president to core departments in the consolidating phase. This created a pattern which included cyclic fluctuations of an ambitious start, speedy introduction of a new system, and apparent or hidden retreat or maintenance. This study argues that insufficient reform outcomes stem from the relationship between the president and core departments, which was transformed from the agency-type (owner-agent) relationship into the trustee-type Public Service Bargains (PSB) (autonomous department).

In this context, this study contributes to the existing knowledge by providing insights into the reform process. Firstly, it expands the theory of NPM by presenting the details of convergence and divergence in the case of the Korean civil service. Secondly, this research suggests the Korean civil service reform model that implies the significance of reform ownership and monitoring process. Finally, this study suggests a concept of “dual identity” of bureaucracy as the object and subject of the reform. It is hoped that the implications of reform dynamics will be helpful to policy practitioners in developing countries that aim to initiate a civil service reform with reference to NPM.

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Abbreviations

APA	Administrative Procedure Act
CSAR	Civil Service Allowance Regulation
CSRR	Civil Service Remuneration Regulation
CPI	Corruption Perception Index
CSC	Civil Service Commission
COTI	Central Officials Training Institute
EPB	Economic Policy and Economic Planning Board
GBP	British Pound
IMF	International Monetary Fund
KIPE	Korea Institute of Public Finance
KMT	Kuomintang
KRW	South Korean Won Rate
MGA	Ministry of Government Administration
MOE	Ministry of Education
MOGAHA	Ministry of Government Administration and Home Affairs
MOPAS	Ministry of Public Administration and Security
MOSPA	Ministry of Security and Public Administration
MPB	Ministry of Planning and Budget
MPM	Ministry of Personnel Management
MOIC	Ministry of Information and Communication
MOSF	Ministry of Strategy and Finance
MTEP	Mid-term Expenditure Plan
NPM	New Public Management

OECD	Organisation for Economic Co-operation and Development
PAP	People's Action Party (in Singapore)
PBB	Performance-based Budget
PCGI	Presidential Committee of Government Innovation
PCGID	Presidential Committee of Government Innovation and Decentralisation
PO	Presidential Office
POCA	Prevention of Corruption Act (in Singapore)
PPPB	Public-Private Pay Balance
PRP	Performance-Related Pay
PSB	Public Service Bargains
PUMA	Public Management Service of the OECD
SCS	Senior Civil Service
TI	Transparency International
TPCM	Total Payroll Cost Management

Chapter 1. Introducing the Korean Civil Service Reform

Does distinctiveness in the policy-making process affect the outcome of a newly introduced administrative reform? This research puzzle is the starting point of this thesis. Although there is extensive academic literature on the policy context in the world of political science, it is unusual to find research dealing directly with the relationship between the process through which a new administrative reform is introduced and its results. In many papers, the context in which the process is unfolding is suggested in order to describe the background of political, economic, and cultural differences among different countries. As a concrete and empirical research, however, this thesis aims to investigate the insightful phenomena and characteristics of the civil service reform process as a major factor that determines the achievement of new administrative reform. In doing so, the objective is to provide theoretical and practical implications that can be applicable in the arena of policy reform.

In terms of the research scope, this thesis discusses the civil service reform policy in South Korea (hereafter referred to as “Korea”). Although administrative reform is regarded as a global trend, rather than a unique issue of Korea, there are some advantages in focusing on the Korean cases. As pointed out by J. S. Lee (2006), most administrative changes in Korea have been based on the experiences of other developed countries and the theories developed in the Western context and respective practices. Accordingly, through the analyses of the Korean cases, we might see how well the prevailing theories fit the reality outside the Western world. In addition, most literature on the Korean reform policy is still asking of ‘what’ reform should be introduced in consideration of other countries’ experiences or of ‘what result’ has been derived from the reform policy. Thus, it appears there is a limited understanding of how the internal factors, such as policy-making dynamics, affect the degree of success in introducing a new reform policy. In this context, it is necessary to open up the black box of the policy-making process.

Taking these considerations into account, this research intends to trace the process from the introduction of new reform policy to its results, which have rarely been addressed in previous studies. The remainder of this chapter provides a more detailed background, the research question, and the method of this research.

1.1 Public Management Reform and the Korean Civil Service

Throughout its history, the civil service reform has been an important issue for both politicians and taxpayers. Reform has been continuously pursued in the public administration arena, although its focus has varied from the opposition of nepotism, the establishment of merit system, the emphasis on performance, to the cutback management (Schultz, 2002; Tolbert & Zucker, 1983). In earlier times, the purpose of reform was to enhance the rule of law and to establish in the civil service a merit system in opposition to the patronage tendency. However, as the introduction of managerial values and tools used in the private sector started to prevail, this managerial approach flourished in the public sector around the world, especially since the 1980s, i.e. the period of Margaret Thatcher in the UK and Ronald Reagan in the United States (Cheung, 2011).

Global Trends of the Public Administrative Reform

In the 21st century, the concepts of competition, performance, and privatisation have become more popular in the public sector. In fact, their diffusion is deeply related to the global economic downturn, but continued through the subsequent upturn (Pollitt & Bouckaert, 2011, p. 7). The reformative logic is commonly characterised by a market-led, private sector-oriented ideology of administrative change or reinvention (Cheung, 2011, p. 135) and is summarised as ‘disaggregation’, ‘competition’, and ‘incentivisation’ (Dunleavy, Margetts, Bastow, & Tinkler, 2006b). In practice, the public management reform takes diverse forms in different countries. Even within Western countries, the trajectories of the public management reform are not the same. For example, Pollitt and Bouckaert (2011, pp. 48-49) suggest that different reform types may exist according to the key features of politico-administrative systems, such as, the state structure, the nature of executive government at the central level, relationships between political executives and top civil servants, the dominant administrative culture, and the diversity of idea channels.

The managerial transition in a traditional personnel administration followed the financial reform, rather than developed as an independent phenomenon of its own. Since the 1980s, most Western countries have attempted public service reforms in various ways¹. Yet, the direction of change can be epitomised by the term ‘New Public Management’

¹ Pollitt and Bouckaert (2011, p. 88) outlined various contexts of the NPM reform from Australia to USA.

(NPM), which pursues a more flexible and responsible civil service against economic difficulties (see Table 1.1).

Table 1.1 Elements of the New Public Management (NPM)

Scholars	Elements of NPM
Christopher Hood (1991, pp. 4-5)	<ul style="list-style-type: none"> • 'Hands-on professional management' in the public sector • Explicit standards and measures of performance • A greater emphasis on output controls • Shift to the disaggregation of units in the public sector • Shift to a greater competition in public sector • Stress on the private sector styles of management practice • Stress on a greater discipline and parsimony in resource use
Dunleavy <i>et al.</i> (2006b, p. 470)	<ul style="list-style-type: none"> • <i>Disaggregation</i>—Splitting up large public sector hierarchies in the same way that large private corporations earlier moved from U-form to M-form (multifirm) structures • <i>Competition</i>—Introducing purchaser/provider separation into public structures to allow multiple different forms of provision to be developed and to create (more) competition among potential providers • <i>Incentivisation</i>—Shifting away from involving managers and staff and rewarding performance in terms of a diffuse public service or professional ethos, and moving instead towards a greater emphasis on pecuniary-based, specific performance incentives.
Pollitt and Bouckaert (2011, p. 10)	<ul style="list-style-type: none"> • A greater emphasis on performance, through the measurement of output • A preference for lean, flat, small, specialised (disaggregated) organisational forms over large, multi-functional forms • A widespread substitution of contracts for hierarchical relations as the principal coordinating device • A widespread injection of market-type mechanisms including competitive tendering, public sector league tables, and performance pay • Treat service users as customers and apply generic quality improvement techniques, such as Total Quality Management
Christensen (2011b, p.2-4)	<ul style="list-style-type: none"> • An adoption by public organisations of the management and organisational form used by private companies. • Structural fragmentation which involves vertical and horizontal split of public organisations • Managerialism and the management model- explicit standards of performance, output control, disaggregation of units, private sector management techniques • Performance management, cost-cutting and budgetary discipline • Marketization, competition, and privatisation

The debate on the convergence and divergence of the public management reform shows how widely the managerial approach has been spread in the world (Christensen & Lægreid, 2011b, pp. 8-10; Jones & Kettl, 2003, p. 12). Despite the emphasis on diverse trajectories and background of the reform (Pollitt & Bouckaert, 2011), the similarities of the appearance of the reform has been universal (Kettl, 2000; Lane, 2000). International organisations, including the United Nations, the World Bank, the Asian Development

Bank, the International Monetary Fund, and the World Trade Organisation, have played a leading role in shaping the world's community and in promoting political debate (Jones & Kettl, 2003, p. 11; Kettl, 2000, pp. 4-5). It is well-known that such international organisations have considerably contributed to the worldwide diffusion of the public management reform agenda. The recommendations of these organisations have even affected the countries of different administrative cultures, whose historical backgrounds were unsupportive to managerial reform, such as East Asian countries. Against this background, the public management reform has rapidly flourished in many countries.

NPM-based Reform in East Asia

In the past, the public service reform in Asian countries was largely influenced by the indigenous characteristics of those countries, such as the legacy of colonial rule, military rule, one-party authoritarianism or dictatorship, and state-led development (Cheung (2005). In particular, in the developing countries, political reality drove the management reform more than managerial concerns (Jones & Kettl, 2003, p. 9). However, from the late 1990s, the public service reform in East Asian countries was strongly influenced by the crisis of domestic politics and economy. Due to the 1999 economic crisis, the state-initiated policy process was put under pressure of significant revulsion, this was followed by the civil service reform. Criticism caused by the failure in economic policy during that period meant that the civil service system became an object of reform. NPM-style changes were quickly introduced and copied in order to respond to this demand. A political revulsion and demands for more democracy in the policy-making process reinforced this stream. The private sector-oriented management reform was broadly welcomed by citizens.

The case of Japan shows that the public sector reform in the late 1990s was promoted by both economic pressure, which continued for two decades, and globalization (Cheung, 2011, p. 141). Historically, the Japanese administrative reform was implemented in a top-down process, based upon the close and solid alliance between politicians and bureaucrats. However, the top-down administrative reorganization failed to introduce sufficiently fundamental structural changes to the bureaucratic tradition of rule (Painter, 2005, p. 344), this was understood as a need for bureaucrats to change their self-conception from the Emperor's loyal servants to public servants for the people. Reluctance to change within the bureaucracy could not counteract the globalized wave of NPM. The participation in the policy process by the Diet, business groups, and labor

unions gradually changed the conventional triad of bureaucracy, politicians and corporations (M. Moon & Ingraham, 1998, p. 88). Although the Japanese bureaucracy is still in control of the overall decision-making, it is obvious that its monopolistic power is in decline. In particular, since 2010, the Japanese government has promoted the reform project to weaken the previous bureaucracy-dominance of administration, by reducing the traditional bureaucratic privileges, especially the typical re-employment of senior officials in public institutions after their retirement from the government (called '*parachute appointment*' 天下り) (Kil & Ha, 2013).

Singapore has attained a larger scale of the NPM reform and a higher effectiveness in achieving the reform's objective in administrative governance (E. W. Lee & Haque, 2006, p. 614). The contents of administrative reform promoted by the Singaporean government bear a close resemblance to the Western NPM reform, pursuing performance, flexibility, and results. According to Quah (2010), competing against private sector for the best talents, this small country's public sector selects talented young candidates during their university years by offering scholarships and then promotes them to become high-flyers (pp. 5-7). Since 1995, the salaries of the Singaporean senior servants and ministers have been benchmarked to those of the top earners in six private sector professions including lawyers and medical doctors. Yet, because of its strong Prevention of Corruption Act (POCA), enacted by the People's Action Party (PAP) government, corruption is no longer problematic in contemporary Singapore. Transparency International's Corruption Perceptions Index (CPI) confirms that since 1995, the country has been the least corrupted Asian country (Transparency International, 2015). Administrative improvements, such as budget reform and devolution, as well as the establishment of autonomous agencies and adopting a client orientation, were subsequently promoted. These diverse Singaporean public sector reforms and their successes have largely been based on a close politician-bureaucrat coalition (Cheung, 2011, p. 141) and Singapore is frequently classified as an 'illiberal democracy' (Zakaria, 1997).

Being classified as a semi-interventionist model (Cheung, 2005, pp. 274-275) or critically a 'liberal autocracy' (Zakaria, 1997), Hong Kong is currently in the developmental state. Economic development has been the primary political objective of the state, and its legitimacy tends to be strongly tied to its ability to ensure continuous economic growth (Painter, 2005, p. 335). The civil service in Hong Kong had a relatively strong labor unionism, and the lack of cohesion among the politicians weakened their leadership in promoting administrative reforms. In fact, the contents of the reform

package in Hong Kong were not unique. They included decisions to sell major government-owned enterprises, to reduce public expenditure, and to control the size of the public sector through reducing the number of civil servants and their salaries. In 1999, the ambitious ‘Civil service into the 21st century’ programme was proposed. However, although Hong Kong’s NPM reform was largely planned and implemented from the top, the political and administrative elites were critical to the promoted reforms (E. W. Lee & Haque, 2006, p. 607). Compared to Singapore, the performance of the NPM reforms was not so positively perceived in Hong Kong, rather, it is regarded more negatively. The disunity within the newly formed political leadership and its failure to control the civil service made the reforms more difficult (E. W. Lee & Haque, 2006, p. 616).

Taiwan, one of the ‘little dragons’ in Asia, has also experienced remarkable economic growth. However, the progress of democracy in Taiwan was not much developed due to the Japanese colonial and later one-party authoritarian rule by the Kuomintang (KMT) (Chu & Lin, 2001). In particular, the KMT dominance and the bureaucracy’s subordination to it (Painter, 2004, p. 376) are important in order to understand the Taiwanese administrative reform and modernization that occurred later. As an influential leader of both the Executive and Examination Yuan², the President had a strong political and administrative power. Under these circumstances, the administrative reform in Taiwan only began in earnest with the political liberalisation and regime transition during the 1980s and 1990s, triggering a general process of “de-authoritarisation” and de-politicisation of civil service (Cheung, 2005, p. 270)³. The content of reform was not different from the world-wide fashion for NPM, particularly after the Asian economic crisis in the late 1990s. The reform agenda followed the U.S. “reinvention” movement and focused on downsizing and reducing the fiscal deficits of government.

These features of the administrative reforms introduced in East Asian countries demonstrate that although many East Asian countries borrowed the NPM-based reform idea from the West, the policy transfer was not particularly successful, except in Singapore. The changes transferred from different jurisdictions varied according to specific national contexts (Common, 2001). The characteristics of the administrative legacy in those countries differed from those of the Western liberal democratic

² In Taiwan, “yuan” (executive, legislative, judicial, examination and control) shares five constitutional powers.

³ The early Taiwanese administrative reform started in 1966. However, it was not a fundamental reform backed by the President. Bureaucracy was insulated under the close link to political power before political democratisation (Painter, 2004, p. 375).

governments in terms of democracy. Full NPM reforms, or the more radical bureaucratic restructuring observable in some Western democracies, was unlikely to be on the agenda. This might be largely due to some differences in political systems and cultural contexts (Dunleavy, Margetts, Bastow, & Tinkler, 2006a, p. 29), a well-educated and centralised bureaucracy (P. S. Kim, 2002, p. 397) and the fact that all these Asian countries had developed as a strong interventionist state (Cheung, 2005, p. 263) (see also Table 1.2)

Table 1.2 Characteristics of Japan and Asian NICs

Administrative traditions and legacies	Strong, centralized bureaucratic tradition; politics-administration fusion (Singapore and HK are typical “administrative states”)
Nature of political economy	Developmental state –the “governed market” model (with the exception of HK that displays a semi-interventionist model)
State role and capacity	Historically strong capacity; highly interventionist (less so in HK)
Salience of administrative reform	Bureaucratic modernisation and self-improvement; state capacity enhancement
Forces for change	Mainly bureaucrats-driven, until most recently when politics and societal demands pushed for a greater pace of reform (in Singapore, there is a joint politics-bureaucracy agenda)
Outcome	Bureaucratic domination of reform agenda, with a slow progress (successful “public service bargain” in Singapore; hence, minimum bureaucratic resistance)

- Source: Cheung (2005, pp. 274-275)

Transplanted Reform in Korea

Similar to the other Asian countries reviewed above, NPM ideas were introduced to the Korean civil service in the late 1990s, as an alternative method of administration as well as a practical strategy for overcoming economic crisis. The primary content of NPM can be viewed as a managerial doctrine with a ‘loose and multifaceted’ nature (Christensen & Lægreid, 2001, p. 19), comprising a wide range of ideas about public administration. Although the concept of NPM does not mean a unified theory of public management reform, it embodies a particular administrative argument based on a particular context (Barzelay, 2001). In the Korean civil service reform context, the NPM idea was more strongly adopted and utilised as a set of specific reform measures for political leadership to control and handle bureaucracy. In the same vein, Hong (2013) highlights that NPM-based government reform was used as a survival toolkit to deal with economic crisis. A similar use of NPM as ‘a set of tools’ to improve the global competitiveness of the

national public sector can be observed in other East Asian countries such as Japan and Taiwan (Hsieh, 2012). Throughout this thesis, in examining the case of civil service pay reform, the term NPM is more likely to reflect ambitions to control bureaucrats rather than a managerial approach or a focus on a 'market' orientation. The following section briefly traces how the western concept of NPM based reform came to be integrated into the discussion of the Korean public service reform.

In the Korean civil service reform history, global trends and the domestic environment have reciprocally influenced each other. Korea is one of the late industrialised countries strategically learning from the outside, rather than from its own experiences. Although the country had a considerably different developmental trajectory in the domain of civil service, its administrative culture and political system have been imported from the West. In 1946, just after the Japanese colonial period, the civil service formed its first appearance based on the Japanese colonial regulation. Afterwards, the American substantially influenced in civil service after the Korean War in the early 1950s. The adaptation of the civil service system from the Western countries, especially from the United States and the United Kingdom, continued ever since.

According to S. H. Oh (2012), from 1946 to 1960, in the initial stage of the establishment of the government after the Japanese colonial period, the pursuit of a merit system in the civil service had been a prominent idea. This was facilitated by the 'mobilised knowledge' from the United States. However, in reality, the civil service was politically instrumented and patronage was widespread. Ironically, fast industrialisation and the development of the civil service system were then paralleled under the authoritarian regime from 1960 to 1987. Political leaders were often interested in reforming the civil service in order to carry out their initiatives and to make bureaucracy more meritocratic (Cheng, Haggard, & Kang, 1998). The revision of the bureaucratic role to gain trust from the citizens and the focus on the civil service pay and welfare system had great importance during the same period (see Table 1.3).

Table 1.3 History of the Korean Civil Service Reform Before Democratisation

Time	Main contents of civil service reform
1 st Republic of Lee Seung-man (1948-60) First gov't after Liberation	Nominal trial of the merit system, but limited success due to nepotism Composition of civil service from the Japanese colonial government
2 nd Republic of Choi Gyu-ha (1960-61) Interim Gov't	Resignation of the higher civil service due to corruption Pursuit of generational change and increased patronage The civil service reform for democracy Participation of outside experts for the legislation of reformative act
Military Government Park, Jung-hee (1961-63) After Military Coup	Revision of State Public Officials Act (1963) New regulations of job classification and the civil service training (1963) Adoption of the civil service pension system Emphasis on government efficiency Participation of professors trained in the US in the administrative reform process
3 rd Republic of Park, Jung-hee (1963-72) Authoritarian Gov't	Huge corruption in politics and public administration Frequent layoff of senior civil servants Emphasis on civil service training and meritocracy Pay rise for anti-corruption Establishment of the Public Service Investigation Committee
4 th Republic of Park, Jung-hee (1972-79) Authoritarian Gov't	Revision of the State Public Officials Act Permanent Administrative Reform Committee A strong anti-corruption policy A strong punishment and discipline to civil service Emphasis on the civil service training
5 th Republic of Chun Doo-whan (1981-87) Military Coup Authoritarian Gov't	Government restructuring & cutback of civil service Emphasis on meritocracy Sophisticated development of the State Public Officials Act Legislation of the State Public Officials Ethics Acts Massive layoff of senior civil servants (mostly reinstated in the next regime) Strong anti-corruption measures (gov't and society) Development of the civil service pension system and civil service welfare

Source: S. H. Oh (2012, pp. 225-337)

During the transitional period from dictatorship to democracy from 1987 to 1997, there still was a tendency of pursuing 'the small government'. Despite this effort, the number of civil servants increased. Since Kim Dae-jung's administration, starting from 1998, global trends of new liberalism and public management reform have influenced radically or gradually (P. S. Kim, 2000; S. H. Oh, 2012). The starting year of the Kim Dae-Jung's administration coincides with the Asian financial crisis and, against this background, the introduction of a radical civil service reform became possible. Since then, the influence

of NPM still goes on throughout Rho Moo-hyun's administration and more recently Lee Myung-bak's administration (see Table 1.4).

Table 1.4 History of Korean Civil Service Reform after Democratisation

Time	Main contents of civil service reform
6 th Republic of Rho Tae-woo (1987-93) First directly elected President	Pursuit of the small government Failure of downsizing (no. of civil servants increased to 160000) A better civil service pay policy Emphasis on the civil service training (especially, anti-corruption) A strong resistance from the public
Kim Yong-sam administration (1993-97) First civilian Gov't	National agenda of internationalisation Pursuit of the small & strong government (Gov't organisation & civil service) Public Administration Renewal Committee Reinforcement of the State Public Officials Ethics Act (i.e. openness of property) Appointment of women and outside experts
Kim Dae-jung administration (1998-2002) First regime change from opposition party	Introduction of the NPM Pursuit of the small government Planning and Budget Committee for gov't reform The Government Reform Promotion Committee A radical promotion of the civil service reform by the Civil Service Commission (e.g. Openness of senior civil service posts, introduction of performance pay, semi-unionisation of the Public Service Union, allocation of women's appointments in civil service) Anti-Corruption Act & Independent Commission against Corruption
Rho Moo-hyun administration (2003-07) Participatory Gov't	Continuity of New Public Management Establishment of new gov't departments & increased no. of civil service Emphasis on innovation, delegation, participation of citizens and experts Government Innovation and Decentralisation Committee Reinforcement of performance control on pay and appraisal Introduction of the Senior Civil Service (SCS) Legalisation of the public service union under Grade 6
Lee Myung-bak administration (2008-12) Business-oriented Gov't	Continuity of the New Public Management Government reorganisation (integration of Ministries ⁴) Abolishment of the Civil Service Commission Cutback management & emphasis on performance Flexibility of government personnel, flexible times Recruitment of the disabled, North-Korea refugees, and low-income people

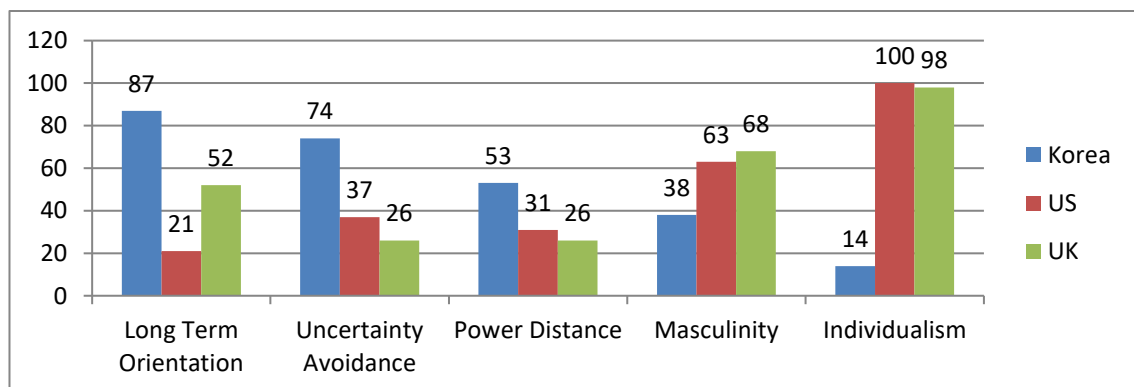
Source: S. H. Oh (2012, pp. 225-337)

4 The recent Korean reform under the Lee Myung-bak and Park Geun-hye administrations has post-NPM in terms of the increased focus on integration and horizontal coordination in the government (Christensen & Lægread, 2011a, p. 403).

A recent study published by the Organisation for Economic Co-operation and Development (OECD) suggests that the current Korean civil service system bears a close resemblance to those in several reference countries (OECD, 2011). By rapid examination, Korea appears to be, at least nominally, one of the countries with the most advanced strategic management tools, such as the Senior Civil Service (SCS) and performance-related pay system. It seems that the active importation of public management systems from the outside since the late 1990s have been successful. This is largely related to the perception that the Westernisation of the civil service system has been considered as a reform that can result in an efficient government. However, it is difficult to expect that the civil service reform itself brings about an instant or short-term improvement in efficiency or productivity of the government operation (Dunleavy & Carrera, 2013).

Another point to be taken into account is that the reform policy has often neglected a careful consideration of the results to be expected or the preconditions for success, such as institutional arrangements and cultural background. For instance, Korea is culturally different from the Western countries. A well-known comparative diagnosis by Hofstede (2014) shows the great difference in Korean culture compared to the model countries such as the US and the UK for public management reform (see Figure 1.1). One of the biggest differences is that of individualism-collectivism, i.e. the degree of inter/independence a society maintains among its members. According to this cultural analysis, Korea, as a collectivist society, has a close commitment to a member ‘group’ or extended family. Personnel management practices, such as hiring and promotion decisions, take into account an employee’s in-group, while in the US and UK cultures, these decisions are based on strong individualism. In addition, Korea’s high index on Uncertainty Avoidance might be related to the emphasis on security in personnel policy.

Figure 1.1 The Korean Cultural Characteristics (A Comparison with the US and UK)



Source : <http://geert-hofstede.com/>

Whether the Korean government reform has been successful or not, it should be noted that the implementation of the reform policy was not continuous. The goals set at the start of a new administration have frequently been altered and even discarded in the middle of the political term. Maintaining consistency of the reform agenda has been difficult due to the change of political power every 5 years. Since Kim Young-sam's administration commencement in 1993, the government ministries or departments have been periodically reorganised by a newly-elected president. Under these political circumstances, the civil service reform policy has sometimes failed to achieve the initially intended outcomes.

1.2 Main Actors in the Government Reform

Since the successful implementation of the 5-Year Planning of Economic Development in the 1970s, the Korean government has designed the reform policy in the form of short- or medium-term achievable goals. This was also the case in the area of civil service reform. Most of the newly-established governments set a reformative agenda that was to be accomplished within each 5-year term and strongly implemented related policies. However, most governments finished their term with the initially targeted goals uncompleted. Regarding the reasons of why this happened, some studies examined the role of the actors who participated in the policy-making process. These actors include bureaucrats, the President and politicians.

Reform and Bureaucracy

With regard to the role of bureaucracy during the reform period, there are two opposing perspectives: barrier and promoter. The Korean case, however, shows that both perspectives might be applicable. Jeong (1994) looks at the Korean public administrative reform from the perspective of the interaction between the political power and bureaucracy. According to this view, bureaucracy can be both the subject and object of the reform. Control over the bureaucracy was one of the main purposes of administrative reform and, at the same time, the political leader's cooperation with the bureaucracy has often appeared in the civil service reform history.

‘Imperial presidency’ is a term coined to describe the strong influence of the president on the Korean public administration. Scholars pointed out that, with the only exception of the short period of the 2nd Republic, the authority of the president in Korea has always been powerful (Jeong, 1994; P. S. Kim, 2002; J. S. Lee, 2006; S. H. Oh, 2012). It has influenced the society at large and the presidential dominance was a key player in leading ‘the president-led PNT (political nexus triads)’ in the administrative reform (M. Moon & Ingraham, 1998). The competent bureaucracy played a key role in supporting this system. Another study suggested the Korean political power also has distinctiveness of the non-interactive relationship with the National Assembly and the civil society (P. S. Kim, 2002). Cheung (2011) also explained that pro-state bureaucracy and pro-bureaucracy regime supported the diffusion of the public management reform in Korea.

This said, there are, however, counter-arguments that, in modern times, even a powerful presidential authority is invisibly checked by the long-term standing bureaucracy (M. Moon & Ingraham, 1998, p. 92). Baum (2007a) also highlighted the limited power of the president and the reinforcement of civil service autonomy in new democracies, such as Korea, and Taiwan. The enactment of the Administrative Procedure Acts (APA) becomes an alternative to control civil servants through intra-branch delegation when the president could not replace bureaucrats whose economic policy conflicted with his intentions and who acted against his interests. Furthermore, Baum (2007b) argues that the newly-elected president uses the APA as a legal device for reining in delegation in the executive government to control the professional civil service and that this presents the strong power of bureaucracy in Korea.

This subtle relationship suggests a possibility that the president and bureaucracy may compete against each other as the actors of bargaining in the policy-making process. This competition can be particularly viable after the early period of a new administration passed and the possibility of bureaucratic dominance is increased (M. Moon & Ingraham, 1998). In this regard, Cheung (2005) pointed out that the NPM reform programmes might result in unplanned outcomes due to the bureaucracy-dominated nature of the policy-making process. In line with this perspective, it can be assumed that, in view of the weak parliament, weak civil society, and the under-developed public service union in Korea, the civil service reform might be even more strongly influenced by the bargaining or cooperation between the president and the civil service. Based on this perspective, the public service bargain theory is taken into account in the following sections of this chapter.

Interaction between Politicians and Bureaucracy

The explanation of the interactions between politicians and bureaucracy has been attempted in many different ways. Knill (1999) developed the concepts of 'Instrumental' or 'Autonomous' bureaucracy in the context of its leading role in administrative reform and change. Hall (1983) suggested the dimensions of the politics-administration nexus for analysing the capacity of governments to innovate. A cultural perspective claimed that control over bureaucracy and the higher civil service rewards system are explained by institutional comparison and cultural framework (Christopher Hood, 1995; Christopher Hood, Peters, & Lee, 2003). Silberman's (1993) historical and comparative research also informed on how much autonomy bureaucracy obtains in East Asia. According to this study, the conditions of high uncertainty about political elite succession tends to make politicians support public service autonomy.

A different school of analysis of the relationship between politicians and bureaucracy is the well-known principal-agent perspective. Contrary to the cultural explanation which provides the background of the analysis with a big picture surrounding the current circumstances, the economic analysis focuses more on the individual or organisational behaviours of actors. Horn (1995) explained the formation of the civil service system, the delegation of politicians, and autonomy of bureaucracy as the results of institutional choice by legislature to decrease transaction costs. In the management school of thought, the study of Milgrom and Roberts (1992) showed the agent's incentive mechanism highly responsive to the principal, as is shown in the economic treatment of principal and agent problem.

In the approach of transaction costs theory, Steunenberg (2005) study presented how to make a decision or preserve the *status quo* among the key policy actors involving the Treasury and other powerful actors in the budgetary process. The regular budgetary process is a type of negotiation between the parliament and the executive or among the departments inside the executive. In the organisational studies, there have been meaningful trials to find out the *pareto* optimal status in the multiple actors' situation of policy-making. For example, Dunleavy and Steunenberg (2007) analysed the decision of leaders and delegates using the rational actor spatial model.

As a more integrated approach, the Public Service Bargains (PSB) were suggested. Christopher Hood and Lodge (2006) presented the typology of the relationship between politicians and bureaucrats from the perspective of bargains. Basically, bargains are a

type of game on ‘what they give’ and ‘what they get’. In this framework, a game is established for politicians to get loyalty and competency from civil servants and civil servants gain a place in the government, responsibility, and rewards. The PSB model provides a strategic-action perspective on taking leadership between bureaucrats and other players. For example, according to the importance of the role of bureaucrats, the form of PSBs can be divided into the trustee-type PSB and the agency-type PSB. In the trustee-type PSB, public servants are expected to act as independent judges of the public good and to possess a domain of autonomy. In the agency-type PSB, public servants are only seen as agents who act on behalf of their principals, the elected politicians. As civil servants are prone to prioritising their own interests over the interests of their political master, the problems of control emerge.

Table 1.5 shows that the PSB of reward, competency, and loyalty may be different across cultures. The classification of cultural differences is based on the grid-group theory by Douglas (1981). For example, in a hierarchist culture, the core compensation is the structured pattern of reward, which is orderly and predictable progression, for example seniority-based pay (Escalator-type). These civil servants obtain the right to rule over particular fields in exchange for the specific skills or knowledge they possess (Wonk-type), and they provide loyalty to the state and the law. They act as semi-autonomous players with loyalty to some higher entity (Judge-type). By contrast, in an individualist society, civil servants obtain variable rewards based on individual competition (Turkey race-type), providing individual executive ability – the skill of making things happen in a desired way within a government organisation, rather than just following routines (Individual-deliverer-type). In loyalty bargains, civil servants pursue defined goals in some limited and revocable space of action (Executive-type).

Table 1.5 Public Service Bargains in a Cultural Theory Perspective

Fatalist culture	Hierarchist culture
Reward: Lottery-type Competency: Sage-type Loyalty: Jester-type	Reward: Escalator-type Competency: Wonk-type Loyalty: Judge-type
Individualist culture	Egalitarian culture
Reward : Turkey race-type Competency: Individual deliverer-type Loyalty: Executive-type	Reward: Noblesse oblige-type Competency: Boundary-spanner-type Loyalty: Partner-type

Source: Christopher Hood and Lodge (2006), p.135

Some recent research shows a wide spectrum and empirical cases in the PSB in the managerial reform. The relationship between top civil servant and politicians can differ according to the cultural orientation and categorisation in different countries. The criteria of three main variables, namely, rewards, competency, and loyalty, are applied to the analysis of PSB; what they give and what they get. A comparative study of OECD countries shows how strong managerial reforms affect the PSB relationship and the hybrid features, rather than the typical characteristics of the original typology of PSB as a result (Balle Hansen & Houlberg Salomonsen, 2011; Bourgault & Dorpe, 2013; Annie Hondeghe & Dorpe, 2013)

Literature Gap and Significance of Research

Despite its contribution, the PSB theory has some limitations in terms of explaining the reality of introducing a managerial reform. In particular, the peculiarities of policy-making in the East Asian context are not well reflected in this theory. Contrary to the Westminster model, the East Asian countries have their own modified power dichotomy. The weak participation of the parliament and civil society in the policy process presupposes a dominant influence from the executive government. In addition, previous studies point out that the peculiar culture in East Asia or the resistance from civil service has been an obstacle to a successful administrative reform (Boo, 2010; C. Park & Joo, 2010). However, this account is too broad to clarify a causal relationship between the process and outcomes of the reform. That is, they are limited in explaining how culture or bureaucratic resistance affect reform outcomes in an individual policy.

It can be argued that another limitation exists in the analysis of the management reform process. For many years, analyses of the management reform in public service focused more on the substance rather than on the process - on the type of reform to be put in place rather than how the implementation of change is managed (Pollitt & Bouckaert, 2004, p. 154). Apart from the contents of the reform, it is not clear how the process in the reform affected the performance or results of the reform. Nevertheless, studies on this issue are scarce (Cheung, 2011). One of the reasons why so few studies addressed the policy process may relate to the difficulties in collecting reliable data. As a black box, the process of policy formation and implementation is not fully open to the public and access to this process is limited to the inner policy participants.

It is expected that this research will contribute not only to current theories but also to practitioners. In terms of a theoretical contribution, this study can expand the theory of NPM by providing an analysis of how the NPM-inspired reform was accepted in Korea. The case study of the Korean civil service pay reform will show which aspects of NPM were successfully achieved and which were not. Secondly, this study will deepen the concept of the PSB suggested by Christopher Hood and Lodge (2006) in the bargaining inside the executive branch and from the Western context, to the inclusion of the East Asian practices. The context of the Korean reform policy process helps to accumulate empirical guidance. In addition, it also contributes to the analysis of the public management reform from the perspective of the policy process. While studies on the NPM reform have flourished, the cross-section of civil service pay and policy process where NPM was applied has rarely been dealt with. In particular, in addition to the political system or cultural characteristics, the peculiarities of the introductory process of a new policy can provide a meaningful context of the public managerial reform. If it is considered that the existing studies on the context of the reform are oriented by the Western countries, this study would be a useful research tool with its own perspective on the East Asian reform process. Thirdly, this research will enhance our understanding of the behaviour of bureaucracy. While bureaucracy is generally considered as a force resisting the public management reform, this study reveals a dual identity of bureaucracy as both the subject and the object of the reform. It also suggests the conditions under which the bureaucracy can act as a leader of the reform.

From the applied perspective, a study on the mechanism of the policy process is useful for the Korean government to take a next step. Despite the high 19th ranking in the Global Competitiveness Index in 2012-2013, transparency of the Korean government policy-making is only 133rd among the 144 countries included in the index (Sala-i-Martin et al., 2012). This may be caused by the characteristics of the closed nature of the Korean politics and public service, thus, the policy process put in the black box in Korea. In this respect, this research attempts to unfold the entire process mechanism and may provide a prescriptive support for the administrative development. In addition, the analysis on the Korean experience of introducing Western management reform would be helpful to understand relevant cases in other Asian pacific countries'. *The 4th High Level Forum on Aid Effectiveness* held in Busan, Korea, on 29 November–1 December 2012, officially informed that Korea is the first and only country which received and provided unconditional aid. The Western public management reform has been exporting to the Third World countries via 'the window of the Korean experiences'. If the Korean context

is provided to the next adaption countries, this would considerably help the public officials of those countries from a practical perspective. The context on the policy process could present the other or hidden side of development or national growth.

1.3 Research Question

This study aspires to fill the gap outlined above through a minute observation of the policy-making process and opening up the black box. In order to reach this goal, this research examines the entire policy process, from the initial decision-making of introducing the reform and the implementation stage to the appraisal of policy outcomes. Taking the Korean experience by the introduction of the civil service pay reform policy as an exemplar, this research intends to enrich the current understanding of the civil service pay reform and its policy process in the introduction of a new external system. The main research question to be examined is as follows:

‘How and why did the policy process affect the outcome of the civil service pay reform in Korea?’

This question will be addressed by focusing on the following sub-questions:

1. *What were the central features and characteristics of the development of the Korean civil service pay system?*
2. *Which actors were mainly involved in the reform process and how did these actors’ bargains affect the outcomes of the Korean civil service pay reform?*

It is a widely-held assumption that bureaucrats and their organisation pursue their own interests in public choice and the pluralist theory. Actors’ behaviours are a type of strategic decision-making to increase their short-term or long-term profits. There are two perspectives on the motives of the actors: the pursuit of belief and value or the pursuit of personal interests. This research views these two types of interests as intertwined with each other, rather than being independent. That is, the public value and belief that have been formed in a public organisation, exert an impact on organisational interests. Furthermore, organisational interests and its components’ profits are related to each other. By defining the key policy actors, analysing their behaviours and motivation, and tracing the events surrounding the reform process, this research attempts to enhance our

understanding of the long-term outcomes of the reform and the factors behind the successful civil service reform introduced from external sources. Therefore, the main three objectives of this research in a Korean context are as follows: (1) to enrich our understanding of the reform policy process, and (2) to provide an insight into the reform process and the mechanism through which various factors can play a role in the successful civil service reform, and (3) to investigate the pragmatic model on introducing the worldwide reform agenda through an examination of the civil service pay reform in Korea.

Civil service pay reform is the subject matter of this thesis. As shown in numerous studies on the cultural and institutional differences between the West and East on monetary incentive for civil service, the pay policy is one of the most distinctive systems in the civil service. As the aim of this research is to investigate the insightful phenomena and characteristics within the reform policy process, the civil service pay reform process will be the main topic. Civil service pay demonstrates the most traditional Korean administrative characteristics and, at the same time, shows most dramatic changes since the introduction of the NPM reform. In East Asian countries, the pay issue has not been openly discussed, because integrity and reputation are salient concepts in the Confucian tradition. However, public management has a different perspective on reward, even to public employees. In line with this, pay is thought to be an issue presenting both traditional values and dramatic changes in public management. In this research, the pay issue includes changing systems, such as the pay level (the degree of monetary incentive), the pay system (performance-relation), delegation, and the senior civil service pay system.

Studies on the Pay Determination in the Public Sector

With the prevailing public management reform, the changing aspect of the pay determination in Western countries has been suggested by numerous previous studies (Bekke, Perry, & Toonen, 1996; White, 2009). Its major two changes are the decline of the national collective bargaining arrangements used in the last 30 years and the increased preference of performance and flexibility of pay. Although these changes were more emphasised in the private sector, the public sector was no exception. The statistics regarding the industrial relations (see Table 1.6) clearly support this kind of change. The diminishing collective bargaining system in the public service is intrinsically related to the decentralisation of pay determination.

With the organisational changes into agencies in 1980s, the British government actively promoted the decentralisation of the pay determination. Despite the dispute on its effectiveness, the flexibility of pay determination by the agencies and departments became distinctive (Bach & Winchester, 1994; Kessler, 1993). The introduction of a performance-related pay system was also emphasised in the public sector. These two changes rapidly replaced the traditional national collective bargaining. The dependence on performance-related pay frequently appeared in the managerial positions to fill the gap between salaries of managers in both public and private sectors (Cardona, 2006). Recently, since the financial crisis in 2008, pay cuts or pay freezes in the public sector have been observed in many OECD countries. Downsizing public service or a hiring freeze have also been presented in nearly all countries involved (Lodge & Hood, 2012). This tendency is more distinct in the European countries, rather than in Asia or Africa.

Table 1.6 The Overall Collective Bargaining Coverage in the UK, 1984-2004

	Proportion of employees covered by collective bargaining (%)			
	1984	1990	1998	2004
Public sector	95	78	67	78
All workplaces	70	54	42	39
Private manufacturing	64	51	46	40
Private services	40	33	24	21

Based on: all workplaces with 25 or more employees.

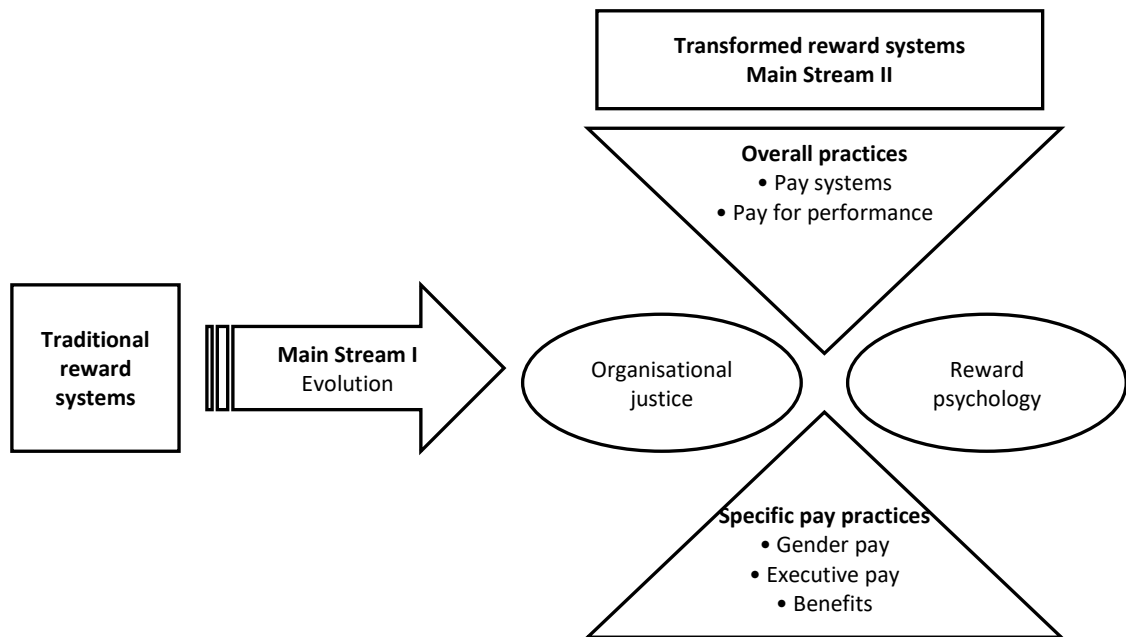
Source: White (2009, p. 28). ESRC-funded WERS 2004 Information and Advice Service produced for this publication, Feb 2008. For WERS information, see www.wers2004.info

This changing stream to decentralisation of the pay determination and performance-related pay also appears in Asian countries later than in the Western countries. Although the HR practices in Asia are very different from their counterparts in the West, globalisation influences the East and the West so that both go in a similar direction (Wei & Rowley, 2009). The pay for performance and decentralisation are the main issues of changing pay system. In particular, the emphasis on performance in rewards took the convergence in HR practices between the public and private sectors even in Asia (Chiu & Levin, 2003; Christopher Hood et al., 2003; Sparrow, 2009).

On reviewing relevant literature taken from 33 leading international academic management journals between 1990 to 2007, Wei and Rowley (2009) summarised the evolution and transformation in the Asian reward study: from the seniority reward model

to performance-related pay. The traditional Asian reward system was described as state-led, egalitarian, inflexible, and seniority-based. Later, at the stage of economic and social development since 1960s, it has gradually transformed into a more enterprise-administrated, performance-based and diversified system. The state played an important role in the change in many Asian countries. Furthermore, the Asian Financial Crisis and the post-crisis recovery led organisations to focus more on performance and to be more market-oriented in reward in order to recruit and retain better performers (Wei & Rowley, 2009, pp. 493-494)

Figure 1.2 Research Topic Areas of Reward in Asia



Source: Wei and Rowley (2009, p. 493)

In Korea, the previous practice of the pay determination for public service was far from that of the collective bargaining system in the Western countries, it was a highly centralised scope of the government. Trade unions could not be officially engaged in the procedure of the pay determination. Rather, relevant studies pointed out that political consideration was the main factor in the process of the civil service pay determination (M. S. Ha, 2009; Ham, 2007; Sang Hun Kim & Bae, 2000). It is also interesting to observe the effects of the presidential elections in the years 1987, 1992, and 1997 on the civil service pay. Presidential elections tended to work in the direction of pay increases in the government. For example, in order to get more support from civil servants for his presidency, the Korean president Chun Doo-whan in the 5th Republic raised the government pay scale significantly after a massive layoff of officials involved in corruption (P. S. Kim, 2003, p. 123).

Prior to the political democratisation in 1987, the labour market in Korea was principally designed to pursue an export-oriented, low-wage policy, coupled with the suppression of trade union activities (R. W. Shin & Ha, 1999, p. 92). The public sector pay was set to a standard to suppress the higher pay in the private sector during the economic development era and its determination was the outcome of political consideration, rather than economic context. The unique ‘public service discount’ found in the Korean pay policy and culture, prestige, job security and other advantages of public employment would lead to a lower pay compared to the private sector (P. S. Kim, 2003, p. 122). The terminology such as ‘pay rationalisation’ and ‘better (or improved) treatment’ instead of ‘pay rise’ implies this tendency (B. D. Bae, 1999; Y. C. Choi, 2000).

1.4 Research Methods

As shown in the model of Allison (1969) and application by Rosati (1981), this research does not assume the existence of a unitary actor, but rather, many actors as players who focus not on a single strategic unit, but also on many diverse intra-national problems (Allison, 1969, p. 707). In this model, the president in the policy process is one of the key players with his/her individual interest, not a dominant or direct provider of collective goods (J. Yang, 2004, pp. 194-195)⁵. The following four assumptions are made for the study of this thesis.

- Numerous individuals and organisations, with varying interests, are involved in any single issue,
- No the predominance of any participant
- The decision is formulated through bargaining and compromise
- Considerable slippage occurs during implementation

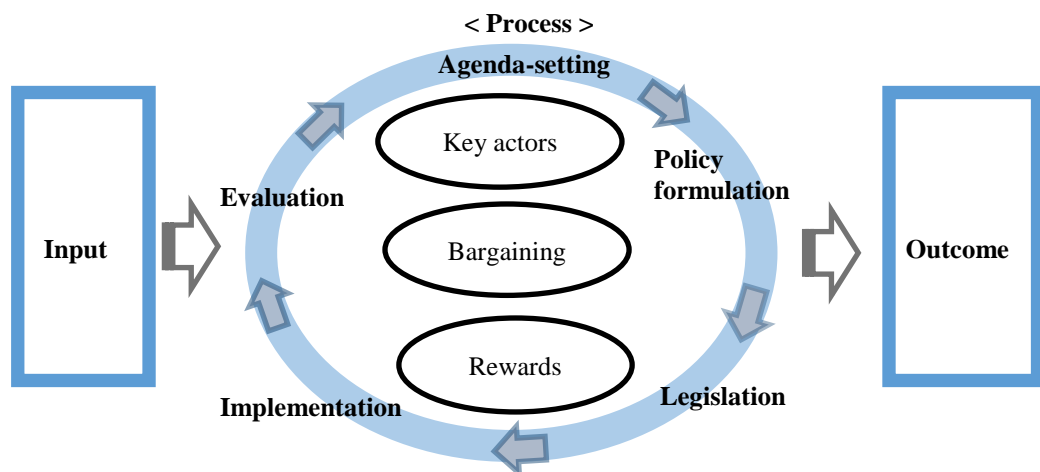
In this research, the unit of analysis is on the level of ‘group’ or ‘agencies’ (or departments or ministries), i.e. methodological individualism in a strict way is not followed. In other words, the preference or decision-making of actors may imply the

⁵ In the Korean studies, few scholarly efforts have been made to apply this perspective of the bureaucratic politics model to the policy process. On this point, the study on the pension reform process by J. Yang (2004) is valuable to understanding the internal dynamics of the state and policy process, not overlooking the impact of democratic governance on the relative power structure and the struggle among state bureaucracies.

preference of a ministry, such as budget-maximisation or the pursuit of organisational power by a ministry.

This research has four empirical case studies dealing with the pay reform. The empirical chapters include the common procedures of analysis, namely (1) explaining the backgrounds, rules and regulations relating to the current pay system; (2) defining the key actors in the introductory policy of reform; (3) clarifying the event and process; (4) examining the characteristics of actors' bargaining and their rewards; (5) appraising the reform policy outcomes and checking a causal mechanism between the phenomena shown in the process and the achieved outcome. The stage of the analysis includes the entire policy process, such as agenda setting, policy formulation, legislation, policy implementation, and evaluation. The procedures of this analysis are diagrammatically represented in Figure 1.3.

Figure 1.3 Stage of Analysis



In pursuit of looking into the black box from within the policy process, this empirical study intends to identify the characteristics of the reform policy introduction, particularly, in the transplanted country. Among the different research strategies, this study seems to fit the case study method in that this research addressed the 'how' question, does not require control of behavioural events, and focuses on contemporary events (Yin, 2003, p. 5). Through an intensive study of a single unit, this method is capable of providing understanding of a larger class of similar units (Gerring, 2004, p. 342).

The case selection issues have recently received a great deal of attention from qualitative methodologists (Bennett & Elman, 2006, p. 461). Among various reform policies, the case of the civil service pay reform is selected, as it is one of the strongest

reform measures with important components of NPM, namely, performance, competition and incentive. The detailed case study analyses in four sub-areas, which constitute the core empirical chapters of this thesis are: (1) the annual pay increase rate determination process; (2) the introductory process of performance-related pay system; (3) the decentralisation process of operating the total payroll cost management; (4) the introductory process of the senior civil servants' compensation system.

These cases are selected because they comprise of the four main pillars of the pay reform policy prioritised by the Korean government. More importantly, they can provide unique policy domains in which an observation of the actors, their strategies and bargaining processes can be made, resulting in a collection of rich and eventful empirical data. Every Korean government department (or, ministry) usually presents a report of 'the annual policy plan' to the president every January and it is officially published ensuring free public access. The agenda of the plan is carefully selected by an individual ministry and confirmed by the president. Also, it is appraised at the end of year by the prime minister's office and the result affects the performance appraisal of both the ministry in general and individual civil servants. At this point, the yearly plan is considered important in the case selection of this research. The Civil Service Commission and Personnel Office in the Ministry of the Public Administration and Security (later, Ministry of Security and Public Administration) have been in charge of the civil service reform between 1998 and 2013. During this 15-year period, the focus was on 'making a competitive civil service' and 'making a civil service pay rationalisation' in 'the annual policy plan'. The start of the civil service pay reform is strongly related to these goals.

According to Gerring's (2004, p. 343) classification, this case study method comes under Type 3, which examines variation in a single unit over time, thus preserving the primary unit of analysis. One of the main purposes of this study is to find out whether or not the repeated pattern of the policy-making that emerged in the reformative process exists. In order to reach this goal, this study adopts the analysis of the individual policy or the regime over a relatively long period. In Korea, a presidential term lasts only 5 years, therefore, since 1998, the year of the initial introduction of the NPM-type reform in the civil service pay, three administrations have ruled. The analyses performed in this study covers the period of three administrations.

Table 1.7 Research Design: a Covariational Typology

		Temporal Variation	
		No	Yes
Spatial Variation	None (1 unit)	[Logically impossible]	(a) Case study 1
	Within-unit	(b) case study 2	(c) case study 3
	Across-unit	(d) cross-sectional	(e) time-series cross-sectional
	Across- and within -unit	(f) Hierarchical	(g) Hierarchical time-series; Comparative-historical

Source: Gerring (2004, p343)

Based on the recent reappraisal on the usefulness of qualitative research, this study uses the process-tracing method. In mainstream qualitative methods, within-case methods are largely aimed at the discovery and validation of causal mechanisms, while process-tracing methods allow for inferences about causal mechanisms within the confines of a single case or a few cases (Bennett & Elman, 2006, p. 459). These methods uncover the traces of a hypothesised causal mechanism within the context of a historical case, or cases. Process-tracing methods can be used to establish that (1) an initial event or process took place, (2) a subsequent outcome also occurred, and (3) the former was a cause of the latter (Mahoney, 2012, p. 571). In order to carefully examine the events and outcomes presented in the introductory process of the reform policy, reliable official documents from the government, relevant news articles, and published data of the reform outcomes are jointly used.

1.5 Structure

This thesis is composed of seven chapters, a brief overview of the remainder. Remaining chapters is set out below.

Chapter 2 aims to investigate the background of the civil service reform in Korea. As a set-up chapter, it explains the historical background of the politico-administrative relationship and strong bureaucracy, the current change, and cultural characteristics of the civil service pay from the perspective of PSB.

Chapters 3 to 6 are the four empirical case study chapters that constitute the core part of this research. Each chapter presents the representatives of the civil service pay reform policies, as well as units of analysis of this research. The chapters have common explanatory variables related to the Who, How, and Why questions. Defining the key

policy actors, tracing the process of the new policy introduction, and analysing the actors' bargaining, their rewards, and reform outcomes are commonly dealt with in these four case chapters.

More specifically, Chapter 3 examines the annual process of the civil service pay rise. The attempt to systemise the pay rise process of equating with the private sector pay rise is dealt with. In the absence of the official bargaining process for the public sector employees, this chapter demonstrates how the annual pay increase rate is determined and what the result of it is by regime as well as during the regime. This chapter also discusses the relationship between the change of PSB and the outcome of the reform policy.

Chapter 4 presents the policy process on the performance-related pay system in the civil service. Among various kinds of civil service, the general civil service and teachers' service are selected according to the presence of a union. This chapter analyses the explanatory variables of the key actors, behaviours, and rewards shown in the introductory process of performance pay. In addition, the two sample types of civil service are compared.

Chapter 5 focuses on the total payroll cost management as part of the government personnel budget system. The reform with the purpose of decreasing the total personnel expense budget and the decentralisation within ministries under Rho's administration is introduced. This process shows the multi-layer delegation in both policy-making and implementation stage.

Chapter 6, the last main case study, analyses the introductory process of the compensation system for the senior civil service. Dealing with a new higher civil service pay policy, it explains how the new system can be introduced in the country with a traditionally Confucian cultural background and how the policy changes with regime changes. The common explanatory variables are also analysed to identify a recurrent pattern of the new policy introduction.

Chapter 7 discusses various issues related to policy change and public service bargains considered in the previous empirical chapters. The public management reform in other sectors in Korea is presented in order to place the implications of the Korean civil service reform into a wider context. This concluding chapter provides an explanation of the central patterns and dynamics of the Korean civil service pay reform and discusses their implications. Finally, theoretical and practical contributions of the present study are outlined and future research directions are suggested.

Chapter 2. Historical Development of the Korean Civil Service

Before addressing the main research topic of the present thesis, i.e. the civil service pay reform in Korea, this chapter provides a historical overview of the formation and the development of the Korean civil service system. Specifically, we focus on the establishment of the modern Korean bureaucracy and present an analysis of its institutional foundation. The formation of the Korean civil service system is presented here primarily with regard to the political system of Korea. In order to explain the relationship between the two systems, the concept of divergence is used as an analytical tool.

From the conventional Weberian perspective, bureaucracy is an unavoidable response to the complexity of the political system and, as such, embodies the need for efficient coordination. However, as highlighted by Silberman (1993, p. 63), who explained why and how modern bureaucracy diversely developed in different countries, the diverse forms of bureaucracy across countries is a historical outcome of different strategic choices made by the political leaders of respective countries. For example, in the United States and Great Britain where private contract and equality have been salient concepts (emphasised under a relatively stable political background and low-risk mechanism), a patronage-based system has been generally discouraged; instead, the emphasis has been placed on bureaucracy based on expertise and personal ethics. Therefore, in these societies, individual career tracks, mobility, and professionally oriented rationalisation in bureaucracy have developed. By contrast, countries such as France and Japan have followed a different route in forming strong bureaucracies. As these countries have undergone dramatic political changes, such as the French Revolution and the Meiji Restoration, the elections could have generated uncertainty and high risk in terms of leadership succession. To amend to this situation, a hierarchical bureaucracy and management of bureaucratic behaviours have become exigent. Long-term careers and political neutrality in the bureaucracy of these countries emerged as a result of the historical background and the demand of political leaders.

Furthermore, in their study of different civil service systems, Dunleavy et al. (2006a) classified the development of bureaucratic characteristics and corresponding main career paths for Information Technology service. The results of this study suggest that the countries with a peaceful succession of leadership and a weak public administration system created educational socialisation and a common public service

ethos, or moral code, to maintain control over bureaucracy. For example, relying on university education and socialisation rather than education within ministries, the United States adopted an expert and more departmental civil service. In this system, civil servants have been unlikely to get promoted to the top rank, as top positions have been taken by the president's political appointees from business, legal, and other private sector backgrounds. Furthermore, with regard to the UK, generalist civil servants are recruited from top universities and, with the development of their life-long career paths, move across positions and departments. A typical career path of a high-flyer includes working experience in a central agency that provides him/her with a comprehensive perspective. However, in a country without a continuous political succession, civil service education relies mainly on the internal organisational socialisation process within ministries, rather than on university education. It creates a strong departmental civil service and leads to the emergence of powerful loyalty to the ministries where civil servants make their life-long careers.

When a historical and comparative perspective is applied to the Korean politico-administrative system, specific features can be observed in the formation and the development of the Korean bureaucracy. At the onset of modernisation, Korea's government was similar to that of Japan with regard to public administrative systems and the structure of civil service. This similarity originated from the 35-year colonial rule of Korea by Japan and the re-employment of former civil servants even after Korea's liberation in 1945. Similarly to Japan and France, the Korean bureaucracy has developed through political instability. The Korean government had been through many difficulties throughout a series of radical domestic political upheavals between 1945 and 1987 (i.e. the starting moment of political democratisation). Transitioning through several authoritarian regimes, the Korean bureaucracy developed into a substitute top policy-maker for the immature political elite. The country's resulting economic performance was called the 'Asian Miracle'. As in Japan, the career paths of gifted civil servants in Korea have been largely confined to just one ministry - where they began was where they 'belonged'. Despite civil servants' university degrees earned from top universities, the internal socialisation processes inside their ministries have become more central than other aspects of the recruitment system or education in the university, which gave rise to strong departmentalism.

However, the cases of Japan and Korea were marked by several divergences. Under Korea's authoritarian regimes, political power emphasised on establishing

legitimacy based on economic developments, rather than on the preparation of a risky leadership succession. In view of the rigidity of the regime and President Park Jung-hee's 20-year-long monopolising of power from the 1960s to 1970s, the development of the Korean civil service system had a strong emphasis on economic development, the political neutrality of civil servants and their coalition with the regime. This resulted in a very strong Weberian culture distinctive to the Korean civil service (Evans & Rauch, 1999).

The politico-administrative relationship has changed since 1987, the time of the political democratisation of Korea. With the change in political regime from dictatorship to democracy, the imperial power of the President limited. However, as the capability of the legislature was not so established as to check the administration, the autonomy of bureaucracy increased. Also, with the introduction of the NPM reforms, such as competitive and performance-based system, the alliance between the President and the bureaucracy shifted from a 'sunflower' relationship to 'bargains', embodied by the emergence of a tendency for government departmentalism, or ministry-centred orientation. Figure 2.1 provides a brief comparative overview of the formation of the civil service in several countries.

Figure 2.1. Formation of Civil Service and its Distinctiveness

USA and UK	France and Japan	Korea
Political elite forms first and solves the leadership succession problem	Administrative elite forms first and proves key to the state unity during the leadership succession problems	Administrative elite forms first and proves key to state unity during leadership succession problems
↓	↓	↓
Administrative elite forms after the political elite is well established	Political elite is still immature and leadership succession is rancorous	Authoritarian political elite's state capacity is still immature and tries to compensate for the lack of legitimacy with the economic development
↓	↓	↓
Political elites choose university forms of socialization and a strong common public service ethos	Distrustful political elites choose a state organisational form of socialisation	Based on systemic civil service, competent and well-disciplined civil service strongly supports political elite in development state
↓	↓	↓
USA: adopts professionalised, more departmental civil service, with egalitarian ethos and political appointees at top	Japan: goes for a strong department civil service, qualified by strong nationalism and top administrators' role in national elites	After the NPM reform, the mobility and flexibility of civil service appeared. The power in the policy process is maintained
UK: adopts a generalist civil service, a specialist marginalised hierarchy at centre qualifies departmentalism		

Source: adapted from Dunleavy et al. (2006a); Silberman (1993)

Further detail is provided on the development of the Korean bureaucracy and its role in the policy-making process with regard to the political system. The major topics are as follows:

1. Policy Environment and Bureaucracy in Korea
2. Emergence and Development of the Civil Service System
3. Public Service Bargains (PSB) in Korea

2.1 Historical Review of the Policy Environment

Due to the Japanese colonial rule (1910- 1945) and the feudalistic dynasty period, the capitalistic socio-economic development of Korea was unfortunately delayed for a long time. As Korea experienced an abrupt liberation from an external power, the process in building a systemic state bureaucracy followed a different path from the one that had taken place in the Western developed countries (B. Lee, 2003, p. 1). This thesis attempts to divide the development of the modern Korean history into three periods: (1) from the beginning of the Republic of Korea in 1948 to the Second administration until 1960; (2) from the start of President Park Jung-hee's regime in 1961 to the political democratic upheavals in 1987; and (3) from the democratisation in 1987 to the present. This classification was made on the basis of major political events which turned the direction of the Korean history; this is a generally accepted view of the classification of the Korean modern history among political scientists (Y. Jung, 2008).

Pre-Modern legacy and the Incompetent Political Power, 1948-1960

The liberation from Japan in 1945 was an explosive event which led to an "explosive time" for the Korean people, since the discontinuity from the past was so sudden and the expectations of the future were truly unlimited (H. B. Lee, 1968). In line with the national expectations, the first Korean government was established in 1948. It was the starting point of the democratic republic government, after the Chosun Dynastic period that had lasted for five centuries, the thirty-five years of the Japanese colonial rule, and the three years of American military domination. When the Republic of Korea was established on 15 August 1948, the modernised civil service system was also adopted. However, despite the introduction of the modern bureaucratic system by the Constitution and legal

regulations, the socio-economic environment of the bureaucracy was instable and underdeveloped. This created serious discrepancies between the formal bureaucratic system and the practical operation of bureaucracy. Most of the bureaucrats were controlled by the predominant social values of Confucianism, rather than by democratic legal regulations. The bureaucratic elite tended to look down upon the masses and the concept of “*kwan jon min bi*” (“the officials are high and the people are low”) was dominant. There was also an unconditional obedience to the top ranking leader of the inner bureaucracy. The challenge to one’s senior’s authority was regarded as destroying social order and morality (T. K. Ha, 1990).

Other intrinsic characteristics of the Korean civil service may include a patriarchal tradition, the preferential treatment of generalists over specialists and the immaterialism that derives from the Confucian concept of honourable poverty. Firstly, the patriarchal tradition was related to a male-oriented bureaucratic culture. The Korean society was traditionally controlled by men; women had been educated to engage themselves exclusively in housework. As a result, the number of women bureaucrats was very small, and moreover, most female bureaucrats were confined to low assistant levels. Secondly, the generalist-centred tradition originated in the traditional recruitment systems, such as “*gwago*”, a competitive examination in the Confucian times. This tendency has continued into recent times and most personnel administration systems, such as appointments, promotion and career development, have been designed to cultivate generalists. The final point is the immaterialism, or a concept of honourable poverty. Based on Confucian idealism, the foremost virtue of the bureaucrats’ group has been “*chunbaekri*”, i.e. being a clean-handed government officer. Immaterialism was a code of conduct for bureaucrats, making social reputation the most important reward for public service. However, an excessive emphasis on immaterialism resulted in tabooing reasonable requests for materialistic compensation in return for labour. It also resulted in advantaging bureaucratic corruption, leading to authoritative power over the people and abuse of administrative power (Paik, 1990).

In terms of the economic and political conditions during this period, there were great sufferings. Due to the Japanese exploitative colonial policy, exacerbated by the Korean War from 1950 to 1953, the economy of the country was devastated. The Gross National Product(GNP) per person in the 1950s was under 100 US dollars (Y. P. Kim, 1985, p. 117). Politically, moderate nationalist leaders and left-wing forces were extremely repressed under the ideology of “anti-communism”. Many politicians in this

group were assassinated. With the strong support from the U.S., the First administration of Korea led by the President Rhee Seung-man, pursued “anti-communism” and “unification” as two major state ideologies; the suppressive government apparatus, embodied by military forces and the police, dramatically increased during this period (K. W. Kim, 1993). In 1960, as a result of the Student Revolution against the corrupted government of President Rhee’s regime, the Second administration of Korea was established by the Democratic Party. In addition to the political turmoil, the change in the ruling class was distinctive. With the land and education reforms, the old rural elite of the Korean class structure almost disappeared.

Throughout this period, the Korean government did not have competent state organisations and human resources for rebuilding the nation. Lacking independent financial resources, the government had to resort to aid from the US. Its human resource base was so feeble that it had to re-employ the public officials who had served the Japanese empire.⁶ Most of the high-ranking bureaucrats who had participated in the national management during the colonial periods were Japanese, while the Korean bureaucrats could only have had a low-level status. The exclusion of Koreans from key government posts continued throughout the colonial period.⁷ Accordingly, this created a temporary vacuum in the public administration after the liberation from Japan. The Rhee administration made use of low-level officers from the Japanese colonial government by promoting people to the upper class to fulfil the needs of the state. Obviously, a bureaucracy with these components could not obtain sufficient support and trust from the people. The political regime from the Japanese colonial reign throughout the military regime to the authoritarian government tended to oppress the growth of civil society. Interest groups were often confined to the state power, rather than to taking part in the policy-making processes. This subordination to the state power resulted from the government’s intentional control over the activities of the interest groups for the purpose of pursuing a long-term industrial developmental policy. As a result, the policy decision-

⁶ Even after the liberation from the Japanese colonial reign, most of the major governmental institutions were controlled by the bureaucrats who had worked for the Japanese empire. In the case of general civil servants, 78.6 per cent were the former civil servants of the colonial period and 71.2 per cent of the police also came from the Japanese colonial government (Won, 1989, pp. 81-97), quoted from (S. K. Jung, 2004, p. 63).

⁷ The discrimination in the appointment and promotion of Korean civil servants was serious during the colonial period. This was mainly caused by the restriction of higher education opportunities and the distinction policy for the Korean people. In 1942, the proportion of the Korean bureaucrats at managerial level was only 4 per cent, while the Japanese occupied 96 per cent of the total civil servants of the government in Korea (E. K. Park, 1999, p. 68), quoted from (S. K. Jung, 2004, p. 65).

making process during this period was inevitably monopolised by a few bureaucrats, rather than involved the participation of social interest groups.

Political Authoritarianism, Economic Growth, and the Weak Civil Society, 1961-1987

Basically, the Park Jung-hee's regime in the third and the fourth administration lacked any democratic legitimacy, because it came into power as a result of a military coup in 1961. To compensate for this weakness, the regime established two explicit national goals, namely, economic development and national security. Under these goals, social organisations were thoroughly controlled and the state maintained political authority. In terms of the relationship between the political environment and the bureaucracy during this period, the latter had the instrumental character of a military regime. Like other military regimes in Third World countries with an anti-political propensity, the Park Jung-hee's regime attempted to solve the crisis of political legitimacy through economic growth. The regime started to control the bureaucracy through conducting an extensive purge of civil servants and twenty reorganizations of the government set up the two and a half years of military rule, from the military coup in 1961 to the beginning of the Third administration in 1963. Subsequently, the regime attempted to rationalise and specialise the bureaucracy, while also suppressing the political groups, such as the parliament, political parties and media of public opinion.

There was an inseparable relationship between the political purpose of the authoritarian regime for democratic legitimacy and the growth of bureaucracy. The institutionalisation level of the bureaucracy, such as the acculturation, adaptation, and adjustment and assimilation was dramatically improved by promoting a state-led industrial policy under the control of the military regime (Hungtington, 1968). The American organisational management skills and public management ability were introduced to the bureaucracy through an influx of military officers to the civilian bureaucracy during that period the bureaucracy approached a modern Weberian-style (D. S. Park, 1961).

In terms of economic strategy, it would be difficult to explain the rapid economic development of Korea without considering the role of bureaucracy. In particular, the existence of a highly educated bureaucratic elite was distinctive. The strong bureaucratic leadership was a common phenomenon throughout the East Asian NICs, which achieved

fast economic growth in spite of diverse environmental differences between them.⁸ The politically neutralised and efficient bureaucracy increased the degree of intervention in the market economy under the protection of the authoritarian regime. Korea appeared the most elaborate and centralized bureaucracy among all the East Asian countries. The decision-making about economic policy was undertaken by the Economic Secretary of the President and the civil servants of the Economic Planning Board (EPB). The EPB retained absolute power over not only the annual budget scale, but also the national finance, trade, and industrial policy. In addition, the control of the financial institutions by technocrats was systemised through the establishment of a central bank under the Ministry of Finance. The Ministry of Trade and Industry in Korea had far more influence on the process of industrialisation than that of Japan (S. K. Jung, 2004, p. 295). The political association between a centralised bureaucracy, the military elite, and big business groups provided an organized comparative advantage in an international economic system. This paved the way for the success of the economic development strategy under the recession of Korea, even in the early 1970s. As a result, the economic performance from the 1960s to 1970s was outstanding. Taking only the two decades of the high-speed growth in Korea (1962-1980), the GNP (expressed in 1980 prices) increased by 452 percent from \$12.7 billion to \$ 57.4 billion, achieving an average growth rate of 8.5 percent per year (Johnson, 1987, p. 137).

Yet, there was a dark shadow: the underdeveloped civil society behind the high economic growth. This was because the two major purposes of the military authoritarian regime (national security and economic development) enhanced the control of a popular movement. Park Jung-hee's regime systematically suppressed the formation and growth of civil society by government regulations, such as labour-related laws, the Anti-Communist Act, the Assembly and Demonstration Act, among others (B. Y. Ahn, 1989, p. 102). This tendency continued until the explosion of the people's democratic desire that resulted in the civilian revolt in 1987. In the intervening vortex, the role of an efficient bureaucracy isolated from civil society was emphasised under the logic of the developmental administration.

⁸ Johnson (1987) explained why political authoritarianism and economic capitalism were successfully united by the following seven factors: (1) financial control over the economy; (2) labour relations; (3) the degree of autonomy of the economic bureaucracy; (4) the degree to which the state has been captured by its main economic clients; (5) the balance between incentives and commands in economic guidance; (6) special private sector organizations and government favoured industrial conglomerates; and (7) the role of foreign capital (pp. 147-164).

Democratisation and the Growth of the Civil Society, 1987- Present

With the organised political forces in the governmental setting of the 1960s to the 1970s, the policy role of bureaucrats became exceptionally dominant. . The powerful authority has faced changeable circumstances of the society from the late 1980s. In the middle of the political, economical, and social environmental turmoil, there was a long and heated debate over the merits and demerits of bureaucracy. Accordingly, the unconditional bureaucratic power faced a big challenge.

Firstly, the biggest factor of change was the strong demand for political democratisation. The massive civilian protest, including the student movements against the non-democratic political regime in the late 1980s, was an epoch in Korean history. It was not defined as a simple political movement stream. Rather, it was closely connected to the inclusive and diverse desires to change the Korean society. For instance, there was the amendment of the Constitution, removal of authoritarian politics, revitalisation of the citizens' campaigns, and deregulation of the economic control of the government. In fact, there was a herald of changes before the successive large-scale uprisings in 1987. In the early 1980s, the fifth government of President Chun tested policies based on the new conservatism; the state-led development strategy was partly revised. These new streams initiated a debate about a new definition of the role of the state. Under the new Constitution, the independence and power of the Parliament were dramatically reinforced and its real influence was largely extended. Due to the peculiarities of the weak ruling political party and the majority-opposition party, the oligarchic policy-making system of the administration should have managed to escape from the influence of the opposition party. Going a step further, the close ties between the political power and the bureaucracy began to collapse. The civilian government tried to control the bureaucracy through the ideals of the powerful political democratisation and growing civil society. The bureaucracy degenerated into the object of the reform under the slogan of "a small government".

Secondly, the measures of the economical liberation and deregulation have got into their stride since 1980. It was another policy stream that contrasted to those of the preceding era. Before the 1980s, the stable economic development was based on the effective control of prices, exchange rate, and activation of the labour groups by the government. However, later growth was achieved by means of economic deregulation, increasing private investment and certain measures ensuring economic transparency, such

as the Real Name Financial Transactions Act. These changes heightened the phase of the private sector and formed the middle-class group. The bureaucracy, which was the only elite group with accumulated experience of social development, had to respond to the professionalism and competency of the private sector, and by taking a step forward, the atmosphere of a competition with private hands became wider.⁹ In particular, the economic crisis of 1997¹⁰ became an opportunity for re-evaluating the merits and demerits of the long period of development by the Korean government. Specifically, there was a common understanding that the causes of the economic crash were rooted in the contradictions and limitations of the state-led economic growth. As a result, professionalism and trustworthiness of the bureaucrats were questioned during this period.¹¹

Thirdly, the growth of the Korean civil society after 1987 had a weighty implication. Specifically, the bureaucracy that had reigned under the protection of the authoritarian regime came to have a relevant restraining influence on the state policy. For too long, the Korean civil society was underdeveloped under political control. However, since then, the situation has been reversed and the control of the bureaucracy by the civil society has increased instead. Among other factors, the growth of a civil society after the declaration on 29 June 1987 was remarkable in terms of the density of the civic organisations. The number of newly-founded civic organisations pursuing public interests (e.g., economic justice and environmental protection) dramatically increased, from just one (1980-1984) through to seven (1985 -1987) to 25 (1988-1990) and to 22 (1991-1993) (Sung, 2000, p. 90). In addition to the substantial quantitative changes outlined above, the Korean civil society also underwent important qualitative changes. Various civic organisations, pursuing the general and public interest, have come to acquire moral, social, and political hegemony over the traditional interest associations seeking to achieve narrow and specialised interests, such as the employers' associations and labour unions. They focused on an accurate understanding of changing popular concerns and on formulating them into major policy goals. Through these activities, civic organisations

⁹ The air of competition against the private sector was reinforced by the stream of civil service reforms from New Zealand since the 1990s.

¹⁰ In 1997, S. Korea faced the serious financial crisis of national bankruptcy, and was resuscitated with the help of the International Monetary Fund (IMF).

¹¹ In Korea, there was the dominant opinion that the major cause of the financial bankruptcy in 1997 was the lack of dealing with the changeable international environment, like democratisation and neo-liberalism, by the Korean bureaucracy; it was also believed to be related to the problems inherent in the state-oriented economic development strategy under the long-standing military and authoritarian regimes of the past (S. K. Jung, 2004, pp. 148-149).

improved their policy ability which could check the propriety of a government policy. This was connected to gaining the trust of the general public. Their opportunities to take part in the policy process relatively increased with the growing policy ability. The unique historical context of Korea after 1987, that of the political democratisation, economical liberation, and the growth of the civil society, resulted in fundamental changes in the administrative values and working principles of the Korean bureaucracy. It was an unavoidable environmental pressure for the new society.

Korea's Current Political System and the Growth of Bureaucracy

The Constitution amended in 1987 contains the significant changes in the Korean political system, including the introduction of direct elections of the President (Article 67), reinforced legislature's power (Article 61, 104), independence of the Court of Justice (Article 105, 106) and reinforcement of citizens' rights (Article 10-39). In particular, Article 70 permits only one term of the office of President to be held without re-election. Accordingly, the current presidency in Korea is limited to a single five-year term. Although the constitutional amendment in 1987 emphasised institutional democratisation through restricting the power and term of the president, it also weakened the role of the president in the policy-making process. Due to the immature legislative competency of the Parliament, the vacancy was filled by bureaucracy, meaning that bureaucracy was enabled to play a major role in the policy-making process.

In fact, the five-year single-term system of the presidential office was the outcome of the compromise among the political leaders in the process of planning the 1987 Constitution to avoid reinstating the authoritarian regime. However, as H. B. Im (2004) pointed out, it might be one of reasons why the president's impact was weakened in the policy making process. Firstly, the system is was inefficient and lacked accountability in that political followers and bureaucrats did not pay the same loyalty to the president in the latter part of the given term, compared to that in his early term years. Secondly, in addition to this early lame-duck phenomenon, the single term of the presidency had a negative impact on the policy continuity through increasing the complexity of the election timetable and lacking long-term policies. Since 1987, the year of introducing the local government system in the Constitution, elections became more frequent and irregular in order to elect a five-year term President and the four-year term MPs and local government officers, respectively. The shorter time span of elections tends to make the president focus on voters' short-term interests, at the expense of the long-term collective interest of the

nation (H. B. Im, 2004, pp. 190-191). Y. Jung (2008) also supported this contention by explaining the changing relationship between the president and bureaucracy from the conflicts to the cooperation within a 5 year term of presidency. According to Y. Jung (2008), a newly-launched government checks bureaucratic power at the initial stage. However, the cooperative politico-administration relationship is reinforced over time. In the latter period of ruling, mutual trust is accumulated and the relationship is changed into that of cooperation, rather than conflict. In this period, the influence of bureaucracy increases and it has more autonomy in the policy-making process.

Another factor that affects the increase of bureaucratic power is the short term held by the ministers of a ministry. As cabinet members, ministers are appointed by the president. They are responsible for all affairs of the ministry in the executive government. However, in spite of the importance of their role, the term is on average shorter by two years. This is because most political leaders feel tempted to replace their ministers when an accident happens or when they need scape-goats in order to avoid being blamed by the public. The frequent change of cabinet members makes it difficult for ministers to perform well, even in the event when they are highly competent in their job (K. W. Kim, 1994, p. 49). The average term of a minister became even shorter after demonstration, it was only 14 months (Donga Newspaper, 2012). Contrary to 19.4 months under President Park Jung-hee's administration (1961-79), ministers occupied their positions for only 11.4 months under Rho Moo-hyun's administration (2003-2008), and for 16 months under the recent Lee Myung-bak's administration (2008-2013) (Yonhapnews, 2013). (Yonhapnews, 2013)

2.2 Development of Korean Civil Service System

Generally, the Korean bureaucracy has been known for its leading role in the industrialising period in the 1960s and 1970s (Amsden, 1992; Cheng *et al.*, 1998). Due to Korea's impressive wide-scale economic success in this period, the Korean bureaucracy was perceived as efficient and diligent. However, before and afterwards, the role of bureaucracy in Korea was also significant in the policy-making process. The development of the civil service system facilitated the growth and operation of the bureaucracy. This section describes institutional changes in the Korean civil service within the following four periods: (1) 1948-60; (2) 1961-87; (3) 1987-1997; and (4) 1998-present. Compared to the classification adopted in the previous section, the periods after

democratisation are divided into two parts. This is because the economic crisis of 1997 was a turning point for the civil service reform. The NPM approach was introduced in earnest in this period. In fact, the economic crisis of 1997 was so significant, that it brought about fundamental changes in the socio-economic system of Korea. The characteristics of each period are briefly summarised in Figure 2.2.

Table 2.1 Classification of the Development of the Korean Civil Service

Period/Nature	1948-60	1961-87	1987-97	1998-Present
Political system	Incompetent political power	Political authoritarianism	Transition to democracy	Democratised political power
Civil Service system	Pre-institutional bureaucracy	Developmental bureaucracy	Transitional bureaucracy	Professional bureaucracy

Pre-institutionalised Civil Service, 1948-1960

The First Republic of the Korean government was established in 1948. Although it tried to project the appearance of an independent state, it started from nothing without any infrastructure. There was an imbalance of deficient resources for national building and huge expectations for the new era from the general public. The civil service system in this period was obviously regarded as pre-institutionalised, while it aimed to appear as a traditional Weberian model. Directly after the substantial set-up of the First administration, systemic fundamental regulations, such as the State Public Officials Act, and other subordinate regulations related to the entrance examination and compensation were established. The common content of these regulations officially announced open competitive recruitment and merit principle in the civil service system. However, from the perspective of its real implementation, the principle and the State Public Officials Act were no more than a mere imitation of the corresponding act in Japan (D. S. Park, 1961, p. 119). Then, the personal consideration and corruption were not successfully excluded from the recruitment and promotion decisions.

In the recruitment system of the time, there were two kinds of selection systems for civil servants: *gosi* (open competitive examination for recruiting senior civil servant) and *junhyung* (closed recruitment examination which is only open for selected candidates). *Gosi* is equivalent to an open competitive employment system, while *junhyung* is a special employment system that was supposed to be used only for the positions requiring political considerations or highly specialized qualifications. The

employment process was operated by an ‘open competitiveness exam committee’ and ‘*junhyung* committee’. In particular, *godung-gosi* was the examination by a high authority for recruiting senior civil servants.

However, from the late period of the first administration, special employment has been largely abused through patronage selection. For example, although *junhyung* was originally designed as a kind of a limited competition exam and consisted of a statement examination and an oral test, in practice, it degenerated into an arbitrary decision taken by the examiners. As a result, it could not function as a fair and competent recruitment system. From 1951 to 1959, only 239 bureaucrats (3.9 per cent) were appointed through *godung-gosi*, while the number of appointees through *junhyung* amounted to 5,961 (96.1 per cent) (B. Lee, 2003, pp. 4-5).

Since the number of successful candidates of *godung-gosi* for recruiting senior civil servants was limited to only twenty to thirty persons per year, which was merely 4 per cent of the number recruited through *junhyung*, it was impossible for competent young bureaucrats to modify the old-fashioned legacies inside the government. Considering the novel administrative demands of the new era, the number recruited through open competitive examination was very small. Undoubtedly, the generalization of the recruitment by *junhyung* not only damaged the value of the fairness of the national examination, but was also connected to the national distrust problem, the absence of administrative ability and the deficiency in the control of political parties.

Moreover, the generally limited nature of the educational background of the higher civil servants was observed. Even fifteen years after the Liberation and twelve years after the establishment of the government, nearly two-thirds (63.4 per cent), of the officials at Grade 3-B (Grade 5 at present, the level of deputy director of division) were those whose formal education had not extended beyond the secondary school level (H. B. Lee, 1968).

Table 2.2. Pattern of Educational Background of Higher Civil Servants

(as of January, 1960, in percentages)

Educational Background	Level of Higher Civil Servants		
	Grade 3-B	Grade 3-A	Grade 2
Elementary or Secondary school	63.4	52.9	18.1
College or University	30.0	45.5	79.3

Note: Grade 2 corresponds to the level of director general; Grade 3-A—to that of division director; Grade 3-B—to that of assistant director (Grade 5 at present) in the central government.

Source: adapted from H. B. Lee (1968, p. 104)

A similar phenomenon was observable in the promotion system. Prior to the enactment of the Civil Servants Promotion Regulation in 1961, the bureaucrats who entered the government via *junhyung* were easily promoted according to their seniority and recommendations by the Liberation party, without there being any job training programme for the incumbents of the government (CSC, 2004b, p. 170). At that time, promotion from below was the predominant pattern for filling vacant positions throughout the higher civil service. At the crucial threshold to the higher civil service posts, Grade 3-B, over four-fifths (80.6 per cent) of the incumbents had been promoted from the clerical level. Since an approximately similar ratio of promotion from below was maintained through to the top professional level, the implication was that, through the simple accumulation of seniority, a sufficient number of clerically-oriented bureaucrats could reach the top so that to dominate the entire bureaucracy (H. B. Lee, 1968, pp. 104-108).

Table 2.3. Pattern of Recruitment and Promotion of Higher Civil Servants

(by grade, in percentages)

Process of Recruitment and Promotion	Incumbents as of January, 1960 Occupying Position of		
	Grade 3-B	Grade 3-A	Grade 2
Grade 2			
Originally recruited at Grade 2			21.1
Promoted from below			78.9
Grade 3-A			
Originally recruited at Grade 3-A		20.4	43.7
Promoted from below		79.6	35.0
Grade 3-B			
Originally recruited at Grade 3-B	19.4	28.8	26.2
Promoted from below	80.6	50.7	8.8

Source: H. B. Lee (1968, p. 105)

Another point to note, during this period the government re-employed the public officials who had served to exploit the Korean people under the Japanese colonial rule. Even after liberation, most of the major governmental institutions were controlled by the bureaucrats who had worked for the Japanese empire. In the case of general civil servants, 78.6 per cent were the former civil servants of the colonial period and 71.2 per cent of the police also came from the Japanese colonial government (S. K. Jung, 2004, p. 63). The re-

employed bureaucrats from the Japanese colonial period were promoted and formed the core group of bureaucracy since the late period of President Rhee Seung-man (Y. Jung, 2008, p. 126).

Despite the introduction of new ideal institutions imported from Western countries, in practice, the Korean civil service system remained underdeveloped. There were notable improvements, such as the introduction of an open competitive recruitment examination for the lowest grade (Grade 5 at that time) under the second government of President Jang Meun (H. B. Lee, 1968, pp. 200-201). However, this gradual change could not reform the bureaucracy itself (B. Lee, 2003, p. 6). D. S. Park (1961) pointed out that the Korean bureaucracy during this period reflected mixed aspects of the British and American system as its ideology, the Chosun Dynasty's oppressive rule, and the Japanese legal organisation.

Protected Civil Service in the Developmental State, 1961-1987

Park Jung-hee's regime from 1961 sought to solve the crisis of political legitimacy through economic growth. The regime started to control the bureaucracy through conducting an extensive purge of civil servants and twenty reorganisations of the government set up the two and a half years of military rule, from the Military coup in 1961 to the beginning of the Third administration in 1963. Subsequently, the regime made an effort to rationalise and specialise bureaucracy, while simultaneously suppressing political groups, such as the parliament, political parties, and media of public opinion.

During this developmental period, the characteristics of the Korean civil service system included the merit principle, the career and rank system, open competitive recruitment and systemic training to complement the tradition of the generalists with an authentic meaning. Y. Jung (2008) defined this period as institutionalisation of the Korean civil service system. He appraised this time as that of sophistication of the traditional rank system and the recruitment of competent and disciplined civil servants by merit system met the demand of the times.

Table 2.4 The increase in recruitment by senior civil service examination (1963-1980)

(unit : person)

Year/ Number	New civil servants from <i>Hengjung-godung-gosi</i> (general service)	New civil servants from <i>Woemu-godung-gosi</i> (foreign service)	New civil servants from <i>Kisul-godung-gosi</i> (technical service)
1963-1965	91	-	20
1966-1968	119	18	2
1969-1971	308	56	53
1972-1974	415	63	78
1975-1977	460	139	143
1978-1980	685	148	243

Source: adapted from B. Lee (2003, p. 21)

Table 2.5 The Number of New Civil Servants Recruited Through the Open Competitive Exam (1960-1980)

(unit : person)

Year/ Number	Grade 4 (present Grade 7) of general service	Grade 5 (present Grade 9) of general service
1960-1964	-	14,671
1965-1968	2,104	24,854
1969-1972	691	9,871
1973-1976	805	13,801
1977-1980	2,170	12,205

Source: adapted from B. Lee (2003, p. 22)

Table 2.6 Success Ratio in the Senior Civil Service Examination (1963-1980)

(unit : person)

Period	Applicants (Total)	Successful Candidate (Total)	Successful Candidate (Annual Average)	Success Ratio (%)
1963-1970	13,563	336	42	2.5
1971-1980	82,322	1,748	194	2.1
Total	95,885	2,084	236	2.2

Source: T. K. Ha (1990)

During this period, the regulation of the Civil Service System became sophisticated through enactment or amendment. The State Public Officials Act, which was revised in April 1963, made up for its previous nominal contents. Particularly, the principles that

the appointment of civil servants should follow an open competitive examination process (Article 28) and the opportunity for every citizen to become a civil servant were established through the amendment. In May 1963, the *junhyung*, which was criticised as an arbitrary and impartial recruitment system at that time, was abolished through the annulment of a related act (The Civil Servants' Recruitment Regulations by Junhyung) (B. Lee, 2003, p. 15). Also, the Official Appointment Regulations (Cabinet Order 1317) were dramatically changed to suggest detailed rules of the open competitive exam. Therefore, the principle of recruitment tests for the future job and grade of new personnel was established. In the same year, the "Act on the Education and Training of Public Officials" (Act No.1350), the "Act on Job Classification" (Act No.1434), and the "Local Public Officials Act" (Act No.1427) were enacted in succession. Additionally, an objective test was introduced to reinforce the fairness of the appointment exams. The increase in the number of employees from the open competitive examination was the result of these institutional changes (B. Lee, 2003, p. 17).

Moreover, in 1960, the agency for Training Civil Servants was expanded and reorganized into the Central Officials Training Institute (COTI) (CSC, 2004b). In the 1980s, the personnel reform was set out to reinforce the code of conduct by enacting the Public Officials Ethics Act and establishing the regulation of the Registration of Civil Servants' Property. The compensation system emphasised stability, rather than competition. A salary scheme was implemented whereby the salaries increased annually according to seniority without a performance-based bonus. Seniority was the most influential factor in determining pay levels.

The extensive clearance of incompetent or corrupt bureaucrats from 1961 to 1962 contributed to the rationalised aspect of the bureaucracy.¹² Instead, new administrative elite bureaucrats were recruited through open competitive examinations and the promotion of existing low-level bureaucrats was based on their competency. During the 1960s and 1970s, the Senior Civil Service Examination became more competitive. In the early 1960s, the government initiated a massive recruitment drive by means of highly competitive national examinations. By the late 1970s, this policy served to eliminate those bureaucrats who had been recruited in the 1950s through the previous corrupted system. Furthermore, accepting military officers caused an influx of systemic administration

¹²Through five successive dismissal measures in 1961, over 33,000 civil servants (10 per cent of the total) were dismissed from public service. People who had weaknesses, such as evasion of military service, concubine problems, and political controversies, were dismissed on a large scale (B. Lee, 2003, p. 13).

power with a well-ordered military style. Thus, in the late 1980s, there was only a very negligible number of bureaucrats who had entered the economic ministries without having passed open competitive examinations or who did not possess proper certificates. This development of administrative ability involved the rearing of gifted, experienced, and highly-educated career civil servants from *godung-gosi* and the military for the effective achievement of Korea's economic development. It was a remarkable change as compared to the bureaucracy under President Rhee's regime which, due to its closed recruitment system, could have had only a limited influence on the new competent bureaucrats (B. S. Choi, 1992).¹³

The bureaucracy during this period had a policy of recruiting young elites and cultivating them as high-level civil officials. The early commitment of the bureaucrats assured the individual of his/her eligibility for high status. The role of personal status was observed in the form of the highly predictable patterns of promotion, usually based on rank and seniority. This tendency is also found in the Japanese, French, and German bureaucracies (Silberman, 1993). The increase in the size of the government organisations and the number of civil servants led to a corresponding increase in the number of newly-established divisions. The number of civil servants rose to 266,000 in 1962. In 1983, it surged to over 640,000 (Y. P. Kim, 1985, p. 120). This was an obvious expansion, which could not be compared to that of the First or Second administration. These shifts from the preceding era showed a general pattern of the institutionalisation of the rationalised administrative role. The bureaucracy in this period had the distinctive feature of organisational orientation, which referred to the whole government, rather than to ministries or departments. The organisational orientation in this period emphasised the role and function of organisations; the discretion and praxis of individual civil servant were not given. In terms of the competency of civil servants, generalists were preferred to specialists in the government.

During this period, there was a high degree of similarity between the typical Japanese bureaucracy and the Korean. Both were based on the elite model in terms of their recruitment system, as well as the strong legalistic orientation of the civil servants (P. S. Kim, 2002). A tradition of individual rights, equality, limited government, and a

¹³ The education level of the Korean senior civil servants increased. For example, while the rate of university graduates was only 46.5 per cent in 1966, it increased to 74.1 per cent in 1977 and then to 76.7 per cent in 1982 (T. K. Ha, 1990, p. 105).

pragmatic approach towards the administration were relatively absent in both bureaucracies.

Transitional Civil Service, 1987- 1997

The year 1987 was a turning point for Korean politics. Following the success of large-scale demonstrations for achieving a democratised society, there was a huge change in the socio-political setting. The unique historical context of Korea after 1987, such as the political democratisation, economical liberation and the growth of the civil society, also led to fundamental changes in the administrative values and working principles of the Korean bureaucracy. It was an unavoidable pressure towards the new society. In this period, the government bureaucracy was undergoing an adaptation to a new system, while political and economic energy provided less input. The major direction of the government was democratisation. For example, there was a legislation of the Local Government Act which re-introduced a local self-governing system. The organisation of local assembly by election was accomplished in 1991 during the Sixth administration of President Rho Tae-woo. In terms of efforts to improve the civil service system, a plan for an increase in the civil service pay was attempted. Also, as an effort for change in the personnel management practice, retirement age for lower-level civil servants was extended (S. H. Oh, 2012, p. 268).

Kim Young-sam's government which began in 1993 was named as the Civil government. This naming was the expression of the strong will to abolish the legacy of military authoritarianism and to open up a democratised era. This government initially set out to design a plan for reforming the Korean society which was strongly supported by the people. The content of this plan was influenced by Neo-liberalism. Downsizing the number of civil servants in pursuit of a small and strong government was also attempted, ending with little success (K. S. Kim, 1997). In terms of the personnel management institution, a disclosure of high-level officials' property was introduced in order to prevent corruption. In addition, some programmes were introduced, such as an extension of seniority promotion for low-level officials and of the plural class system, diversification of the kinds for open competitive examination for service, a reduction in the number of subjects of the examination, setting up a target ratio of a minimum 20 per cent for women recruitment for the civil service, and special employment for qualified doctors and experts, (D. J. Bae, Kim, & Kim, 2000; S. H. Oh, 2012).

During this period the close ties between the political power and bureaucracy became more distant. The civilian government tried to control the bureaucracy through the ideals of a powerful political democratisation and a growing civil society.

Professional Civil Service, 1998- Present

The economic crisis of the late 1997 caused a huge change in the political, economic, and social environment. In particular, a new paradigm of public management reform swept through the entire public sector. The economic crisis of 1997 provided an opportunity for re-evaluating the merits and demerits of the long period of economic development by the Korean government. Specifically, a general understanding emerged that the causes of the economic crash and difficulties were rooted in the contradictions and limitations of the state-led economic growth. As a result, the professionalism and trustworthiness of bureaucrats were questioned during this period.¹⁴ Under the administration of Kim Dae-jung, who attained power just after the economic crisis in the 1997, the civil service reform began to emphasise “competition” and “performance” in earnest. The Civil Service Commission (CSC), set up in 1999, strongly led the government reform. Even after the abolishment of the CSC that followed the government reorganisation in 2008, the trend for the pursuit of efficiency has been maintained to the present time.

The new policies of the CSC focused on the openness, flexibility, and expertise of the civil service (CSC, 2007a).¹⁵ The initial focus was the innovation of recruitment. The Open Position system opened up high-level government posts to those internal and external to the public office, helped to revamp the outdated *godung-gosi* system based on the career civil service system, and, through an interchange of personnel with professionals from the private sector, led to a transformation of the closed appointment system. Attempts to diversify the composition of the civil service were persistently made. The previously homogenous elite group of male highly-educated civil servants, recruited

¹⁴ In Korea, there was the dominant opinion that the major cause of the financial bankruptcy in 1997 was due to the lack of dealing with the changeable international environments, like democratisation and neo-liberalism, by the Korean bureaucracy; it was also related to the problems inherent in the state-oriented economic development strategy under the long-standing military and authoritarian regimes (S. K. Jung, 2004, pp. 148-149).

¹⁵ Kim Dae-jung's administration strongly promoted the public service reform policies based on the NPM stream with the centres of the MPB and the CSC. The remarkable thing was that the reform focused on both the “software of administration”, and the “hardware of reorganization and restructuring”. For the reform of the operation system, the policies for privatisation, the open position appointment system, e-government, and a customer-oriented government were promoted (J. J. Yang, 2002, p. 9).

by ‘*godung gosi*’, was diversified with the increase of university graduates, experts from the private sector and females, even under the Rho Moo-hyun and Lee Myung-bak’s administrations. Additionally, there were attempts to realise the slogans of “competition” and “performance”, such as performance-related pay and the annual salary system.

By introducing the Senior Civil Service System from the US, the U.K and New Zealand and transferring discretionary power for the personnel management of low-level civil servants to the ministries, the CSC enhanced the diversity of the civil service system operation. Furthermore, some institutional devices, such as the quota system for female civil servants, the obligatory employment of disabled people, the emphasis on balancing regional representation in the process of appointment and the promotion review were phased into the Korean civil service.¹⁶ The openness of influential governmental posts, the distribution of the native places of high-level civil servants and the electronic personnel policy support system increased the transparency of the government personnel. Additionally, the Five-Year plan for increasing the civil service pay level from the year 2000 contributed towards raising the morale of civil servants (CSC, 2002b, 2005b).

Although the civil service reform since the 1990s had a different focus depending on the time and purpose of each specific regime, it obviously displayed a transformation from the protected characteristics of the powerful elite group to the institutional evolution of a professional civil service. In other words, it implied that the Korean civil service, with its organisational orientation, was changing its direction in order to form a professional orientation. Also, these reformative measures, based on the unique historical backgrounds and contexts, reflect the relief of the previous rigidity and homogeneousness of the Korean civil service.

The considerable change of the reformative model followed the British- or American-style civil service reformative method. That is, it showed the will of the Korean government to transform the class and person-oriented personnel management system into a job- and performance-oriented one. Furthermore, Rho Mu-hyun’s administration, which seized power in 2003, has invested much effort into increasing the participation of

¹⁶ As a result, the ratio of female civil servants increased from 21.7 per cent in 1978 to over 30.0 per cent in 2000. The rate of employment of disabled people in the civil service is now continuously rising. However, the problem is that most women and disabled civil servants work on specific tasks, such as teaching, or occupy low-grade positions (Grade 6 or under). Their promotion to managerial positions, which have practical influences on the policy-making process, is rare. The ratio of women civil servants who occupied a managerial position of Grade 5 or higher has increased from only 1 per cent in 1989 to over 5 per cent of the total managerial positions in 2005 (B. Kim & Park, 2005, pp. 18-19).

citizens and private experts in the policy-making process under the slogan of “Participation Government”. As a result, the Weberian-style bureaucracy, strongly maintained in the developmental stage, has been losing power.

2.3 Evolution of Public Service Bargains in Korea

Over the period of the political and economic turmoil, the relationship between political regime and bureaucracy significantly changed. In order to better understand the changing nature of this relationship, this section shows how key policy actors interacted with each other, adopting the concept of PSB. Taking into account such variables as competence, loyalty, and reward, suggested by Christopher Hood and Lodge (2006), this section highlights what the politicians and bureaucrats give and get from the interaction.

Table 2.7 Evolution of Korean Public Service Bargains (PSB)

PSB	1945-1960	1961-1987	1987-1997	1998 - present
	Pre-institutionalised bureaucracy	Developmental bureaucracy	Transitional bureaucracy	Professionalised bureaucracy
Competency	Lower education Patronage recruitment	Higher education Open competitive exam Institutionalised training system	Higher education Open competitive exam	Higher education Diversified recruitment Expert recruitment from private sector The increased turnover rate of the competent civil servants to private sector
Loyalty	Loyalty to vested rights Individual ties to regime and ruling party	Strong ties with government and regime Relationship between subordinate and superior	Weakened loyalty to regime and government	Weakened loyalty to regime and government Stronger loyalty to department or ministry
Reward	Easier promotion Low monetary compensation Severe corruption Lower social reputation	Easier promotion Low monetary compensation Higher policy autonomy Higher social reputation	Decreased promotion opportunity Decreased social reputation	Decreased promotion opportunity Reinforced monetary compensation Practical benefit rather than social reputation

Public Service Bargains Under the Incompetent Government, 1948 to 1961

The characteristics of the PSBs in this period can be briefly summarised as low competency, individual ties and unconditional loyalty to the regime itself, and lack of monetary compensation and corruption (see Table 2.7). In fact, what the political leaders urgently needed was competent civil servants who could revitalise the collapsed country just after the liberation from the colonial and the US military rule, and after the Korean War. However, in reality, it was difficult to recruit competent civil servants. The underdeveloped recruitment and training system damaged the capacity of the state. Most civil servants were recruited by patronage (*junhyung*) rather than through an open competitive examination. Frustrated with the closed recruitment system, competent people equipped with a high public value could not enter the government. In this period, the educational background of higher civil servants was generally low. Even 15 years after the Liberation and 12 years after the establishment of the government, about two-thirds (63.4 per cent) of the officials at the middle manager level (Grade 5 at present) were those whose formal education had not extended beyond the secondary-school level in 1960 (H. B. Lee, 1968). In addition, placing civil servants in the right place or training them were not systematically accomplished until then (D. S. Park, 1966).

During this period, loyalty and responsibility were strongly tied to individuals or only directed to the regime itself or the ruling party. In particular, re-employed civil servants who had served the Japanese colonial government had concerns about their personal safety due to their previous devotion to colonial exploitation. This caused them to manifest an excessive loyalty and unconditional obedience to Rhee Seung-man's administration. Combined with the Confucian rank system from the Chosun Dynasty and the culture of "*Kwanjon-minbi*" (public officials are high and citizens are low), the non-democratic characteristics of the Rhee government became strong (Y. Jung, 2008). The political master effectively controlled the underdeveloped bureaucracy through the patronage system. In addition, the political master and his close associates dominated the policy-making process.

In exchange for loyalty and competence, politicians were supposed to give rewards to public servants. Under Rhee Seung-man's government, a regular monetary compensation for civil servants could not be implemented due to the fiscal difficulties of the government. The first regulation on civil service pay, entitled 'The Civil Service Remuneration Regulation' (CSRR), in which every pay scale was suggested in detail, was

enacted in 1949 (Y. Jung, 2008, p. 128). However, the reality was different from the regulation. What was worse, only a few civil servants could receive their salaries from the government and others sometimes received them from private companies (S. K. Jung, 2004, p. 147). Nevertheless, a turnover to the private sector was rare, because it was not easy to secure other lucrative jobs and the status of public officials was regarded as a privilege. In addition, the civil servants re-employed via *junhyung* from the Japanese colonial government easily secured the chance to be promoted to higher positions. Most of the senior civil servants who occupied their positions from the Japanese colonial and the U.S military government held their status in the government throughout Rhee Seung-man's administration. For example, from 1951 to 1959, 4,350 senior civil servants (93.1%) were promoted without competitive examination (D. S. Park, 1961, p. 197), while, from 1949 to 1959, only 344 applicants (1.9%) of 12,899 candidates for senior position (*gosi*) were successfully recruited through open competitive exam for managerial positions (M. O. Park, 1968, p. 401).¹⁷ This fact indicates that the reward in this period was not a monetary compensation officially given by the government. Rather, an easy promotion, a privilege as a public official, and a possibility of receiving bribes might be other kinds of rewards for bureaucrats.

Public Service Bargains under Authoritarian Government, 1961 to 1987

During the development period since 1961, the civil service was perceived as an important tool for economic development by the political master. The civil service system became institutionalised and led to a higher state capacity. As compared to the preceding period, the role and competency of bureaucracy was much enhanced. Most capable people could become civil servants through an open and competitive examination every year. Strong competition was seen from the success ratio in the senior civil service entrance examination, which was only about 2 per cent. The educational background of the senior civil servants was predominantly university graduate, indicating a great difference from the previous stage, i.e. before the 1960s. In this state-led era for economic development, the civil service was the most competent group in the society, as well as a source of recruitment for higher political positions, such as vice minister, MP, or Secretary of President (S. K. Jung, 2004, p. 115). In addition, the young military elites who graduated

¹⁷ The data are re-cited from S. K. Jung (2004, p. 81)

from the Professional Military Academy also had a chance to join the bureaucracy with the support from President Park Jung-hee.

The loyalty of the civil service in this period was closely related to the authoritarian regime. In the early 1960s, the loyalty of public officials to a political leader stemmed from the personnel order through which the president controlled individual civil servants. The president could easily change cabinet members and the status of senior civil servants. As President Park's regime continued, the coalition between the political master and bureaucracy was reinforced. While the Park regime gave bureaucracy the power and authority to dominate the society, the power of controlling bureaucracy was in the president's hands.

The rewards in this period included a high social reputation, higher chances to be promoted and increased bureaucratic power in the policy process; on the other hand, there was insufficient monetary compensation. Civil servants were also highly respected as leading actors.¹⁸ In a survey conducted in the late 1970s, when asked about their motivation to become civil servants, 47.2 per cent of the respondents answered "*social status and reputation*" and "*pride as a leading elite for the national development*", only 20.3 per cent answered "*a means of making a living*" (C. H. Choi, 1989, p. 696). According to another empirical study of the upper-level civil servants, they put a greater importance on being an "*administrator*" (62.9 per cent) than an "*entrepreneur*" (12.3 per cent) or "*non-governmental elites of the private sector*" (11.6 per cent). These data show that bureaucrats in Korea recognized themselves as leaders in the modernisation process of the Korean society (B. Y. Ahn, 1989, p. 112).

In terms of bureaucratic power, civil servants were influential in the policy-making process. In the Third administration of the Park regime, the Korean government pushed forward with a state-led export-oriented industrialising strategy. For instance, economic bureaucrats still had a powerful authority over monetary and government finance control as policy means. They also had the essential power in the process of introducing foreign capital and technology, such as inspection, arbitration, permission and payment guarantees (J. S. Lee, 1998, pp. 42-45). That is to say, the bureaucrats who worked for the economic departments employed their powerful authority to dominate the

¹⁸ That was partly because there was a series of six successful five-year plans of economic development. From 1962, when the first economic development plan was launched, to 1984, the annual average growth rate of gross national product exceeded 8 per cent, and the per capita income also surged from 80 U.S. dollars in 1962 to 2000 US dollars in 1984 (J. S. Lee, 1998).

economic resources of over 40 per cent of the GNP. It covered a wide field of fiscal and financial policy, from planning the national economy to budgeting, revenue, price control, currency management, production, and investment (Hankook Newspaper, 1983).

The reliable expectation for promotion could supplement the lack of financial compensation. Particularly, in the period of economic development and government expansion from the 1970s to the 1980s, many newly-established governmental organisations and subsidiary public companies made it possible to increase the opportunity to obtain high government posts (Yoo, 2002). During this period, based on their professionalism bureaucrats were frequently promoted to the posts of minister, vice-minister or secretary to the president. As shown in Table 2.7, bureaucrats occupied most of the posts in the major economic ministries during the 1970s. The monopoly of the important ministerial posts was more conspicuous in the 1970s than during other periods (J. Jung, 1989, p. 77).

Table 2.8. Backgrounds of Economic Ministers and Vice-Ministers

(Unit: %)

	Minister		Vice-Minister	
	Macro-Issue Ministry (EPB, MOF)	Micro-Issue Ministry (MOC, MOT, MOCOM)	Macro-Issue Ministry (EPB, MOF)	Micro-Issue Ministry (MOC, MOT, MOCOM)
	Expert (Bureaucrats)	Expert (Bureaucrats)	Expert (Bureaucrats)	Expert (Bureaucrats)
1960s (Dec. 1963- Oct. 1972)	64.0 (21.3)	56.3 (40.3)	100.0 (78.2)	96.3 (86.8)
1970s (Oct. 1972-Oct. 1980)	70.6 (38.1)	15.9 (10.2)	100.0 (100.0)	82.9 (66.1)
1980s (Mar. 1981-Dec. 1987)	100.0 (15.3)	46.6 (46.6)	100.0 (97.2)	81.2 (56.3)

Notes: 1) The number indicates the proportion (in percentage) of time spent to be ministers or vice-ministers from each type of background. Experts include bureaucrats and outsiders, such as professors, and economic analysts in a bank or research institute.

2) The Macro-issue Ministry includes EPB and MOF, while the Micro-Issue Ministry includes Ministry of Construction (MOC), Transportation (MOT), and Communication (MOCOM)

Source: Jung (1993: p. 96-99)

Despite their social roles and responsibilities, the monetary compensation of the civil service was low compared to those employed in the private sector (Korean Labour Institute, 1999). It was because the Korean government continuously controlled the public sector salaries, which acted as a guideline for deciding the pay increase rate of the private sector (Interview B1). This was a strategic measure for minimising the increases in the

pay level based on the export-oriented industrialized strategy. As a result, the monthly salary of Grade 5 (at present grade) civil servants was only 59.8 per cent of that of a director's salary in a large company, or 84 per cent of the pay for those working in public enterprises in 1980 (C. H. Choi, 1989, p. 693). Moreover, the wage gap was even larger, as the grade was higher and the career longer.

Public Service Bargains under transitional government, 1987 to 1997

The enormous change in the socio-economic circumstances after 1987 brought about a considerable change in the incentive system of government officials. Loyalty to the regime was weakened after democratisation and the rewards, such as social reputation, promotion opportunity, and initiative in the policy making process were decreased. Due to the explosive growth of the civil society, the bureaucratic autonomy in policy process also lessened. Institutional devices, such as the Administrative Procedure Act (APA), were put into practice in order to control bureaucracy. In addition, under the civilian and legitimate government, the bureaucracy fell from grace to a target for criticism. The chance of promotion to a high-ranking official was undoubtedly diminished. The average number of years required to attain the next grade gradually increased compared to that of the 1970s and 1980s in most ministries (Yoo, 2002, p. 261).

Table 2.9. The Average Number of Years Required for Promotion

Grade	Legal minimum year	Years in reality					
		1978	1983	1988	1990	1992	1996
Grade 4→3	5	7.0	7.0	10.0	10.6	10.4	8.5
Grade 5→4	5	7.4	8.0	11.2	11.6	12.1	10.9
Grade 6→5	4	5.8	7.0	9.1	9.6	9.4	8.9

Source: Yoo (2002, p. 260), quoted from (Ministry of Government Administration, 1993, 1996)

In this context, presidents Rho Tae-woo and Kim Young-sam tried to increase the civil service pay through a mid-term plan (H. Y. Oh, 2003, p. 353). It was a measure of compensating for the lower social reputation of bureaucracy after democratisation. However, this policy failed to produce the intended results. The sudden drop in self-esteem and social reputation was strongly related to the weakened loyalty of civil servants to the regime. For example, the down-sizing policy, which was based on 'a small government' strategy in the First civilian government of the President Kim Young-Sam,

was unpopular among civil servants. The long-term close coalition between the political leader and bureaucracy started to collapse.

Public Service Bargains under democratised government, 1998 to present

In terms of competency, loyalty, and reward, the bureaucracy after the economic crisis of 1997 became considerably different. Firstly, the recruitment of civil service was diversified. Since the introduction of public management reform in the civil service, various experts from the private sector entered the government. The newly launched “open position appointment system” was a method of appointing professionals to key posts at Grade 3 (director general level) or above. Under Lee Myung-bak’s administration (2008-2013), the system was extended to Grade 4 (director level). This diversification weakened the characteristics of the elite bureaucracy, although the public service is still attractive for the public and the competition for recruitment is strong in present-day Korea.

Also, it was observed that some competent and experienced bureaucrats moved to the private sector. This mobility between private and public sectors is very different from the previous times. In addition, most competent candidates of the civil service often apply to various ministries in charge of culture, welfare, labour, and environment rather than to economic departments which traditionally had a powerful authority. Secondly, the social reputation of the civil service decreased and the general criticism of bureaucracy has risen. Vested rights traditionally enjoyed by civil servants were reduced. Civil service morale was badly affected by the increased criticism (C. Park, 2008, p. 181).

In a study of public service motivation of university students who wanted to join the government, Ko and Park (2010) found that the students’ spirit to public service became fairly insignificant, even though they ranked higher than job seekers in the private sector. Thirdly, the direction of the loyalty of the civil servants changed from the regime to the ministry to which they belonged. Since the political democratisation, every new elected government attempted to reorganise the government ministries at the start of its term. In the pre-democratised period, civil servants could have quite predictable career paths within their ministries. They belonged to one ministry for their life-long careers and were promoted to higher positions inside the ministry. However, frequent government reorganisations, every five years, reduced stable and predictable expectations for individual career plans, especially in terms of promotion. If their own ministries were downsized, abolished or integrated into another ministry, individual civil servant career

paths and incentive systems could be damaged, as the average number of years required for promotion could vary. In addition to the government reorganisation, the interests of ministries, such as the size of budget and personnel, become more important for civil servants. Fourthly, the introduction of a new appointment system in the civil service, such as “the open position appointment system”, decreased the chances of promotion. Moreover, politicians and professionals who had helped the party to legally win the elections obtained key government posts, such as minister, secretary of the president, or member of a government committee. These posts previously, i.e. until the late 1980s, belonged to civil servants.¹⁹

Instead, reinforcement in monetary compensation emerged as a key reward in PSB. Experiencing the performance-based pay system and the five- year plans to increase the civil service pay promoted under Kim Dae-Jung and Rho Moo-Hyun’s administrations, civil servants seemed to realise that practical benefits were more important than social respect or self-esteem. C. Park (2008) noted that the civil servants of Grades 3-4 in the central government had the largest discrepancy between the importance of their job and the satisfaction of extrinsic incentives (p. 195). The relationship between the president and bureaucracy is not similar to that of a political master and the subordinates who share values, as in the development era. Rather, bureaucrats can be perceived as one of the independent actors in the policy-making process.

Concluding Remarks

The current civil service system reflects the Korean history. The Korean government had to newly construct the state after the severe 35-year Japanese colonial period and the Korean War in the 1950s. During the 1960s – 70s, the Korean economy grew explosively under the military regime. It was in this period that political power forged a close relationship with bureaucracy. Since the 3rd Republic of Park, Jung-hee, civil servants have been recruited from the top talented people and have become the elites of society. The political power formed a strong alliance with bureaucracy, providing the latter with

¹⁹ There are some reasons why the importance of the professionals outside the government started to be enhanced in terms of the initiative of the policy-making process after 1987. Firstly, the remarkable growth of the private sector and research institutes could provide elites for the government. Secondly, the conversion of the economic policy direction weakened the economic bureaucrats who dominated the principal information. Thirdly, the shift from economic growth to economic stability as the primary policy reinforced the relative importance of experts external to the government (J. Jung, 1989, p. 87).

policy autonomy that even the parliament or civil society had never had. In response, bureaucracy had to stay loyal to the political power (Trustee type). However, after democratisation, this alliance weakened and the autonomy and dominance of bureaucracy diminished. More and more civil servants desired materialistic and substantial rewards (Agency type). Such a changing trend is becoming more reinforced by enforcing the civil service reform after the IMF bailout. This changing compensation system of the civil service provides a background for the cases analysed in Chapters 3- 6.

Chapter 3. Reform of the System for the Annual Civil Service Pay Determination

An important way of reform is that politicians favour reducing civil servant numbers and powers, to weaken their role or autonomy (Peters & Pierre, 2006, pp. 2-3). Through these measures, politicians seek to control bureaucrats and obtain support from the public. The reform of the civil service pay determination system in Korea from 2000 to 2004 went against this tendency, as it intended to substantially increase the civil service pay level. However, why could the pay increase in the public sector be a reformative policy? To address this question, a deeper understanding of some specific Korean contexts is needed. Firstly, the pay for the government employees was chronically lower than that for the private sector employees²⁰. The imbalance between high social prestige of public officials and low monetary compensation for their work seemed to be rooted in the Confucian system of values that emphasises non-materialism and integrity (T. Im, Campbell, & Cha, 2013). Although the Korean government could operate with a relatively small amount of personnel budget, scholars and the civil society pointed out the danger of corruption or making invisible benefits for civil servants (K. Jung & Kong, 1998). Secondly, there was a perception that the low level of civil service pay often led to excessive political intervention. For example, political events, such as the presidential election or the president's unexpected discretion during the time of powerful presidency, oftentimes influenced the civil service pay level (Chung, 2007; Sang Hun Kim & Bae, 2000). The elaboration of the pay determination system in the direction of the civil service pay increase thus can be seen as a reformative policy that would eliminate unexpected political influence.

This chapter examines the competition and collaboration between policy actors in the context of a series of decisions for the introduction of the civil service pay agenda. In particular, the focus is on how and why the ministries in charge of the government personnel and national budget changed their positions over time and what the results of the policy outcomes were. By looking inside the decision-making process in the executive branch, this chapter provides the description of (1) the introduction of the Five-Year Plan

²⁰ At that time, 79 per cent of civil servants was paid below the average cost of living for city workers (K. W. Kim, 2009, p. 365)

of the civil service pay; (2) the interaction of key players; and (3) the analysis of the policy outcomes and bargaining between major actors.

3.1 The Five-Year Plan of the Civil Service Pay

Facing the Asian Financial crisis in 1997, the Korean Government started the public sector reform on a large scale. The conditionality imposed by IMF bailout programme included the increase of the flexibility in the labour market and the reform of the government (S. Im et al., 2006)²¹. “Open the closed door of civil service for the open government” became an important reformative action for the new government. In order to implement this plan, the CSC²² was established in 1999 after the second government reorganisation under Kim Dae-jung’s administration. This new organisation was responsible for making a new civil service system, the emphasis of which was on performance, competition and recruitment of experts from private sector (CSC, 2002b). However, a considerable public-private pay gap was one of the main obstacles to the influx of private experts to the government. The solution of this problem was to increase the chronically low public sector pay level that had lasted for several decades (K. Jung & Kong, 1998). The first chairman of the CSC mentioned several times the necessity of an increase in the civil service pay:

Pay is the main reason why competent experts cannot join the government. How come do they join? Their salary is almost three times higher than that of the government workers. We really need to make a new policy to give a special treatment to private experts (K. W. Kim, 2009, p. 709).

Introduction of the Five-Year Plan

The Five-Year Plan for the realisation of the civil service pay level was first initiated by the promise of President Kim Dae-jung in 1999. After two years of a successive pay cut and large-scale downsizing²³, the President Kim Dae-jung needed some measures to boost

²¹ The four kinds of reform followed by the IMF programmes are the government reform, the financial reform, the enterprise structure reform and the labour market reform

²² The CSC was the first presidential committee for the government personnel policy. The CSC was integrated into the Ministry of Public Administration and Security in 2008 and was changed again to the Ministry of Security and Public Administration in 2013.

²³ As a result of this down-sizing strategy, the number and rate of the yearly retirement of civil servants increasingly surged in 1998 and 1999. The number increased from around 35,000 in the 1990s on average

the morale of civil servants. On 28 June 1999, he had an official conversation with 2,400 representatives of civil servants, the majority of whom were middle-level managers (Grades 3 to 4) in the Sejong Munwha Assembly Hall (CSC, 2002b, p. 253). At this meeting, he promised to increase the civil service pay level equivalent to that of middle-sized private companies²⁴ during his term. In fact, this promise of increasing the civil service pay was a presidential election pledge. After this meeting, the CSC set out to establish a concrete plan. The message from the president seemed to be very clear and the strength of his remark was beyond general expectation. Moreover, he pushed the minister of the Ministry of Planning and Budget (MPB)²⁵ to prepare a definite answer for his suggestion (Interview B3). As requested by the president, some relevant ministries, including the CSC, the MPB, and other agencies such as the Ministry of Government Administration and Home Affairs (MOGAHA)²⁶, discussed concrete plans of fulfilling the president promise and made an agreement.²⁷

After three committee meetings comprising both private experts and civil servants, ‘the Five-Year Plan to systemize the annual civil service pay determination from 2000 to 2004’ was confirmed and reported to the general public on 24 July, 2000 (CSC, 2002b, pp. 253-255). In a nutshell, the Plan was a realignment that clarified and confirmed the existing legal procedures and purpose, which had not been followed for a long time. The existing regulation on the civil service system, “The State Public Officials Act (1949)”, defined the principles of external balance of the civil service pay, as well as an internal balance. This meant that the private sector pay level and the living costs should be considered in determining the civil service pay (Article 46). However, due to the lack of the obligatory sub-decree, the details, such as the procedure of investigating the private

to 54,900 in 1998 and 94,797 in 1999. The rate also rose from around 3.5 to 5.8 per cent in 1998 and 10.4 per cent in 1999 (CSC, 2002b; MOGAHA, 2002).

²⁴ Discussions were made on the definition of middle-sized private companies mentioned by the President Kim. After comprehensively considering the size, education level, social awareness of civil service from the public and the case of the Japanese government, the consensual definition was decided to that of a private company with 100 employees or more (CSC, 2002b, p. 255). For reference, the previous comparison had a standard of large companies (state enterprises) and the standard of internal balance between the government organisation was as follows: high-school graduate and grade 9 civil service, professional college and grade 7, and university and grade 5, etc.

²⁵ The MPB was the Ministry in charge of the national budget, changed from the Committee for Planning and Budget. Through the government reorganisation, the budgetary work was taken charge of by the Ministry of Strategy and Finance from 2008.

²⁶ At that time, the MOGAHA was in charge of the government organisation and the civil service pension.

²⁷ The second reorganisation of the government in 1999 under President Kim Dae-jung changed the functions and the names of some agencies. Then, the Committee of the Planning and Budget was changed to the MPB and the personnel administration function of the Ministry of Government Administration and Home Affairs moved to the CSC (The National Government Organisation Act in 1999; source: www.moleg.go.kr).

sector pay level or the method of reflecting the pay gap, were left to the government's discretion. In fact, the investigation of the private sector pay had been limited to some 45 state enterprises (K. Jung & Kong, 1998). At times, the annual pay increase rate was even under the consumer price index and the civil service pay level was lower than that in private sector.

Table 3.1. Civil Service Pay Increase Rate by Administration

	Chun Doo-whan Administration, 1981-1986	Rho Tae-woo Administration, 1987-1992	Kim Young-sam Administration, 1993-1997
Average civil service pay increase rate (%)	7.7	10.6	4.6
Average private sector pay increase rate (%)	11.1	17.3	8.3
Average Consumer Price Index increase rate (%)	4.0	6.9	5.5

Source: CSC (2002b, p. 263)

The CSC ambitiously targeted at emulating the private sector pay level over 5 years by gradually increasing year by year. In order to realise this plan, the government had to prepare at least 1.1 billion GBP (1900 - 2300 billion KRW)²⁸ every year and 4.2 billion GBP (7400-9200 billion KRW) for a total of five years (CSC, 2002b, p. 255). As the average pay level of the Korean public servants amounted to 87 per cent of the private sector pay at that time, the first year goal was determined to be as high as 88.4 per cent.

Table 3.2. The Yearly Target Rate of “the Five-Year Plan”

Year	2000	2001	2002	2003	2004
Target towards the private sector* pay level (%)	88.4(June) 91.1(Dec)	93.8(June) 95.3(Dec)	96.8	98.4	100

Source: CSC (2002b, p. 254)

Private sector refers to the average level of the workplace with 100 employees or above.

²⁸ In this thesis, the exchange rate of GBP to KRW is 1,750 considering that the average exchange rate of GBP to KRW was 1,747 in 2014.

Institutional and Systemic changes in the Procedure

Two similar mid-term plans for the civil service pay increase were attempted in previous administrations under Presidents Rho Tae-woo and Kim Young-sam (Interview B3). However, both ended without results. Compared to the previous procedure of determining the annual civil service pay, this new initiative had two main differences, namely: (1) an independent research institute should investigate the public-private pay gap every year, the result of this research should be applied to the annual civil service pay increase; and (2) the timing for the civil service pay increase should be flexible. This meant that an additional public sector pay rise could be made in the middle of the year using reserve funds. To realise this, the legal basis for the special allowance was enacted²⁹.

Previously, the procedure followed the following 7 steps: (1) basic research for estimating pay disparity between the government and non-government employees; (2) the clarification of other ministries' opinions on the relevant regulations and the draft of the following year's increase rate; (3) bargaining with the budgetary office for the total personnel budget; (4) confirmation of the executive's draft; (5) submission of the draft to the Parliament; (6) administrative measures after the pass of the draft by Parliament (e.g. the amendment of provisions in the Civil Service Remuneration Regulation); and finally, (7) applying the new pay increase rates.

However, according to the New Five-Year Plan, an additional pay increase was needed for balancing between the initial target and the survey result. Reserve funds were prepared for this payment. Extra allowance was paid to civil servants in the middle of the year and then a revised pay scale was applied in the next year. Thus, the accuracy of the public-private pay gap investigation became more important. A professional labour institute was chosen for a fair and accurate survey. As private companies were reluctant to reveal their salary levels, the survey of the private sector pay was conducted in cooperation with the National Tax Service (NTS). Table 3.3 shows the steps, the organisations involved, and the schedule for each step.

²⁹ It was based on the Civil Service Remuneration Regulation, Article 32-2 (Special Allowances for decreasing the public-private pay gap) ① Special allowances can be paid within the possible budget for improving the quality of life of the civil service ② Attached Table 30-3 of CSRR regulates how to pay the allowances. ③ On 1 January every year, the amount of money which is calculated by attached Table 30-3 should be the basic pay or the yearly stipend of civil servants (Source: www.moleg.go.kr).

Table 3.3. Summary of the Annual Civil Service Pay Determination Schedule

Step	Main body & Related Org.	Schedule
Basic research	CSC/ KLI	March to June
Preparing the CSC draft	CSC/ PO /ministries	June to July
Bargaining with ministries	CSC/MPB/MOGAHA	July to middle of August
Completion of the executive draft	MPB/President/ Cabinet Meeting	End of August to September
Submission to the Parliament and deliberation	Legislator(MP) Labour Union	First week of October to December
Amendment of relevant regulations	CSC /MOGAHA	End of December to beginning of January next year
Application of new salary table	LO	1 January (retroactive effect)

* CSC (Korean Civil Service Commission)

* KLI (Korean Labour Institute)

* PO (Presidential Office)

* LO (Legislative Office)

* MOGAHA (Ministry of Government Administration and Home Affairs)

* MPB (Ministry of Planning and Budget)

Progress of the Five-Year Plan

Initially, the Plan was implemented with the support of the president and the MPB. The MOGAHA, a competing ministry against the CSC, did not express an opposing opinion, although the pay rise could increase the burden of the civil service pension. Public opinion was not against the plan, even the expert group stood on the side of the CSC³⁰. It was in the year 2000 that the increase rate of the civil service pay overtook that of the private sector pay, for the first time after the 1980s. The civil service pay increase rate for 2000 was set at 9.7 per cent. Considering that the private companies' average pay increase rate of that year was only 4.7 per cent, the result seemed to be surprising. In 2001, in the second year of the Plan, the civil service pay was increased by 7.9 per cent. Although this was lower than the private sector pay increase rate of that same year (8.6 per cent), it was

³⁰ The expert group such as university professors continuously maintained the positive relationship with the CSC throughout the existence of the organisation.

was satisfactory considering the low customer price index and economic growth rate of the year.

As time went on, however, the expectation for the civil service pay rise gradually weakened. For example, the initial target rate towards the private sector level in 2002 was 96.8 per cent, but the actual approaching rate was 94.8 per cent. Although the new president Rho Moo-hyun, inaugurated in February 2003, declared to support the Five-Year Plan, the gap became wider. Up to 2004, the approaching rate to the private sector pay was going up; however, in 2005, the trend changed in a negative direction. Since 2005, the Five-Year Plan has no longer been implemented and, as a matter of fact, the plan to catch-up the middle-sized private companies' pay level was abandoned.

Table 3.4. The Annual Civil Service Pay Increase Rate and Economic Index (2000-2005)

	2000	2001	2002	2003	2004	2005
Initial target rate towards the private sector level (%)	88.4	93.8	96.8	98.4	100	100
Approaching rate to the private sector pay (%)	88.4	93.1	94.8	95.5	95.9	93.1
Pay increase rate in the public sector (%)	9.7	7.9	7.8	6.5	3.9	1.3
Pay increase rate of the firms with over 100 employees (%)	4.7	8.6	15.6	9.7	8.1	6.0
Pay gap between public and private sectors (%)	5.0	-0.9	-7.8	-3.2	-4.2	-4.7
Economic growth rate (%)	8.5	3.8	7.0	3.1	4.7	4.0
Consumer Prices Index (CPI) inflation rate (%)	2.3	4.1	2.8	3.5	3.6	2.8

Private sector pay: Comparison with the private companies' general or clerical workers pay (over 100 employees, investigation every June of 2000-2005)

Source: MOSPA (2013b, p. 182), http://pac.mospa.go.kr/salary/com_payinfo02.jsp (Portal website on the civil service pay, operated until March 2014)

http://kosis.kr/statisticsList/statisticsList_01List.jsp?vwcd=MT_ZTITLE&parentId=C#SubCont (Portal Website on Korean Statistical Information Service)

After 2005, the CSC replaced its previous plan of catching up with the private sector pay level up to 2005 with another mid-term plan for increasing the civil service pay from 2006 to 2010. The focus shifted to building up a social agreement for the civil service pay and changing the pay structure to a more job- and performance-oriented basis. This plan also

set the approaching rate to the level of private sector up to 2010 (see Table 3.5). In order to achieve this plan, the CSC expected the annual pay increase rate in the public sector to be 8 or 9 per cent.

Table 3.5. The Yearly Target Rate to Private Sector Pay, 2006-2010

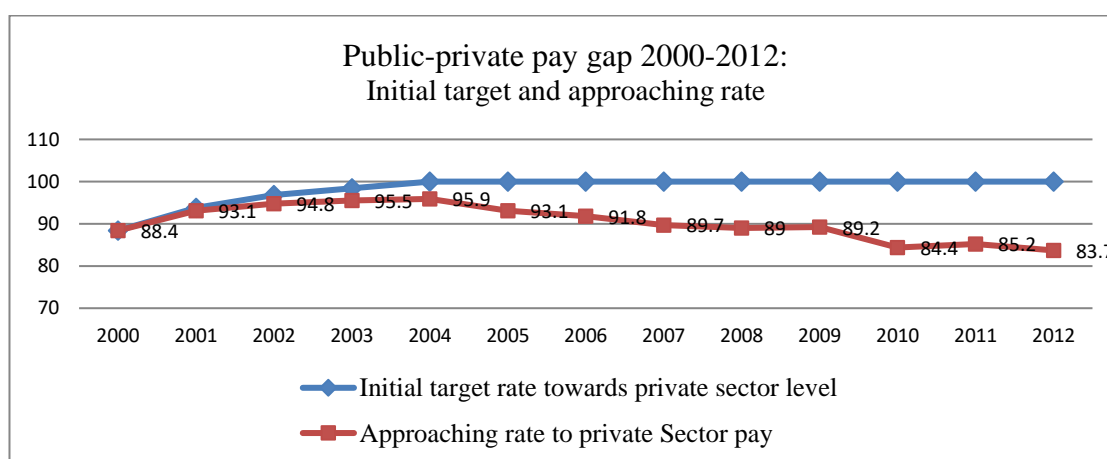
	2006	2007	2008	2009	2010
Approaching rate to private sector pay (%)	95.9	97	98	99	100

Source: CSC (2005b, pp. 417-419)

Figure 3.1 shows the change of the public-private sector pay gap since 2000. Once the approaching rate to the private sector pay declined in 2005, this trend continued up to 2012, when the rate was only 83.7 per cent. This rate was even lower than that of 2000, i.e. at the start of the Five-Year Plan. This implied that the public-private sector pay gap was no longer regarded as a substantial criterion for pay determination, this was further confirmed by an interviewee in charge of pay determination in the MOSPA:

The effort to narrow the public-private sector pay gap by government has not been fruitful since President Lee Myung-bak's administration. The Five-Year Plan turned out to be a temporal measure, which was strongly sought under Kim Dae-jung's administration only. The effort has gradually waned since Rho Moo-hyun's administration. Moreover, the annual research on the public-private sector pay gap is never being considered in the real decision-making process of the annual pay increasing rate, although the newly-made Article, which regulated extra allowance system, still exists (Interview B19).

Figure 3.1. Public-Private Pay Gap from 2000 to 2012



Source: Portal website on civil service pay, <http://pac.mospa.go.kr/salary>

3.2 Key Actors and Their Interactions

In essence, the policy-making and implementation of the Five-Year Plan is a budgetary process that determines the amount of personnel budget. The role and power of actors in the budgetary process differs across countries. Many factors, such as a wider historical constitutional and political context, legal and procedural aspects and internal legislative structures and processes, can be influential here (Posner & Park, 2007, p. 2). Various actors participate in this budget determination process. Not only the executive, including the president, the CSC, MPB and MOGAHA, but also the Parliament and professional institutes are involved. The trade union, which is an unofficial actor according to the relevant regulations, has its own voice. The media indirectly affect the decision-making through the government's consideration.

As one of the strong budget control countries (Krause, 2009, p. 11), the executive of the Korean government has been relatively powerful in the budgetary process. By contrast, the role of MPs is substantially limited, in particular, in terms of the determination of the civil service pay. Up to now, only in one year was there an exceptional cut of the civil service pay during the Parliamentary deliberation for the 2006 budget draft (Interview B3). One of the interviewees made the following remark on this issue:

The core and main participants in the decision-making process of the civil service pay increase rate are the CSC and MPB. The President, of course, is the most important person. The roles of the other participants are less important in a substantial sense, but are conventional in Korea. Even the Parliament, a legal player of the powerful check-and-balance function, has no effect on the process in reality (Interview B4).

In order to understand the policy-making process of the Five-Year Plan, the first major actors' stances and political motives are initially examined and then the interactions between them are considered.

Stances and Motives of the Executive Actors

With regard to the Five-Year Plan, the main actors who played a key role in determining the amount and contents of the personnel budget were the counterparts of the executive: the president, the CSC and the MPB. These three main actors behave in accordance with their organisational interests and political context.

Firstly, the president (or the presidential office which follows the current president's intentions), played a decisive role in the bargaining process between the ministries in charge of the government personnel and national budget. This constitutional organisation is keen on political issues, such as elections or a national economic crisis. At the same time, ever since the authoritarian regimes of the 1970s, the president has regarded civil servants and their families as an allied group or vote-getting sources (Interview B5). Considering such interest of the president, his/her strategic decision is thought to be directed at getting more support from civil servants and the public.

The CSC was committed to maximise the annual civil service pay increase rate. Traditionally, the government ministry in charge of the civil service pay played a role as a spokesperson for the entire civil service (Interview B3). This orientation looked similar to the typical micro-budgeting style³¹ of other ministries, although the personnel expense budget was considerably different from the programme and project budget in terms of being used equally for all ministries and civil servants (J. W. Lee, 1996, p. 139)³².

The third important actor was the MPB. In general, the central budget bureau played a role as a balance weight for the executive budget (Thurmaier, 1995). The prime concern of the MPB was to create a balanced budget and to minimise the civil service pay increase rate. While this ministry promoted the economy through government expenditure, it also carefully considered the political intentions of the president. Thus, direct or indirect pressure from the president could influence its basic stance. However, even within the MPB, there were considerable differences in the perspectives on the appropriate amount of the budget. The budget bureau in charge of drafting a one-year

³¹ The micro-budgeting style, which means the tendency of ministries intending to maximise their annual budget, is different from the propensity of the macro-budgeting style, which is to consider the entire amount of the budget with a macro-economic perspective by the budgetary office.

³² It can be interpreted that the CSC, a newly established organisation, needed support from other ministries and civil servants in order to maintain its organisation for a long time (Interview B3).

budget was more conservative than that of the mid-term fiscal planning bureau in charge of a relatively long-term policy (Interview B3).

Weak Involvement of the Parliament

MPs are also formal actors in the decision-making process of the civil service pay. They are in charge of the relevant regulations and are supposed to examine the propriety of the budget. In presidential systems, where elections of members of the legislature are independent from the elections for presidency, the legislature should be a powerful agenda-setter and decision-maker and the annual budget often encapsulates the legislature's policy discretion (Lienert, 2005). However, in reality, the budgetary activities of the legislature had no considerable influence on the ultimate decision on the personnel expense size as a total amount. As pointed out by J. W. Lee (1996), there was lack of control of the powerful executive in the Korean budgetary process. Rather, MPs were called 'servants of the power', 'passing organisation' or 'rubber-stamp' who just pass the laws and budget suggested by the executive (W. Lee, 2008).

Instead, MPs were more concerned about the votes of the central and local civil servants, particularly the local constituency, rather than about the possible negative public opinion that might be caused by the rise of civil service pay (Interview B5). MPs always consider their votes first. Civil servants' votes are visible, but the general public's one is not organised. If they cut the civil service pay, they should expect the loss of votes from the civil servants' and their families. In this case, the general public's support would not be secured. In fact, they did not actively cut the Personnel Expense Budget, because they worried about their local constituents' vote. Regarding such a propensity, an interviewee said the following:

The MPs who are elected as local representatives play a positive role in increasing the civil service pay level instead of cutting it. Cutting the civil service pay budget becomes a big issue in the local area. Rather, the MPs, who are elected by the proportional representation system, make a critical approach to this issue. In the end, however, cutting the increase rate that is already submitted by the executive is not common (Interview B4).

Basic Stances of the Participants

Based on the discussion above, among the strong advocates of the civil service pay are the MPs with a background in the local constituency. Of course, the ‘labour union’ is the strongest supporter for this issue, although their stance is not reviewed in the above passages. The next supportive actor of the civil service pay increase is the CSC. The MPB is assumed to be a negative actor in increasing the civil service pay. The MPB would argue that the pay level should be maintained *in status quo* or, at most, the *status quo* plus inflation. The basic position of the president is assumed to be located in-between the views of the MPB and the CSC, although it is dependent upon the context of the administration or events. As a strategic decision-maker, the president either advocates for the CSC or supports the MPB’s position. Figure 3.2 shows the initial tendency of the various participants towards the policy-making process determining the civil service pay increase rate.

Figure 3.2. The Initial (Basic) Positions of the Participants Towards the Civil Service Pay Increase



The Case of 2000: Why Was It Successful?

In the year 2000, the target rate in the implementation of the Five-Year Plan was successfully achieved. Why was it possible? First of all, the success was due to the positive stance of the MPB towards the civil service pay increase. In fact, even after the President’s announcement of the Five-Year Plan in Sejong Moonwha Assembly Hall on 28 June, 1999, there were still many difficult problems to solve. For example, there was no agreement in the decision about the comparative standards, or the definition of middle-sized companies to be compared to the public sector. The type of allowance to be included in the total pay amount was also in question. There was no consensus as to when a survey on pay disparity from the KLI should be commissioned. One researcher in charge of the survey in 1999 explained the difficulties faced at that time as follows:

Our team had to frequently meet the CSC and the MPB members together in order to reach an agreement on many issues in conducting research. Deciding on comparable standards was not easy due to the different positions of two organisations. In particular, on the issue of determining the appropriate scale of private companies, which should be referred to when to decide the proper pay level of the public sector, we had various alternatives from the company employing 100 to 300 persons. Without knowing the upper level officials' content of the CSC and the MPB, we could not conclude on those issues (Interview A4).

Nevertheless, during the bargaining process between the inner executive organisations, the MPB adopted a forward-looking attitude, rather than a conservative and economised propensity. The positive attitude of the MPB enabled the CSC to have the initiative to promote the plan as intended. The civil service pay increase rate for the year 2000 was determined the same as the plan target (i.e. 88.4 per cent). Later, it was confirmed without amendment by the parliament. From a practical viewpoint of the budgetary office, there was enough room for the budget of the year 2000 because of the wage-freezing and the reduction of the number of government officials in the previous two years (Table 3.6 below) (Interview B24).

Table 3.6. The Increase Rate of the Personnel Expenses and the General Budget from 1997 to 1999³³

	1997	1998	1999
The increase rate in the personnel expense budget (%)	8.8	- 3.5	- 4.0
The increase rate in the general account budget (%)	16.0	4.0	14.1
The ratio of personnel expenses to the general account budget (%)	19.8	18.4	15.5

Source: MPB (2004)

Another factor was the strategic involvement of the president. In fact, after continuous pressures on civil servants, such as wage freezing and downsizing in 1998, in the first year after his inauguration, President Kim needed to consider the morale of the civil servants. Under the Korean political context of a strong bureaucracy, an amicable relationship with civil servants was an easy option for the president to ensure their

³³ “The compilation plan of a personnel expense budget for 2005” (internal document from the Ministry of Planning and Budget, 2004.4)

political support. In addition, there was a need of showing confidence that the crisis had already ended in 1999.³⁴ Against this background, the president led an agreement that favoured the increase of civil service pay.

Finally, the CSC, the agency for personnel public administration, devoted itself to the achievement of the Plan. As this organisation had been established just before the mid-term plan was designed in 1999, it was keen to obtain internal support from civil servants by a strong implementation of the Plan. According to a survey after the achievement of the target rate, civil servants welcomed the result and showed a high satisfaction (CSC, 2002b, p. 263)³⁵. Besides this organisational interest, the status of the CSC affected the policy-making and the implementation process. The CSC was inaugurated with a mission of a civil service reform. Unlike the previous government organisations, such as the Ministry of Government Administration (MGA) and the MOGAHA, both of which took charge of general administrative work ranging from domestic affairs and government protocols to organisational arrangements, the CSC, as an independent committee under the president, took charge of the civil service reform only. For this mission, it was assigned a powerful authority for monitoring the personnel management of other ministries by screening the promotion eligibility of the candidates over Grade 3. The first chairperson of the CSC was a person who understood the pay increase as a prerequisite for the civil service reform. An interviewee made the following comment about the role of the first chairman of the CSC:

The powerful leadership of the first chairman, Dr. Kim Kwang-Woong, had a great impact on the initial success of the plan in 2000. He regarded the pay issue as leverage for other civil service reforms. His individual political power and drive really helped the CSC to have the initiative with respect to the new plan (Interview B3).

³⁴ The growth rate of GDP in 1999 was 9.5%, whereas in 1998 it was 6.9%.

³⁵ The satisfaction of the civil servants had increased from 1.91/5.00 in 1999 to 2.64 /5.00 in 2001, according to a survey conducted by the Ewha Social Science Research Centre. Furthermore, according to the study on the quality of life of Korean Civil Servants performed by the Korea Institute for Health and Social Affairs (KIHASA), the satisfaction for their pay rose from 2.13/5.00 to 2.38/5.00 (CSC, 2002: p.263).

Table 3.7. Summary of the Key Participants' Actions for the Plan of 2000

Major event	Main Actor / Significance	Time
The presidential election pledge to increase the civil service pay level	President / tacit promise	Before Feb 1998
The concrete promise of the president to match the private sector pay level	President / concrete preference expression	28 June 1999
A pay disparity survey by the KLI; Tuning the criteria of the comparable private sector's size and the current pay level	KLI / Making time for deciding on the key players' positions	June to August 1999
The bargaining and agreement between the MPB and the CSC throughout the five-year catch-up strategy	MPB&CSC / MPB's movement towards a positive position for the civil service pay increase	July to August 1999
Reporting to the president	President / Approximate an agreement	August 1999
Passing at the official cabinet meeting	Executive / Official agreement in the executive	October 1999

The Case of 2005: Why Was It Different?

The second case of 2005 shows different facets of the behaviour of the three key actors under President Rho's administration. In fact, the annual civil service pay increase rate for 2005 was at only 1.3 per cent, which was lower than the average increase rate of the private companies (6.0 per cent) and even the consumer price increase rate (2.8 per cent). The new system of paying additional allowances in the middle of the year became useless, because the MPB squeezed the initial increase rate considering an additional increase in the middle of the year in advance (Interview B23). The 1.3 per cent increase rate in 2005 was the result of the initial 0.8 per cent increase rate and later, the additional 0.5 per cent increase of the year.

Why did the case of 2005 differ from the case of 2000? How did the changes in the political or economic contexts affect this outcome? Let us focus on the positions of the key participants. Firstly, the direction of President Rho's policy was in favour of the working class or the underprivileged groups of people in the capitalist system. As he won the election with the support from the progressive camp and the population, he considered the unemployment problem to be more important than catering for the vested interests of the civil servants. Although, during his presidential election campaign, he had pledged to raise the average civil service pay level within his presidential term, he placed his priority on other pending economic problems when he took office (Interview B23). In order to

raise economic agendas countering the annual civil service pay determination, President Rho established a new system, titled ‘the mid-term fiscal plan’ and ‘the ministerial discussion meeting for allocating the national financial resource’.

Secondly, without a positive expression of the president’s intentions, the MPB had no reason to change its basic (negative) attitude to economise the budget then. Due to both the previous administration’s pay increase plan and the increase in the number of civil servants afterwards, the increase rate of the personnel expense budget exceeded that of the general account. Accordingly, the proportion of the personnel expenses to the general account budget also increased steadily (see below Table 3.8). It was natural for the MPB to welcome the President’s tacit support.

Table 3.8. Comparison of the Increase Rate of Personnel expenses and of a General Budget from 2000 to 2004

	2000	2001	2002	2003	2004
The increase rate of the personnel expense budget (%)	12.9	16.5	9.9	8.9	7.1
The increase rate of the general account budget (%)	7.9	8.8	12.5	5.3	6.2
The proportion of personnel expenses to the general account budget (%)	16.4	17.6	17.3	17.9	18.0

Source: MPB (2004)

On the other hand, the CSC could not convince the President of the necessity of balancing the public and private sector pay levels. Understanding the unfavourable atmosphere, the CSC attempted to make a report to the President and the presidential office before initiating the bargaining of the civil service pay budget. However, the CSC did not get any positive response or concrete promises. The staff of the presidential office were more concerned with the introduction of the new civil service reform policy than the pay increase that was determined under the previous administration (Interview B6). In the background of the CSC’s weak strategy, there was a widespread recognition that a considerable pay increase has already been made under the previous administration. This might be one of the reasons why the CSC changed its policy focus to introducing other systemic reforms (e.g., Senior Civil Service, Individual Performance-evaluation system).

The change in the national budgetary process also came to limit the personnel expense budget increase. The two new systemic changes were the establishment of a

ministerial discussion meeting for the allocation of the national finance resources for the following year and the mid-term fiscal plan system. The President, as well as all cabinet members, attended the meeting to discuss the blueprint of the following five-year budget. At this meeting, if the representative of the ministry could not prove the rationale for the necessity of a new programme or its special costs, the budget of that ministry was limited to the status quo level, or similar to that of the previous year. As every minister tried to maximise his/her own programme's budget, the debate became heated in the meeting held in June 2004 (Munwha Newspaper, 2004). The upper limit of the total budget for the following year was already decided by the MPB and it was not easy to place the personnel expense budget as a priority in the zero-sum competitive circumstance, because it was not involved with any particular interest group and was equally involved with all the ministries and civil servants. An interviewee made the following commentary about President Rho's tactical position at that time:

The fundamental policy of President Rho was clear at that time. The chairman of the CSC, Dr. Cho, Chang-hyun, proposed his opinion in the discussion meeting that it would not be desirable to cut down the pay increase rate of current civil servants for the long-term consequences, considering civil servants' morale. However, it was not possible for him to persuade the President and other ministers (Interview B1).

The sequence of the main participants' actions, including the President, the MPB and the CSC, in the process of civil service pay determination is summarised in Table 3.9.

Table 3.9. Summary of the Key Participants' Actions for the Budget of 2005

Major Event	Main actor / significance	Time
The presidential election pledge to increase the civil service pay level	President / tacit promise	Before Feb 2003
The slowed pay increase rate compared to the previous administration.	President / no active intervention	the 2004 fiscal year
The indirect preference expression of the president to put his priority into other policies rather than the civil service pay	President / concrete preference expression	19 June 2004
The bargaining between the MPB and the CSC	MPB & CSC / CSC's movement towards the MPB's reflection point, CSC lost its initiative of the bargaining.	July to August 2004
The agreement between the MPB and the CSC	MPB & CSC / Abandonment of the short-term catching up strategy by the CSC	August 2004
Reporting to the president	President / Approximate agreement	August 2004
Passing at the official cabinet meeting	Executive / Official agreement in the executive	October 2004

3.3 Policy Outcomes and the Public Service Bargains

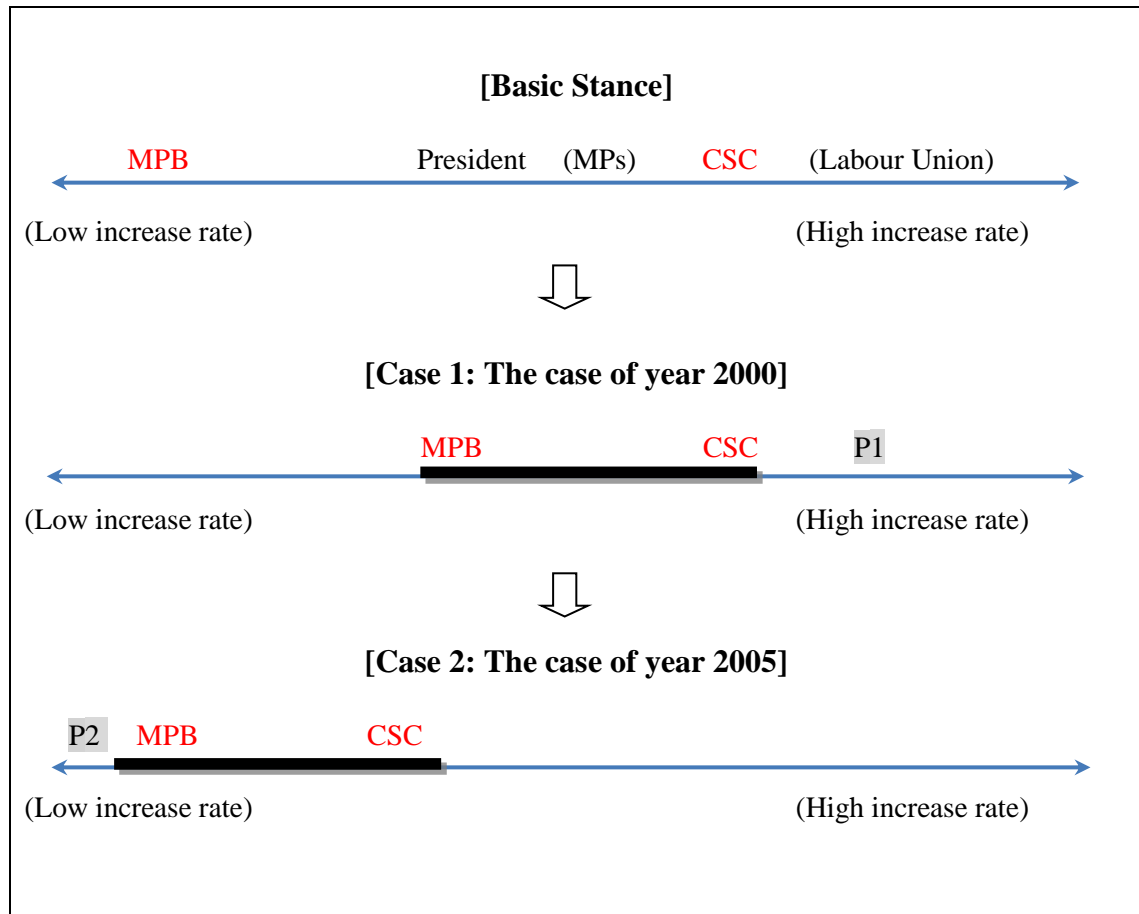
The progress of the Five-Year Plan shows that the policy outcomes were largely dependent upon the interaction or bargaining between three key actors within the executive: the president, the CSC, and the MPB. A wide gap between the basic position of the budgetary office and the civil service commission was coordinated by the president's preference, whether it was tacitly or explicitly expressed, then the possible range of the policy outcomes decreases.

Changes of the Key Participants' Stances in 2000 and 2005

For the purpose of the analysis of the policy outcome, a one-dimensional model based on the sequence of participants' actions in the cases of 2000 and 2005 is used (see Figure 3.3). Initially, the MPB and the CSC disclose their preferences on the issue. As shown in section 3.2, the MPB prefers a relatively lower increase rate and the CSC, on the other hand, expresses its higher intention. The president does not show any particular preference in this situation. Then, suppose that the president expresses a preference for the high increase of the civil service pay rate (P1 in the case of 2000). It can be tacitly expressed to the departments and the budgetary office or explicitly shown to the general public. In accordance with the expressed intention point of the president, the CSC or the MPB moves its stance. As shown in the case of 2000, the MPB also revises its own preference and moves to the reflection point of the CSC. Conversely, as in the case of 2005, if the President decides on the reflection point for the MPB's budgetary position (P2 in the Figure 3.3), the CSC also moves its choice to the MPB area and the determination is made close to that point. In spite of the initial wide gap in preferences between the MPB and the CSC, the two key executive organisations begin to move towards the central point, until they reach the minimum concession area. As a result, the ultimate compromising policy range becomes narrower. In other words, the discretion for the determination of the choices of the MPB and the CSC becomes smaller, if the president intervenes. In the executive budgetary bargaining process determining the civil service pay, the president's preference is more important than those of the two key ministries. However, it can also be noted that the policy outcome may differ from the president's initial choice. The ultimate result is the compromise between the personnel administrative office and budgetary office. That is, the president's choice is also

considerably limited by the bargaining of the two ministries. The president's choice is not extreme but a euphemistic point between the two ministries' proposals.

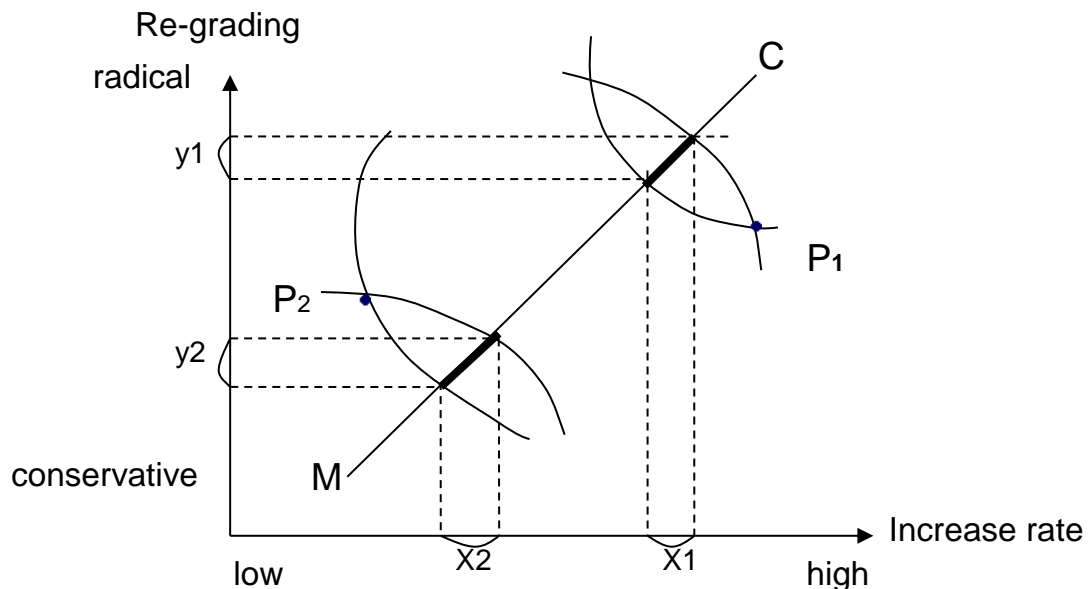
Figure 3.3. The Changes of the Participants' Positions Towards the Civil Service Pay



Now, let us think of a two-dimensional model that deals with not only the preference for the civil service pay level, but also the propensity to reform. In the Figure 3.4, the horizontal axis displays 'the civil service pay increase rate of the year', while the vertical axis represents 'the degree of propensity to radical or gradual reform'. Based on the description in section 3.2, let us assume that there are more conservative MPB and more reformative CSC. At a certain point, the preference of the president is determined between the choices of the MPB and the CSC. The contract curves of the MPB and the CSC are called as 'M(a)' and C(a), when the president's choice is composed of 'the high radical' and 'high spending personnel expense' strategies. Then, the bargaining result of the three core players is determined as the (x1) and (y1) areas. If the president's strategy is for 'low radical (more conservative)', 'low spending personnel expense', the contract curves of the MPB and the CSC, i.e. 'M(b)' and 'C(b)', meet in the areas(x2) and (y2). In any case, the pay increase rate and re-grading point are determined in the middle area of the initial

strategies by the MPB and the CSC. The preference of an intervening player, the president, determines the ultimate result of the civil service pay increase rate. The policy range of the ministry and budgetary office is limited, as a neutralised form of their original choices. The most interesting point is that even the president's choice is considerably limited in the bargaining process and his/her original extreme strategy is altered into a more moderate one.

Figure 3.4. Two-Dimensional Relationship and Policy Outcomes



The analysis above clearly shows that, as time goes on, participants like the president, the MPB, and the CSC change their stances, which affects the policy outcomes. This leads to the discussion of the relationship between the key actors' actions and the policy outcome, or the sustainability of the reform. How the bargaining behaviours of actors affected the sustainability of the reformative policy are further examined?

Attenuated Leadership of the President

At the early stage of the Five-Year Plan, the president played a role as an active agenda-setter. However, as time passed, he did not show his strong leadership for the achievement of the plan. Moreover, when the new president was inaugurated, contrary to his pledge, he substantially changed the previous Five-Year Plan. More civil servants were employed and a lower pay increase rate was adopted. The previous Five-Year Plan was forgotten and the executive turned its interest to the next agenda. This restless behaviour of the president may be related to his short term in Korea. Under the 5-year single-term system,

the president is obsessed with a fast performance of his/her own and attempts to find a new momentum during his/her term. The lame-duck occurs quickly and then the presidential power is visibly shaken (H. Shin, 2013). Against this background, the new president or the candidate of the president tend to select his/her own agenda in order to differentiate him/her from the predecessor (Yoon, 1992, p. 1129). Although President Rho Moo-hyun belonged to the same Democratic Party, called ‘Minjoo Dang’, he did not follow the path of the previous president Kim Dae-jung.

One interesting point to note is that both Presidents Kim and Rho did not explicitly show their change of direction towards the Plan. In a budgetary process, the president has various ways of presenting his/her preference, such as public address, secretary of presidential office, or a regular consultation between the executive and ruling party in Korea (Y. Chang, 2000). In particular, s/he could directly express his/her intention because the president of Korea conventionally has his/her own input on politically sensitive items. Furthermore, the decision of the concrete increase rate of personnel expense budget was at his/her discretion (J. W. Lee, 1996, p. 215)³⁶. In the case of the Five-Year Plan, the way in which the president expressed his intention depended on whether he had a positive or negative stance towards the civil service pay increase. When he was positive, he expressed more directly in public (i.e. via a public conversation with middle-level civil servants). However, when he became negative, he indirectly and implicitly expressed his change of mind through supporting competitive policy agendas (i.e. via the performance pay system, top-down budgeting) or through informally delivering his changed idea to the MPB. It means that the president does not make a decision-making ‘imperially’. It also means that the president is more concerned about his potential support than the exercise of his leadership or the control over ministries within the government. This strategy of the president corresponds to the blame-avoidance theory that “politicians are motivated primarily by the desire to avoid blame for unpopular actions rather than by seeking to claim for popular ones” (Weaver, 1986, p. 371). It is possible that even if the president does not express his thinking explicitly, ministries have a chance to notice the change of mind. Likewise, an interviewee who worked for the MPB mentioned the following:

³⁶ An interviewee worked for the compensation policy division in the CSC (and the ministry) for over 10 years supported the direct intervention of the president in the past (Interview B10). He mentioned that when the draft budget was reported to the president by the budgetary office, the president often directly wrote down his decision of the additional increase rate of the civil service pay for the next year in the report.

Before August, in the time of the entire budget report to the President, there are a few chances of checking the President's intention about the civil service increase rate for the next year. With this signal, the Personnel Public administration agency and the Budgeting office often make their official proposal or revise it. Sometimes, the staff in the presidential office give the signal and the CSC and the MPB quickly catch the meaning and, based on it, the bargaining between two agencies starts (Interview B20).

Besides the presidential short term, political context after democratisation can explain why the direct intervention of the president was reduced. Recent studies suggested that presidential power and his/her leadership have been substantially weakened (D. Han, 2010; S. Koo, 2007). Since the democratisation in 1987, no president had obtained a majority vote (see Table 3.10). This subsequently undermined the legitimacy and power of the president. In addition, both Presidents Kim Dae-jung and Rho Moo-hyun faced the situation when the opposition party, called 'Hanara Dang' (The Grand National Party), won the majority in the Parliament during most of their terms. In this weakened political situation, embracing civil servants who have been traditionally classified as supporters of the ruling party seemed to be not a choice, but a necessity. As the term of the president passed, the leadership of the president became weak, and this accelerated bureaucrats to take the initiative on the policy reform. More bureaucrats were appointed as ministers of political service instead of politicians in the second half of the presidential term (Social Design Institute, 2009). This political context resulted in an enlarged bureaucrat's autonomy in the decision-making process.

Table 3.10. Number of Votes of the Presidential Elections Since Democratisation in Korea

Year of election	Voter turnout (%)	Winner's votes / Eligible votes (%)	Runner-up's votes / Eligible votes (%)
1987	89.2	32.0	24.5
1992	81.9	33.9	27.3
1997	80.7	32.0	30.8
2002	70.8	34.3	32.7
2007	62.9	30.3	16.4

Source: Modified by author from D. Han (2010, p. 106)

Agenda Competition and Collaboration Between Ministries

Under the relatively weakened leadership of the president, the central government ministries pursued their interests. The case of the Five-Year Plan presented the collaboration and competition among ministries. According to C. Lee (2007), the relationship among central government ministries was classified as competitive, collaborative and authoritative. It is concretely shown in the process of resource allocation, policy consultation or cooperation of their work. The bureaucratic power of ministries has varied and only a few ministries have dominated the strong bureaucratic power (J. Oh, 2006; C. Park, 2005). In particular, the ministries in charge of personnel, budget, and government organisation have been powerful (K. W. Kim, 2009). They regulate or approve the amount of budget and the operation of civil service of other ministries. Recent research on high autonomy index of the ministries supported this dominance phenomenon (J. Oh, 2012).

These powerful ministries compete and collaborate depending on issue and time. In his diary published in 2009, the first chairman of the CSC from 1999 to 2002 confessed that he often witnessed this competitive situation against the MPB and the MOGAHA (K. W. Kim, 2009);

The CSC has competed frequently against the MOGAHA for taking an initiative of work scope, especially about the government personnel and compensation since the establishment of the CSC. The check and balance among ministries would be inevitable in general, but the problem is that there are no ends for checking each other (p. 1056).

Sometimes, the MPB excessively intervened with the work of the CSC, promising the budget of special allowances for individual ministry or special service like police or fireman etc. without any consultation process with the Commission. The payment of additional allowance should be concretely prescribed in the regulations on allowances and the regulation definitely needs the legal judgement and decision by the Commission.

On 2 November 1999, the MPB reported a plan of the change of civil service system in the cabinet meeting without any prior consent from the CSC. At that time, the reporting issues were the introduction of the job classification system and the compensation policy for civil service. I wonder why they really cared about reporting the work of different government organisations (p. 269).

However, in spite of the struggle for taking the initiative, during the early stage of forming and implementing the new Five-Year Plan, the ministries collaborated with each other for the successful policy outcome. The case of 2000 demonstrated joint efforts among usually competing ministries. The high pay increase rate of 9.7 per cent was made possible thanks to the concession of the MPB and the MOGAHA. Their concession seemed to be related to the president's will, a practically permissible limit of the increased budget and close relations facilitated personnel exchange between ministries.

The president's will was definitely an important factor for leading the concession of the competing ministries. According to C. Park (2005), the support from the president is regarded as one of the important factors in deciding on the amount of ministerial power with the size of budget and personnel, the official authority of the ministry, and the presidential support for individual ministers. For example, President Kim publicly promised the civil service pay increase. The civil service pay increase plan, which had been dormant for the previous two years, entered into a new phase by the clear remark of the president.

However, in the background of the president's support, there seemed to be a preparation of the CSC. That means the conversation between the president and the middle-level civil servants was a strategic action taken by the CSC. An interviewee who explained the background of the event stated the following:

At that time, after cutting the pay and restructuring in the government in the previous year, the presidential office was willing to give a kind of carrot to civil servants. Subsequently, the staff who were in charge of policy planning in the presidential office required the CSC to present an effective carrot, and the CSC in the early stage made most use of the opportunity to get a civil service group's support through increasing the civil service pay. It could be said that the calculation and interest of the presidential office coincided with that of the CSC (Interview B3).

Among the many fresh agendas, the CSC chose the civil service pay increase plan. The CSC knew what the president demanded through the consultation process with the secretary of the presidential office. It can be inferred that the newly-established CSC initiated the agenda and it was supported by the president. At that time, the ruling party was preparing the upcoming general election in 2000 and supported the increase of civil service pay considering the votes of civil servants. According to the diary of the first chairman of the CSC, the representative of the ruling party demanded a higher increase

rate for the civil service pay than the draft of the executive in the consultation meeting with the secretary of the president, the ministers of the MPB, the MOGAHA, and the chairman of the CSC (K. W. Kim, 2009, pp. 154-155).

Ministries compete to provide fascinating reformatory agendas for the presidential office and the president selects from those agendas. Through this competition process, ministries can increase power, so that other ministries cannot but support it. However, the agenda can hardly have sustainability. Once the agenda is selected, other ministries try to alter the preference of the president by providing other agendas. Ministries empirically know the irritability of the single-term president. In particular, the MPB easily catches the mind of the president by reporting a draft budget and attempting to nominate different agendas. The annual budgetary process involves the political coalition of the president, the ruling party, ministries, and the MPB, and they decide on their own share through the coalition process. These politically powerful actors give their special memo to include their interests in the budgetary draft and the share of the MPB is determined after reflecting various interests (J. W. Lee, 1996). In the case of the Five-Year Plan, the continuous increase of the personnel expense budget decreased the share of the MPB and others.

The competing ministries tried to switch the president's interest to different attractive agendas that they could have initiative to implement. For example, the Minister Chun Yun-chul of the MPB tried to check the president if he had intention of stopping the Five-Year Plan when he had a chance to report a draft budget in September 2001. However, he noticed that the president's intention was not to stop the Five-Year Plan then; therefore, he had to allocate an additional personnel expense budget again (K. W. Kim, 2009, p. 1245).

However, after the change of the president, the MPB finally persuaded the new president to stop the Plan. Instead, the new agendas of the top-down budgeting and the increase in the number of the civil service were selected by the new president and the agenda of the CSC was abolished. Subsequently, the pay increase rate was decreased. After the new agendas were selected, the MPB quickly went back to its previous position and the relationship with the CSC became competitive again. It means that the collaboration between the CSC and the MPB was fragile as a result of agenda competition in the annually repeated budgetary process.

After a defeat in the competition of agenda, the CSC immediately moved to suggest a different agenda in 2004. Instead of giving up the increase of the civil service

pay rate, the organisation revised the strategy of increasing the pay level by introducing a new 'cafeteria welfare system' that pays welfare points to civil servants. With this new system, individual civil servants could earn around 170 pounds annually more than before.

The attitude of the MOGAHA, in fact, could not be understandable without the effect of the president. At that time, the MOGAHA was competing against the CSC over many issues. The organisation³⁷ was in charge of the civil service pension system and it was obvious that the increase of the civil service pay level would negatively affect the financial stability of the pension. In the long term, the financial health would be worse. However, the MOGAHA did not raise a relative issue on pension; did not oppose the Five-Year Plan or request the re-examination of the plan. That is, the MOGAHA voluntarily gave up its active role to discuss or examine the propriety of the agenda. The mutual agreement of these relative ministries resulted in the success of the high civil service pay increase in 2000.

In particular, the cooperation between members and bureaus of ministries was critical; interviewees of the CSC and the MPB explained the two other reasons why the MPB moved to a positive position in the case of 2000. It can be attributed to the characteristics of the counterpart bureau in the MPB and the exchange of personnel between the MPB and the CSC:

There was an exchange of personnel in Grade 4. Especially the deputy director who had experienced the personnel expense budget planning in the MPB worked for the compensation division in the CSC temporally and contributed to maintaining the good relationship between two partner divisions. These two factors resulted in a partnership between two organisations (Interview B22).

At that time, the corresponding division in the MPB to the CSC was 'Fiscal Planning Bureau' (currently, Fiscal Strategic Office)' which had a relatively long-term perspective as compared to the normal budgetary office focusing on annual budgetary planning. The bargaining with fiscal planning bureau was relatively easy and we could persuade even the staff in the presidential office (Interview B3).

³⁷ Since the CSC was established in 1999, there has been a continuous issue of separating the organisation in charge of personnel policy from the organisation in charge of its implementation. After a long discussion, implementation functions, like training and recruitment, were transferred to the CSC in 2004. However, the competition between ministries continued before and after because the work of pension, ethics, and civil servant association policy belonged to the MOGAHA.

In addition, the Minister Jin, Nyum of the MPB and the chairman of the CSC, Prof. Kim, Kwang-woong were in an informal relationship. Besides the official meeting, they often discussed various issues eating lunch together (K. W. Kim, 2009). Their friendship is assumed to help the coalition in the first stage of the Five-Year Plan.

Policy Outcomes and Sustainability of the Reform

Any reform may be corrupted or reversed even after its enactment. As Patashnik (2003) pointed out, the long-term sustainability of any given policy reform depends on a successful reworking of political institutions and on the generation of positive policy-feedback effects (p. 203). According to the study of M. J. Moon and Kim (2006), a civil service reform could not be sustainable thanks to such factors as a weak and decentralised president (in the lame duck phase), the increasing political cost of bureaucratic resistance, underpowered civil servants in open positions, uncertainty over the power and role of the government ministry in charge, and the unequal and inconsistent application of some of the major reform initiative (p. 247). Despite the bold rhetoric heralding of the reform initiatives, the outcomes may have fallen short of expectations (p. 235).

It seems that the Five-Year Plan to realise civil service pay level ended as an unrealised ambition. The public-private pay gap broadened again. The innovative procedures, such as investigating the public-private pay gap by a professional research institute and reflecting in the middle of the year, became invalid. The plan for including the private sector experts in the government lacked reality. When we look back to this case, the irritability of the president negatively affected policy sustainability. The short official term makes it difficult for the president to pursue a long-term policy. Clever ministries take advantage of this political system. They try to maintain and increase their ministerial power through incessantly creating new agendas. The coalition between competing ministries happened in this process. The president has policy autonomy, in a narrow sense, picking his selection out from the lists well-made by ministries. Ministries maintain their initiatives of policy by preparing many list items in advance and feeding them on political demand. Through this process, ministries can act not as the object, but as the subject of the civil service reform. It becomes a 'self-reform', because the ministry does not lose its control in the policy-making and implementing process, even if the reform idea originates from external experts.

In practice, this collaborating mechanism brings about the malfunction of the institutional coordination system. In general, the conflict between ministries occurs for various reasons, such as the difference of values and the duplication of policy jurisdiction. Each conflict would be coordinated by a horizontal negotiation between themselves or the intervention of a third party (C. Lee, 2007). Regular cabinet meetings or occasional ministers' meetings on special issues are an institutional tool for coordination inside the government. The ministers and ruling party members also meet in consultation sessions. However, as indicated by Y. Chang (2000), such institutional devices for coordination have not worked well in the process of forming and implementing the Five-Year Plan. The conflict surrounding the Plan between the MPB and the CSC was temporarily coordinated by explicit or implicit signals from the president³⁸. This political convention could re-occur during the annual budgetary process. The secretaries to the president deliver the president's thoughts. Ministries choose attractive agenda following those signals. In this process, clinquant reform agendas repeatedly lure a politically weak president (especially, in the lame duck phase) and the civil service reform is no longer sustainable.

How was the Understanding of the Reward Aspect of PSB Altered?

The change of the reward aspect of the PSB in the process of forming a public-private pay balance was highlighted in the alteration of the role and interest of the president and related ministries. In the initial stage, the president gained legitimacy and reputation from the civil service reform. In other words, by reducing the gap between the public and private pay increase rates and offering a material reward at a reasonable level, President Kim DJ was able to enhance a reputation as a leader who could stamp out corruption and curtail the privileges of public servants. In addition, support from civil servants made it easier to proceed with other reforms. The ministries involved (such as the CSC, the MPB, and the MOGAHA) responded to the president, or principal, as acting agents who efficiently performed their set tasks. The first reward for these ministries was the significant increase in remuneration for individual civil servants. In addition, they managed to get recognition from the president as key ministries responsible for the

³⁸ This characteristic which individual coordination is preferred to institutional coordination is shown on even a low level of the hierarchy. The chairman of the CSC, Prof. Kim Kwang-woong, complained about the bureaucrats' behaviours. He said that, when the coordination of the civil service pay increase was difficult on a practical level, a mutual agreement was suddenly reached as soon as ministers' informal meeting was arranged (K. W. Kim, 2009, p. 1245).

presidential agenda. Even the MPB, the budgetary ministry, could get a greater benefit from being acknowledged as a member of the key ministries than it could from maintaining a strong grip on the determination of the civil service pay.

Under the single-term presidency system, however, the foundation of the civil service pay reform was largely undermined by the change of the power of the president. The power of President Kim weakened in the later part of his term and when the new president, President Rho MH, was elected, he sought new reform issues. The legitimacy of the increase of the civil service pay lost its place, because the new reform agenda could get a greater benefit. The ministries that initiated the increase of the civil service pay level also returned to the previous way of policy implementation, with the tacit agreement of the president. Said differently, the MPB recovered its dominance over the budgetary process, and again prioritized keeping the civil service pay level as low as possible. The CSC waited for the next opportunity to push its agenda, rather than continually insisting on an increase of the civil service pay level. In this consolidating phase, while the high rate increase of civil service pay could not be maintained, the president and related ministries could move to a new equilibrium of reward. The reward in the initial phase and consolidating phase is summarised in Table 3.11.

Table 3.11. Changes of Rewards in the Process of Institutionalising a Public-Private Pay Balance

		Initiating Phase	Consolidating Phase
Characteristics		The increase of civil service pay level created benefits both the president and the ministries	Giving up the public-private pay balance generated a new equilibrium of reward
Reward	For the President	<ul style="list-style-type: none"> ● Promotion of the NPM reform ● Support from the civil service ● Political leadership 	<ul style="list-style-type: none"> ● Seeking a new agenda ● Initiating a new reform
	For the ministries	<ul style="list-style-type: none"> ● Higher level of remuneration ● Leading pay reform policy (CSC) ● Recognition from the president (MPB) 	<ul style="list-style-type: none"> ● Reinforcement of discretion ● Increase in personnel and budget in the implementation process

Concluding Remarks

Many scholars have highlighted that the power of the president started to decline after democratisation in Korea in 1987 (Baum, 2007a; Ehrhardt, 2009). This chapter showed how, despite formal arrangements for a check-and-balance system, bureaucracy maintained its autonomy in the introductory process of a new civil service pay determination system. One reason was that formal actors like the MPs and the trade unions did not play an active roles because they did not have appropriate information, organised interests, or legislative competence. Moreover, public opinion through the media, as the policy input, did not systematically operate. Under these circumstances, the bargaining between key executive actors like the president, the MPB, and the CSC exerted a decisive effect on the policy results.

According to the Allison's model 3, 'Government Politics model', government behaviour can be understood as the outcomes of bargaining games and the key actors behave according to various national, organisational, and personnel purposes (Allison & Zelikow, 1971). Similarly, the participants of the annual civil service pay determination in Korea also behaved according to their various political or organisational interests. In this case, the role of the president was limited to that of one of the main actors. He did not explicitly determine a defined increase rate. Instead, he only presented his preference and induced bargaining between two checking agencies. Accordingly, he evaded a hostile relationship with the civil servant group or the general public who had the opposite propensity. That is, he minimised his personal responsibility in the policy process. Presenting his direction of policy preference clearly or tacitly, he delegated his decision power to other key players, such as the CSC and the MPB in the executive, rather than directly assuming political responsibility. Then, the balancing mechanism, with the participation of the key actors like the CSC and the MPB, induced internal integration and coordination.

The mechanism shown in the case of the Five-Year Plan was a weak and fragile partnership. As the CSC and the MPB only collaborated when there was a presidential positive signal, the institutional device of collaboration inside the cabinet did not work well. The Plan was introduced as a type of a reform, but the value of the NPM was never considered after the initiation of the Plan. Once the reform agenda was newly instated at the beginning of the policy-making process, ministries soon turned their back, if the support of the president was lacking. Accordingly, the policy was not sustained as planned

and the mid-term plan was back to the start. And newly introduced reform agenda overwhelmed the policy arena. Ministries' agenda competition supported the maintenance of power in this way.

While this chapter examined the decision-making process dominated by the president and a few powerful ministries, the next chapter, which presents a case study of the introductory process of the performance-related pay system, will discuss the different aspects when an external policy actor, such as trade union, actively participated in the policy process.

Chapter 4. Dynamics of the Performance-Related Pay Reform Process

NPM has been a key idea for the public service reform in Korea and performance-related pay has been its masterpiece. It has been taken for granted by many policy makers in developed countries to introduce performance-related pay (PRP) in their respective governments since the 1980s. Among them, Korea became one of the countries that truly implemented PRP on a large scale. The system of Korea was evaluated as an extensive, formalised PRP as Denmark, Finland, New Zealand, Switzerland and the United Kingdom (OECD, 2005, p. 31). The logic of PRP was that it could motivate people by providing extrinsic rewards in the form of pay and intrinsic rewards through the recognition of their effort and achievement (OECD, 2005, p. 33). However, the Korean traditional civil service system and culture had many components which did not fit PRP, as S. Oh (2000) warned about the inadequacy between them. Specifically, he pointed out that the Korean bureaucratic characteristics, such as hierarchy, formality, generalist-centred tradition, and the underdeveloped appraisal system, could conflict with PRP and, moreover, the obsession about the new fancy system could rather demotivate civil servants, despite the original purpose of motivating them (p. 203-204).

In spite of some expected issues, the introduction of PRP was welcomed by the public in the era of the economic crisis of the late 1990s. This policy has been still maintained and reinforced over 15 years. The common elements of the PRP literature are expectancy, agency, and goal setting-theories. Most of these concepts focus on how to, on the one hand, motivate and reward and, on the other hand, define a goal and evaluate it (OECD, 2005, p. 32). Unlike previous approaches, this chapter mainly analyses the introductory and implementing processes of PRP in the government. In particular, the emphasis is placed on how policy outcome has been changed according to the role and the interactions among policy actors. The interactions among policy actors in the process have been dynamic and the current system might be the result of the entire process. The cases of the general service and teachers' service will be examined below. Furthermore, the cultural configurations of the two groups, the role of the union as a policy actor and, finally, the policy outcome will be explained in terms of sustainability suggested by Hargreaves (2007) and PSB.

4.1 Performance-Related Pay for General Service

The introduction of PRP was a symbolic measure that demonstrated the reformative intentions of President Kim Dae-jung's administration. In the early 1990s in Korea, the seniority-based personnel management system was widely adopted even in private companies (D. Kim & Kim, 2011). That is, seniority had been long used not only for pay, but also for other public personnel management systems. Annual contracts or performance bonuses were not acceptable. Annually increased pay step became applicable to all civil services. The pursuit of egalitarian and collectivistic culture in the public sector supported this tendency (OECD, 2005, p. 141). In this situation, PRP was believed to beat up the old-fashioned seniority-based civil service system, to lead to a higher-quality public service, and to make the government more competitive (CSC, 2007b).

The seniority-based distinctiveness, as well as its complexity, represented the Korean civil service pay system (K. Jung & Kong, 1998; P. S. Kim, 2003). As of 1998, the pay structure was composed of a basic salary, 56 types of allowances, and 6 types of welfare expenses (CSAR 1998, CSRR 1998). Even though all civil service compensation regulations were open to the public, it was difficult to find out the amount of salary for an individual civil servant. Also, pay was annually increased by pay scale, and the pay gap between grades was narrow. In terms of pay increase, a longer commitment was more advantageous than promotion. 76.5 per cent of the total salary was designed to consider living costs and only 13.7 per cent reflected the components of job and merit of civil servants (K. Jung & Kong, 1998, p. 8). In a survey of civil servants in 1998, 70 per cent of the respondents answered that the civil service pay system did not reflect how well and how much they worked (K. Jung & Kong, 1998, p. 155).

Nevertheless, there was an earlier attempt to reflect individual performance in the pay system. Specifically, in 1995, the 'Special Reward Allowance' system was introduced as an additional compensation just for the top 10 per cent of high performers of Grade 7 (working level) and below; in 1996, the allowance was extended up to Grade 4 (managerial level) (K. Jung & Kong, 1998, p. 60) (see Table 4.1). However, the system was culturally refused by the central government and was finally abolished in 1998 (CSC, 1999). The formal performance appraisal and the habitual seniority-based distribution to all civil servants were the main reasons of the failure of this allowance (Interviews B2 and B4). In fact, team-based commitment was a more important organisational value than

long-standing individual performance. Therefore, the allowance was awarded to the highest senior member and then the money was generally used for a social-gathering or a dinner after work (CSC, 2005b, p. 165) (Interview B5).

Table 4.1. Allocation Criteria for Special Reward Allowance (1995 to 1998)

Beneficiaries (of high performer)	Upper 3 %	4-7 %	8-10 %
Amount being paid (of monthly basic salary)	100 %	75 %	50 %

Source: K. Jung and Kong (1998, p. 60)

Under these circumstances, the special allowance was directly replaced by PRP at the end of 1998. Despite the criticism, the government introduced the new system for a short period and PRP was suddenly in place. S. Lee (2011) argued that its introduction was both sudden and political (p. 97). A former deputy director in charge of this policy gave the following commentary:

We considered civil service reform model of other developed countries. In particular, the experience of other OECD member countries was our main concern. We knew that there was criticism. They criticised that our cultural and institutional background did not fit and we were not ready to introduce it. However, we regarded the new system as a necessary change. So, we started (Interview B2).

PRP was introduced at different times according to the different working levels. The performance-based annual salary system for the general director level (Grade 3) and above was first initiated in 1998. Then, a lump sum bonus reflecting performance was introduced for Grade 4 and below in 1999. The coverage of PRP included the special services, such as soldiers, teachers, and police (CSC, 2002, p. 130). This chapter deals with the introduction and implementation processes of the performance-bonus system for general service (Grade 4 and below) and teachers. The pay reform for the senior civil service will be discussed in Chapter 6.

Policy-Making and Implementing Process of PRP for the General Service

In February 1998, the presidential transition committee selected 100 reformative tasks that the new Kim Dae-jung administration would tackle. The introduction of PRP was on the list. The MOGAHA was in charge of the government personnel work, and attempted

to create a new scheme following the directions of the PO. The MOGAHA commissioned a policy research to Samsung Economic Research Institute (SERI) in April 1998. Based on the research results, the new plan was made and reported to the president in October (1998). The main content inferred that 50 per cent of civil servants with high performance could receive an incentive of 50 to 200 per cent of the standard amount by grade. In early 1999, the plan was rapidly approved in the Civil Service Allowance Regulation (CSAR) and the revised performance appraisal scheme was published. 198 billion KRW (about 110 million GBP) was prepared for the budget. The first performance pay was expected to be paid by the end of 1999. For the smooth introduction of the new scheme, the CSC, a newly established organisation in May 1999, started to organise educational programmes as soon as the regulation became effective.

On 6 July 1999, however, in a government-ruling party consultation, a delay of the first PRP payment was unexpectedly decided (CSC, 2005b, p. 165). In order to vitalise the morale of civil servants, the already secured PRP budget was diverted into 'household-supporting allowance'. It was equally paid at 125 per cent of the monthly basic salary of every civil servant to support their living costs.

Referring to the advice from the meeting to determine performance appraisal system, the CSC tried to revise the system based on the survey results from the civil servants and personnel managers of the ministries³⁹. The intensity of the scheme, legalised in 1999, was appeased after accepting the civil servants' opinions in September 2000. On 7 October 2000, the Presidential Committee of Government Innovation (PCGI) discussed improvement of the scheme and, on 17 November 2000, the appeasement of the PRP was decided despite the counterviews voiced by professional experts. The pay differential based on individual performance was decreased (from 200 per cent to 150 per cent of the standard amount) and the range being paid grew from 50 per cent to 70 per cent for all civil servants (CSC, 2005b, p. 167). The first payment was made in February 2001.

Following this, in September 2001, the PRP return campaign was initiated. At that time, the performance bonus of 1.7 billion KRW (about 1 million GBP) was returned to the government (CSC, 2001a, p. 17). Mainly, the local government officials took part in this campaign. They tried to return the money directly to the CSC; however, the CSC

³⁹ The results of a survey of 54 central government agencies demonstrated that all agencies agreed to widen the range being paid and 77 per cent of them supported the appeasement policy for the pay differentials (CSC, 2005b, p. 167)

refused to accept it and the money was re-distributed to individual officials later. Also, the protest gathering against PRP was held on 4 November 2001. Over 4,500 local civil servants and their families participated and they demanded the retraction of the PRP system (Seoul Newspaper, 2001)..

After the resistance, to improve the receptiveness of the system, the CSC actively collected various opinions from private sector professionals (19 October), street-level civil servants (March to April), and the personnel managers of implementing ministries (March to April) (CSC, 2003b). As a result, the scheme had to be appeased again in 2002. The range of beneficiaries increased from 70 to 90 per cent of all civil servants. The pay differential was even further reduced, from 150 to 110 per cent of the standard amount. The sense of deprivation and incompatibility in the organisation were considered important. The discretion of ministries for the performance appraisal was expanded. From January 2002, performance bonuses could be provided in various ways: on an individual basis, on a departmental basis, and on a combination of the two (CSAR 2002). It became possible for each ministry to select its own appraisal system among the options suggested by the CSC.

From 2003, the PRP scheme was maintained without a large systemic retreat for three consecutive years. The performance pay proportion was not considerably increased, but the discretion for operation was delegated to the individual ministries. For example, the percentage of the highest and lowest performance could be changed, as determined by a specific ministry, within the range from 5 to 10 per cent.

Table 4.2. Yearly Changes in the General Service PRP system

Year	Contents
1998	Selected as one of the 100 reformative agendas in the KDJ administration
1999	Introduction and announcement of the performance bonus system in Jan Establishing the CSC in May Government-ruling party consultation in July
2000	The payment of PRP was postponed Civil service survey on the PRP system The presidential committee of government innovation examined the plan in October and November Appeasement of individual differentials (CSAR 2000)
2001	First payment in February Return campaign by civil service association and technical service union
2002	Appeasement of maximum differentials in January Diversifying the ways of performance appraisal (CSAR 2002) (e.g. individual basis, departmental basis, or their combination)
2003	Policy research on the improvement of PRP Civil service survey on PRP system
2004	Increase of ministerial discretion of payment (CSAR 2004)
2005	Increase of the PRP amount
2006	Increase of the PRP amount
2007	Increase of the PRP amount
2008	Government reorganisation (CSC, MPB → MOPAS, MOSF) Getting rid of ‘improving PRP’ in annual main working plans of ministry
2009	Civil service pay freezing and according PRP freezing
2010	Civil service pay freezing and according PRP freezing
2012	Appease the maximum individual differentials (from 230 % to 185%)
2013	Government reorganisation (MOPAS → MOSPA) Appease the maximum individual differentials (from 185% to 172.5%)

Source: CSAR 1999 to 2013 (www.moleg.go.kr), CSC (2003b)

In this period, the PRP system did not face a strong resistance from the civil service, such as a return campaign. For the settlement of the scheme, the CSC developed and distributed various indices that could improve the fairness of performance pay. In addition, the CSC commissioned a policy research on the improvement of the PRP to the Korean Association for Public Administration. As a deregulation measure on the government personnel operation, each ministry's discretion on the operation of the performance bonus scheme was expanded in 2004 (H. Koo, 2008, pp. 28-29). The result was disclosed to the public in order to induce competition between ministries. Moreover, under President Rho Moo-Hyun, performance appraisal became important within the entire government (CSC, 2007b).

The years of 2006 and 2007 saw the reinforcement and take-off of the Korean PRP system. The government determined that the civil service pay should be increased by performance-related pay. As part of it, 'Midterm plans to increase civil service pay 2006-2010' was established. The target included an increase in the PRP proportion up to 6 per cent by 2010 (see Table 4.3 & 4.4). In order to do so, the PRP proportion of the total personnel expense budget had to be continuously increased by between 0.5 and 1.0 per cent every year (CSC, 2005b, p. 419). As a result, the PRP proportion was greatly increased and doubled yearly. As part of the simplification of the salary system, a term-end allowance and long-term employees allowance were merged into the basic salary, which became the basis of a performance bonus (CSAR, 2006). As this baseline was increased, the whole amount of the performance portion could be substantially increased in 2006 and 2007.

Table 4.3. Proportion of PRP to the Total Salary

Year	2000	2001	2002	2003	2004	2005	2006	2007
PRP Proportion (%)	-	1.1				1.5	2.5	3.0

Source: H. Koo (2008, p. 15)

Table 4.4. Plan for Increasing the PRP Proportion

	2005	2006	2007	2008	2009	2010
PRP Proportion (%)	1.5	2.5	3.5	4.5	5.5	6.0

Source: H. Koo (2008, p. 15), CSC (2005b, p. 419)

Since the launch of the new administration of President Lee Myung-Bak in February 2008, the issue of the PRP improvement disappeared from the public arena. The ministry in charge was merged into a new huge ministry, the Ministry of Public Administration and Security (MOPAS) after the government reorganisation in 2008. The various functions of MOPAS included e-government, safety management, and finance and tax work for the local government, as well as public personnel management (Government Organisation Act, 2008). The importance of the performance pay was no longer emphasised anymore. After the increase of the PRP budget in the final year of the previous administration in 2007, it was difficult to expect a stable improvement of PRP. In 2012 and 2013, the differentials of PRP between S (highest performer) and C (lowest performer) of the performance appraisal were respectively decreased from 230 to 185 (in 2012) to 172.5 per cent (in 2013) (see Table 4.5).

Table 4.5. Changes in the Performance Bonus Rate From 1999 to 2013

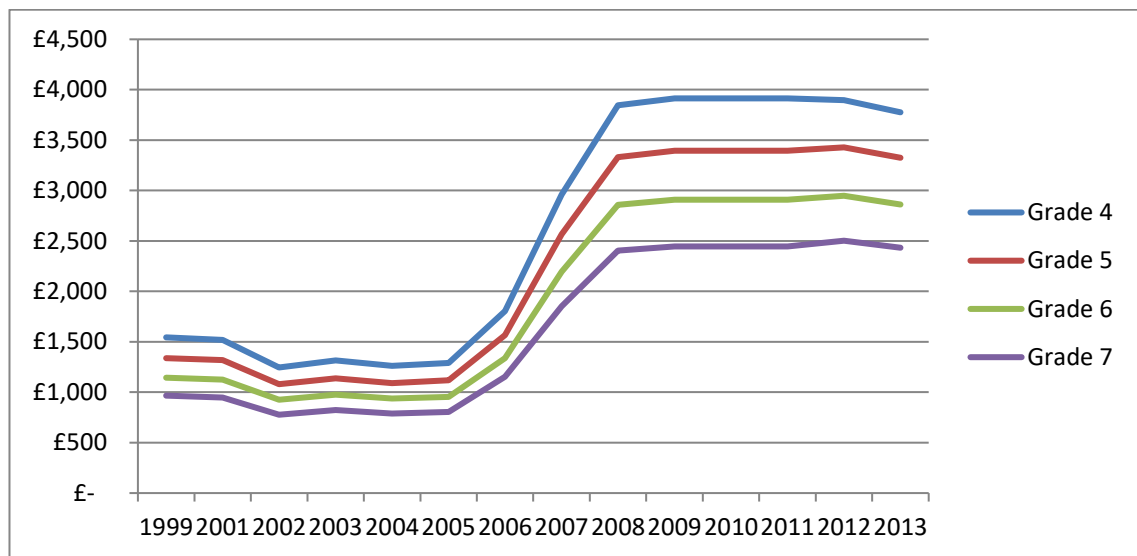
Year	Performance appraisal	Excellent (S)	Outstanding (A)	Normal (B)	Unsatisfactory (C)
1999~2000	Performance bonus rate (%)	200	100	50	0
2001		150	100	50	0
2002~2003		110	80	40	0
2004~2005		100	70	40	0
2006		140	98	56	0
2007		180	120	70	0
2008~2011		230	160	90	0
2012		185	130	85	0
2013		172.5	125	85	0

Source: Civil Service Allowance Regulations (CSAR), schedule 2-4, from 1999 to 2013 (www.moleg.go.kr)

Performance bonus rate (%) has its own standard amount of a monthly base salary by Grades 4-9 in the rank system (e.g. Grade 5: the 18th salary class)

In the subsequent administration by President Park Keun-hye, there was an additional government reorganisation in early 2013. The MOPAS was reorganised to the the Ministry of Security and Public Administration (MOSPA) with more emphasis on the work of security and safety) (Government Organisation Act, 2013). As of 2013, the performance bonus shares around 4 per cent of the total personnel expense budget (Interview B27).

Figure 4.1. Yearly Changes in Maximum Individual Pay Differentials (General Service)



*Source: Guidelines for the performance bonus payment 1999-2013 by CSC

*Note: The differential means the difference of payment between the people who get S (highest performer) and C (lowest performer) in performance appraisal.

Key Actors' Interactions in Introducing PRP for General Service

At an early stage of agenda-setting, the PO and the CSC were strongly positive about the new scheme. The budgetary ministry (MPB) was also supportive and academic experts expressed their positive opinions. The CSC extensively studied similar policies of foreign countries and private companies (CSC, 2003a). Amongst them, the PO was the strongest political supporter of the scheme. An interviewee described the positive attitude of PO as the following:

When we first reported to the PO about the action plan of the PRP system, the staff of PO thought our draft to be so passive that the plan needed to be made more dynamic. They said the public would accept it when the PRP portion became at least 10 per cent of the amount of total annual salary. However, in that case, the salary of the senior civil servants would become higher than that of vice minister with a fixed salary scheme. It could not be acceptable culturally. So, we persuaded the staff of the Presidential Office (Interview B5).

The initial behaviour of the CSC was highly strategic and strong. With a strong support from the PO, the CSC ambitiously promoted the new scheme. An interviewee of the CSC commented on it as follows:

Initially, the intention of the CSC was to dominate the reform issue in advance. Just after the presidential pledge, the scheme was strongly promoted by the CSC. Practically, we seriously looked at its positive effect of increasing pay. As the

trial of increasing civil service pay had always faced an opposition from the public, we needed to secure an additional personnel expense budget through the PRP scheme (Interview B5).

Based on the successful coalition of the PO and the CSC, the start of the policy-making was in a positive direction. The positive attitude of the PO led to the MPB's support. In fact, the Committee for Planning and Budget, the precedent body of the MPB, had been in charge of the government reform and performance was its main focus. When the MPB and the CSC agreed on the Five-Year Plan for the civil service pay increase from 1999, the conversion from the seniority-based to the performance-based pay system was one of the important goals for the two reformative organisations. The MPB explicitly supported the CSC, until the conflict occurred when the union began a return campaign. For example, in the advisory meeting for the civil service policy hosted by the CSC in 2001, a representative of the MPB explained the basic position of the MPB as follows:

My ministry (previously, the committee of planning and budget) also contributed to introducing the performance-related pay system, which is an important reform agenda in this administration. If it is not successfully implemented even inside the government, how can we promote the reform afterwards? ... The increase in the number of the recipient of the performance bonus is not right and the original draft made in 1999 should be kept. The change of PRP based on the civil servants' opinion would harm the originality of the reform policy. Rather, we need to listen to the objective opinion from another professional institute (CSC, 2003b, pp. 762-763).

Academic scholars close to the CSC theoretically supported the introduction of PRP. The tone of the media was initially supportive. In fact, there had been a lengthy dispute on the motivating effect of PRP in public sector. However, under the economic crisis, the intent of the introduction of PRP could be justified by claiming that it could make the civil service more competitive. The experiences of private companies promoted the public sector atmosphere. Although there were some opposing opinions from other ministries in the survey, it never hindered the introduction of PRP.

However, after the government-ruling party consultation in July 1999, the position of the PO changed towards postponing the PRP implementation. Just before the general election in 2000, the ruling party thought that a general pay rise might be more advantageous than a differential payment based on individual performance (K. W. Kim, 2009). In fact, before this government-ruling party consultation, the position of the CSC was not to retreat or to postpone the PRP plan and the CSC tried to persuade the staff of the PO and the representatives of the ruling party. However, the opinion of the CSC could

not be accepted and the postponement of the payment was finally agreed (CSC, 2003b, pp. 336-337).

Afterwards, when the first appeasement of PRP was promoted by the CSC, the PCGI (especially non-governmental members) at first did not agree with the return of the system in October 2000. However, the CSC persuaded them of the necessity of appeasement and the draft was agreed upon in the next meeting of the committee in November 2000. The first payment of PRP was made in February 2001; the return campaign started from the second half of the year. This strongly suppressed politicians and the PO could not support the controversial scheme any more (Interview B4). The president did not want a political burden; at that time, an unexpected strong resistance from the civil servants happened. Although the attitude of the MPB towards the policy was initially supportive, it became unclear in 2001, when the conflict surrounding PRP accelerated.

The association for lower-level civil servants and the already legalised union for technical service argued that the new pay system could hardly motivate civil servants, but could cause severe conflicts and harm the team-work inside the organisation (CSC, 2002b, p. 130). Their strong opposition and the return campaign were influenced by the robust resistance of the teachers' union. Then, the tone of the press became negative regarding this policy. The press's criticism targeted specific systemic issues, such as the payment procedure and the fairness of performance appraisal, rather than the introduction of PRP itself (Hankook Newspaper, 2001; Munwha Newspaper, 2001; Segye Newspaper, 2001). Some articles also pointed out at the possibility of distributing the performance pay budget equally to the individual civil servants after payment (Kyunghyang Newspaper, 2001). In the face of many opponents, the CSC could not adhere to the original position. The fact that the PO and the MPB changed their previous position was also considered important. By eliminating some strong components, PRP could be maintained.

The period between 2003 to 2005 can be seen as a period of a stable or balanced power, because the CSC tried to keep a more flexible attitude for a settlement of the policy in the long term and there was no great resistance from opponents. On the other hand, other actors besides the Unions and the CSC did not show their explicit interest during that period. As the discretion of ministries to operate PRP was enlarged, the responsibility of the ministries was also enlarged to some extent. As a result, in this period, the CSC could take complementary measures for the scheme, such as explicitly deleting the

component of ‘seniority’ in the performance appraisal system⁴⁰. A research study conducted in this period explained that civil servants did not resist PRP, because it had a real effect of increasing the pay (S. Kang, Kim, Lee, & Cho, 2004, p. 176)

At the end of the Five-Year Plan to increase the civil service pay from 2000 to 2004, the CSC and the MPB again made a coalition for promoting PRP. With the implicit support of President Rho, the MPB proposed performance as a premise of the pay increase. As there was no other alternative to increase the civil service pay, the CSC strongly promoted it through its ‘Midterm Plan’. Until the final year of President Rho Moo-hyun’s administration, the budget of performance pay had been sufficiently secured. Government officials of the CSC and the MPB who were in charge of the PRP work mentioned the following:

President Rho never mentioned the increase of the civil service pay explicitly. However, the support of performance-related pay was clear in his administration. The performance bonus scheme was a method for increasing the pay level and it was a rather different strategy from the previous administrations (Interview B3).

The proportion of performance-related pay should be higher. How come the civil service pay has to be increased annually and automatically? It is not fair in our times. From my personal point of view, there would not be any problem even if PRP occupied a half of the total salary (Interview B20).

Since 2006, the PRP plan has been adopted again. During this reinforcement period, the performance proportion dramatically increased. The interests of the CSC, MPB, and the PO, which were the main actors of the policy introduction at the first stage, agreed together and this policy was perceived as a replacement of the annual pay increase. In addition, the ministries that implemented this policy changed their attitudes to be more positive, due to showing their innovative will and the competition between ministries. At that time, President Rho placed most emphasis on government innovation. The unions and other resisting actors did not show any special negative opinion, as they were not yet politically well organised actors, such as a legal union, and they could not resist the general trend of a performance-oriented policy.

In fact, the CSC found it difficult to increase the rate of the annual civil service pay from 2005 (see Chapter 3) and the previous strategy for matching the civil service pay with the private company pay level inevitably needed to be changed. As the coverage of beneficiaries of performance-related pay was over 90 per cent of all civil servants, the

⁴⁰ ‘The Regulations on the Performance Appraisal’ have been intensively revised in 2005 and were newly enacted in 2006.

increase in the average performance payment could be an attractive alternative for increasing the real income of civil servants. In the budget of 2006, the proportion of PRP was designed to increase up to 2 per cent of the total salary amount and, in 2007 and 2008, it was increased up to 3 per cent and 4 per cent, respectively.

However, from the beginning of President Lee Myung-bak's administration in 2008, the civil service pay was frozen over two years (CSRR, 2009 and 2010). The ministry in charge could not continue the reinforcement of PRP in this situation. Moreover, after the government reorganisation, the policy priority of 'the improvement of PRP' was deleted from the list of annual working plans (Ministry of Public Administration and Security, 2008). The newly-established ministries of the MOPAS and the MOSF were placed in charge of other important functions besides personnel and budget and they could no longer afford to consider the PRP policy. Without strong initiating policy actors, the policy has survived, but has not been reinforced or improved. For example, a newspaper reported recently that the performance bonus was equally distributed to team members in Seoul metropolitan city (Donga Newspaper, 2014). The report shows that, despite its implementation over 15 years, the PRP policy has not yet settled down in the Korean administrative culture.

4.2 Performance-Related Pay for Teachers

Compared to the case of the PRP for general service, the PRP for teachers took more time for introduction and implementation. The collective action of the strong Teacher's Union affected its progress. This section presents the characteristics shown in the process of introducing teachers' performance bonus. The crippled operation from 1999 to 2005 and the slow improvement after 2006 are explained below and, the positions and bargaining aspects among the key actors are presented.

Policy-Making and Implementing Process of PRP for Teachers

The initial plan for teachers' PRP was similar to that for general services. The upper 70% of high-performing teachers could receive a performance bonus ranging from 50 to 150 per cent of the standard amount according to their performance appraisal. In order to establish a reasonable performance appraisal standard from July to September in 2000, the Ministry of Education and Human Resources (MOE) commissioned a policy research

(CSC, 2002a, p. 45). The first payment was expected to be paid in 2001, as in the general service. However, a debate on the policy implementation began from February 2001. As the opposition movement appeared to be strong, the MOE announced the postponement of the payment on 24 February 2001 (CSC, 2002a, p. 31).

An advisory committee for the improvement of the PRP system was launched in March 2001. The vice minister of the MOE became the chair of the committee, which consisted of 18 representatives of government organisations (MOE, CSC), parents, three teachers' unions (Junkyojo, Hankyojo, and Kyochong), the press and scholars. Since then, the committee played a substantial role in the introductory process of PRP.

After four meetings full of heated controversy, at the fifth committee meeting, on 29 August 2001, the members agreed to a principle that all teachers would receive performance bonus payments, however, the pay rate should be determined differently according to performance. It was slightly appeased as compared to that of the general service. Based on this agreement, an alternative scheme was presented by the MOE on 4 September 2001; then, it was again revised by the CSC on 19 September 2001 (see Table 4.6). Also, the CSC gave permission for the integrated operation of two high-performer grades (Excellent (S) and Outstanding (A)). Soon, the suggestion for the first payment was made. The actual amount paid to teachers is shown in Table 4.7.

Table 4.6. The Initial Changes of the PRP Plan for Teachers from 2000 to 2001

Appraisal Grade	Excellent (S)	Outstanding (A)	Normal (B)	Unsatisfactory (C)	
Payment scope	Upper 10%	11-30%	31-70%	71-100 %	
	150 %	100%	50%	0%	Initial Plan
Performance pay rate	60%		40%	30%	MOE Plan
	90%	65%	45%	30%	CSC Plan

Source: modified from CSC (2002a), CSC (2005b)

Performance pay rate is based on the standard salary (e.g. Teacher: 26th salary class)

Table 4.7. First Performance Bonus Payment in September 2001

Appraisal grade	Excellent (S)	Outstanding (A)	Normal (B)	Unsatisfactory (C)
Payment scope	Upper 10%	11-30%	31-70%	71-100%
Performance bonus (£)	533	385	266	178

Source: CSC (2002a)

However, after the first payment in September 2001, a strong return campaign was initiated by the teachers' unions (especially by Junkyojo) and 29 billion KRW (17 million GBP) was returned to the CSC. The number of teachers who participated in the campaign was over 82,000, which amounted to 25 per cent of all payable teachers (CSC, 2002a, p. 242). The returned bonus was given back to the teachers in early 2002 (CSC, 2004a, p. 363).

In January 2002, the PO, the MOE, and the CSC secretly made an agreement to abolish PRP for teachers and tried to consult with three teachers' unions. However, in the 7th committee meeting held from February to May 2002, another revised plan was proposed by the MOE, which would equally distribute budget to all teachers as 'an allowance for their individual development'. However, the non-governmental members of the committee opposed this proposal and it broke off the negotiation in the committee. Therefore, in the 9th committee meeting, the MOE suggested another plan of combining the two systems of performance: a bonus and an allowance for individual development. The teachers' union again opposed this proposal. Finally, the ultimate plan was agreed upon to use 90 per cent of the performance pay budget as an 'allowance for individual competency development' and the remaining 10 per cent as a 'welfare expense' for all teachers without any differentiation among individual teachers' performance (see Table 4.8). In reality, the remaining 10 per cent of the PRP budget was practically distributed by seniority. A study on PRP for teachers mentioned the following:

The organizational resistance by teachers' unions created the PRP allowance. 90 percent of budget was equally distributed. Moreover, even the remaining 10 per cent was not actually distributed by performance. 80 per cent of it was given by seniority and the current pay scale in reality (J. Lee, 2006, p. 82)

Table 4.8. Individual Bonus Differential by Grade for Teachers in 2002

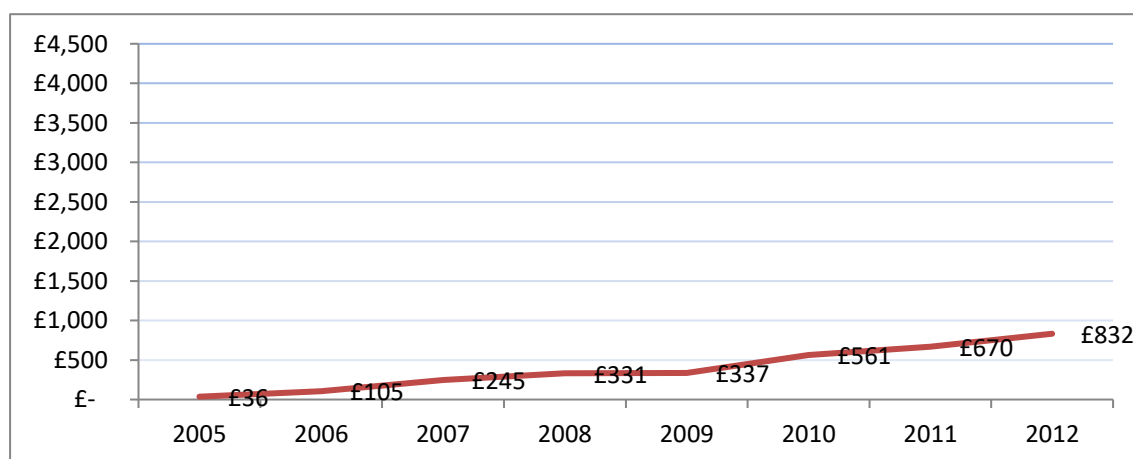
Appraisal grade	Excellent (S)	Outstanding (A)	Normal (B)	Unsatisfactory (C)
Payment scope	Upper 10 %	11-30%	31-70%	71-100%
Performance bonus	£450	£427	£412	£401

Source: CSC (2003b)

As to the payable amount, the maximum differential by individual performance was only 41 GBP (72,000 KW)⁴¹ a year (CSC, 2002a, p. 272) and such a small amount could not be expected to motivate teachers. At that time, the main argument against PRP suggested by the teachers' unions was the difficulty of carrying out a performance appraisal of teachers. Therefore, instead of cutting the performance pay budget, the MOE promised to develop a reasonable performance measurement method in the near future. However, in reality, the exception for teachers continued until 2005.

In 2006 and 2008, the maximum differential rate was slightly increased to 20 and 30 per cent, respectively. However, it means that 70-80 per cent of the performance bonus budget was still used as an allowance. In 2011, the group performance bonus programme was introduced, which reflected the performance of an individual school. The rate of differentials of group performance was increased to 20 per cent in 2012 (Ministry of Education, 2012)⁴². However, the amount of PRP was much lower than that in general service. Figure 4.2 and Table 4.9 show the yearly changes in pay differentials and Table 4.10 briefly summarises the history of the introduction of the teachers' performance bonus system.

Figure 4.2. Yearly Changes in Maximum Individual Pay Differentials (Teachers)



* Source: Guideline for Teachers' performance bonus pay 2005-2012 (Ministry of Education)

⁴¹ The actual amount that was paid could be different according to the real budget allocation of a local education office; in this paper, a standard amount suggested in the CSC policy sourcebook is used.

⁴² The MOE announced that the proportion of group PRP would be increased to 30 per cent in 2012. However, due to a new resistance of teachers, it was decreased again (H. Kim, 2013).

Table 4.9. Yearly Changes of Differential Rate for Teachers' PRP from 2002 to 2012

Year	2002-2005	2006-2007	2008	2009	2010	2011	2012
Differentials by individual (%)	10	20	30	30-50 ⁴³	50-70 ⁴⁴		
Differentials by school (%)	-	-	-	-	-	10	20

Source: Ministry of Education (2012), H. Kim (2013)

⁴³ According to the guidelines made by MOE, the differentials by individual could be chosen in the range from 30 to 50 per cent in 2009. However, in reality, 98.8 per cent of front-line schools chose differentials of 30 per cent (Chun, 2009, p. 57).

⁴⁴ The local education office permits schools to choose differentials from 50 to 70 per cent range, however, 92.4 per cent of the school chose 50 per cent of differentials.

Table 4.10. History of Yearly Changes of Teacher's PRP System

Year	Contents
1998	Selected as one of the 100 reformative agendas in the KDJ administration (same as general service)
1999	Introduction and announcement of the performance bonus system (same as general service)
2000	Postponed payment of PRP by the government-ruling party consultation (same as general service)
2001	Participation of the committee with the CSC, the MOE, unions, parents, and academics, etc. and 1 st - 7 th meetings were held. First payment of the performance bonus in September Return campaign by unions The MOE eased the campaign by promising to improve PRP
2002	An agreement made of abolishing teachers' PRP by PO, CSC, and MOE in January After the 7 th to 9 th committee meetings, the agenda with only 10 per cent of individual differential was passed though paper deliberation Second payment of the performance bonus in September
2003	No change
2004	No change
2005	No change
2006	Increased maximum individual differentials by performance from 10 to 20 per cent of the performance bonus budget
2007	No change
2008	Increased maximum of individual differentials by performance from 20 to 30 per cent of the performance bonus budget
2009	Increased maximum of individual differentials by performance into the range of 30 to 50 per cent of the performance bonus budget
2010	Increased maximum of individual differentials by performance into the range of 50 to 70 per cent of the performance bonus budget
2011	Introduction of the school performance bonus
2012	Increase of the school performance bonus (10 to 20 per cent)

Key Actors' Actions: Teachers' Union

Various key actors have been involved in the changing process of teachers' PRP. Initially, the CSC, the MOE, and the president were expected to be important actors. However, after the movement resisting PRP, a committee was established by the MOE and the representatives of trade unions started to participate in the decision-making process as one of the main actors. They substantially exercised the right of participation alongside the government representatives.

Initially, the PO and the CSC had strongly positive positions. The PRP plan was positively accepted by the MOE. With agreement among them, the PRP plan proceeded. There was no exception of teachers in the implementation of the policy. The position of the CSC at that time can be seen in the following internal report on the performance-related pay system:

It would be difficult but not impossible to assess the performance of teachers. In a sense, it can be easier, because the customers of education service, students, and parents are clear. Appraisal of an individual teacher, as well as that of a school, would be possible... foreign countries, such as the US, the UK, Germany, Singapore, and Taiwan, also introduced the teachers' performance bonus system (CSC, 2002a, pp. 44, 46).

In the committee for improving PRP, the unions were in opposition to the introduction of the plan. Other committee members, such as parents, professionals, and the press, theoretically supported the purpose of the new reform system, but they merely expressed their opinions in the committee as members. These supportive opinions were not as strong as the confronting negative position. They only provided background support.

From February 2001, the attitude of the MOE started to change. On 6 February 2001, in a conversation with the director of the compensation policy division of the CSC, the director of the teachers' policy bureau of the MOE asked about the necessity of making an exception of the performance pay system for teachers (CSC, 2002a, p. 4). The MOE tried to negotiate with the CSC, reflecting the Unions' opinions. From 2001, the MOE attempted to ease the original planned scheme three times (on 22 February, 4 September 2001, and 12 June 2002). Since the conflict began, other participants in the committee had not clearly and consistently demonstrated their opinions and the PO started to ask the CSC to adopt a flexible position. Table 4.11 shows the initial conflict situations among main policy actors.

Table 4.11. Summary of Minutes: the Committee for the Teachers' PRP Development (1st to 11th meeting)

No.	Date	Proposal	Decision / Opinion Etc.
1 st	27.03.2001	Low performers (30%) cannot be paid a performance pay (PP).	(Rejected) Unions: opposed the PRP itself CSC: focus on the introduction
2 nd	18. 04.2001	PP would be distributed to all teachers, but should be differentiated.	(Reservation of decision) However, generally positive opinions except the unions
3 rd	02. 05.2001	Same as the 2 nd meeting	(Rejected) Unions: should equally distribute CSC: firstly pay as a regulation and then the detailed scheme could be changed for next year.
4 th	10. 05.2001	Same as 2 nd and 3 rd meetings	(Rejected) Same as 3 rd meeting
5 th	29. 08.2001	PP would be distributed to all teachers. but should be differentiated. And some portion of the budget should be used for teachers' welfare expenses.	(Agreed by voting) One Union (Junkyojo): opposed. Detailed contents would be delegated to the CSC and MOE.
6 th	14. 12.2001	Same as the 5 th meeting	(Rejected) 3 Unions: requested an allowance
7 th	19. 02.2002	Abolish Performance pay and distribute it as a 'training allowance'.	(Rejected) MOE: agreed Academic members: opposed * The MOE's position change. (request an exceptional application of the scheme)
8 th	11. 03.2002	Same as the 7 th meeting	(Rejected) No agreement
9 th	29. 04.2002	Mixed plan with bonus and training allowance	Unions: reservation of opinion Teachers, Press, Parents: agreed * last meeting
10 th	June 2002	90 %: training allowance 10%: welfare expense	* paper deliberation Unions, Press, teachers: agreed Parents: no opinions
11 th	Aug 2002	90%: training allowance 10%: pay for performance * MOE decides for a detailed payment method	* paper deliberation 13 members agreed 1 academic, 1 teacher: opposed Parents: no opinions

*Source: CSC (2002a)

The negative party focused on more realistic points, rather than supportive arguments. Regarding this, the teachers' unions (especially Jonkyojo), the strongest opponent of PRP introduction, suggested various negative reasons. They said that the policy might divide the teachers' society⁴⁵ and would lower teachers' morale, because it regarded the teachers as the objective of the reform⁴⁶. Also, they argued that there was no reasonable performance appraisal system of teachers' work⁴⁷ and that the performance pay is a type of wage, so it should be dealt with a formal table of collective bargaining⁴⁸. Their approach was realistic and they could get real benefits from the committee. Therefore, when the return movement of performance pay happened in 2001, they showed their attitudes as specified in the following:

In reality, it is impossible to return the money (performance pay) which is already being paid. At present, it's better to watch to the end what's happening, because the government promised the improvement of the payment system⁴⁹.

From the beginning, the purpose of the performance pay was not the improvement of labour conditions, like a pay level. It is not good for teachers to be recognised as a selfish group in the long run⁵⁰.

Compared to the inconsistent and moderate attitudes of the committee members, such as the representatives of the parents, the press and scholars, the stances of the government organisations and the teachers' unions were strong and official. As a result, the relatively strong parties could be understood as the main players in the introduction process of the teachers' performance pay.

The behaviours and the change of position should be understood in terms of underlying interests. In particular, the changes of the attitude of the MOE and the PO had a great impact on the introductory process of the teachers' PRP system. Initially, before February 2001, they adopted a positive position towards the policy. However, after they faced the determined resistance from the unions, they felt a political burden and changed their positions. For the MOE, the priority of the organisation was in general on the teachers' position. The division that took charge of the teachers' pay system in the MOE

⁴⁵ The Proclamation material announced on Jun Kyo Jo webpage (www.eduhope.net), 8 February 2002.

⁴⁶ The joint statement announced by Incheon local branch of Jun Kyo Jo (www.eduhope.net) on 9 July 2001.

⁴⁷ The PR material for union members, Jun Kyo Jo webpage (www.eduhope.net) written on 1 Jan2004.

⁴⁸ The result report of the teachers' PRP development committee held on 15th October 2007 explaining the reasons why the union representatives did not take part in the committee until the end (source: Jun Kyo Jo webpage)

⁴⁹ Suk-Kun Whang, a spokesman of Kyo Chong (one of the teachers' unions), in the press release of Jun Kyo Jo on 23 October 2001.

⁵⁰ Sun-Do Choi, head of general department of Han Kyo Jo (one of the teachers' unions), in a press release by Jun Kyo Jo on 23 October 2001.

was the 'Teachers Welfare Division'. The members of the division included previous or current teachers. The division was more interested in improving teachers' welfare, rather than in engaging in politically-loaded reform actions. Thus, when the resisting movement continued, it was natural for the organisation to change its supportive position on PRP to a negative one. The position of the MOE was expressed in the comment below made at a meeting with related government agencies held on 19 Oct 2001:

The resistance of teachers is so strong at present. They want to be paid by an equally distributed allowance.... It was so difficult for us to apply the same criteria as the general service. ...why does the MPB adhere to the previous strong PRP draft? ... It would be better to reflect the characteristics of teacher's job and to operate it in a flexible fashion (CSC, 2003b, p. 761).

Despite the MOE's opposition, the position of the CSC was robust at that time. At the 7th committee meeting, a representative of the CSC tried to persuade the representative of the MOE as follows:

Performance bonus began as a measure of public service reform. To the public, its abolition means a failure of the reform. Civil servants, including teachers, could feel a recent big pay increase due to the Five-Year Plan from 2000. However, it is deeply related to the public service reform, such as this performance bonus plan. Without a reform, it would be difficult to keep this kind of big pay increase. If PRP for teachers is stopped, it would be possible that teachers' pay increase could be lower in the future (CSC, 2002a, p. 178)

For the PO, the organisational resistance of unions became a big political burden. Under Kim Dae-Jung's administration, the ruling party, alongside with the majority of the opposition party, was sensitive to the political resistance from social interest groups. In 1999, the number of teachers who joined the Junkyojo and paid union membership fees amounted 56,666 and then continuously increased to 91,243 in 2004 ("The number of Junkyojo's members," 2008). As it was a well-organised interest group, it was difficult for politicians to ignore its political opinion.

As the agreement of the committee was repeatedly postponed, the CSC had concerns about the possibility of incapacitation of PRP and a negative impact on the general service PRP. Facing the risks of a failure in the reform, the CSC chose a strategic retreat plan. In August 2002, the CSC's attitude was softened and, lacking any political support from the PO and the MPB, the CSC agreed to make an exception of the PRP payment for teachers. The content was that 90 per cent of the PRP budget could be equally distributed among teachers and that only 10 per cent should be paid according to individual performance (Ministry of Education, 2002). Even for the 10 per cent, the MOE

could apply its own criteria for the payment and it could be differentially distributed by the existing pay rules to which the individual teacher belonged, not by the appraisal of their performance (Jin, 2003, p. 105). The revised plan was maintained until 2005, although it was accepted as a temporary measure prior to the improvement of the performance appraisal system.

In 2006, when the performance bonus for the general service was significantly increased, the MOE could not put off improving teachers' PRP. The individual differential rate was slightly increased from 10 per cent to 20 per cent of the performance bonus budget. The Junkyojo, a hard-line teachers' union, re-started a return campaign from September 2006. Approximately 80,000 teachers participated in the campaign and the returned amount approached 95.2 billion KRW (54 million GBP). However, it could not hinder this slow development. Even in 2008, when the differential rate was increased again to 30 per cent of the performance bonus budget, the union strongly requested the equal distribution of the entire performance pay budget and distribution by a seniority-based system.

In this situation, the intervention of MPs of the ruling party was important in 2008. At that time, the CSC was abolished and the newly-established MOPAS did not care much about PRP for teachers. However, after strong criticism of the MPs of the ruling party, the MOE tried to improve the policy. Mr. Kwon Young-jin, an MP, highlighted the problem in the real operation of the teachers' PRP system in the parliament investigation by the standing committee of education in 2008 as follows:

Compared to the general civil servants, the PRP system for teachers was severely damaged by the 1/n practice. 80 per cent of the PRP budget, 2,670 billion KW (1.5 billion GBP), was equally distributed among teachers from 2003 to 2008. Even the differentially distributed 20 per cent of budget was also decided by the seniority. While a half of the teachers with twenty-five years of experience got the highest performance grade, only 7 percent of the teachers with less than five years of experiences received the highest grade. This means an absolute failure of the system. It should be improved (HeraldBiz Newspaper, 2008).

The introduction of the performance bonus appraisal by school was announced in Spring 2011. Although the proportion of it took only 10 per cent of the entire PRP budget, the opposing campaign to this new policy restarted. The plan of resistance, such as a return campaign, was initiated by Junkyojo (Donga Newspaper, 2011; Seoul Newspaper, 2011). Newspaper articles also strongly criticised the plan. They expressed concern about sequencing of schools, conflict and disharmony inside school (Segye Newspaper, 2011; Yonhapnews, 2011) and the formalised PRP system (Seoul Economic Newspaper, 2011).

In spite of this criticism from the media, the school PRP was enforced by the MOE. Although the amount of teachers' performance bonus is relatively low, the change of the MOE was unexpected. It shows that, if the participation in the improvement of the plan is powerful, it can make the government agency keep moving.

Table 4.12. Basic Attitudes and Interests of the Participants Towards Teachers' PRP

Participants	Attitudes (Strength)	Interests and Motives
CSC (MOPAS, MOSPA)	Positive (Strong) → Neutral (Normal)	Getting legitimacy as a reformatory agency Considering the substantial increase of the civil service pay level
MOE	Positive → Neutral (Normal) → Positive	Improving the level of teachers' welfare Preventing political conflict
Presidential Office	Positive → Negative (Strong)	Securing political support from the public Preventing political conflict (especially, with the unions)
MPB (MOSF)	Positive → Neutral (Weak)	Getting legitimacy as a reform agency Saving the personnel expense budget in the long term Absence of a political burden
Parents	Positive (Weak)	Improving the quality of public education
Press	Positive or negative (Weak)	Improving the quality of public education
Professionals	Positive (Weak)	Improving the quality of public education
Union (J: Junkyojo)	Negative (Strong)	Concerns about the next steps after PRP (downsizing or weakening the guarantee of teachers' status and social reputation)
Unions (H: Hankyojo & K: Kyochong)	Positive or Neutral → Negative (Normal)	Substantial benefits (Pay increase) Concerns about the next steps after PRP

4.3 Policy Outcomes and the Public Service Bargains

The main question addressed in this thesis is how the policy-making process influenced the results of the reform policy. With this in mind, this section examines in detail how the cultural background of policy actors influenced the results, how the distinctiveness of trade unions caused the different outcomes of PRP and how the change of the government organisation influenced the sustainability of the reformative policy.

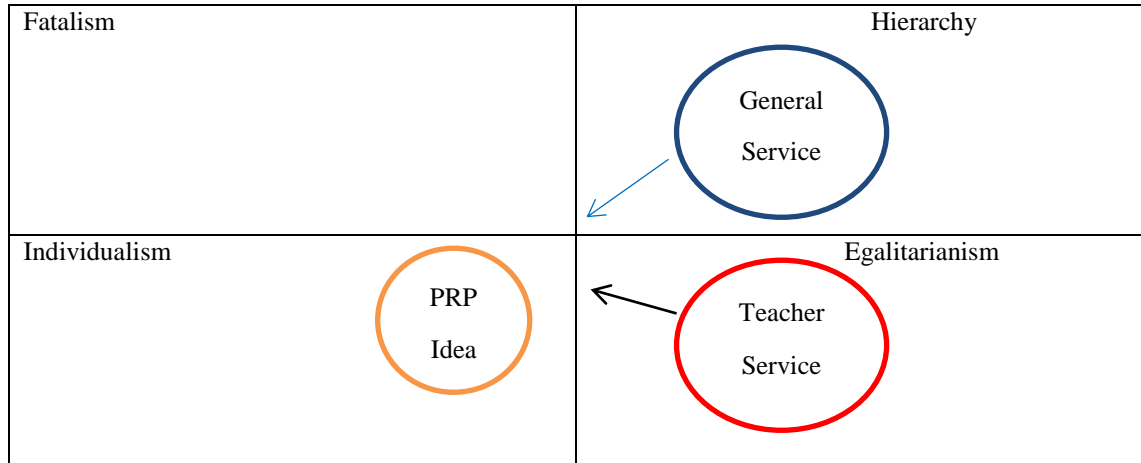
Did Cultural Orientation Influence the Settlement of PRP?

Let us first consider why, despite its maintenance for over 15 years since 1999, the performance bonus system in Korea has gained low receptivity. According to the idea of NPM, the reinforcement of economic incentive is promoted in order to solve the principal-agency problem. The solution of PRP is largely based on an individualistic culture. In an individualistic society, the PSB of reward might be close to the agency-type, rather than the trustee-type. In other words, civil servants obtain valuable rewards through individual competition (Turkey race-type), by providing individual skills of making things happen in a desired way within a government organisation (A. Hondeghem & Steen, 2013; Christopher Hood & Lodge, 2006). However, in the case of a different cultural configuration, such as egalitarian or hierarchy-dominated society, the tool of motivation may need different types of rewards.

As shown in Figure 4.3, the cultural orientation of the Korean civil service was different from the model based on individualism. That is, although the basic assumption of the operation of PRP is based on individualism, the actual application of PRP in Korea is still located in a different quadrant. In the case of general service, it is closer to the hierarchical one. Until the 1990s, the orientation to internal integration and stability has been a product of cultural distinctiveness. In line with this orientation, the seniority-based appraisal and compensation were generally accepted in the Korean civil service (H. Kang, 2012, p. 37). On the other hand, in the case of teachers, it has characteristics of egalitarian. In a teachers' society, equality has been an important cultural element alongside with

seniority (J. Lee, 2006, pp. 87-88). For example, with the exception of a head teacher⁵¹, all teachers belong to a unitary rank and pay scale (CSRR, Schedule 11).

Figure 4.3. Cultural Orientations of the Civil Service Group and the PRP idea



Modified from the cultural theory perspective by Douglas (1981), Christopher Hood and Lodge (2006), and A. Hondeghem and Steen (2013).

The perception of civil servants further explains the characteristics of the Korean civil servant culture. According to S. Kang et al. (2004), under the current rigid rank system, the Korean civil servants were more strongly motivated by non-materialistic compensation, such as job security, the opportunity of serving the society and the public, as well as the opportunity of promotion and self-improvement than by a direct pay rise (pp. 119,171). In terms of the pay increase system, civil servants at all levels perceived that the annual automatic pay rise by seniority would be more suitable for inducing a high performance than the differential pay rise by individual performance (p. 169). Also, they preferred an additional pay rise by promotion (called ‘*Seungjin-gaggeup*’) to performance-related pay (p. 169).

As suggested by another study (H. Koo, 2008), collectivism affects the preference of members on the performance bonus system even at the ministerial level. According to this survey on the distinctiveness of 56 central government agencies, the collective culture of organization influenced the number of payment ranks and the amount of payment. That is, the more collective the organizational culture was, the fewer the numbers of rank

⁵¹ The cultural orientation of head teacher’s group seems to be spread over an area of hierarchy and egalitarian way, because it has the distinctiveness of the rank system (like the general service), as well as a unitary pay scale.

(performance appraisal) were and the lower the amount of payment (differential) was (p.105).

The results of the survey promoted by the CSC in 2001 showed that government agencies with a strong hierarchy, such as the Prosecutor's Office, Police Agency and Coast Guard, tended to distribute performance bonus by seniority (CSC, 2003b, p. 597). In this survey, 43.1 per cent and 19.8 per cent of the respondents answered that the most influencing factors for the payment of performance bonus were seniority and the kind of work in charge, respectively (CSC, 2002a, pp. 595-654).

By contrast, teachers' group seem to be culturally close to the egalitarian model. Even if the reform has been maintained for over a decade, PRP for teachers has experienced severe incompliance and still generates conflict among teachers (Chun, 2009). In the front-line of education, PRP has been replaced by the seniority-based pay or been equally distributed after payment (p.8) and the organisational resistance of the Junkyojo (e.g., a return campaign) changed PRP into an equally paid allowance (J. Lee, 2006, p. 90). The arguments of the 'discomfort and conflicts among teachers' are still voiced by teachers and their representatives (Chun, 2009, p. 57). The sudden introduction of PRP without considering these differences brought the crippling outcome of the reform for many years. In fact, the robust resistance from teachers was unexpected from the point of view of the CSC. The organisation was under pressure to repeatedly appease the reform programme. The former chairman of the CSC made the following commentary on the issue:

The struggle about teachers' PRP was the same as in many other countries, as I have recently realised. If we had carefully considered the problematic cases of the foreign governments before, we could have accepted their arguments to some extent. All these problems are from the lack of preparation and the lack of efforts... (K. W. Kim, 2009, pp. 977-978).

The director of compensation policy reported a revised draft today in order to change the current PRP system. Why should we change after implementing it? I regret that we did not prepare perfectly at first. We needed to have been cautious... (K. W. Kim, 2009, p. 1157).

Based upon the discussion above, the introduction and settlement of PRP in the Korean civil service and in schools seemed to contain a mismatch between the indigenous cultural context of individualism and the hierarchical /egalitarian cultural background. Thus, the

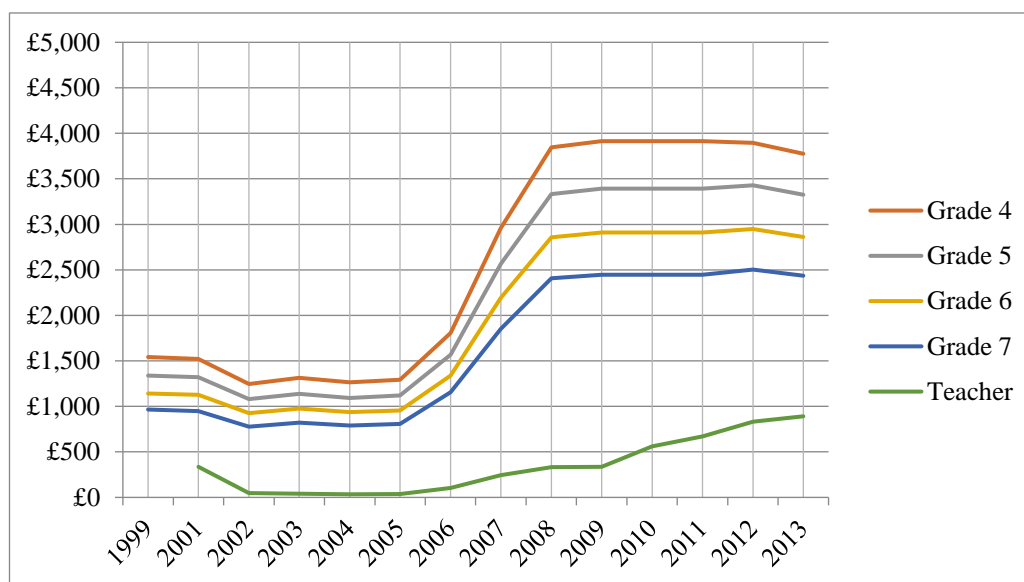
policy initiators should have paid more attention to generating the conditions for the successful introduction of the new policy.

The Role of Trade unions: Hard-Liners vs Soft-Liners

When it comes to the relationship between policy results and key policy actors, the role of unions was critical to the implementation of the PRP reform. In general, trade unions have been seen as defenders of the egalitarian pay structure and pay dispersion among unionised workers is narrower than the spread among their non-union counterparts (Metcalf, Hansen, & Charlwood, 2001, p. 62).

It was the teachers' unions that raised the important issue of inappropriateness of PRP in the context of the Korean cultural orientation. When these well-organised unions became the official participants in the PRP policy-making process, the policy outcome of the teacher's PRP took another direction from PRP for general service. Figure 4.4 explicitly demonstrates this contrast in the policy outcomes between the two groups: the general service and the teachers.

Figure 4.4. Comparison of Maximum Individual Pay Differentials for General Service and Teachers



In fact, both the two groups, the general service workers and teachers, resisted the PRP, which focused on performance and competition within the government (see the situation in 2001). However, the intensity of resistance from teachers was much stronger than that of the general service workers, because the teachers' unions officially participated on the committee to determine the improvement plan of PRP. The MOE could not ignore their

requirements and their return campaign of performance pay put a significant political pressure on politicians and other members of the committee (e.g., the representatives from the CSC, the MOE and the media). Afterwards, the CSC decided to put priority on PRP for the general service only. As a result, the introduction of the teachers' PRP system was considerably delayed and the performance pay budget was for a while turned into the allowance, 90 per cent of which was equally distributed to all teachers (Jin, 2003).

In the case of the general service, the members of the association of lower-level civil servants (not a legalised union) also returned their performance pay and resisted the introduction of the PRP system. However, they could not participate in the official decision-making process and could not postpone the PRP progress. They could not have influenced the initiative of the policy introduction and implementation either. As a result, the passive resistance of the general service has not changed their incentive structures. Another research study conducted in 2007 found that civil servants working for the Korean central government put intrinsic incentives before extrinsic ones and that the sense of achievement and acknowledgement from others is still a more important incentive rather than a monetary reward (K. Lee & Lee, 2007). S. Han (2010) defined the behaviours of general civil servants in the PRP introductory process as a non-voluntary compliance of civil servants. According to his approach, the performance bonus system did not affect the motivation of civil servants and they inevitably complied with it in a credible way. They used it as a way of increasing the pay level.

Sustainability of the Reform: the Art of Synergism

According to Hargreaves and Fink (2000), sustainability does not simply mean whether something can be maintained or last. It means that its reformative initiative of leadership can be developed without compromising the development in its environment, now and in the future. Sustainability can be achieved by leading, devolving, and making a succession of learning (Hargreaves & Fink, 2006). Without those elements, it can easily disappear. Although this concept originates from the domain of education, it seems to be equally applicable to the change of the public sector reform over time.

Let us first look back at the process of introducing and implementing the PRP reform policy for the general service. There were two times of successful implementation of PRP: 1998 to 2000 and 2006 to 2007 (see Table 4.13). In the former period, the policy actors' willingness to reform was strong. The key initiating actors had legitimacy and

their strategy for dealing with reform was well-developed. Under these circumstances, the misfit between the existing cultural configuration and the newly- introduced system was regarded as an objective to be overcome. However, as the reform proceeded, the principal or master of the reform policy considered inconsistency. The first master, the president, and the ruling party handed the controversial reform policy over to the CSC (2001). Without the support from the first master and the powerful supporters, like the MPB and professionals, the CSC had to deal with unfavourable policy actors, such as unions and the media (2001-2002). The initiative of the CSC was weakened. The policy outcome that was based on the agreement between the actors was disappointing after that.

Table 4.13. Policy Initiative and its Strength Over Time (the General Service)

Period	1998-2000	2001-2002	2003-2005	2006-2007	2008	2009-2012	2013-
Initiating Actor (+ factor)	President CSC MPB	CSC	CSC (MPB)	CSC MPB (President)	MOPAS (MOSF)	MOPAS	MOSPA
Strength	Strong	Weak	Middle	Strong	Middle	Middle	Weak
Expected Outcome	√			√			

Following this, the CSC altered its strategy by giving individual ministries autonomy for implementing the reform scheme and monitoring their implementation (2004). The second strong implementation of PRP occurred when the CSC finished the Five- Year Plan to increase the civil service pay level. The CSC could strongly promote the reinforcement of PRP again by the support of the MPB and the President (2006-2007). However, this policy was not sustainable due to the government reorganisation in 2008. The CSC was suddenly merged into the MOPAS, which took over the implementation of PRP. After this, the PRP could not remain a key objective of the new ministry, which included various heterogeneous functions, such as local administration, local taxation and safety policy. The compensation policy division in charge of PRP was also merged into a bureau in charge of pension, welfare, recruitment of minority and personnel information systems in the government. Many different functions were gathered under one bureau in the MOPAS. Although the function of implementing PRP was maintained, the leadership

could not succeed and the principal or the master of policy disappeared. Following the government reorganisation in 2013, the safety management function became more important to the ministry and the name of the ministry was changed to the Ministry of Security and Public Administration (MOSPA). The function of PRP could not be noticed either. The proportion of individual differentials by the performance bonus even decreased (2013).

In the case of teachers' PRP, one distinctive point was the MPs involvement in the policy promotion stage in 2008 by the investigation of the executive. Although the psychological resistance around PRP still existed, the MOE could not ignore the official criticism by the MPs in the standing committee of education in Parliament (2008). The ministry in charge of education continued after the government reorganisation in 2008, the policy pressured from the MPs urged the action of the MOE. Afterwards, the increase of the proportion of the individual differentials and the introduction of school PRP (2011) were achieved.

Table 4.14. Policy Initiative and its Strength Over Time (Teachers)

Period	1998-2000	2001-2002	2003-2005	2006-2007	2008-2010	2011-2013
Initiative Actor (+ factor)	President CSC MOE	CSC (MOE)	CSC (MPB)	CSC MOE MPB	(MOPAS) MOE MPs	(MOPAS) MOE MPs
Strength	Strong	Weak	Middle	Strong	Strong	Strong
Expected Outcome	√			√	√	√

Considering both cases of PRP, it can be assumed that the introduction and implementation of reformative policy are likely to be strong when strong leadership exists, as in many cases, the president and other participating actors had a strong resolve to continue and obtain support from interacting actors. Once the passion to introduce the reform policy in the early stage disappeared and the initiative of policy actors decreased, the speed of the reform slowed down as well. The introduction itself of new policy cannot lead the change of individuals' behaviours only by maintenance. Without a coalition or supporter, it was difficult that only one ministry or a key actor of the policy initiative

could not lead the collaboration of ministries and individuals and sustain the controversial policy. When the ministry was abolished and could not maintain its own organisation, it became more difficult to sustainably achieve the reform.

How was the Understanding of the Reward Aspect of PSB Altered?

Based on the discussion above, the introduction and the initiation process of the performance related pay system over time can be categorized into two different phases. The first phase was the period from 1998 to 2007 when PRP was successfully implemented in two periods, first under the presidencies of Kim DJ and Rho MH. Although there was some gridlock and inertial resistance, PRP policy changes were successfully implemented by the coalition of the president and related ministries. The second phase started in 2008 under the presidency of Lee MB, who merged the CSC into the MOPAS. With the disappearance of the CSC, the main implementing ministry, the PRP system did not develop further. However, the PRP institution itself was maintained without significant damage or retreat. An interesting question, then, is why could the PRP system be adopted with considerable success into the Korean civil service? Let us consider the reward aspect of the PSB, in particular, that of PRP for general service.

In the initiating phase, the president had a well-regarded reputation for advocating administrative reform. Performance, competition and efficiency are the most important key words in the NPM agenda. The introduction of PRP meant a change to the established civil service system of a stable reward system based on seniority. Management of public services based on performance and competition was an attractive item that could gain support from the public. In this sense, PRP could offer rewards for the president. For the ministries, such as the CSC and the MPB, that political reward in turn created a form of recognition from the president for their acting as efficient agents for the principal. The ministries could best secure their places within the government structure by acting as initiating ministries (or collaborating ones) in charge of the civil service reform. In addition, as individuals covered by PRP, officials gained actual increases in salary. This was because the PRP budget was additionally secured, rather than converted from the existing budget. The PRP measure was especially pursued by the CSC, because the CSC recognised the impossibility of achieving the target of reaching an overall public-private pay balance.

After 2008, in the consolidating phase, the progress of the PRP policy was stagnant. The newly elected president Lee MB saw that keeping the PRP policy of his predecessor was not much help in terms of strengthening his political foothold. Thus, the development of PRP was delayed and the portion of PRP in wage stayed in a stalemate. However, as PRP still had some value in establishing a political reputation as a reformer, President Lee MB did not devastate the PRP policy. In the case of the MOPAS, the implementing ministry, it could exert authority on PRP with the president's connivance. Compared to other, more esoteric reform issues, PRP could still easily draw some public attention and support. This feature became a driving force behind the development of the PRP institution.

Table 4.15. Changes of Rewards in the Process of Institutionalising Performance Related Pay

		Initiating Phase	Consolidating Phase
Characteristics		PRP was politically attractive for the president and he created benefits for the implementing ministries	A more accessible agenda item that could receive some attention and support from the public
Reward	For the President	<ul style="list-style-type: none"> ● Promotion of the NPM reform ● Support from the public 	<ul style="list-style-type: none"> ● Moving to the new reform agenda ● New president's willingness to promote PRP weakened
	For the ministries & civil servants	<ul style="list-style-type: none"> ● Recognition from the president ● Leading pay reform policy and strengthening organisational power (CSC) ● Substantial wage increases 	<ul style="list-style-type: none"> ● The implementing ministry (MOPAS) could maintain a share of the administrative power to control line ministries

Concluding Remarks

As in Chapter 3, this chapter discussed the limitations and the process of the reform. In Korea, the PRP policy has survived since its introduction in 1998. However, the initiating policy actors and their engagement have changed over time. There have been considerable limitations with regard to a sustainable promotion of the reform policy and achieving the expected policy outcome. The analysis of the PRP cases shows that when the government introduced an attractive civil service reform policy from the Western countries or private sector, the policy initiative of coalition with the president, the ministries in charge and its academic supporters was powerful in its agenda-setting stage. As mentioned by DiMaggio and Powell (1983), isomorphism would be a constraining process that forces

one unit in a population to resemble other units that face the same set of environmental conditions. The adoption of the worldwide famous NPM management tools, such as the performance bonus system, has been diffused despite problematic results of public management and compensation systems in the private sector and other governments (Ingraham, 1993). The rationale has been attractive and the mimetic isomorphism has been widespread among policy-makers in the Korean government (C. Lee, 2008). More or less, PRP, the essence of NPM-based reform, could survive due to its attractiveness that could draw some attention and support from the public.

Now we turn to the next chapter which examines the case of the total payroll cost management system. Through this system, the Korean government has intended to reasonably and microscopically control not only the increase of a total government personnel size and their pay increase demand, but also ‘decentralise’ and ‘delegate’, which means a transfer of the regulatory power among ministries and local governments.

Chapter 5. Establishing the Total Payroll Cost Management

As the third case analysis on the civil service pay reform in Korea, this chapter explores how Total Payroll Cost Management (TPCM) has been promoted. This issue is also related to decentralisation, one of the main propositions for NPM reform, which was importantly dealt with during President Rho Moo-hyun's administration (2003-08) (B. Kim, 2012). The introduction of the TPCM was a trial of pursuing decentralisation inside the executive branch in the area of personnel and organisational management and the related budgeting. This case analysis investigates the multi-layered relationship between departments (or ministries) and agencies within central government, as well as the change of the roles of the departments in charge of the government personnel, organisation, and budget. According to Kim (2012), in Korea, despite their changes of names, controlling central departments have continuously had initiatives of developmental states since the 1960s. Their status and identity have been translated into reformatory agencies, initiating NPM-type policies in the period of administrative reform. In the course of their development, these departments sometimes distorted those purposes of reform that were in conflict with their own interests.

This chapter examines how the initial strong propulsion for decentralisation in the Korean civil service pay system gradually waned through the multi-level (intra-branch) delegation and how it negatively affected the policy outcome and its sustainability. Based on other studies that emphasised delegation between legislators and bureaucrats (McCubbins, Noll, & Weingast, 1987; Weingast & Moran, 1983), president and bureaucrats (Baum, 2007a), and legislators and constituents (Horn, 1995), this case study expands the scope of delegation to the relationships between the core departments that initiated the reform and other departments and agencies within the executive branch. In the following text, explanations are provided for (1) the process of the TPCM introduction (section 5.1); (2) the relationship and interactions between the main actors who introduced the TPCM (section 5.2); and (3) the policy outcomes of the multi-layered delegation and PSB that were revealed in the entire process of the payroll cost management reform (section 5.3).

5.1 Introducing the Total Payroll Cost Management

In this chapter, TPCM is defined as a scheme in which ‘line departments’⁵² and agencies have some discretion in the operation of numbers and types of personnel, the establishment of new organisations and the allocation of personnel expense budget, as long as they spend within a pre-settled budget ceiling (PCGID, 2005a). This scheme was introduced to improve the autonomy of individual departments and agencies for the purpose of efficiently and effectively accomplishing their mission and to enhance a performance-oriented culture (PCGID, 2005a). In this system, the central department in charge of budgeting has the authority to determine the total size of personnel budget only for individual departments and agencies.

This agenda was promoted alongside with ‘top-down budgeting’ and ‘Five-Year Midterm Fiscal Plan’, which were introduced to alter the traditional propensity for a high centralisation in the civil service, organisational management, and budgetary systems within the Korean central government. Undeniably, for a long time, the departments in charge of personnel, government organisation, and budgetary work (the so-called ‘core departments’) have acted as powerful regulators within the government. Their main function was to ‘control’ the line departments and agencies and ‘prevent’ them from abusing their authority⁵³. Against this background, the Rho administration made a mid-term plan, called ‘the Road Map for Administrative Reform’, which was supposed to be promoted within the President’s 5-year term of office. One of the key purposes of this roadmap was to break up the powerful authority of controlling departments (PCGID, 2005a, pp. 28-29).

In this context, the TPCM was not simply a budgeting method which aimed to economise personnel expenditure or budget resources, but rather a reforming agenda to develop a new relationship across central departments and agencies and to change the rigid administrative culture of the time. While the TPCM appears to be a Western-style budget management to control and consolidate personnel budgets for reducing fiscal

⁵² The ‘line departments’ are hereafter defined as the departments whose mission is to provide public goods or services, e.g., defence, education, welfare, so on, through implementing a project or delivering such a programme. They are different from core or controlling departments, or core executives, that control government personnel, organisation and budgetary work. ‘Department’ in this study is used interchangeably with ‘ministry’.

⁵³ According to Im (2007), departments in charge of public administrative reforms have exercised their powerful authority through the reform programmes, such as downsizing, government innovation, and performance appraisal of ministries (p. 51).

deficit, its focus was quite different. For example, in the UK and British Commonwealth Countries, the departmental autonomy in controlling overall running cost was given as a solution for exacerbated fiscal deficits (Thain & Wright, 1990)⁵⁴. By contrast, the focus of the TPCM in Korea was the ‘decentralisation’ in the government (PCGID, 2005b, p. 28). Within the TPCM system, the coverage of discretionary expense in a department was limited to the personnel expenditure only (see Table 5.1).

Table 5.1 Comparison of the UK RCC and the Korean TPCM

	UK and Commonwealth	Korea
Scheme name	Running cost control	Total Payroll Cost Management
Purpose & focus	To reduce the burden of increasing fiscal deficits	To pursue the decentralisation of departmental authority
Range of ministerial discretion	Total administrative costs (including personnel expenses)	Personnel expenditures only

Source: Thain and Wright (1990) and MOGAHA (2006)

First trial of the introduction of the TPCM (2000-2001)

The TPCM was first discussed in 2000 under the Kim Dae-jung administration. It can be traced back to the CSC’s planning for personnel reform policy rather than financial or budgeting reform. At first, in order to lay theoretical foundation and to seek support from academia, the CSC commissioned a research project presenting a draft of the overall payroll expense management to the Korea Institute of Public Finance (KIPF). Furthermore, a policy report, submitted by the KIPF in December 2000, included various related cases of the OECD countries, suggesting an overhaul of the current civil service compensation structure and, in particular, the necessity of introducing overall payroll budgeting and running cost systems (C. Lee & Kim, 2000). Afterwards, the CSC prepared the draft of the TPCM in detail based on the contents of the KIPF report. The CSC then proposed a pilot project for two central government departments; the Ministry of Foreign Affairs and the Korea Meteorological Administration (C. Lee & Kim, 2000, pp. 68-69).

⁵⁴ According to Thain and Wright (1990), the running costs control mechanism represented a further evolution of the Treasury’s cash-based public spending control regime, which had begun in 1976 with the introduction of cash limits and had continued with the abolition of volume planning and its replacement with cash planning in 1982. Running costs control was also a product of the Government’s Financial Management Initiative (FMI) with its aim of introducing more market-based financial management techniques in Whitehall and delegating decision-making down-the-line to programme managers (p.115).

This was suggested because they were undertaking another trial of changing the traditional rank system into a new job classification system. Thus, it was expected that this new compensation system could be applicable to the new personnel management system (CSC, 2002b, p. 96). However, this plan was not carried out at that time.

In 2001, the CSC presented the TPCM draft to the Presidential Committee for Government Innovation (PCGI). In February 2001, it was selected as an official government task. A more definitive draft was reported on 10 April 2001. However, it was decided that the introduction of the plan be postponed at the working-level meeting of the Committee on 14 September 2001 (CSC, 2007a, p. 440). Although the consensus between related departments was reached on the necessity of the reform, the main issue at the committee meeting was whether it could be implemented properly in practice. Due to the opposition from the MPB and the MOGAHA, this reform could not be introduced at that time. The circumstances were still not suitable for the introduction of the TPCM (CSC, 2007a, p. 446).

Designing a Reform Policy in detail (2003 to Early 2005)

In 2003, the scheme of the TPCM was re-tried under the Rho administration. The Roadmap for Government Innovation and Decentralisation Reform ('the Decentralisation Roadmap' hereafter) included the plan as one of the main reforming tasks to be accomplished during the president's term of office (MOSPA, 2014). The swift selection of this agenda shows how much effort the Rho administration devoted to limiting the strong controlling power of the departments managing government personnel, organisation and budget (PCGID, 2005b, p. 28). The MOGAHA was designated as the main department in charge of the introduction of the TPCM. However, the MOGAHA did not actively promote the plan. No progress was made until February 2004 when a direct order from the PO was issued. The Presidential Committee for Government Innovation and Decentralisation (PCGID) quickly established a task force team in order to draw up a realistic introductory plan. This Task Force team⁵⁵ consisted of academics and government officials from associated departments. From 4 August to 26 October 2004, the members had 11 meetings to discuss the detailed contents of the plan to be implemented. The draft was reported to the Committee in November and to President Rho

⁵⁵ The team consisted of 9 members, including 5 academic scholars (professors in the field of public administration and economics), 4 directors of relevant government organisations (the CSC, the MOGAHA, the MPB and the PCGID) (PCGID, 2005a, p. 29).

on 3 December 2004. The plan was finally confirmed at the 58th cabinet meeting on government tasks on 22 February 2005.

According to the final draft, a gradual escalation of the new system, rather than its rapid introduction, was recommended (Option A, Table 5.2), as the pay system had been operated in a centralised way for a long time. In fact, until then, the line departments had no experience of managing the personnel expenses and the number of personnel on their own discretion. In order to do so, a basic salary and over 40 types of other allowances were re-organised into four categories according to the characteristics and purposes of respective pay items, namely: basic salary category, job-supporting category, performance-related category, and welfare category (see Table 5.3). According to the plan, from the very beginning, only the departments involved in the pilot project could use the performance-related items at their operational discretion among the four categories. It was scheduled to widen the coverage, including the welfare category later on. Up to 15-20 per cent of the total personnel expense budget of the government was expected to be finally used based on the decision of an individual department. This was the equivalent of around 6,000,000 KRW (3,500 GBP) per civil servant's annual salary (PCGID, 2005a, pp. 225-226).⁵⁶ Instead, the CSC managed the other items as before and the basic salary and job-supporting category were planned to be integrated later in order to make the compensation structure more simple and transparent.

Table 5.2 Issues Regarding the Introduction of TPCM

Issues	Option A	Option B
Range of discretionary budget	Personnel expenses	Total operating cost
Criteria for selecting the departments for the pilot project	Small and few	Big and innovative
Speed of proliferation	Gradually	Rapidly

⁵⁶ In Korea, the annual civil service pay increase rate is identical for all civil servants, regardless of their job, grade, and ministry, so the total amount of being operated freely by the line ministries would be relatively small, as compared to other countries using similar systems.

Table 5.3 Composition of Overall Personnel Expenses

Category	Contents
Basic salary items	Basic salary, Term-end allowance, Long service allowance, Holiday supporting pay, Family finance supporting pay, Family allowance, Children's education supporting pay, Maternity leave pay, etc.
Job-supporting items	Allowance for the post attached, various job supporting subsidies, etc.
Performance-related items	Performance pay, Overtime work allowance, Special work allowance, Danger covering allowance, etc.
Welfare items	Subsidies for meals and transport, Holiday substitute subsidy, Welfare supporting allowances, etc.

Source: MOSPA (2005)

This policy necessarily involved changes in the role of the previous key departments, as well as in the procedure for deciding the amount of the personnel expense budget. The new function for the CSC, the MOGAHA, and the MPB evolved: that of a provider of guidelines and an evaluator of line departments and agencies based on the results from the annual operation of the new system. Also, additional money could be secured to be used as an incentive for the next year's personnel expense budget. The previous microscopically operating system controlled by the MOGAHA, the MPB and the CSC could be changed to a more macroscopic way of controlling only the total amount of personnel budget and supervising the results of the operation of personnel expenses. In this aspect, the Rho administration appeared to reinforce the line ministries' competency of efficiently managing their personnel and budgetary resources, further inducing competition between ministries. In more detail, the 'TPCM' system anticipated decentralisation in the four areas: organisation, personnel appointment, civil service pay and budgetary operation (see Table 5.4).

Table 5.4 Expected Changes: Four Parts of Decentralisation from TPCM

Category	Previous Features	Expected changes
Organisation	MOGAHA is in charge with most authority, such as the establishment of new institutions inside the ministry, the regulation of staff-ceilings by grade and job, and the establishment and abolition of even temporarily operating office or personnel inside the ministry.	Line ministries are guaranteed free decisions and flexibility regarding the number of personnel and the establishment of sub-organisations.
Personnel Appointment	In general, a large scale appointment of civil servants by examination is implemented by the CSC every year (Grade 5, 7, 9) and the selected personnel are distributed to line ministries according to their examination results.	Increase flexibility in personnel appointment authority of line ministries and the abolishment or curtailment of various permissions from the CSC.
Civil Service Pay	The annual pay increase rate is the same for all civil servants, regardless of grade, ministry and job; the pay operation system is managed together by the MPB and the CSC.	The linkage with performance management and the approval of the differential compensation scheme according to ministries in the long run.
Personnel Expenditure Operation	Total national amount of personnel expenditure is decided by the MPB based on examining the line ministries' annual demands.	<p>An increase in ministerial discretion on using surplus personnel expenses within the amount of total payroll cost budget set in advance.</p> <p>The broadening of the range of free operation budgets in all the operational budget items (e.g., running costs control in the UK) in the long run.</p> <p>The retrenchment of personnel expenditure and improvement of productiveness of the government</p>

Source: adapted from MOSPA (2005) and PCGID (2005a)

Comprehensive Introduction of the TPCM (Mar 2005 - 2007)

At the PCGID Committee meeting on 24 March 2005, the coherence issues of the TPCM with other personnel management reform programmes (e.g. SCS system, career development and open position of civil service) were reviewed, and, unexpectedly, a full-scale introduction of the TPCM was determined (PCGID, 2005a, p. 27). This dramatic change of the government position was caused by President Rho's direct order to launch this new system as comprehensively and quickly as possible at the cabinet meeting on 22 March 2005 (MOSPA, 2005, p. 12). Accordingly, the fundamental strategy of the

government became 'First Start; Then Revise'. Due to the urgent time schedule set by the PO, the related regulations had to be promptly changed before July 2005. The exemplar organisations also had to be urgently selected before that. At first, the criterion for selecting candidate organisations was 'small agency' for gradual introduction. However, after President Rho's direct order, 'big and innovative department' was considered to be more appropriate for spreading the reform. As a result, eight pilot departments and agencies, i.e. Ministry of Labour, Ministry of Agriculture, Public Procurement Service, Korea National Statistical Office, Korean Intellectual Property Office, the MOGAHA, the MPB and the CSC, were selected. Later on, these eight departments were joined by 23 additional executive agencies. In order to make a more realistic implementation plan, initiating departments, such as the MOGAHA, the MPB, and the CSC, were included. Finally, the new system came straight into effect in July 2005. The number of pilot working agencies was increased to 44 institutions from January 2006, after only a 6-month pilot testing period of the new system. From January 2007, the operation of the reform measure was expanded to all the departments and agencies in the central government. In May 2007, the early appraisal report of the TPCM system was reported to the Committee (CSC, 2007d).

Modification of the Reform (2008-2013)

As the new Lee Myung-bak administration began in February 2008, just one year after enforcing the reform, the TPCM policy was changed again. In contrast to the comprehensive and speedy enforcement of the reform from 2005 to 2007, the range of discretion of the government organisation decreased. One of the fiscal stances of the newly-elected President Lee Myung-bak was reflected in the expressions 'small government' (S. Whang, 2009, p. 259) and 'practical government' (MOPAS, 2008b, p. 32). The cutback orientation of the government was quickly disseminated to all departments and agencies. The control of personnel expense became emphasised more than departmental discretion and the decentralisation of authority. In February 2008, government departments having similar or duplicative missions were radically integrated. As a result, eleven central government organisations disappeared and the quota of 3,427 civil servants was decreased through the government reorganisation (MOPAS, 2008b, pp. 32-38). Accordingly, it became more difficult for individual departments and agencies to save their personnel expenses on top of the already cut personnel expenses. Moreover, a 10 per cent saving of operating costs in all of the government expenditure was ordered in

March 2008. Under these circumstances, the revised TPCM guideline required that, in principle, the departments and agencies should not increase the number of personnel or adjust the rank (Grade 4 and above) of staff by using the saved personnel expense, unless it was absolutely inevitable (MOPAS, 2008c). This guideline, made by the MOPAS, permitted up to 3 per cent of departmental discretion in managing the quota of under Grade 4 personnel only. In 2010, the new guideline stipulated that increased personnel or organisation with department's saved personnel expense budget could maintain up to 3 years only (MOPAS, 2010). In 2013, in the case of co-working between departments, the departmental discretion of the personnel operation could be increased from 3 to 5 per cent by agreement with the MOSPA (MOSPA, 2013a).

Table 5.5 Summary of the Yearly Progress of ‘TPCM’

Year	Progress by Year
2000	Basic research for the policy introduction was carried out by the KIPF
2001	<p>Making a CSC draft for pilot ministries</p> <p>Presenting a draft to the Government Innovation Committee (10 April)</p> <p>Deliberation at the Committee working level meeting (14 Sep)</p> <ul style="list-style-type: none"> – Interruption of the discussion on the policy introduction due to the opposition of associated ministries <p>Changed into a ‘long-term’ reform task</p>
2003	Adoption as a main task for ‘Government Innovation and Local Decentralisation Reform Roadmap’ (July)
2004	<p>Order for introduction to central government from PO (Feb)</p> <p>Discussion of the establishing Task Force in Presidential Committee (29th July) and composition of it (Aug)</p> <p>TF meetings for a new policy introduction (Aug-Nov, 11 times)</p> <p>Reporting the first draft to the Presidential Committee (4th Nov)</p> <p>Completing the draft and reporting to the President (Dec)</p>
2005	<p>Settlement of the bill at the cabinet meeting (Mar)</p> <p>Amending related regulations (Mar – April)</p> <p>Selection of the first pilot organisations (June)</p> <p>First enforcement to pilot organisations (8 ministries, 23 agencies) (July)</p> <p>Distributing the guideline (the delegated ministerial ordinance) for TPCM operation into ministries (2nd Sep)</p>
2006	<p>Expanding the pilot ministries (44 executive agencies) (Jan-Mar)</p> <p>Investigations on the pilot ministries’ performance (Sep-Oct)</p> <p>Confirmed the plan for overall implementation (Nov)</p>
2007	<p>Overall implementation for all central government ministries and agencies (Jan)</p> <p>Appraisal of operating TPCM system and making improvement plan (May)</p>
2008	Restriction of ministerial discretion of managing quota of personnel Grade 4 and above (e.g., the personnel increase, rank adjustment, or changing jobs)
2010	3-year maximum limit imposed in case of increasing personnel and organisation
2011	Expansion of the 3-year maximum limit even in case of rank adjustment (making rank lower or higher)
2013	Increase of ministerial discretion of personnel (from 3 up to 5 per cent of rank adjustment in case of co-work between ministries)

Source: Adapted from the PCGID (2005a), the CSC (2007a, p. 440), and the MOSPA (2014)
KIPF: Korea Institute of Public Finance, PO: Presidential Office

5.2 Actors' Game: Position, Interest and Interaction

Having described the introductory process of the TPCM, this section explores 'who cared after what' and 'how policy initiative moved' through delegation in the introductory and implementation stages of the TPCM reform. In dealing with this specific issue, the roles of experts and official policy actors were relatively more important, than other pay reform issues presented in the other chapters. As the time passed, the new policy process unfolded in its own way. The attitudes of the policy actors inside the executive branch and their degree of strength in pursuit of the new policy ultimately affected the policy outcome.

Weak initiation faced by Strong opposition (2000-2002)

Actor's interaction from 2000 to 2002 is epitomised by a loose supportive coalition faced by a coercive opposition. On the one hand, this loose supportive coalition was formed between the initiative organisation, or the CSC, and academic scholars. On the other hand, the strong opposition came from a few other departments that had the authority of controlling the number and allocation of government personnel. Without political support, the ambitious trial of breaking the incumbent authority of strong departments through the TPCM was not possible in this period.

In this early stage of introducing the new policy, the CSC tried to initiate the TPCM plan through mobilising academic supports, proposing a draft of implementation plan to the Presidential Committee, and selecting exemplar organisations. The staff of the CSC benchmarked the cases of Western governments, while academic experts supported this plan through policy research suggesting evidence for the reform to the advisory committee. In this way, the coalition of the CSC and the academic supporters was formed.

However, associated central departments were not in favour of this plan. It was expected that the institutional change accompanied by the TPCM reform should necessarily result in the decentralisation of civil service pay and personnel management. Accordingly, it was clear that the incumbent authority of ministries in charge of government organisation, personnel and personnel expenses should be decreased. Therefore, from the viewpoint of the MOGAHA, the department determining the number of ministries and their individual personnel by rank, such ministerial discretion, was not acceptable. In the case of MPB, it had previously positioned itself to support TPCM in

that it preferred controlling other ministries by the total personnel expenditure to the definitive number of personnel and their individual pay (Interview B21). However, without having a clear political direction, the MPB did not reveal its supportive position towards the TPCM reform.

In the situation of strong disagreement from the MOGAHA and the MPB and weak supportive coalition of the CSC and academic advisors, the direction of the Presidential Committee leaned towards not accepting the new policy. The working-level civil servants opposed to adopt the new policy and in September 2001, the PO made a final conclusion that the plan should be examined more thoroughly due to 'immaturity of circumstances'. Compared to the nominal benefit from the introduction of TPCM, the loss of authorities of the ministries in charge of the government budget and organisation management was immense. Moreover, the other line ministries that could benefit from the increased autonomy by TPCM did not raise their voice for the introduction of TPCM, as it was still an unknown and technical issue. An interviewee, who was involved in this process, described the situation as follows:

We expected the TPCM system to be introduced someday. However, before 2003, it was mere the discourse of academic scholars and there was no specific preparation for the TPCM reform. Most of our understanding was based on the belief that line ministries did not have appropriate experience or competency of personnel and organisational management. We thought that the circumstances surrounding this policy were premature; thus, no consensus was made on this reformative issue (Interview B2).

Another interviewee talked about the worries concerning organisational authority and disbelief in the personnel managing capability of individual line ministries. It is interesting to observe the controversial atmosphere even within the CSC, the initiating ministry.

It was the compensation field that was the area of concern on moral hazard in the personnel administration. That was the reason why we were determining all the civil servants compensation system in one government organisation. Personally, I thought we needed to change in a more decentralised way. However, even inside the CSC, some staff members were worried about the decrease of organisational power. In my opinion, a decentralised strategy on the civil service pay could be a new opportunity even for our organisation (Interview B3).

Strong Political and Academic Support (2003- Mar 2005)

The TPCM programme⁵⁷ was not promoted in earnest until it was selected for President Rho's agenda and secured political support. In the second stage, between 2003 to March 2005, the supportive coalition was reinforced by the PO, PCGID and academic advisors with a reformatory propensity. They initiated this new policy and played a key role as reform initiators until the official draft was finally confirmed at the cabinet meeting in March 2005. Although passive or opposing ministries still existed, the strong coalition overwhelmed them and the opposing ministries could not explicitly express their opinion.

The order from the PO was transmitted to the task force team and related ministries through the chair of the Committee. While the PO indirectly influenced the policy process through the advisory expert group that was closely related to the PO and the PCGID, three relevant ministries—namely, the CSC, the MOGAHA and the MPB—were directly involved in pre-tuning practical policy tasks considering the current regulation systems. Director-level representatives of the three related ministries officially participated as members of the task force team. Especially in the second half of the task force meetings, they had heated debates on the practical issues and produced solutions. As this reform policy was relatively new even to bureaucrats, it was natural that expert academic scholars participated in the introductory process. Acting as task force team members, academic scholars had a considerable impact on the project design. An interview with an academic scholar who participated in the task force team illustrates this situation.

It is no exaggeration to say that the 'TPCM' draft was almost completely made by the Presidential Office (PO). ...Above all, the initial introductory process was started by the direct order from the PO, and the speed at which it was promoted was much higher than we (TF team members) expected and designed. At the beginning, the task force team agreed that the gradual introduction of the reform would be reasonable, because the members (particularly government officials) considered seriously the expected side effects....We knew that the reform was closely related to the change in the number of the ministries' personnel and it was clear that ministries would be extremely sensitive about this issue. So, firstly, we could not insist on the strong promotion of the reform due to the expected and

⁵⁷ The initial plan was to begin with three trial organisations (central administrative agencies) in 2005, expanding to 9 organisations in 2006 (PCGID, 2005a, p. 230).

obvious ministries' response. However, the Presidential Office insisted on speedy and strong measures whenever we informally reported our draft progress. As a result, the number of the first and second exemplar ministries increased much more than discussed by the task force team and also the starting point came considerably earlier than envisaged in our pre-agreed plan (Interview A5).

As most of the orders from the PO required a rapid implementation of the policy or reinforcement of the reform contents, the three central departments, which were still passive participants, could take no initiative. The other line ministries also played a limited role as objects for testing the merits and demerits of the new policy, because they did not even join the task force team. In addition, at the planning stage, the practical consideration of how line ministries would operate this new system was insufficient. Except for the regular members of the task force team, the media, politicians, or trade union members were almost excluded from the initial process of the policy introduction. It was an exceptional internal process to determine whether and how the new policy would be introduced. The decision of the reform policy introduction was promptly made. Interviews with other task force team members provide evidence of this situation.

Actually, TPCM was an unknown agenda which started from an order from the top. At the beginning, we could not have a sufficient discussion about the policy itself and its effects, as our background knowledge was very limited; accordingly, our approach was prudent and we had to study from the basic concept of the scheme. Nevertheless, we had to concentrate on the 'how to introduce' issue rather than 'whether to introduce or not'. The answer to the latter was already clear from the beginning (Interview B23).

The TPCM system itself includes the increase of the flexibility of ministerial discretion. Thus, the mutual agreement was needed among the different components inside a ministry as to 'how to efficiently manage personnel expenses according to diverse ministerial situations'. However, the policy was promoted in a way of 'just go' without careful examinations of 'how to'. To be honest, if there was a problem in the implementation of TPCM, I think that the problem stemmed from the lack of discussion regarding the realistic but foreseeable problems (Interview B7).

Concerning the reform policy, the ministries such as the MPB, the CSC, and the MOGAHA had different points of view. The focus of the MPB was how to control the

increasing personnel expenditure and that of the CSC was how to effectively decentralise the personnel administration to individual ministries. The MOGAHA approached this issue from the perspective of controlling personnel and budget of local governments. Regarding the background of the TPCM introduction, an interviewee, a member of the task force team as a MPB civil servant, made the following reflection on the perspective of the MPB:

Since 2004, there has been a great emphasis on the budgetary reform to the MPB. Contrary to the previous years, the new budgeting systems such as 'the medium-term budget' and 'top-down budgeting' gave the policy actors much pressure, as the ceiling of the budget was determined at the very beginning. It was nearly impossible to change the ceiling later. In the personnel expense budget area, the pressure was also exerted. Since Kim Dae-jung's administration, the personnel expense budget had sharply increased, so we welcomed this new system of controlling personnel expense (Interview B23).

However, the interest of the CSC was not in the control of personnel expenses, but rather in the delegation and re-allocation of personnel, organisational and budgetary authority core ministries. A civil servant of the CSC explained it as follows:

Of course, the plan would be of help in the control of personnel expenses. However, the real purpose of the TPCM was to delegate the centralised and powerful authority of the MOGAHA, CSC, and MPB into the line ministries.... If the purpose of TPCM was to cut down the personnel expenses, the government had to maintain the staff-ceiling in the central government. However, in the real world, the number of personnel has continuously increased even at any time in the middle of the year. Further, the personnel expenses for that increased number of staff were additionally distributed to the line ministries. It was not for the purpose of reducing the personnel expense budget... (Interview B4).

The initial plan made by the task force team was relatively gradual and less speedy. As the budget for the following year was already programmed, the effectuating year was decided as 2006 or thereafter. Even in the final draft of the report to President Rho in December 2004, the pilot project was to be applicable only to three departments, i.e., the departments involved in establishing the draft: the MPB, the CSC, and the MOGAHA. Furthermore, it was scheduled to expand into an additional six central government organisations in 2006 (PCGID, 2005a, p. 230). However, after reporting this draft to President Rho by the Chair (Dr. Yoon, Sung-sik) of PCGID, the number of pilot ministries

suddenly increased and the starting point was moved up from 2006 to 2005 (Interview B6).

Initiatives of the Three Departments (Mar 2005-2007)

The departments in charge of government personnel, organisation, and budget adopted defensive positions in the early stage of setting up a policy draft. However, once the contents of the TPCM were confirmed in March 2005, they started to actively work. The three controlling departments changed their roles from passive decision-takers to competent administrators, promptly establishing the related regulations or active messengers who promoted innovative competition between other line ministries. The departments undertaking the pilot project started their implementation of the TPCM in July 2005. The policy initiative was moved from the political part to the executive. As controlling organisations accumulated a practical expertise on implementation, they could take policy initiative and academic experts were ruled out from the policy process over time. A civil servant highlighted this as follows:

From that time, the participation of experts from outside the government dramatically decreased compared to the initial period. As the total payroll cost system already started, it meant the stage of operation. So, it had better listened to the opinions from the civil servants in order to solve implementation problems (Interview B13).

An academic scholar who participated in the task force team expressed his experience as follows;

As soon as the introduction of the policy had been done, our (academic advisors') role completely disappeared and we could not have any chance to advise or get information about the related progress. It was also influenced by the replacement of Committee members. Coincidentally, at that time (in May 2005), the second term of the Presidential Committee for Government Innovation and Decentralisation (which had supported the plan and academics' role) commenced and the members were all replaced. The Presidential power began to weaken at the later part of his 5-year term. I could not catch up with the progress of the policy (Interview A5).

Based on the knowledge and expertise about the current regulation system, three ministries attempted to become policy initiators thereafter, amending the regulations, such as Presidential Decrees and Ministerial Ordinances, recruiting pilot ministries and

supervising them later. Shortly afterwards, the Presidential Decree on the government organisation and civil service remuneration and allowance were amended on 24 March and 27 April 2005, respectively (MOGAHA, 2006). Also, the MPB, the CSC and the MOGAHA established a working-level association in April 2005. In July 2005, pilot ministries began to operate this new system. At that time, the stance of line ministries was also supportive to the new plan where the first eight pilot ministries were to be selected. As both the number of personnel and the contents of civil service pay had been strictly controlled by the MOGAHA and the CSC, line ministries expected their discretion after the launch of the new reform. Moreover, the main agenda of the public sector under the Rho administration was 'innovation' and 'decentralisation'. The presidential committee and office of government innovation in the MOGAHA encouraged the ministries to compete over those tasks. This atmosphere was reflected in the selection of a pilot organisation. A detailed guideline, Ministerial Ordinance on Total Payroll Cost, was issued by the association on 2 September 2005.

In this process, the coordination of departmental authority on the establishment of government organisation and the increase of personnel were the issues in the debate. For instance, the most critical issues at this stage were 'how much could personnel be increased with the saved personnel expense of the departments' and 'how to limit the authority of the MOGAHA approving the operational change in the number of personnel, and the establishment of sub-organisation of departments in the middle of the year after the allocation of the yearly payroll cost'. There were also coordination issues concerning the regulations surrounding the new system, as, if the MOGAHA approved directly the increase of the number of personnel of individual departments, the TPCM would hardly become a meaningful incentive for individual departments to save budget, which could be used for the increase of personnel. Thus, the MPB requested the abolishment of the authority of the MOGAHA and a few working-level consultations were held. However, the existing system was not changed. The increased personnel in the middle of the year, by 'Susi-Jikje', was not very different from that of the previous year (Interview B23). An interviewee from MPB mentioned the following:

What we expected was to control the government's staff-ceiling and to squeeze the personnel expense budget. As there had been a huge increase in the number civil servants under President Rho's administration, we had to limit the personnel expense. However, in the implementation process, the function of approving the increase of government personnel by MOGAHA was not abolished. That automatically resulted in a huge increase in personnel expense budget. In this

situation, it would be difficult to expect the TPCM system to work well. It still works as a heavy burden on the system (Interview B23).

In 2007, by the comprehensive application of the plan to all the departments and agencies of the central government, the policy role of participants changed again. According to the performance appraisal of the operation of the TPCM by pilot ministries in May 2007, most of them used up their reduced personnel budget for either increasing their staff or for upgrading their grade (CSC, 2007d). Thereafter, the yearly guideline of the TPCM system became more focused on the control of the number of government staff, rather than encouraging departments to efficiently use the personnel expenses. The incentive for the saving of the personnel expenses disappeared. An interviewee made the following remark about the distortion of the reform:

The initial intention of the Presidential Office was focused on discretion and decentralisation. However, it was considerably damaged in the process of making guidelines. In the name of preventing the expansion of personnel and organisation, ministerial discretion became extremely squeezed and there was little incentive for the reduction of payroll cost (Interview A5).

The lack of incentive to increase the number of personnel drove the departments to formally operate the TPCM reform policy. The pilot departments which had early experience of TPCM tended to lead flexible operations within the personnel expense budget. Yet, in terms of the reform performance, efficiency, or flexibility in using the budget, there were not many differences between the pilot departments with early experience and later participants. Also, other line departments maintained their positions as mere observers or passive objects of the reform policy. They did not have any chance to express their own opinion in the reform design process and, moreover, they did not feel the necessity to attempt implementing the reform in their own way. They simply participated in the project at the last stage when the reform policy was applied to all the departments of the executive government. Participation in TPCM was expanded to cover all local governments in 2007 and its focus was put on the autonomy of local governments.

Transformation after 2008: Not an Initiator, but a New Controller

Afterwards, the initial model of the TPCM reform was spread in progression as a prototype to the local governments and local education offices in 2011, as well as to national universities in 2012. However, since 2008, the policy direction of the TPCM

reform has been changed from administrative discretion, or decentralisation, to cutback management (M. Lee, Yoo, & Yoon, 2010, p. 12). According to Chang (2009), the policy lost its own drive and no policy actors, including the PO, departments, the media or unions, had a strong motivation to enforce and develop the TPCM policy anymore. The principle of determining the government organisation and its personnel by law was still strong. The new administration's philosophy of a small government and cutback management worked throughout the government. It caused blocking the development of the TPCM, which emphasised administrative discretion in operating own personnel. An interviewee who was in charge of the government reorganisation described the situation as follows:

In the light of the main principle of Lee Myung-bak's administration, or 'small government', we had to integrate ministries with similar functions and re-establish the size limit of the government personnel. It prevented departments from increasing their staff, even if they could save the total amount of personnel expenses (Interview B28).

In 2008, the MOPAS (MOSPA after 2013), a newly-established successor of the MOGAHA, became responsible for the TPCM policy. In fact, as the improvement and reinforcement of the TPCM plan meant the increase of discretion of individual departments and the loss of authority of the MOPAS, the organisation had little motivation to improve the flexibility of departments on budget and personnel. An expert on government finance highlighted this as follows:

Although the TPCM system has ambitiously operated since Rho's administration, the budgetary process of the central government agencies has not become different from the previous time. The budgetary office still examines and controls the requested budget from individual ministries and the bureau of government organisation in MOSPA still controls or increases the number of personnel of ministries. In reality, the range of flexibility which individual ministries can determine takes only 1 per cent of their total personnel expense budget or the number of personnel.... Recently, the interest of academic scholars in this field has also decreased (Interview A9).

It was obvious that central departments and agencies preferred to incrementally increase their personnel. Although, since 2008, the MOPAS had tried to control the increase of personnel in the central government, over 1,500 staff were added every year on top of the pre-planned regular increases of personnel (Interview B28). However, the use of administrative discretion fell short of one per cent of the payroll budget (Cho, 2008, p.

268). Moreover, from the standpoint of line departments, the saving of personnel expenses could not be an effective incentive, because they had a better alternative of increasing personnel—namely, getting the permission from the bureau of government organisation in the MOPAS. Seeking a (formal) increase of personnel by permission from the MOPAS was a rational choice for line departments, as, once the increase of personnel was determined, it could continue. However, the increase of personnel using departments' saved personnel expense was temporary and could not continue (Interview B28). In light of these circumstances, it is not surprising that line departments were passive in using the TPCM plan to the full. In this situation, the association of the three core departments and their official meetings did not operate on a regular basis and the bureau of government organisation in the MOSPA substantially managed this TPCM system (Interview B29). The guideline for the year 2013 permitted an additional 2 per cent on top of the 3 per cent of administrative discretionary use of their saved payroll costs in case of co-working with other government organisations (MOSPA, 2013a). This modification was introduced to encourage 'collaboration between ministries', which was one of the main government priorities of the newly-elected President Park Geun-hye's administration (Presidential Transition Committee, 2013, pp. 209-210). It demonstrates that the TPCM policy was mainly used as an incentive measure to perform the new administration's agenda, rather to achieve its intrinsic purpose of decentralisation or reducing the personnel expenses.

Contrary to the 'impatience' of the rapidly expanding reform policy to the entire government (Cho, 2008, p. 261), the TPCM was no longer an attractive issue for other potential policy actors, such as the media and MPs. They did not know or, at least, were not interested in the details of the new system. Even experts did not positively forecast the future of the TPCM reform, because the discretion and the responsibility of departments could not be improved (Interview B29).

5.3 Policy Outcomes and the Public Service Bargains

Although it is easy to regard the government as one powerful actor, in practice, the government as a performer of a reform includes a variety of policy actors, including the parliament, president, departments (ministries), local government, and so on. Among them, as conceptualised by M. Moon and Ingraham (1998), the president-led nexus has been generally adopted for the understanding of the Korean administrative reform history. As this case shows, however, the initiating policy actors have been different in the

respective process of the reform. In particular, this case also suggests that performance of the reform was weakened or transformed through the delegation processes from the president (and Presidential Committee) to managing departments in charge of personnel, organisation, and budget, as well as to line departments in phases.

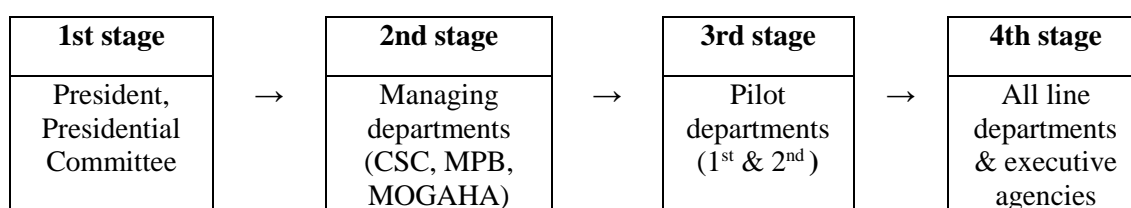
In fact, the issue of delegation has generally been dealt with in the relationship between the legislature and the bureaucracy and its agency problem (Horn, 1995; Milgrom & Roberts, 1992). However, the Korean government has a different context in terms of a weak policy competence of the legislature and a strong executive branch (Joo, 2013; J. Park, 2008). In such an institutional situation of the executive-initiated public service reform, its implementation might be largely dependent on the delegation within the executive branch. With the beginning of the new administration by President Rho, the 'window of policy' for the TPCM reform was open. The contents of reform policy were rapidly set up by the President's order and the Presidential Committee supported it. However, in the process of implementation, the 'delegation' issue within the executive branch needs to be taken into account with more importance. This section proceeds with a detailed analysis of the delegation structure in the introductory and implementation stages of the TPCM reform to further present how the relationship between actors brought about the limitation of the reform outcome and agency problem in delivery.

Multi-Level Delegation for the Reform Proliferation

The contemporary literature on the reasons of delegation from politicians to bureaucrats mainly explains their relationships from three points: (1) politicians are more uncertain about which policy will yield the best outcome (uncertainty principle); (2) politicians share similar policy preferences with bureaucrats (ally principle); and (3) politicians believe to have more opportunities for *ex post* monitoring and sanctions about bureaucratic policy-making (monitoring principle) (Huber & McCarty, 2004, p. 489). However, these types of delegation in policy making cannot guarantee the initially expected policy outcome. As Hajer (2003) points out, policy-making often exists in an 'institutional void' and no policy actors may be responsible for its result after all. Similarly, as argued in the public choice accounts, bureaucracy has a self-interest in maximising its budget and increasing its size, staff, and scope of operation (Dunleavy, 1991). For this purpose, the government agencies may both cooperate and compete with each other as bureaucrats can get compensation, such as power, peculiar reward or reputation. Organisations can reinforce their viability through competition or coalition.

In the Korean executive bodies, delegation has often been used as a strategy to quickly diffuse new reformative agenda to the entire government. Through a multi-layered delegation procedure from politicians (or president) through controlling departments to pilot departments and other line departments, a new reform policy has been implemented and proliferated throughout all central government departments (see Figure 5.1). In this process, the role and power of ministries in charge of the government personnel, organisation and budget as a core executive have been significant. In the initial time of promoting the reform, the presidential committee, which included the experts external to the government, has played an important role since Kim Dae-jung's administration in 1998. However, the lack of practical expertise has led to the increasingly important role of departments in charge of the reform policy. In particular, after the legislation stage, the influence of outside expert would not continue; likewise, political support would not last.

Figure 5.1 Delegation Structure



This is also related to the legacy of the core executive in the Korean government. In the Korean bureaucratic history, the central government departments in charge of management work, such as government personnel, organisation and budget, have functioned as core executives. Since 1960, they have expanded their organisation and reinforced their authority through coherent controlling or coordinating line ministries, especially during the development stage (PCGID, 2005b, p. 27). In relation to this, T. Im (2007) pointed out the deterioration of power relationships among the departments as the side effects of the government reform in Korea. In particular, ‘a few departments in charge of public administration reform’, such as the MPB, the CSC and the MOGAHA, have increased their authority and the scope of operation through managing and controlling the process and performance of reform policies. With their powerful authority to manage the government resources of budget, personnel, and organisation, they dominated other line departments and their power has expanded throughout the administrative reform history (pp. 51-52). The study by J. Oh (2014) on the ministerial power relationship supported this conclusion, explaining that, until recently, the

departments in charge of government personnel, organisation, and budget have been in a higher rank within the executive branch (see Table 5.6).

Table 5.6 Ministerial Power Index

Rank	Rho Administration (2003-07)	Lee Administration (2008-12)
1	Ministry of Finance and Economy	Ministry of Strategy and Finance
2	Ministry of National Defence	Prosecution Office
3	Prosecution Office	Ministry of National Defence
4	Ministry of Education and Human Resources	Ministry of Construction and Transportation
5	Ministry of Construction and Transportation	Ministry of Education and Science Technology
6	Ministry of Industry and Energy	Ministry of Public Administration and Security
7	Ministry of Government Administration and Home Affairs	National Intelligence Service

Source: J. Oh (2014, p. 280)

In the process of introducing the TPCM, the three departments' role has been, over time, noticeably transformed by their interests and attitudes. In the beginning before the presidential order was issued in 2003, they were in favour of or opposed to the new policy according to their organisational interests. For instance, the CSC was in favour of the policy, but the MOGAHA opposed to it. Without agreement, it was not possible to promote the policy in practice. It started with the political decision in the agenda-setting stage and was confirmed by the legislation of the relevant regulations later. With the help of academics supporting a globalisation theme, the initial political decision was made by the newly-elected president and his supportive organisations (i.e., Presidential Office and Presidential Committee), rather than by parliament. Accordingly, the procedure progressed as a top-down stream. Immediately after the president propelled the starting point of the reform policy, he delegated the policy promotion to the first agent, the controlling departments. Of course, he was regularly and officially reported to about the progress. However, due to the lack of time and expertise, it was impossible to completely monitor the implementation of the policy. The president felt relief after the normal progress of legislation and the increase of monitoring costs moved his concerns towards other remaining agendas.

Noticeably, despite the worries about bureaucratic resistance, the controlling departments did not resist their principals, the president and Presidential Committee.

Despite their loss of regulatory power, they still played an important role in designing the reform policy. Having the same interests, the three departments formed a weak coalition. They carefully watched and participated in the proceeding situation, passively attending the task force team under the Presidential Committee. Then, after the enforcement of the reform was confirmed because they gave up interrupting the progress, they attempted to find alternatives. Once they took the initiative of promoting the reform policy, they paid attention to obtaining both sides of the benefits; the reputation as a government innovator and the practically additional authority in the reform policy progress regulating other line departments. At the same time, they also took on a new role of performance assessors who could check line departments for a proper execution of the new scheme.

On the other hand, the device of monitoring the controlling departments was substantially limited due to the lack of policy expertise and openness of public information regarding the relevant policy information at this stage. Although the judgement on the propriety of the policy proceeding should be performed by expert groups, based on relevant policy information about the main contents and progress of the reform policy, this kind of information was only opened in the executive branch which initiates the reform in practice. Unfortunately, even the political control from the president was not available anymore due to the change in his concerns. If there is lack of a substantial check-and-balance function from outside the executive government, such as NGOs or the parliament, critical problems could occur in the promotion of the policy in its initially intended form.

The successive delegation of the authority in this structure passed onto the pilot departments. The promotion of the policy by some selected departments before the general application to all the departments was thought to be a necessary procedure in order to reduce trial and error. However, in reality, the selection of the pilot departments was carried out with a different standard from the revision or proliferation of the new system. The pilot object was selected among relatively innovative or influential government organisations. Moreover, the expansion of departmental discretion, which was the original intention, was not achieved during this pilot period, suggesting that the symbolic image of the reform trial outweighed the substantial effect of the reform policy. In this regard, the initial strategy of accelerating the reform through operation experience faded in its meaning.

As time passed by, the reputation as a government innovator and concern from the president started to wane. That means, since obtaining a good reputation no longer

worked as an incentive, the pilot departments did not maintain their active attitude towards the new scheme. In fact, a new system could be accepted and developed just when the participating actors fully adopt the system as their new environment and freely operate it. However, the trial or development of the TPCM as their own operational model was not properly made. The pilot departments did not play a role as innovators. In addition, instead of monitoring the reform progress and performance of the pilot departments, the concern of the controlling departments, such as the MOGAHA, the MPB and the CSC, moved to a different point. They just managed the denotative proliferation of the TPCM policy and did not conduct in-time monitoring and consulting for pilot departments. This shows that their role has already changed from that of controllers or consultants to that of evaluators.

In the last stage of delegation, the reform policy was applied to all line departments in the central executive government. In this process, line departments, which had already experienced a similar pattern of reform policies, such as the top-down budgeting process, were carefully watching the results of the pilot departments. They showed a tendency to keep their positions as the average level of followers. As the actual range of departmental autonomy for using their own personnel, organisation, and budget fell short of the initial expectation, the working level civil servants in the line departments gradually turned down their interest in the TPCM. The top-level officials had no strong motivation to propel the policy either, because it did not help them boost their reputation as reformers. That is, the symbolic image of the reform had already waned at this stage. Unfortunately, both the controlling and pilot departments did not develop an appropriate checking or monitoring device to correct this kind of passive attitude of the line departments. It should also be that, throughout the multiple delegation process, the controlling and line departments were continuously pursuing incentives, or organisational interests, which were not only in the form of their own authority of controlling organisation, personnel, and budget, but also in the form of the reputation as government innovators or recognition from the president (see Table 5.7).

Table 5.7 Changes in Interest and Strategy of Policy Actors

Player	Interests	Policy Design (2003-2004)	Pilot Implemented (2005-2007)	All implemented & after (2008 -)
President (PO, PC)	Interest/ Concern	-removal of powerful ministries' authority -obtaining legitimacy for reform	-move of interest and concern to another reform agenda	-move of interest towards another reform agenda
	Strategy	-rapid propulsion & tenacious supervision -use of the Committee	-delegating to the executive -observer	-delegating to the executive -observer
MOGAHA MPB, CSC	Interest/ Concern	-concerns about the maintenance of current authority -psychological resistance to the outside policy makers - little expectation of the retrenchment of personnel expenditure (MPB) or the expand of Performance pay (CSC) or the honour of innovator (MOGAHA)	-giving up preserving current authority -cast off the dishonour of anti- reformer -highlighting a new role of evaluator or internal regulator	-no interest in the policy improvement -delegation of the reform details to line ministries
	Strategy	-passive (weak) participation -emergence of technical problems	-becoming active initiators of the reform	-direction change into new regulator to evaluate the reform performance
Pilot departments	Interest/ Concern	-disregarded -just observed	-get a reputation as a government innovator and attract the attention of the president	-loss of their own incentive and expectation from the reform
	Strategy	-no official participation	-execute the reform very positively -spread advantages of the reform to other line ministries	-changing their attitudes into a common executor of the policy
The others Line departments	Interest/ Concern	-disregarded -just observed	-disregarded	-no special incentive for the positive reform promotion -maintain the common reputation (no opponent)
	Strategy	-no official participation	-just observed	-passive executor -weak participation

Policy Outcomes and Sustainability of the Reform

How can we appraise the results of the delegation in the TPCM reform? We can evaluate this by checking the gap between its achievements and the original expectations. The Roadmap made by President Rho's supportive committee clearly presented the purpose and the results of this reformative policy after its implementation. In the longer term, the purpose was to encourage individual departments to operate their personnel expenses, e.g. performance and welfare proportion, with discretion and responsibility, except for the basic proportion which occupies approximately 70 per cent of the total payroll cost. The scope should be expanded to all operational costs as well as personnel expenditures, e.g., running cost budgeting to achieve public value of efficiency gain and decentralisation (PCGID, 2005a, pp. 202, 231). The chairman of the CSC, Dr. Cho, Chang-hyun, had a visionary expectation of the future of the TPCM reform and was interviewed by *Seoul Newspaper* when the first pilot programme was launched:

Total payroll cost management is to give individual department significant discretion in operating the size, the kinds of their own personnel, and the allocation of personnel expense budget. Through this reform, at least 20 per cent of the entire budget for personnel compensation could be used in related to the performance by ministries after 2007 (Seoul Newspaper, 2005).

However, when we look back at the policy after its application to all central government departments in 2007, the gap becomes obvious between the vision of the Presidential Committee who initiated the policy from the beginning and the actual policy outcome in respective parts. Interestingly, in the self-assessment of Rho administration's Roadmap tasks undertaken by the Presidential Committee in the last year of President Rho's term of 2007, the TPCM reform was classified as successfully 'completed' (PCGID, 2007, p. 22), because the policy progress, including the policy design, pilot implementation, diffusion to all the central government ministries and provided guidelines, was made according to the intended schedule. However, when it comes to the expectation of respective items in light of ministerial discretion and decentralisation, the policy outcome could be rather different.

Table 5.8 Key Actors and Policy Outcomes

	2000-2002	2003-2004	2005-2007	After 2008
Key actors	CSC, academic scholars	Presidential Office, Presidential Committee	(PO) MPB, CSC, MOGAHA ↓ Pilot departments (July 2005 – 2006) ↓ Line departments (2007)	(MPB, CSC, MOPAS) (All line departments)
Strength	Weak	Strong	Strong but gradually weakened	Weak
Expectation	-	Desirable design of TPCM policy	Legislation and proliferation to all departments	Discretionary use of departments
Outcome	-	√	√	-

Contrary to the original expectation, the departmental discretion of operating the reduced personnel expense budget did not substantially increase. On average, the portion of discretion was only 1 per cent of the ministerial personnel expense budget and most of the reduced payroll cost was used up on performance pay (Joo, 2009, p. 69). Moreover, the MOPAS still performs the controlling function of the government personnel⁵⁸. The department examined the propriety of increasing other departments' personnel both regularly (yearly) and temporally (when needed during the year). Table 5.9 presents the increase of personnel approval since 2008 by the MOPAS in the central government. Once the MOPAS approved the increased personnel and bureau within the departments, the MOSF or MPB could accordingly add their increased personnel expense into the budget. It continued afterwards as it was natural that line departments had no incentive to

⁵⁸ The limitation of the TPCM reform was also presented in the application of the policy in the local government. The interview of the mayor of Seoul directly shows the presence of it. As of 2014, the Mayor, Mr. Park, Won-soon criticised the robust control of the number of government personnel by the central government ministry, the MOSPA, saying that “despite implementing the TPCM system, we cannot increase even one director general under the whole personnel expense budget and there remains the shell of autonomy at the moment” (Yonhapnews, 2014a).

cut down personnel expenses and they preferred to permanently increase the number of personnel and bureau.

Table 5.9 Yearly Increase of Personnel Approved by MOPAS (2008-12)

Year	2008	2009	2010	2011	2012	Average
Increase of personnel (regular)	8488	2556	3915	1628	1195	3356
Increase of personnel (needed)	1856	1245	1854	-704	3519	1554
Total	9344	1801	2769	924	4714	4910

Source: Internal Documents from the MOSPA

With relevance to the management of government personnel by the MOSPA, an academic expert pointed out this problem in his interview:

Similarly, although the budgetary process of the central government was changed into the top-down budgeting under Rho's administration, the MOSF still performs a programme-based examination of ministerial budget as it did before. It cannot be understood as euphonious 'autonomous budget compilation of individual ministries'. In case of payroll cost, the situation is more severe. In practice, the guideline by the MOSPA considerably restricts the extensive use of operating personnel expenses by individual organisations. With the only one per cent of the total payroll budget, ministries have no incentive to save their personnel expenses or to make use of this system well (Interview A9).

According to W. Kang (1998), during the era of administrative reform since the Thatcher administration, the British central government, in order to decrease ministerial burden, tried to delegate much of public service function to local governments which were in charge of service implementation in the past. However, despite the change and delegation of the public service delivery, the intervention and regulation of central government have been reinforced rather than decreased. In particular, excluding the democratic control on policy appraisal, organisations for appraising the performance of service delivery were established and the bureaucratic controlling bureaus reinforced centralisation of the central government.

Frequently, agency costs are incurred by inducing administrators to faithfully implement what was intended in the legislation (Horn, 1995, p. 19). Similarly, even inside the executive branch, the agency problem could occur if the implementation of a reform policy is arranged by a multi-layered delegation, so it is difficult to monitor these agents and to get bureaucratic compliance without *ex post* incentives and sanctions. In many

relevant cases, the enacted legislation tends to be regarded as the completion of an introductory process of a new policy. However, once a reform policy is promoted, it tends to be maintained if not officially abolished (T. Im, 2007, p. 50). Bureaucratic elites involved in establishing and implementing a government policy tend to increase their role and power of their departments (M. Kang & Kim, 2014, p. 29). The controlling departments that promoted a reform policy change their mission from that of a policy innovator of promoting decentralisation into that of a new supervisor. Their transformation is strongly related to the limitation of self-reform which cannot decrease their own powerful authority.

How was the Understanding of the Reward Aspect of the Public Service Bargain Altered?

The process of introducing the TPCM policy can be divided into two phases: the initiating phase (from 2003 to 2007) and the consolidating phase (after 2008). In the initiating phase, President Rho opened the window of opportunity. At that time, the reward for him was gaining legitimacy for reform by removing powerful ministries' authority. In the face of the president's direct request for decentralisation, three controlling ministries, the MOGAHA, the CSC and the MPB, devised a detailed plan where, to some extent, they gave up their valued authority of controlling line departments, in exchange for obtaining a good reputation with the President (and wider political circles) as reform-orientated departments. This can be seen as a form of reward, since this reputation could specifically help the ministries to secure support from the public and to boost their survival chances in the long run.

However, in 2008, the newly-elected President Lee MB changed direction and presented a different agenda, focusing on 'small government' and 'practical government', in order to attract political support. The progress of the TPCM reform policy did not improve at all in this consolidating phase. The controlling ministries, such as the MOPAS and the MPB, changed their strategy from passive participation to an active transformation of the reform itself, so that their authority continuously survived, regardless of the purpose of 'decentralisation'. And even the president did not prevent their actions. The focus of the ministries was to devise a new regulation set-up in order to evaluate the reform performance of line departments.

Table 5.10 Change of Reward in the Process of Introducing TPCM

		Initiating Phase	Consolidating Phase
Characteristics		TPCM provided high political rewards for the president, but it had a limited value for the controlling ministries	TPCM was adapted by the controlling ministries in a discretionary way
Reward	For the President	<ul style="list-style-type: none"> ● Promotion of decentralisation ● Reputation as reformer 	<ul style="list-style-type: none"> ● Maintaining legitimacy by not stopping the reform policy ● The new president showed no interest in TPCM
	For the ministries	<ul style="list-style-type: none"> ● Recognition from the president ● Leading pay policy reform (CSC) 	<ul style="list-style-type: none"> ● The implementing ministry (MOPAS) was able to maintain its share of administrative power

Concluding Remarks

This chapter showed how the Korean central bureaucracy maintained its autonomy in the process of the introduction of a new personnel expense management system, through which the political will intended to enhance decentralisation among the government departments and agencies. The departments in charge of the government personnel, organisation, and budget have been powerful by playing an important role in allocating resources within the government. Their stance was that the increase of personnel, organisation, and budget by individual departments should only be permitted by the controlling central departments. Their leading role and strength were also related to their political legacy in Korean history. They acted as competent agents of the president, initiating the economic development during the developmental period and the government downsizing after democratisation (B. Lee, 2003; Min, 1995). They had a powerful authority to determine whether other departments and agencies could have more personnel, organisation or budget.

This legacy of the controlling departments in the executive branch was presented even in the NPM-type reform focusing on the removal of their authorities. Although decentralisation, rather than maximising the efficiency of personnel budgets, was the most important value of the TPCM reform, the outcome of the reform was disappointing, because those departments were in charge of promoting reform by themselves without continuous care and monitoring from a political power. The multi-level delegation structure from the political power to the controlling departments, to pilot ministries and

to all other line departments dispersed responsibilities for promoting the reform and producing its outcome. During this procedure, the controlling departments functioned as the reform's subjects, or initiating agents, rather than its objects. Similarly, to the top-down budgeting of the fiscal reform promoted by the MPB (T. Kim, 2008), the result of the TPCM reform for decentralising the departmental authority did not change the power relationship among the departments and the procedure of allocating government personnel.

The powerful Korean bureaucracy has been formulated based on the sturdy legal system of civil service. Civil servants with expertise in these legal systems could survive even under authoritarian political regimes. However, this protective netting sometimes excessively worked in favour of bureaucracy and threatened the democracy in the name of 'the rule by the law', which, in practice, often meant 'the rule by relevant departments' with monopolised knowledge about regulations. Furthermore, when the check-and-balance function of the parliament, trade unions, the NGOs, the media and professional scholars was insufficient, the reform of the powerful departments was not easy to attain. Even the president did not prevent the departments' actions. In this respect, this case again demonstrates that the president is just one of the policy actors, rather than the one with the absolute power to control the entire policy process and even results, as established in the civil service pay increase rate determination process case (see Chapter 3). Chapter 6 continues the empirical analysis of organisational interests and conflicts among departments, focusing on the introductory process for Senior Civil Service Pay reform. Here again, policy changes occurred after the loss of the driving force for policy innovation.

Chapter 6. Senior Civil Service Pay Reform

Congratulations! Serving as a member of Senior Civil Service, you now stand before a historic turning point for SCS to move forward into the next stage of ‘openness and competition’ and ‘performance and responsibility’. We have finally abolished ‘seniority and closed rank system’, which has characterised the Korean government since its inception (The letter of President Rho Moo-hyun to SCS members)⁵⁹.

The level of total compensation for senior managers in the public sector is an indicator of not only the attractiveness of the public sector, but also of the capacity to retain talented people for positions with high level of responsibility in the government. Compensation in those positions represents a minimal share of public expenditures, but holds a symbolic value, as it concerns staff who play a leading role in the government policy making and execution and their appointments are often discretionary (OECD, 2013, p. 106). In addition, it has a complicated meaning in terms of political, economic and cultural contexts in many countries and has been identified as a neglected and secured area between politics and management (Christopher Hood & Peters, 1994, p. 1).

Historically, under the Confucian culture of East Asian countries, Korea has experienced an authoritarian development period when taxpayers’ concerns about the civil service have tended to focus on ‘*How much do they get paid?*’ rather than on ‘*How does the pay successfully motivate them?*’ (P. S. Kim, 2003). As a result, the compensation for senior bureaucrats has focused mostly on non-monetary rewards, rather than on monetary ones, resulting in considerable benefits after retirement (e.g. ‘parachuted’ appointment in state enterprise after retirement, or a far more generous pension scheme than that of ordinary citizens). Another important property of this system was its stability, which was based on seniority. This gave rise to the strong organisational commitment for both senior and junior civil servants.

NPM, a market-oriented and globalised trend of public management, challenged this older tradition. In order to reinforce competition and performance, NPM put more emphasis on the value of monetary incentives. The principle of more direct compensation by job and performance was a corrective measure, based on the proposition that managerial efficiency, rather than political decision-making, is more important even in

⁵⁹ This is an excerpt from the letter of President Rho. It was sent on 30 June 2006 to the SCS members when the SCS reform act was officially enacted (CSC, 2006a).

the compensation for senior bureaucrats (Brans & Peters, 2012, p. 285). In this respect, the promotion of the SCS pay reform in managerial ways was welcomed by key Korean policy actors in politics and on the administration arena (e.g., President Rho and the Chairman of the CSC, Dr. Cho Chang-hyun). Learning from the cases of the Western countries, such as the US, the UK, Canada, Australia and Netherlands (CSC, 2004a, p. 321), they regarded this agenda as a solution that could eradicate old bureaucratic evils of low expertise caused by frequent job rotations and seniority-based performance management (C. Park & Cho, 2013, pp. 147-148). More than eight years after its introduction, however, its outcomes are still disputed.

To understand the causes of this controversial result, this chapter investigates the relationship between participants' behaviours and policy outcome at every stage of the reform process. Specifically, the underlying factors that drove the reform of senior civil service pay are discussed. Through an analytical lens, the relationship between policy bargaining among relevant participants and policy outcomes is identified. The first section provides a description of policy background, the process of inauguratory changes, and the changes of the attenuation in the SCS system. The second section defines the key policy actors and how their motivations were presented in those processes. The final section analyses policy-making patterns and policy outcomes and discusses the sustainability of the reform policy and the change of the reward side of public service bargains.

6.1 Changes in Senior Civil Service and Its Pay System

Introducing a new senior civil service system in Korea contained all the ideal and reformative components which central personnel agency (CSC) had been thinking of for a long time (Interview B11).

The core of it was the job and performance-based pay reform (Interview B12).

The traditional reward for a high public official in Korea had two distinctive aspects: first, a low salary level compared to that of the private sector and relative to lower-level civil servants and, secondly, a seniority-based compensation in the public personnel management. First of all, it was generally recognised that senior officials were low paid in main salary terms. Survey data showed a bigger public-private pay gap at the higher level of the civil service (Korean Labour Institute, 2000). For instance, in 2000, the average wage of senior officials with rank 2 matched only 71.9 per cent of private sector

workers (p.46-47), while the average pay of the whole civil service group matched 88.4 per cent in that year (p.77) (see also Table 6.1). In part, this was due to the Confucian idea that emphasised clean-handed officials (*Chung-baek-ri*), which connotes their ‘uprightness and integrity’. There was also the public service ‘discount’, which meant that culture, prestige, job security and other advantages of public employment would compensate for lower-pay levels as compared to the private sector. Moreover, political interests sometimes distorted the pay increase rate, making top-level public office holders’ rewards lag far behind those of the private sectors. For example, in 2001, the wage level of political appointees and agency heads that were ranked in the rank 1 in the central government was frozen, while those of all other civil servants were increased by 6.7 per cent in total pay. As this kind of political demand was repeated, the principle of the so-called ‘generous for the lower ranks, but tight for the upper ranks (*ha-hoo, sang-bak*)’ became established in the rewards for higher office (P. S. Kim, 2003, pp. 120-125).

Table 6.1. Public Pay as a Percentage of Private sector pay, by civil service rank

(Year of 2000, private=100)

Rank	R2 (upper)	R3	R4	R5	R6	R7	R8	R9 (lower)	Average
(%)	71.9	73.4	74.9	74.7	74.9	84.0	97.6	93.6	88.4

Source: Korean Labour Institute (2000, p. 46)

The other tradition of reward for high public service was the seniority-based wage system, in which an employee’s wage grew proportionally to the length of his/her service and age. This was a general principle of the public personnel system in Korea. Compensation for short-term performances was generally avoided, because it could disrupt the team spirit among employees and weaken the overall morale of workers (P. S. Kim, 2003, p. 119). Under this payment structure, lower-level officials with longer seniority could be paid relatively more. This tradition was largely maintained until the pay reform in 2006, even after the introduction of the performance-related annual salary system for senior officials in 1999. This was because this new system added the performance-related portion to the annual pay amount calculated according to the previous pay scale.

The SCS pay reform started against this background and the slogan of ‘job’ and ‘performance’ was devised to abolish the tradition based on ‘rank’ and ‘seniority’. Although NPM has varying degrees of implementation across countries, one of the common elements is ‘incentivisation’, which emphasises ‘increased pay differentiation

between low-skilled workers and top managers’ and ‘enlargement of performance-related pay (PRP)’ (Dunleavy, 1994, pp. 42-43). The gap by grade, work responsibility, and performance are directly reflected in the pay for civil servants.

Early Attempts to Introduce an SCS System

The first trial for promoting an integrated SCS system in Korea dates back to Kim Young-sam’s administration in the mid-1990s. The idea was to create a new core policy group that would consist of higher civil servants of ranks 1 to 3 (director general level or above). However, the focus was on changing the rank system to mitigate the congestion of personnel promotion. It ended up by making a new position (team leader) within rank 4 (previously, the division-director level). The following Kim Dae-jung administration made two attempts to introduce a form of the SCS system. The first was a 1998-99 examination of the introduction of the SCS system as a part of a large-scale government reform after the IMF bailout undertaken by the Committee of Planning and Budget (CPB). The idea could not be realised, because it caused civil servants’ anxiety and threatened the rank-oriented tradition. Instead, the CPB introduced a performance-based annual salary system and the open position system (CSC, 2007b, p. 146). However, the performance-based annual salary system was a marginal change in the payment method, converting the existing scaled salary system into an annual salary payment based on the previous rank system (J. G. Kim, 2013). The portion of performance-based payment was insignificant, taking under 1.3 per cent of the whole amount of annual salary as of 2003 (CSC, 2004a, p. 353).⁶⁰

In 2000, Kim Dae-jung’s administration attempted to promote the SCS system again, focusing on the facilitation of ministerial cooperation (2000-2001, Civil Service Commission). The annual working plan of the CSC in 2000 included ‘the promotion of the new personnel management system for the SCS of director-general level and above’ in order to reinforce the government policy competence (CSC, 2007a). The PCGI reviewed the SCS introduction issue, but failed to promote it in earnest due to the lack of understanding of its importance and weak political support (P. S. Kim, 2007, p. 128)⁶¹.

⁶⁰ However, as of 2003, according to a fact finding survey, the individual pay differences by accumulated PRP year after year was much higher than the PRP portion itself, varying from the minimum 5.4 % (or 3.7 million KRW) to the maximum 13.6 % (7.7 million KRW) of the average annual salary amount of the candidates with previously the same pay scale (CSC, 2004a, p. 352).

⁶¹ Professor Pan-Suk Kim wrote this quoted article based on his experience in the PCGI discussion, where he participated as an official member.

These attempts themselves were meaningful, but ended up achieving only an insignificant modification of the existing system, rather than a radical change to it. These early trials of the introduction of the SCS system are briefly summarised in Table 6.2.

Table 6.2. Early Trials of Introducing an Integrated SCS System

Time / Org.	Policy Purpose	Contents of Reform	Results
1994-1996 / Ministry of Government Administration	Reinforcement of policy competency & Mitigating the promotion congestion on the middle manager level	Integrating ranks 1 to 3 civil servants into 'policy positions' Increasing flexibility of personnel operation	Making a new position between ranks 3 and 4 (so called rank 3.4) and 4 and 5 (the so-called rank 4.5) senior (deputy) director level. Failure to introduce 'policy positions for senior officials of rank 1 to 3'
1998-2000 Committee for Planning and Budget & Civil Service Commission	Civil service reform after the IMF bailout	Study on introducing an SCS system by the Committee for Public Service Reform	Introduction of alternative reform programmes, such as open position system, job posting system, and performance-related pay system Failure to introduce the integrated SCS system

Source: Kwon and Kwon (2010, pp. 15-16)

Inaugurating SCS: From Rank to Job and Performance

From the start of President Rho's administration in February 2003, the SCS introduction plan made great progress. In April 2003, the agenda was officially adopted as one of the main tasks of 'the Personnel Administration Reform Roadmap' (CSC, 2004a, p. 319) and the CSC undertook substantial preparation for the task. As a preliminary measure, a job analysis was conducted for core senior positions in the central government ministries and it formed the basis of the job-based portion of the new annual salary system for SCS⁶².

⁶² The job analysis at that time was different from the previous one (from 2000 to 2002), because this was conducted only for senior positions in the central government, while the previous one had been performed for all posts (rank 5 and above positions) of the relevant ministries.

Also, in November 2003, a large-scale survey was carried out to prepare a blueprint for a new SCS personnel and compensation system⁶³. The first draft of the reform act was quickly reported to the Cabinet Meeting in December 2003. The CSC promoted the SCS in earnest in 2004. In February 2004, an organised task force team within the CSC prepared a second draft containing the rules and regulations required for the new system. On 9 November 2004, a revised draft was reported to President Rho. Also, the CSC contacted the PCGID to get feedback and enhance mutual understanding. For the discussion of the draft, a public hearing and an international conference were held on 11 November and 9-10 December, respectively. From December 2004, strong public relations activities were carried out in order to gain support from the governmental ministries and the general public.

In January 2005, the task force in the CSC expanded to a bureau in charge of the introduction of the SCS and civil servants from other relevant ministries were seconded to this organisation (CSC, 2007b, pp. 147-148). The bureau was composed of three subdivisions, named 'General support team', 'Legislation support team', and 'Job and compensation support team' and operated for a year. The new draft of the State Public Officials Act was submitted to the standing committee in the Parliament on 18 May 2005 and was passed in the plenary session on 5 December 2005. Eleven related presidential decrees were passed in the Cabinet Meeting on 30 May 2006. Fifteen delegated ministerial ordinances were completely amended on 23 June 2006 (National Archives of Korea, 2006)⁶⁴. The deliberation with other ministries on the decision of the job grade was conducted in June 2006 and, finally, the Job and Performance-based annual pay system for the SCS was enforced from 1 July 2006.

The Contents of the SCS Reform and Changes in Pay System

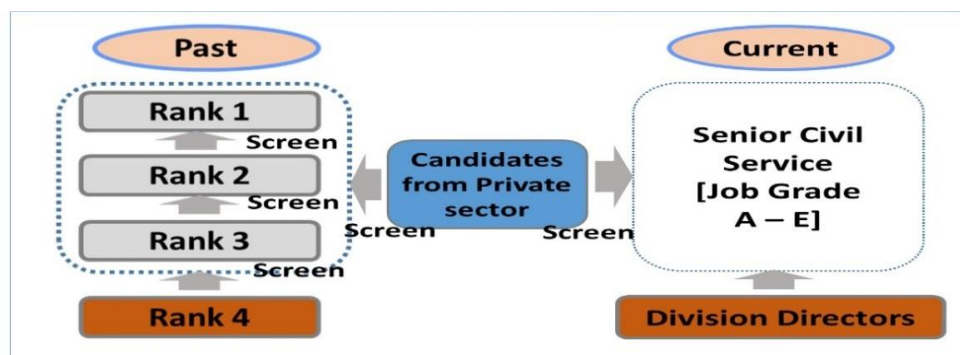
After the transition from rank to the personal job or position-based grade system was accomplished, individual senior officials lost the rank to which they belonged. The

⁶³ In conjunction with KIPA (Korea Institute of Public Administration), the CSC conducted a survey of 1,000 civil servants at grade 7 and above and 150 specialists on the public personnel administration in November 21-26 2003. The response rates were 80.1 per cent and 29.3 per cent, respectively, and the questionnaires of the current problems of the higher civil servants personnel system and its next step were asked in the survey. The favourable result to the introduction of the SCS new pay system was deducted in the survey (CSC, 2005a).

⁶⁴ This number of amended regulations on the SCS introduction only indicates the one directly related. The total number of related regulations reached 77 laws and 300 presidential decrees (D. Kim, 2007).

previous ranks from 1 to 3 were abolished and the new job grades from A to E were established (see Figure 6.1).

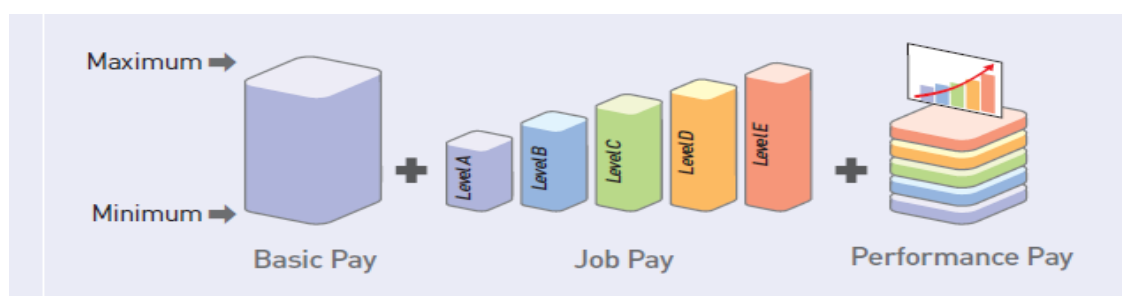
Figure 6.1. Changes in the SCS Grade System



Source: CSC (2006d, p. 9)

Under the new system, salaries for senior civil servants became based on the importance and the difficulty or responsibility of their job (job pay), as well as the degree of performance (performance-related pay). The previous system, which was launched in 1999, consisted of a basic pay and a performance-related pay. However, the new SCS system turned to a 'job and performance-related annual salary system'⁶⁵, consisting of three components, namely, 'basic pay', 'performance-related pay' (PRP), and 'job pay' (see Figure 6.2).

Figure 6.2. Composition of Pay in the Job and a Performance-Related Pay System



Source: CSC (2006d, p. 10)

Basic pay was a personal payment which was allotted to individuals according to their seniority and accumulated performance. It was designed to make it easier to move between positions in different job grades. PRP increased as a proportion of total pay, while the amount of pay automatically added after any promotion was abolished. In

⁶⁵ The job and performance-related annual salary system was fundamentally different from the performance-related pay in that the basis for the determination of annual salary was dependent on the difficulty and responsibility of a job, rather than on the rank that civil servants belonged to (CSC, 2004a, p. 351)

addition, the linkage between performance and reward was strengthened by the annual rolling plan to increase the performance pay portion from 2006. The job re-certification process was scheduled to be held on a regular basis (firstly every 5 years, later every two years). This meant that if performance was not satisfactory to maintain the status of the SCS member, s/he should be dismissed by the judge from the re-certification committee.

Among the many changes in the SCS pay reform, the creation of ‘job pay’ was the most symbolic. Job pay was aimed to reflect the difficulties or responsibility of individual jobs and was determined by the results of job analysis, which analysed 1,448 SCS positions from 2003 to 2006 (see Table 6.3). As a result, every SCS position had its own job classification and belonged to one of the 5 job grades from levels A to E (Table 6.4). If civil servants performed more difficult work, they needed to be rewarded more (Interview B16). In fact, the State Public Officials Act (1949) already claimed this as a principle. However, this principle had been largely applied to different kinds of services (e.g., the difference between general service and police) or of rank-in-person (e.g., Rank 1 and Rank 9). In this respect, the concept of job-based pay was epoch-making. It also created the possibility of moving among job grades (e.g., Job Grade A to E), which was a huge change for the existing seniority-based culture.

Table 6.3. Number of Job Analyses Conducted for the SCS Positions from 2003 to 2006

Year	2003	2004	2005	2006	Total
No. of Job Analyses for SCS positions	467	422	304	255	1,448

Source: CSC (2007b, p. 147)

Table 6.4. Change of Rank into Job Grade under the new SCS System (as of July 2006)

	No. of Positions	(New) Job Grade A	(New) Job Grade B	(New) Job Grade C	(New) Job Grade D	(New) Job Grade E
No. of Positions	1,240	104	90	347	308	391
(former) Rank 1	221	103	90	21	5	2
(former) Rank 2	706	1		318	212	175
(former) Rank 3	313			8	91	214

Source: (B. Lee, 2007, p. 15)

Note: these data exclude the number of senior officials who were seconded to different government organisations or local governments. If the total number of senior officials was considered, it would reach around 1,500.

As a result of the change, the amount of annual salaries within the same rank and same seniority could differ up to 9.6 million KRW (£5,500 GBP) based on individual Job Grade (the difference between Job Grade A and E, see Table 6.5). Also, as the concept of job grade was different from the former rank, the movement among job grades became possible.

Table 6.5. Pay Differential by Job Grade (as of July 2006)

	Job Grade A	Grade B	Grade C	Grade D	Grade E
KRW(₩)	12 million	9.6 million	7.2 million	4.8 million	2.4 million
GBP(£) (equivalence)	6,900	5,500	4,100	2,700	1,400

Source: Presidential Decree of Job Analysis. No. 19520 (Article 8 (2)), Presidential Decree of Civil Service Remuneration. No. 19521 (Article 68 (1)), 1st July 2006

Figures are rounded to the tenth digit.

Backtracking on the Reform Policy

Despite the long preparation in introducing the SCS plan from the end of the 1990s, the situation dramatically changed only one and half years after the introduction of the new SCS system, as soon as the new administration of President Lee Myung-bak took power in February 2008. After the inauguration of the newly-elected President Lee, who was the candidate of the opposition party, discussion began about modifying or abolishing the SCS system. The principle of ‘Equal Pay for Equal Work’ was weakened. The new ruling party (called ‘*Hanara Party*’) brought up the possibility of politicisation of senior civil servants due to the SCS personnel system⁶⁶. They also argued that the increased mobility among job grades might harm the stability of government organisations and the tradition of the ‘career civil service’. In the meantime, the CSC, which had been in charge of the introduction of the SCS system, was merged into the MOPAS, the newly-established department in charge of public administration. MOPAS set out to re-appraise the effect of the SCS system from 2008 (MOPAS, 2008a). The size of the bureau in charge of the SCS system within MOPAS was reduced to one division (Ministerial Ordinance on the

⁶⁶ Long before the introduction of the SCS system, the Hannara Party opposed the introduction of open position system for senior officials on the grounds of its disrupting civil service stability and nepotism (Namgoong, 2000, p. 257).

Organisational Structure and Responsibility of MOPAS, No.1, Article 11(17), 4 March 2008).

In April 2008, a 'moderate' plan was promoted precluding the excessive mobility among job grades. On 1 January 2009, with the amendment of the Presidential Decree of Job Analysis (Article 8 (2)), the number of job grades was officially decreased from five to two. As a result of this change, previous job grades A and B were merged into Grade 1, or deputy minister position, and job grades C, D and E were merged into Grade 2, the director-general position.

6.2 Policy Actors, Their Interactions and Motivations

The policy actor groups that influenced the introductory process of the SCS system were, firstly, the official participants; governmental organisations, such as the CSC, MOGAHA, MPB, the PO, the PCGID and political parties. The second and non-governmental groups included academic scholars and the media. While the former took the official and visible part of policy making, the latter indirectly either backed up or opposed the policy. The following section describes in detail the interaction of relevant policy actors and their underlying motivations.

Lack of Support and Strong Opposition Before 2003

This was the period of struggle for the CSC, promoting the SCS reform without other policy support. In the initial promotion of the introduction of SCS, as this system was relatively new not only to the general public, but also to most of the civil servants, the CSC had to publicise the SCS system and make its appropriateness explicit and known. Nevertheless, the reason why the CSC actively initiated this new system could be understood in relation to the position of CSC within the government. As (Kwon & Kwon, 2010) put it,

When the CSC was formed in 1999, it was a very small organisation having only 65 staff. The function of government personnel was divided between the CSC and MOGAHA, who had civil service training, arbitration committee, pension, public service and ethics functions etc. After a while, although CSC took over the most of functions of personnel management except pension and public service ethics,

the organisation continuously pursued the increase of its size and authority. The introduction of the SCS system can be understood in relation to the CSC's organisational interest (p. 16).

Before 2003, however, the general attitude towards the SCS system was not favourable, even inside the government. Civil servants who had belonged to their respective departments had expressed strong opposition and the plan had been thwarted (T. Ha, et al, 2007, p. 102). According to a document of the CSC that examined the opinions of other departments, most civil servants in the central government were worried about the rapid changes that the new SCS system could bring about. Slogans such as 'openness', 'competition' and 'performance' sufficed to scare civil servants. They revealed their reluctance to open higher offices to external organisations and did not focus much on the pay issue (CSC, 2001b, p. 4). In what follows, some examples of the opinions of ministries and academia are provided (as of March 2001) (CSC, 2003c, p. 1).

Even before experiencing the side-effects and confusion caused by the introduction of performance-related pay system, CSC is attempting to introduce another new system. We are worried about unilateral decisions made by the CSC (Ministry of Government Administration and Home Affairs).

In terms of handling organisational work, it was not helpful to recruit people from outside the department. We need to select people from our experienced policy experts group (Ministry of Maritime Affairs and Fisheries).

Once the SCS system is introduced, senior civil servants would come from powerful departments, such as the Ministry of Planning and Budget and the Ministry of Finance and Economy, and monopolise the higher offices of our agencies (Patent Office, Public Procurement Service).

The criticism is that SCS policy is leaning on idealism. So it is necessary to promote it with caution, after considering public opinion (Academia).

In addition to the lack of agreement and support from within the government, political circumstances surrounding this policy were not favourable to CSC. In 2002, just before the presidential election, the ruling party could not push drastic reforming changes considering the civil servants' vote. In addition, among political appointees such as ministers and vice-ministers, there were worries that, if the SCS system was introduced, the authority of CSC would expand and this would limit their own personnel authority.

Around this time, even private sector experts and academic scholars were not supportive of the CSC's plan for different reasons. For example, although the CSC tried twice to commission academic research on the introduction of the SCS system in Korea, it was difficult to find eligible experts to get involved (CSC, 2001b, p. 5). Therefore, over this agenda with a weak understanding even in the academia, the CSC had to conduct a case study of the SCS system in Western countries with its own staff⁶⁷. With no support from inside and outside of the government, the CSC could not promote the SCS system for itself and, thus, changed its strategy into promoting it as a long-term plan. CSC tried to solve prevailing anxieties within the civil service and made an effort to promote other personnel systems, such as job posting and open position system, including some pilot projects. For example, job analysis on all the posts of the Ministry of Foreign Affairs (MOFA) was performed from May 2000 to February 2001. Based on the results of this analysis, the MOFA introduced a job and performance-based pay system for Job Grade 7-13 positions (previously director level and above) at the end of 2001 (CSC, 2002b, p. 127). The CSC also pursued, step by step, to expand the subject of a job and performance-based personnel system into all the central government departments. This period can be identified as the period of the lack of support and postponement, in which the CSC prepared a gradual introduction of the new public personnel management system.

A Big Shift Under the Rho Administration from 2003 to 2007

Owing to the efforts of the strong supporters who overcame considerable opposition, the period from 2003 to 2007 was marked by the introduction of the SCS system. The CSC was at the forefront throughout the entire introductory process. The unfamiliar SCS system was in need of a policy entrepreneur and the CSC was willing to play this attractive role. The basic attitude of the CSC was strong and positive and its policy direction remained largely unchanged, even later on. An interviewee explained it as 'the selection and concentration strategy' (Interview B4). For a more detailed explanation, a civil servant's opinion is quoted regarding the organisation's attitude towards the new plan:

⁶⁷ Only a few academic papers supported the introduction the new SCS system before 2003. Representatively, the study by (P. S. Kim & Lee, 1998) suggested the Western SCS system as an ideal type to manage senior officials at that time. However, the agenda could not form public opinion in academia (Kwon & Kwon, 2010, p. 3).

It was clear that CSC played a decisive role in introducing the SCS pay reform. In my opinion, there were two important factors that made the CSC strongly promote this new policy. The first was the will of the chairman of CSC. The second was the necessity of setting a new big agenda for maintaining its organisation. ... In fact, these two factors are inter-related, because Dr. Cho Chang-hyun⁶⁸, who took charge of CSC under President Rho's administration (the second and third chairmen of CSC), paid much attention to the function of managing the higher civil service. In view of the slogan of decentralisation of the President Rho's administration, he thought that focusing on the construction of a senior civil service personnel system could be a good option to maintain the authority of CSC (Interview B11).

In addition to the initiative of the CSC, strong support came from the President and the PO, which triggered the dramatic promotion of the SCS system (Interview B7). President Rho himself was among the strongest supporters and often showed a strong attachment to this plan. For example, in the cabinet meeting on 13 June 2006, he told ministers why the introduction of the SCS system was important and necessary (Presidential Office, 2006). On 30 June 2006, he sent an email to the whole civil service, explaining the advantages and purpose of the system (CSC, 2006a). In 2007, in a debate on government innovation, where all the ministers participated, he again emphasised the importance of the development of the SCS system (*Seoul Newspaper*, 2007). Two civil servants, one in charge of the SCS task force team and the other a presidential secretary, made the following comments on President Rho's enthusiasm for the SCS system:

President Rho was really passionate in his conviction that the SCS system was needed. He went as far as to read a draft of the SCS-related regulation on board of a plane during a business trip... and he strongly supported this new system until the end of his term. Also, he was proud of the SCS system as the most representative reform during his term (Interview B11).

The introduction of the SCS was meaningful in terms of decentralising the personnel management function of our government. The idea of President Rho was that the CSC would be responsible for the core part of civil service administration, such as the management of senior bureaucrats, while the rest of

⁶⁸ The chairman, Dr Cho, Chang-hyun, Professor in public administration at the university, pointed out the establishment of SCS system as the most rewarding achievement during his term in the media interview (Weekly Donga, 2013).

personnel management should be delegated to individual ministries (Interview A1).

Determination of the highest policy deciding officer was helped by policy advisors who had academic background and, in particular, officially participated in the policy process of the PCGID. Contrary to its status of a simple advisor in the previous Kim Dae-jung administration, PCGID in the Rho administration was an official and powerful actor with a strong impact on policy making and implementation. PCGID, composed of academic scholars and civil servants, regularly evaluated the performance of the government tasks in various areas and directly reported to the President. At an early stage, such academic support provided legitimacy to the adoption of this relatively unknown policy agenda and gained consensus among policy actors towards the reform. They also informed the general public of this unfamiliar agenda through the media or press reports. Accordingly, at that time, the tone of the media on the SCS reform became positive, focusing on abolishing seniority and eliminating barriers among ministries, e.g., *Joongang Newspaper* (2003). The newly-organised presidential secretary of the public personnel system also made a big contribution to the introduction of the SCS system (Interview A1). He also had an effect on selecting the SCS reform as one of the official agendas in the Personnel Administration Reform Roadmap.

On the other hand, other related ministries tended to oppose the CSC's expansion in the function of organisational control. The MOGAHA, in particular, was one of main objectors to the new plan. In fact, since 1999, when the CSC was established as a specialised organisation in charge of government personnel, an invisible conflict had occurred between the previous organisation (the MOGAHA) which had taken charge of the government personnel work and the new personnel organisation (CSC). Moreover, the SCS system implied that the authority of CSC might infringe the MOGAHA's existing powerful function of diagnosing and analysing the government organisations. This was because the SCS system empowered the CSC to perform the job analysis of the senior governmental positions and to endow them with a job grade. A civil servant who worked for the job analysis division commented on this issue as follows:

The MOGAHA did not clearly express its opposing opinion of the SCS reform plan, until job analysis was finished. However, at the stage of deciding the job grade, the MOGAHA strongly objected it. The MOGAHA had an authority to decide on the number of personnel and the class of the increased personnel in cases of the re-adjustment of the government organisation. If, however, the SCS

plan was implemented, the authority of the MOGAHA should naturally be reduced. Therefore, a conflict between the MOGAHA and the CSC was something to be expected (Interview B16).

The discussion between the CSC and the MPB passed relatively smoothly, avoiding clashes like those that had occurred between the CSC and the MOGAHA. At an early stage, the MPB also had a negative opinion on empowering the CSC more. However, in 2004, it changed its position after the start of the senior civil servant exchange programme, which was implemented as a pilot programme before introducing the SCS system. The MPB was the main beneficiary of this programme, as it was able to take open senior civil servants' posts more than any other ministry. Afterwards, the MPB no longer actively opposed the SCS system and it seemed that this department expected an increase in its occupation of senior posts in the long term (Interview B16). Later on, in 2005, an inter-organisational task force comprising of the CSC, the MPB, the MOGAHA, and the Legislature Office (LO) was set up to mediate the differences between ministries and to smoothly launch the SCS (P. S. Kim, 2007, p. 131).

Political parties responded to this reform issue according to their political positions and interests. The ruling party (*Yeolin-Woori Party*) backed up the CSC, keeping pace with the demands of the PO that actively supported the SCS system. However, the opposition party (*Hannara Party*), a majority in the Parliament, opposed this policy⁶⁹. The justification for opposition was the politicisation of the senior civil servants' appointment and undermining the stability of the government organisations. As a result of this confrontation, the legalisation of the required regulations, such as the State Public Officials Act, was postponed. Meanwhile, the standing committee of the Parliament, which was in charge of the SCS- related regulations, was changed in June 2005. In other words, the submitted bill was transferred from the 'General Administration Committee' to the 'Government Administration and Local Authority Committee'. This was a challenge for the CSC, as it had to start explaining again the necessity and significance of this controversial reform plan to new MPs. Moreover, as this new standing committee was mainly in charge of the affairs of the MOGAHA, it was unsurprising that

⁶⁹ The negative viewpoint of the Hanara Party is shown in the discussion with the MPs of that party. They aggressively questioned the CSC in a parliamentary interpellation. For example, Mr. Bae, Il-Do, MP was one of the strong opponents during the legislative process and the CSC had to concentrate its energy on preparing their answers to him (Interview B11).

MPs in that committee were closer to the competing ministry's position than that of the CSC (*Seoul Newspaper*, 2006).

It was, however, President Rho himself who resolved this conflict in the Parliament. On 7th September 2005, in a meeting with a representative of the Hannara Party, Ms. Park Geun-hye, he attempted to persuade the opposition party to support the introduction of the SCS. This was crucial for inducing the positive response of the opposition party (T. Ha, et al, 2007, p. 14). On 1 December 2005, the new State Public Officials Act was passed in the 'Government Administration and Local Authority Committee' and was implemented from 1 July 2006. The new SCS system was launched, although it occurred six months later than expected by the CSC due to changes in the responsible standing committee (CSC, 2007b, p. 164).

After the introduction of the new system, the CSC focused on the 'change management' and settlement of the system. For example, it periodically checked the progress and the settlement of the reform through a survey of the SCS members and departments' personnel managers. The results were reported to the cabinet meeting in March 2007. In July 2007, in cooperation with the professional research institute (KIPA), the CSC diagnosed the Korean SCS system and conducted research on its next step. In the meantime, President Rho's overwhelming and continuous support continued. Other actors who had different opinions in the government could not explicitly express their negative opinion until the end of the Presidential term.

In terms of influence on the policy-making process, the media were a mean for policy actors to gain support external the government. For example, in the course of introducing the new system, the CSC aggressively and continuously publicised the advantages of the reform and this helped the general public have a positive view of the SCS system (P. S. Kim, 2007, p. 131) (see Table 6.6). In the media, the new SCS system was reported as an enormous and necessary change into the job- and performance-oriented civil service system from seniority and class-oriented government personnel. In many cases, the SCS system was regarded as an epoch-making policy which made it possible to remove the red-tape in the civil service. After the SCS system was launched in July 2006, the tone of the media did not change.

Table 6.6. CSC's activities enhancing publicity on the SCS

CSC's Activities	Target group
Host an international conference on SCS (Dec 2004)	Public opinion, civil servants
Regional tour briefing on SCS system for central government departments (Dec 2004 ~Mar 2005, eight times)	Other departments (Director level, twelve departments)
Meeting and discussion with chief executives of central government departments (April 2005)	Other departments
Man-to-man meetings with MPs (2005)	MPs, Opposite party officials
Public relations on the contents of the SCS-related regulations (i.e. no disadvantage on job security)	Senior civil servants, media

Source: CSC (2005b, pp. 502-503)

Note: Man-to-man meetings with MPs were directly made by the Chairman of CSC, the Head of Policy Secretaries, and the Personnel Secretary in the PO.

The senior officials and the candidates for these positions did not explicitly show the negative attitude towards this reform, although they worried about the intensification of competition within the government. One reason for this was that their interest could not be expressed via any union or representatives. In addition, in terms of pay, the CSC took some measures for the smooth conversion of the amount of individual pay. For the settlement of this new system, it was designed so that no pecuniary disadvantage for incumbent senior officials was caused by the transition of the pay system (Interview B12). Most of all, they could not openly show their opinion towards the reform due to the President's strong supportive position.

Government Reorganisation and Backward Move after 2008

The policy change after 2008 was deeply related to the abolition of the initiating government organisations, such as the CSC and the PCGID as a result of governmental reorganisation in March 2008, which changed the whole location of the central government (Government Organization Act, No.8867). As the function of government personnel was merged into those of the general administration, the CSC, previously a strong initiator of the SCS reform, was abandoned and then merged into the MOPAS. As this new organisation became in charge of various different tasks, including general administration, e-government, emergency management, government organisation, as well

as government personnel, the importance of personnel administration task became relatively insignificant. In addition, the reorganisation of the PO affected the policy retrogression. In January 2008, President Lee already announced the abolishment of the position of personnel secretary which had been in charge of the civil service reform in the Rho administration (*Digital Times*, 2008) .

The new ruling party of the Lee administration influenced the major revision of the SCS system. The SCS agenda was negatively affected by the fact that this was one of the representative reform policies during the previous President Rho's administration. Keeping pace with the new ruling party (*Hanara-Party*) view, the attitude of the PO also turned to the negative. In order to reduce 10 per cent of the government expenses, Mr. Lee Myung-bak, the president-elect, announced a plan to abolish government committees which had been laxly operated (Y. Whang, 2007, p. 48). The PCGID, another supporter of the SCS system, was also abolished with the start of the Lee administration and the institutional participation of civil society and academic scholars in the policy process sharply decreased⁷⁰. Also, the research on the SCS system in academia fell short of the previous administration (C. Park & Cho, 2013, p. 167).

The new personnel organisation, MOPAS, was established based on the MOGAHA, a competing department of the former CSC. From the start of President Lee's term, the MOPAS re-appraised the SCS system. The value of the reward system based on the difficulty and responsibility of the job was fading away. The seniority and class order were conceived as values to be re-considered in public organisations (Interview B16). The size of the division in charge of the SCS operation was reduced, implying a *status quo* operation, rather than making innovative changes (Interview B30). On 22 December 2008, the MOPAS reported a revised plan on the SCS to President Lee. In fact, the President's opinion was close to the complete abolition of the SCS system (Chosun Newspaper). Nevertheless, the SCS system still maintained the status of not being completely abolished, because the ruling party and the administration did not want to take the full political burden of abolishing the SCS and making a sudden change of the pay system.

⁷⁰ Under the Rho administration, the participation of academic scholars in the policy-making process was actively made through the government committee (Namgoong, 2007; Y. Whang, 2007). Their substantial activities and influence on policy were also concretely presented in the paper written by Prof. Kim Byung-seop, the chairman of the PCGID from July 2006 to Dec 2007 (B. S. Kim, 2007).

Table 6.7. Changes of the HR organisation in the Korean government (1949-2013)

Period	Name of organisation	Task scope
1949-1997	Ministry of Government Administration (MOGA)	Government personnel, and organisation
1998-2000	Ministry of Government Administration and Home Affairs (MOGAHA)	Government personnel, organisation, and local government affairs
2000-2003	Civil Service Commission (CSC)	Government personnel (except pension)
	Ministry of Government Administration and Home Affairs (MOGAHA)	Civil service pension, civil service ethics, government organisation, and local government affairs
2004-2007	Civil Service Commission (CSC)	Government personnel
2008-2012	Ministry of Public Administration and Security (MOPAS)	Government personnel, organisation, e-government, local government affairs, and emergency and disaster management
2013-2014	Ministry of Security and Public Administration (MOPAS)	Government personnel, organisation, e-government, local government affairs, and emergency and reinforced disaster management

Source: Government Organisation Act 1949-2013 (www.moleg.go.kr)

6.3 Policy Outcomes and the Public Service Bargains

The progress of the SCS reform showed that the policy outcomes were significantly related to the interactions or bargaining between the key policy actors. This section analyses how the decision-making process impacted the outcomes of the SCS pay reform. In comparison with its early success, the trajectories of the development of job and performance-relation with pay were quite different from the expectations of the policy initiators. The reasons for this discrepancy and its implications are suggested in the following text.

Job Pay Crippled by Political Decision Making

Job pay, one of the most significant features of the SCS reform, aimed to reduce seniority dependence in the determination of higher official pay and to enhance efficiency of SCS by linking job difficulty to reward. The theoretical foundation of job pay was NPM, emphasising the need for the reflection of work responsibility into compensation.

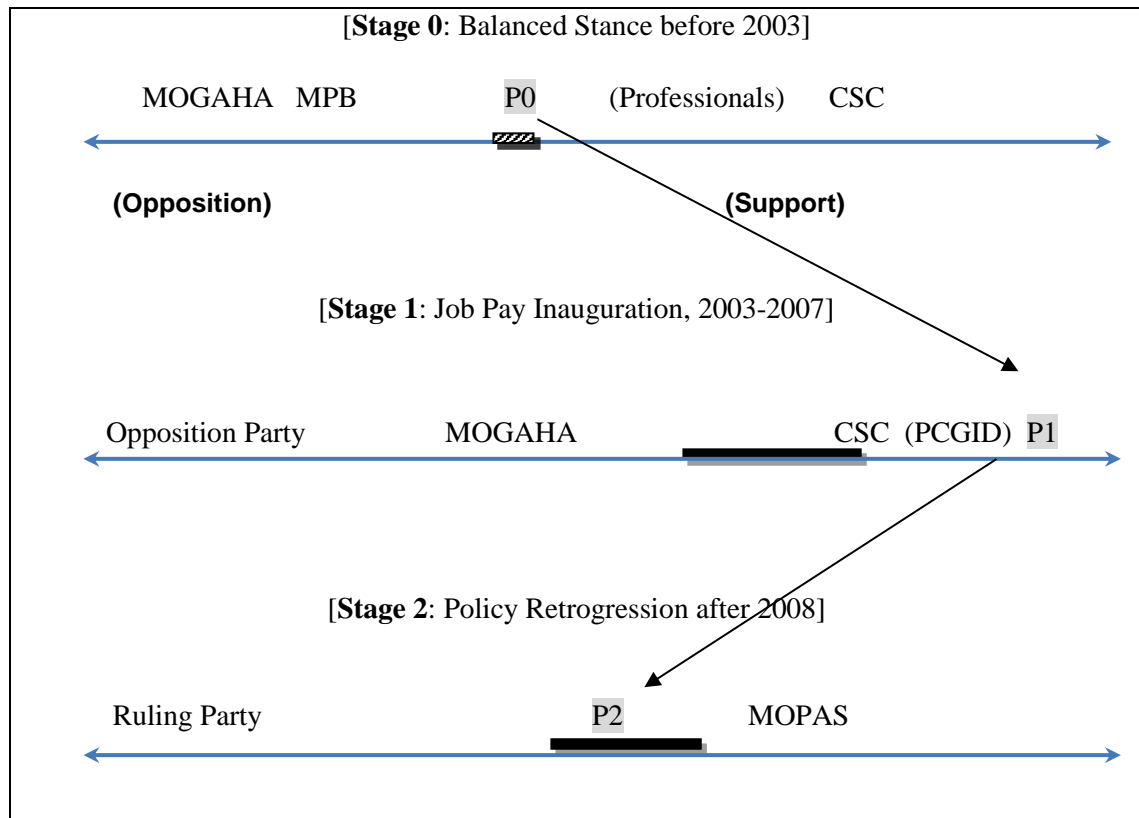
However, contrary to expectations, the introduction and modification of job pay was ultimately decided by political interactions between policy actors, rather than by the consideration of managerial merit.

Observing the changes in the position of main policy actors (see Figure 6.3) shows a policy-making pattern that moved forward and then reversed. Before 2003, when the SCS reform agenda was relatively new for civil servants and the political arena, the CSC tried to promote it, while other departments, such as the MOGAHA and the MPB, opposed it. The then-president Kim Dae-jung did not reveal any particular preference in this situation (P0 in Figure 6.3). The competing opinions were balanced and no measures were implemented (Stage 0).

With the change of the government, the newly-elected President Rho Moo-hyun expressed a preference for the strong intention of this reform (P1). At first, the President's preference was indirectly and tacitly expressed through the Presidential Committee (PCGID), which was composed of academic scholars and civil servants. Afterwards, the policy actors inside the executive who previously opposed to the reform did not show their negative opinion and, instead, moved in the CSC's policy direction. Although the opposition party (*Hannara Party*) had a critical attitude towards the SCS reform, the President's will was strong enough to implement the plan. The confrontation was resolved and job grade system and the related job pay were introduced as a result of political bargaining (Stage 1). The policy outcome was decided between the positions of the CSC and the MOGAHA, and in July 2006, the job grade system for the higher level of civil servants was officially launched⁷¹.

⁷¹ In fact, the new personnel appointment system which promoted mobility among job grades based on individual competency, rather than seniority became active one year after the enactment of the SCS job grade system. There were 71 cases of appointment in the higher position than the previous job grade and 43 cases of appointment at the lower level (D. K. Kim, 2007; K. Lee, 2007). This means that senior bureaucrats who previously belonged to the same rank could move to various positions with different job grades and, accordingly, they could be rewarded more or less by their work. It was a huge change of weakening seniority in the civil service shown in the new SCS system.

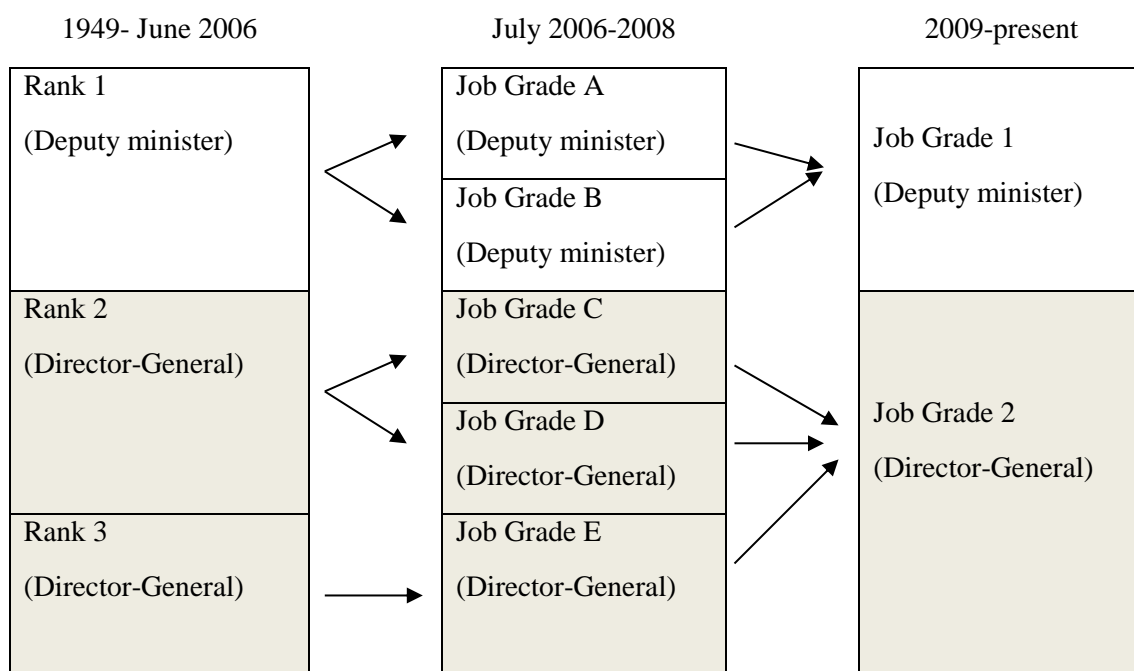
Figure 6.3. Changes in Policy Actor's Position and the Policy Outcome



P: President, CSC: Civil Service Commission, MPB: Ministry of Planning and Budgeting, MOGAHA: Ministry of Government Administration and Home Affairs, PCGID: Presidential Committee for Government Innovation and Decentralisation, MOPAS: Ministry of Public Administration and Security, : Location of policy outcome

In 2008, however, the newly-elected President, Lee Myung-bak, who previously was the candidate of the opposition party, took a position in the opposition area (P2). Moreover, as a result of government reorganisation, the CSC was merged into the previously competing department, the MOGAHA, with a name change to MOPAS. The policy outcome was made between the position of P2 and that of MOPAS. As a result of this change, the number of job grades reduced from 5 to 2 in 2009 (see Figure 6.4). This modification in 2009 seemed to be a return to the system before the introduction of the job and performance-based pay, because there were only two levels of positions: deputy minister and director-general.

Figure 6.4. Changes of Rank and Job Grade System for Senior Civil Servants



Accordingly, the internal competition surrounding the higher positions became weak and the value of job-related pay was halved. As it became impossible to move across the positions to different job grades, this was conceived to be a return to the previous rank system. An interviewee made the following remark about the return of the system:

The intent of the initial SCS system was to convert rank-in person into a job grade system, which the civil servants in charge of public personnel management have always anticipated. However, in practice, ‘downward rigidity’ limited moving across the job grades over time. Most of all, currently operating two-level job grade system after 2009 looks as a come-back to the previous rank-in-person system. Once a SCS member is appointed to a position with a higher job grade (Job Grade 1), they see it as a promotion in rank system (Interview B16).

Another interviewee in charge of the SCS system also agreed that it was a return to the previous rank system:

As of 2008, we considered a few alternatives after the re-appraisal of the SCS system under the new administration. In fact, firstly we were thinking of the decrease into three job grade system. However, in that case, we could not avoid blame, as it was completely the same as before. So, we drove this change through reviving it into a two-level rank system (deputy minister and director-general), but it was the same in reality (Interview B30).

The changed job pay by grade was determined on the median value of the previously operated amount (see Table 6.8). The gap in job pay between Grades 1 and 2 was reduced by about 6.0 million KRW (£3,400 GBP), which was a large decrease from the difference between Grades A and E in the previous system (£5,500 GBP). Furthermore, the job-related pay remained unchanged for a long time, until a civil servant moved to a higher job grade⁷². It meant that job pay no longer played a role as an incentive for higher civil servants to compete against for a difficult task on a voluntary basis. In spite of over eight years' effort since the introduction of the job pay system in the SCS compensation in 2006, the current pay gap between the deputy minister level (Job Grade 1) and director-general level (Job Grade 2) in Korea appears to be much less than the average in OECD member countries (OECD, 2013, pp. 106-107). To conclude, the case of job pay clearly shows a mechanism that the actual policy outcome, which is a return to the previous compensation system of the *de facto* rank-in system, is largely influenced by the interactions between policy actors, such as the president, executive departments in charge and political parties.

Table 6.8. Pay Differential by Job Grade (as of 2009)

	Job Grade 1	Job Grade 2
KRW(₩)	10.8 million	4.8 million
GBP(£) (equivalence)	6,171	2,743

Source: Presidential Decree of Job Analysis. No. 21208 (Article 8 (2), Presidential Decree of Civil Service Remuneration. No. 21242 (Article 68 (1)), 1 Jan 2009.

Note: The job pay of Job Grade 1 is determined by the median of previous Job Grade A and B and that of Job Grade 2 is the same as the Job Grade D.

The Enlargement of Performance-Related Pay

In contrast to the disappointment of job pay, the development of PRP was remarkable in the SCS pay system. In fact, PRP was first introduced in 1999 and gradually increased every year (see Table 6.9). In addition, it is notable that, as shown in Figure 6.5, the proportion of PRP has increased since the introduction of the SCS system. In 2006, PRP for senior bureaucrats of Ranks 1 to 3 occupied only 1.8 per cent of the total annual salary;

⁷² As the proportion of Head of Office positions is only 20 per cent of the total number of SCS positions, the civil servants at the director-general level have to receive the same job-related pay for a long time before they would be appointed to Job Grade 1 level. Thus, when they get to a higher job grade position, they tend to regard the increased amount of job-related pay as previously existing 'promotion bonus' before the introduction of job pay (called "Seungjin Gageup").

however, despite the stagnant period from 2008 to 2010, it reached 10 per cent in 2011. The average amount of PRP for an individual SCS member rose 2.7 times: from 1.3 million KRW (£779 GBP) in 2006 to 3.7 million KRW (£2,150 GBP) in 2007 (CSC, 2006c, 2007c). Comparatively, in the case of Ranks 4 to 9, the portion of PRP reached from 2.0 per cent in 2006 to 5.0 per cent in 2011. In fact, PRP for senior officials has remained constant since early 2000 and was reinforced after the SCS pay reform. This expansion of PRP seems to be in accordance with the original purpose of the SCS system.

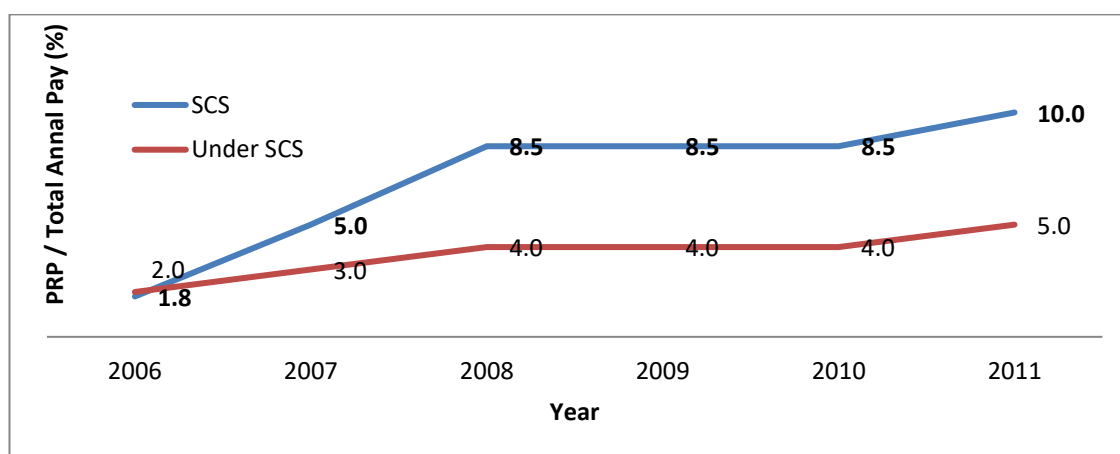
Table 6.9. Maximum Pay Differential by PRP, 2000-2006

(unit: GBP (£) Equivalence)

Year	2000	2001	2002	2003	2004	2005	2006
Rank 1	860	896	905	1,003	928	979	1,413
Rank 2	813	847	856	951	878	926	1,337
Rank 3	755	787	795	883	815	860	1,241

Source: Ministerial ordinance of the CSC on Senior Civil Service compensation 2000-2006, www.law.go.kr (the Korean government legislation website)

Figure 6.5. Percentage of PRP in the Total Annual Pay for SCS



Source: J. G. Kim (2013, p. 63)

Then, why was the portion of PRP for senior civil service to total pay continuously increased? Why did PRP become prominent in contrast to the inactive job pay? The expansion of the PRP system can be explained in relation to the degree of engagement of policy actors and the determination mechanism that is mainly dealt with by the executive ministries.

First of all, unlike Job Grade and Pay system, PRP was relatively free from politicisation. The idea of establishing a single unitary SCS group through a job-grading

system was attacked by the opposition party, because it caused a worry that the president and ruling party could utilise the SCS in political interests and, accordingly, harm the political neutrality of bureaucracy. However, in the case of PRP, it was seen as a managerial tool for enhancing the efficiency of bureaucracy, rather than a politicised issue. The core concept of the NPM-style reform, such as performance management, has been dominant in many countries in the last decades (Ashworth, Ferlie, Hammerschmid, Moon, & Reay, 2013, p. S2). Accordingly, it was difficult for both the ruling and the opposition parties to dismiss the adoption of this reform agenda, which was supported by the general public and well justified by NPM. Thus, there could be a tacit agreement between the key policy actors in the direction of developing PRP.

Secondly, the actual determination process of PRP involved a limited number of policy actors, such as departments in charge of budget and personnel administration. In Korea, the annual pay increase rate for the civil service is finally determined and proclaimed by the parliament after the annual budgeting process. Also, it is officially published in the major newspapers (P. S. Kim, 2003, p. 120). However, due to the complexity of the civil service pay structure, the general public and even the experts do not know it in detail. The content and amount of payment (e.g. accumulation method to annual salary for senior civil servants) are considerably dependent upon the guidelines established by the ministry in charge (e.g., Ordinance of the ministry). Due to this kind of unknown delegation from politicians to bureaucrats on establishing detailed guidelines of the civil service payment, the substantial dominance by bureaucracy has been achieved⁷³.

Thirdly, the increased portion of PRP actually had an effect of raising the real pay rate, which is of course welcomed by the beneficiary or senior officials. One thing that should be noted here is that there was an additional increasing effect of the SCS pay caused by an accumulative method of determining PRP. Contrary to the one-shot payment of PRP as a bonus for lower-level civil servants, the amount of PRP for the SCS was accumulated in the next year's basic pay, as long as it did not exceed the cap of the pay band (CSC, 2006b). For example, in 2007, 1.8 per cent of the annual salary was

⁷³ Transparency has been an important issue in the Korean civil service pay. In the past, while the total annual increase of base salary was open, the types and contents of allowances were disclosed. As specific information about allowance was not actually delivered to the public in detail, its proportion to the whole salary has been increasing and, accordingly, was out of control by the parliament and the media. Similarly, the additional accumulation of the performance-related portion to the next year pay can be problematic in terms of transparency.

additionally increased on average (CSC, 2006e, p. 10). This cumulative mechanism was devised in 1999 in order to compensate for the low level of pay for the higher-level civil servants and to increase the discrepancy by performance; however, it produced many cases of reaching the limit of the salary band. This compelled a change to a partial accumulation mechanism from 2008. Still, this cumulative system maintained and made an impact on the additional increase of senior service pay and even the amount of pension after retirement (*SNUST Newspaper*, 2014)⁷⁴.

Despite this powerful cumulative effect, PRP has not been well-known to the general public due to its technical complexity. The increasing portion of PRP for senior officials has resulted in their pay-increasing rate to be substantially higher than that of the lower-level civil servants (Interview B12). An interviewee who participated in designing the draft of PRP made the following commentary on the powerful effect of the cumulative nature of PRP:

The introduction of performance-related annual salary system for senior officials could give a positive message of 'breaking iron rice bowl' (reform a guaranteed secure job) to the general public and the critical media When we first designed it, frankly, we considered the effect of raising pay level using an accumulating system. That is why senior officials did not resist PRP. They thought they would receive a higher performance grade next year if not having grade S (Excellent) this year (Interview B5).

About this increase of performance-related pay for senior officials, a civil servant who worked in the SCS policy division commented on this increase of performance-related pay for senior officials as follows:

The proportion of PRP for high- and low-level civil servants was almost the same when it was firstly introduced. However, as of 2011, performance pay for the SCS almost doubled and the pay differential between the SCS and non-SCS has been much intensified... moreover, 90 per cent of the SCS members could get performance-related pay in the current system. I am really doubtful whether this kind of big differential is necessary in the future (J. G. Kim, 2013, pp. 63-64).

⁷⁴ In his recent press interview, Prof. Namgoong Geun, president of Seoul National University of Science and Technology (SNUST), recently pointed out that this highly accumulative way of determining performance-related annual pay could cause many problems.

Until recently, there was a study highlighting at the phenomenon of a relatively lower pay for the SCS than the pay in the private sector (Korean Labour Institute, 2010); it was similar even when compared to the pay in other OECD member countries (OECD, 2013, pp. 106-107). Restricted by the citizens' cultural reluctance to increase the pay for senior officials, the reinforcement of performance-related pay became a legitimate way of increasing the relatively low salary of senior civil servants.

The Issue of Performance Appraisal

The increased amount of performance-related pay, it should be noted, did not guarantee the fairness and appropriateness of the performance appraisal system put in place. According to C. Park and Cho (2013), in 2008, over 80 per cent of senior bureaucrats received 'excellent' and 'outstanding' grades as a result of their annual performance appraisal, and no one received the 'unsatisfactory' grade (J. G. Kim, 2013; p. 158)⁷⁵. This means that almost all the SCS members received PRP in 2008, and this accumulated in the basic pay of 2009. The problematic quality of performance management was also projected in the results of the re-certification process - which examined the qualification of senior officials based on their performance on a regular five-year basis (State Public Officials Act, Article 70-2). With the re-certification committee, an under-performing senior civil servant could now be dismissed. However, according to Mr. Lee Cheol-woo, an MP of the ruling party, no official was dismissed based on the results of the re-certification.

According to the documents sourced from the MOSPA, there has been no person who did not pass the re-certification committee from the introduction of the SCS system in 2006 to the end of 2013. So, nobody has been dismissed until now by this process. All of the 461 candidates passed this appraisal and it means that the procedure of this performance management was a mere formality in itself. It is totally meaningless." (Yonhapnews, 2014b).

In his media interview, Prof. Kim Young-woo of Seoul (Yonhapnews, 2014b) Metropolitan University also pointed out that the current performance appraisal system cannot guarantee its fairness and objectivity:

⁷⁵ According to J. G. Kim (2013, p. 61), the moderate tendency of performance appraisal has been weakening, but many senior civil servants still question the objectivity of performance appraisal. For example, as a result of performance appraisal of 292 senior civil servants for the Ministry of Foreign Affairs in 2011, no person got the 'very unsatisfactory' grade and only 27 persons (around 9 per cent) received the 'unsatisfactory' grade. It means that over 90 per cent of the candidates got PRP which would accumulate in their next year annual salary.

It is still difficult to expect a fair performance measurement and seniority is most important at the moment" [...] individual pay is uniformly determined by rank and it has nothing to do with the amount or the difficulty or the accountability of job itself. The inherent limitation under the seniority-oriented rank system in the government still remains"(SNUST Newspaper, 2014).

Also, another academic study (C. Park & Cho, 2013) pointed out the problem of the SCS performance appraisal. One of their interviewees, a director-general who worked for MOSPA, said that annual performance of the SCS would be appraised by seniority in practice. Another interviewee remarked that the paternalistic culture of the Korean government still actually interfered with impartial performance evaluation (p. 166). That is the reason why, despite a gradual increase of the performance portion in the total annual salary, the future of the job appraisal and performance-based pay system for the SCS does not seem rosy.

How was the Understanding of the Reward Aspect of the Public Service Bargain Altered?

The case of the SCS pay determination process, in particular, the case of job-related pay, raises interesting questions about who (or what) initiates and/or sustains a reform policy. As Kelman (2005) pointed out, a reform policy needs two stages: the initiating stage and the consolidating process. In the initiating stage, bureaucrats gain a momentum when they obtain political support and the reform direction corresponds to their organisational interests. However, in order to consolidate the reform, some continuity within the leading administration becomes crucial.

Contrary to a general perception that bureaucracy resists change, the idea of the SCS reform in Korea was initially raised internally by officials within the CSC itself, at the heart of government. Its staff exhaustively researched this new option through examining the reform experiences of civil services in the West. In Korea, the idea of a SCS pay system was a relatively new agenda item, so only sparse literature on this topic existed, even in the academic arena. This low level of accumulation of knowledge was one of the reasons for not opening ‘a window of policy’ before 2003. In spite of unsuccessful trials under Kim Dae-jung’s administration, the staff of CSC did not throw this possible future agenda into the bin. Rather, they made efforts to put in place prerequisites, such as the ongoing job analysis and encouraging academic supporters on the idea of, looking to the future (Interview B16). These early foundational efforts were maintained under the next administration. This was possible because some experienced civil servants in the CSC were convinced that, in the future, a political leader who wanted

a fresh civil service reform would need an agenda for managing high-level officials in a properly integrated way. One interviewee mentioned the organisational interest of the CSC:

Why did the CSC actively promote the SCS reform? If a centralised public personnel management system is introduced, personnel, organisation, and role of the department in charge would increase accordingly. In practice, the introduction of job analysis system and the SCS reform made the organisation bigger (Interview A5).

After the introduction of the SCS system, backed up by the strong support of President Rho Moo-hyun, a sudden regression of policy was caused by the change of administration and the reorganisation of the government (J. G. Kim, 2013, p. 101). Under President Lee's administration, the five levels of job grades were regarded negatively as components that restricted the flexibility of minister's personnel management (C. Park & Cho, 2013, p. 164). With the decrease of job grades, the SCS reform became crippled. The loss of a policy leader, or an initiating department, undermined the sustainability of the reform policy. In addition, the strong position adopted by the previous president (President Rho) worsened the continuity of the reform. When the administration changed to that of President Lee, he tended to seek a different and fresh political agenda, rather than to constructively build upon the previous president's achievements. In Kelman's (2005) terms, at the consolidating stage, the SCS reform lost its momentum with the loss of a leading impetus.

Unlike SCS job pay, PRP was maintained and even expanded after the change of administration. This seemingly fits the idea of NPM that an increase of salary for government officials is necessary in order to achieve greater competition and performance. In fact, pay for senior managers was raised in many countries by the PRP plan (Brans & Peters, 2012, p. 285). However, if we take a look at the details of the way that PRP was managed for the SCS in Korea, we can see that the increased level of PRP does not mean that the efficiencies expected by the NPM theorists will materialise. As the previous sub-section showed, the increased proportion of PRP in total pay was mainly due to the cumulative nature of the PRP determination. This case seems to fit with the Page (2012) argument that bureaucrats can substantially and continuously dominate a policy process by establishing administrative decree, excluding politicians. Similarly, the case of the Korean PRP system shows how low-level decrees or ministerial ordinances within the executive branch can substantially control an additional increase of the SCS pay.

Table 6.10. Change of Reward in the Progress of the CSC Pay Reform

		Initiating Phase	Consolidating Phase
Characteristics		The SCS pay reform was politically rewarding for the president, and offered benefits to the CSC, and the MPB, but infringed the MOGAHA's authority	Job Pay was reduced, but PRP survived due to its political neutrality
Reward	For the President	<ul style="list-style-type: none"> ● Reputation as a reformer 	<ul style="list-style-type: none"> ● The new president wanted to abolish the SCS system ● Seeking a new reform direction
	For the ministries & civil servants	<ul style="list-style-type: none"> ● Initiative in Pay Reform Policy (CSC) ● Increase of Senior officials' wage (civil servants) ● Expectation of an increase in Senior Officials Posts (MPB) 	<ul style="list-style-type: none"> ● Substantial increase of pay ● Implementing ministry (MOPAS) was able to recover its authority and dominate the policy process

Concluding Remarks

Through the analysis of major activities of the policy participants and important events throughout the time flow, this chapter examined how and why the SCS pay reform was introduced and modified in Korea. The adoption of the SCS as an important agenda in the realm of civil service reform in Korea was obviously influenced by NPM, which is rooted in the concept of performance-related efficiency. NPM has been a significant driver in the public personnel management reform since 1980s in OECD and the EU member states (Cardona, 2006). Also, top managers' pay was commonly increased with the justification of promoting mobility between public and private sectors. However, as shown in many administrative reform cases, the symbolic effect of NPM often exceeds its actual effect, only providing a momentum for initiating the reform (Christensen & Lægveid, 2003). Once a reform agenda was set, the process after agenda-setting unfolded differently according to the interactions of policy-makers in various historical and institutional contexts. The Korean SCS case also revealed some indigenous aspects in the process of its introduction and modification.

The change of the SCS pay system in Korea was mainly promoted by the CSC, the department in charge. It played a critical role as the policy entrepreneur; the chairman declared the SCS reform as the main reform agenda, the executives persuaded MPs and opposing ministries and inspired their staff. They asked private experts and academic scholars for support to overcome political obstacles. Afterwards, with the strong support

from President Rho, a considerable development was accomplished. The leading role of the policy-maker can still be seen as important in the Korean civil service reform. In this case of self-initiated reform, however, the CSC not only promoted it, but also put it at risk in terms of sustainability and responsibility.

Although the policy direction of the SCS still continues based on NPM, its sustainability and momentum were greatly weakened by political changes and frequent government reorganisations. The expected reform outcomes have not been attained yet. The seniority-based culture in the civil service is still strong, as it has lasted for several decades since the inception of government. Thus, in order to make the SCS pay reform successful in a true sense, dedicated nurturing is needed in the long term.

The case of the Korean SCS reform shows some limitations in terms of responsibility. In spite of the participation of political parties, private sector experts and academia, it was basically a ministry-driven policy community. Thus, it was vulnerable to the change of administration and government reorganisations. The reform policy was derailed by the abolition of the CSC. The job-related characteristics in the pay structure became marred and the performance appraisal system was not much improved by the MOPAS, the succeeding but more comprehensive department.

One possible option to heighten the responsibility and expertise in the pay strategy is the organisation of a special review body or an independent commission composed of experts and political representatives in order to determine the guidelines of the pay rise and structure (e.g., pay review body in the UK). In particular, in the case of senior officials' pay, the use of a specialised independent body seems to be much more beneficial, as it is difficult for unions to function or participate in a decentralised pay determination governance (Korean Labour Institute, 2010).

Chapter 7. Building a Model of Administrative Reform in Korea

Korean civil service pay reform, which made reference to Western-style NPM doctrine, has not followed the same trajectory as that travelled by Western countries. Instead, it revealed distinctiveness in its actors, process and outcomes. These features were described in detail in our investigation through which we have studied representative cases, i.e., (1) public-private pay balance (PPPB); (2) performance-related pay (PRP); (3) total payroll cost management (TPCM); and (4) senior civil service pay (SCSP). Building on the empirical findings from the case studies of the Korean civil service pay reform in the four preceding chapters, this concluding chapter aims to suggest a model of the administrative reform dynamics in Korea in terms of its process and outcomes. In doing so, we attempt to answer the main research question (RQ) outlined in Chapter 1: “***How and why did the policy process affect the outcome of the civil service pay reform in Korea?***” The following sub-questions are addressed.

1. *What were the central features and characteristics of the development of the Korean civil service pay system?*
2. *Which actors were mainly involved in the reform process and how did these actors' bargains affect the outcome of the Korean civil service pay reform?*

Section 7.1 describes other examples of the Korean administrative reform, such as agencification, budgetary reform, and e-government in order to discuss the NPM-based reform in the Korean context. Section 7.2 provides an account of the patterns and dynamics of the Korean civil service pay reform, particularly with regard to the change of the reward aspect of PSB, which is followed by the discussion and the implications of the Korean model in a wider context. Finally, section 7.3 summarises the contribution of this study in terms of the theoretical and practical implications and suggests future research directions.

7.1 Korean Administrative Reforms in the era of NPM

Prior to presenting the Korean model of the reform process through an assessment of the civil service pay reform cases discussed in Chapters 3 to 6, this section examines a wider theme of the civil service reform together with other exemplars of the Korean administrative reform, such as agencification, budgetary reform, and e-government. With regard to the civil service reform, these institutional arrangements were mostly adapted during the period of President Kim Dae-jung in the late 1990s and were further actively promoted by the succeeding President Rho Moo-hyun from 2003 to 2007. Even in the term of President Lee Myung-bak (2008–12), the general direction of the reform pursuing managerial efficiency in the public sector did not considerably change; at present, it is being implemented under the administration of President Park Geun-hye.

Various Menus of NPM-inspired Reform

Agencification The idea of agencification was first introduced in 1998 soon after the IMF bailout. In Korea, the ‘executive agency’ was adopted under the name of “operating agency with accountability”. This agenda was selected in order to realise the national slogan, “a small but efficient government”. Based on “the British model of executive agencies” (M. J. Moon & Kim, 2006, p. 244), the Korean agencification aimed to enhance a customer-oriented service delivery and to foster a performance-oriented culture in the government, by giving agencies a greater autonomy in financial, organisational and personnel matters (P. S. Kim, 2000). The head of an agency was to be selected through open competition and, every 3 years, a performance contract would be concluded with the respective department. In 1999, the legal system was established (Act on Establishment and Operation of Executive Agency) and the first 10 executive agencies (e.g. Driving and Vehicle Agency, National Science Museum, National Central Theatre and National Medical Hospital) were designated in 2000. In 2001, 13 agencies were added and the performance appraisal system by the relevant department and MOGAHA was introduced. The number of agencies dramatically increased, up to 47 (10,039 employees in total in 2007) under the Rho presidency. After 2008, however, only a few executive agencies were newly designated and some bodies were abolished. Since 2011, the executive agencies have been operating according to the following classification: ‘Survey and Quality Management agencies’, ‘Research agencies’, ‘Hospital agencies’, ‘Education and Training agencies’ and ‘Facility Maintenance agencies’. As of 2013, 39 executive

agencies are being operated with 8,932 employees. Table 7.2 specifies the change in the number of designated executive agencies.

Table 7.1 Number of Executive Agencies (2000-2013)

Year	2000	2001	2006	2007	2008*	2009	2011	2013
Number	10	23	45	47	39	38	38	39

* The fall in number in 2008 was caused by mergers and the abolition of some agencies.

Despite the growth in the number of executive agencies and the relative increase of their operational efficiency in the last 14 years, there have been critical opinions on the selection criteria and the performance of this system. For example, some executive agencies were not expected to have financial independence (e.g. the National Psychiatry Hospital located in a local province). Furthermore, less powerful agencies were more likely to be selected for agencification than powerful agencies, such as the Ministry of Strategy and Finance and Ministry of Government Administration and Home Affairs (T. Im, 2003; M. J. Moon & Kim, 2006).

In addition, the Korean executive agencies were evaluated as limited in terms of empowerment in organisational management. Although there is positive research arguing that customer satisfaction was enhanced after the introduction of executive agencies (e.g. the appraisal report by MOGAHA, 2006), major opinions are critical in that the level of autonomy and the compensation for performance have been similar to those of the general government administration, while the assessment work which lowers the morale of organisations has been intensified. In addition, some research points out that, due to the emphasis of budget saving and the difficulties in communication across the departments, agencification has made the operation of institutions more difficult. The autonomy of the agency head still needs to be increased (P. S. Kim, 2000; M. J. Moon & Kim, 2006).

Budgetary reform Recent budget reform policies introduced by the Korean government can be understood in relation to NPM and the modernisation of public administration, because their logic was borrowed from the experiences of Western governments. They included inter-related reform programmes, introduced as a package under the Rho Moo-hyun administration; Mid-term expenditure plan (MTEP), Top-down budgeting, Performance-based budgeting (PBB)⁷⁶ and Digital Budget and Accounting System (D-

⁷⁶ Performance-based budgeting was first introduced in 1999 under the Kim Dae-jung administration. However, it was launched only as a tentative pilot project during 2000 and 2002. The second initiative began in 2003 (John M. Kim, 2010, pp. 174-178).

Brain). By contrast to other OECD member countries, fiscal deficit was not a motive of these reforms. Korea continued an exemplary surplus in fiscal balance throughout the 1990s and, in particular, its public finance was balanced or in surplus for more than two decades since the 1980s. The level of national debt has been much lower than the average of OECD member countries (John M. Kim, 2010, p. 176). As suggested by John M. Kim (2010), the expected future planning of rapid aging and the ownership of the vice-minister and ministry in charge (MPB) were critical to the introduction of the new ambitious reform package and the strategy of ‘do first, fix later’ was used.

A decade later, the assessment of the results of the reforms is generous. For example, in the bottom-up process, it was natural that line ministries exaggerated their needs for resources. However, the top-down budgeting reduced the tendency of over-budgeting by line ministries (e.g. a decrease from 25 per cent to 5 per cent in the first year of the top-down budgeting; MPB press release, 14 June 2004). After the introduction of MTEP, it was expected that strategic decision-making based on long-term financial forecast would become possible. The fiscal balance of the Korean government is relatively sound: for example, in 2011, only six OECD countries, including Korea (2.0%), ran a fiscal surplus, while their fiscal deficit on average was 3.5 per cent of GDP (OECD, 2013, p. 62).

However, the budget game between the central budgeting agency and line ministries is still important, as over 200 sectoral ceilings exist besides the overall expenditure ceiling based on economic assumption and the country’s fiscal rule⁷⁷. The central budget office still reviews ministerial budget item by item and such micro control hinders line ministries from making decisions on internal allocation. In addition, deliberating on the budget by parliament remains focused on individual items.

E-government promotion Korea is regarded as one of the most advanced countries in the field of information technology, such as broadband, mobile and sophisticated services. According to Information and Communication Technology (ICT) indexes presented by international organisations such as the United Nations (UN), International Telecommunication Unit (ITU) and International Institute of Management Development (IMD), the country is ranked mostly in a upper position (S. C. Kim, Kim, & Lee, 2009; NIA, 2013). It is commonly argued that institutional intervention and governmental

⁷⁷ By contrast, in Sweden, there are only the overall and 27 sectoral expenditure ceilings, with hardly any restrictions among wages, transfers and investments within sectoral ceilings (John M Kim & Park, 2006, p. 102).

control have played a key role in the technological development of Korea as one of the East Asian latecomer countries (Choung, Hameed, & Ji, 2011, pp. 270-271). E-government policy is no exception among the government-initiated development cases. Since the enactment of the Electronic Government Act in 2001, the policy has been continuously targeted for administrative reform in spite of administration changes. As a result, Korea's e-government has been successful and won the first place, three times in a row, in the UN E-Government Surveys of 2010, 2012, and 2014 (see Table 7.2).

In addition, the development of e-government can be found in various administrative services for citizens. For instance, the usage of online civil service (called Minwon 24) has dramatically increased from 7.79 million in 2004 to 64.4 million in 2013. The rate of using online tax deduction service (HomeTax) amounted up to 89 per cent (11,270,150) in 2013, which was a huge increase compared to 59 per cent (22,323,647) in 2004.

Table 7.2 Ranking of E-Government for Korea (2003-2014)

Index / Year	2003	2004	2005	2008	2010	2012	2014
e-gov't development	13	5	5	6	1	1	1
e-participation	12	6	4	2	1	1	1

Biennial survey on 193 member states conducted by Department of Economics and Social Affairs, United Nations (UNDESA)

Source: MOGAHA and NIA (2014)

A strong government leadership, implementation framework and insightful mid- and long-term plans were commonly highlighted as important success factors within the culture receptive to new technologies and services, ICT industry development and the world's top-level fixed and wireless Internet environment (MOGAHA & NIA, 2014).

The pathway of e-government development can be explained by the organisational changes in the government department after the 1990s. In 1994, Ministry of Information and Communication (MOIC) was first established, changed from the Ministry of Communication which had mainly provided postal services (Government Organisation Act, 1994). With the change of the signboard, the role of the ministry was transformed into developing the ICT industry and infrastructure. However, the development of e-government began in earnest after the enactment of the Electronic Government Act 2001 which served as the legal ground for implementing 11 e-government initiatives as national reformative projects (e.g. G4C, e-procurement, national finance information, among others). Initially, the related budget from 2001 to

2002 was KRW 232.2 billion (GBP 133 million). During the next presidency led by Rho Moo-hyun (2003-2007), more effort was made for e-government, establishing ‘Roadmap for e-Government’ and implementing its 31 projects, including integrated computing environment, improvement of online services for citizens, increased sharing of public data and so on. Furthermore, the foundation for connecting or integrating services of different ministries was laid in this period. The budget increased to KRW 942.5 billion (GBP 539 million) from 2003 to 2007.

In 2008, the Ministry of Information and Communication (MIC), which played a major role in promoting the ICT development for the past 14 years, was abolished and its functions were re-distributed among four other ministries during the government reorganisation in the new President Lee Myung-bak’s administration (Government Organisation Act, 2008)⁷⁸. During the term of President Lee, the focus of e-government policy moved onto exports, rather than domestic service development⁷⁹. Based on the aggressive marketing of ICT businesses towards the overseas markets, the volume of export of e-government sharply increased (see Table 7.3). With the best practice selection consisting of representative products, such as e-customs system (UNI-PASS), online patent administration system (KIPOnet), and online e-procurement system (KONEPS), the Korean system was exported to diverse regions of Southeast Asia (59% in 2011), Africa (31%), Southwest Asia (28%), Latin America (11%), Central Asia (8%), and Middle East (3%) in 2002 (NIA, 2013, p. 6)⁸⁰.

Table 7.3 E-government Exports

Total	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
87,318	10	10	5	85	4,350	982	2,732	6,670	14,876	23,566	34,032

Source: NIA (2013, p. 6), Unit: USD 10,000

In 2013, the era of e-government services returned with the slogan of ‘Government 3.0’ by President Park Geun-hye. With the national vision of four components – namely, ‘openness’, ‘sharing’, ‘communication’ and ‘collaboration’ – MOSPA (MOGAHA since November 2014) drove customised services for individual

⁷⁸ The four ministries and the transferred businesses are the Ministry of Public Administration and Security (e-government, information security), Ministry of Knowledge Economy (ICT industry development, Postal service), Korean Broadcasting Communication Committee (Radio regulation, communications convergence and network protection), Ministry of Culture, Sports, and Tourism (Digital contents).

⁷⁹ The total budget of e-government under the Lee Myung-bak administration amounted to KRW 673.6 billion (2008 ~ 12).

⁸⁰ The average annual growth rate of e-government export is about 70 per cent (USD 30 million in 2008 to 419 million in 2013) and the accumulated export reached USD 1.2 billion in 2014.

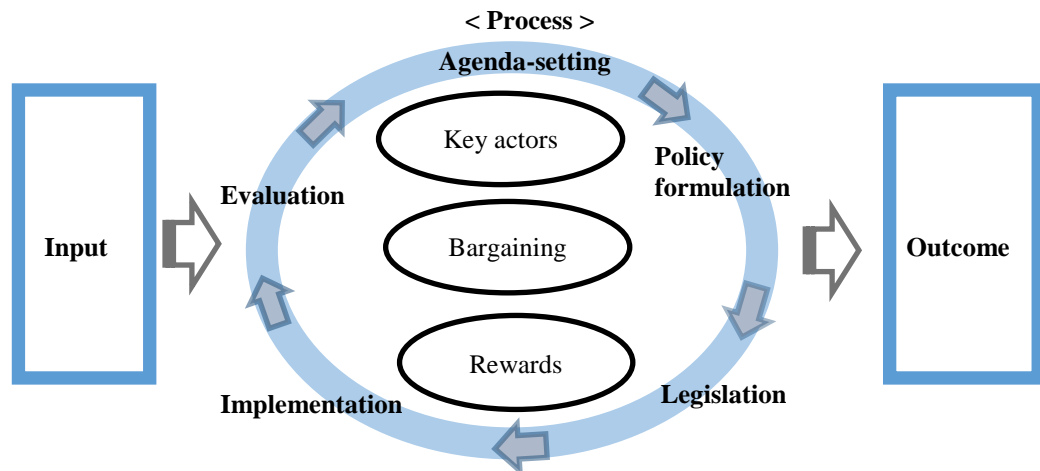
citizens and scientific administration based on big data and cloud computing (MOGAHA & NIA, 2014). The key tasks of Government 3.0 is to redefine the role of the government as a service provider that provides the platform, information sharing, information disclosure, and collaboration between ministries and citizens (NIA, 2013, p. 6). Despite the administration change every 5 years and its change of the policy focus, e-government and IT policy appear to be on the right track.

To sum up, NPM has been a dominant paradigm of public sector reforms and Korea has been one of the most enthusiastic pioneers of the NPM ideas (Cheung, 2011; Sun Hyuk Kim & Han, 2015). The exemplars outlined above, including agencification, budgetary reform and e-government strategy, were its representatives that meet the principle and core components of NPM. After the Asian economic crisis in the late 1990s, they were initiated under the Kim or Rho administration. The policy direction remained mostly unchanged, even after the change of administration. With political support, the bureaucracy, or central departments could have ownership of promoting these administrative reforms and a speedy progress from planning to implementation was achieved. However, policy progress and outcomes of the reform had fluctuations with varying degrees after the implementation stage, as was revealed in the case of agencification. In fact, the number of organisations that were agencified has not increased. Rather than being consolidated or settled inside the government, it frequently experienced a significant change or re-promotion process after a state of stagnancy for some time in the following administration. For example, in the case of e-government policy, it was initially more focused on making the Korean government work efficiently; later, however, it was able to survive a change of its strategy to import the reformative format to other developing countries (the so-called ‘Korean wave’).

7.2 Korean Civil Service Reform Model: Pattern, Outcome & Dynamics

In this section, the civil service reform in Korea is discussed by applying the preliminary framework suggested in Chapter 1 (see Figure 7.1) to the empirical findings derived from our case studies. As the strategy of developing Korea was basically to imitate one from Western developed societies, as happened in other East Asian countries (see Chapter 1), the introduction of NPM ideas into the field of civil service was the starting point of the Korean civil service reform. In this section, we investigate how successfully the NPM ideas and NPM-inspired reform measures were accepted and implemented. It is important to recognise that the degree of accepting the NPM-inspired reform measures changed over time. In our preliminary framework, policy process is suggested as a concept where the key players interact by starting from agenda-setting through policy formulation, legislation, and implementation to evaluation of the newly introduced reform policy. We assume that changes in behaviour and the motives of key players resulted in the change of the reform direction. Accordingly, the dynamics of the reform can be understood as a relationship between key actors, their behaviours, and motives.

Figure 7.1 Framework of the Research (Chapter 1)



Korean civil service pay reform: Pattern of Change

The direction of the civil service reform in Korea since the late 1990s is clear. Similarly to other administrative reform cases, such as agencification or budgetary reform, the main idea was to introduce NPM ideas into the civil service pay issue. It was a strong dogma, regarded and imported without doubt as a verified prescription to the next step of public administration. Since Kim Dae-jung's administration, this direction has largely continued

until today (Y. Oh, 2014; C. Park & Joo, 2010). Although the progress of change has been different across administrations, it can be assumed that the political will of the newly elected president has affected the results of the reform in the long term.

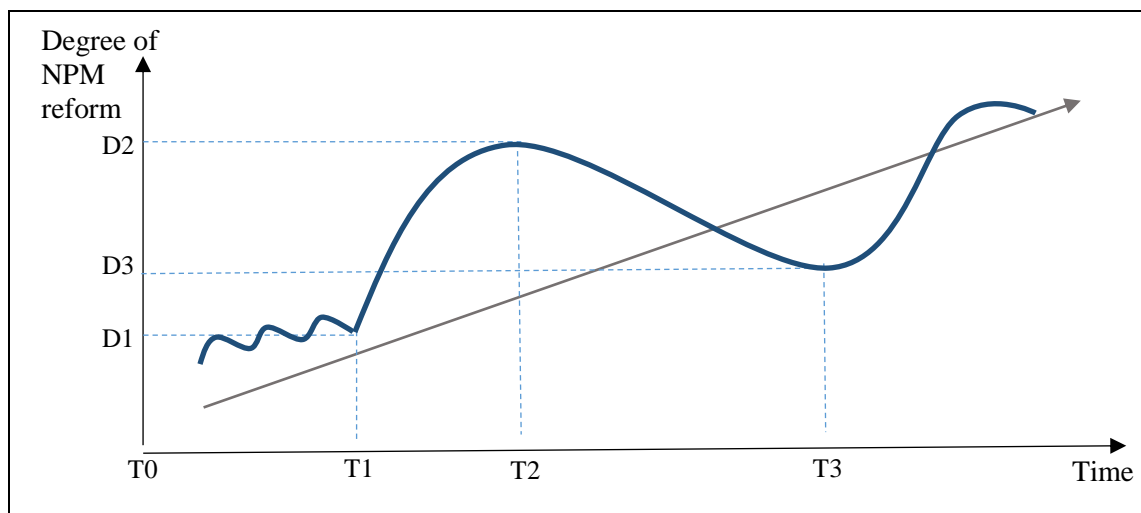
In order to identify the direction or pattern of change, we evaluated the individual development of changes and features that were commonly observed in the Korean civil service pay reform process. In all four pay reform cases, the progress of reform was not linear, but had fluctuations of a 3-5 year cycle. The pattern of civil service pay reform showed an ambitious start, speedy introduction of a new system, decline of driving forces over time, and apparent or hidden retreat or maintenance. For instance, in Chapter 3, public and private pay balance was first initiated by President Kim and was successfully institutionalised with the ambitious Five- Year Plan of Civil Service Pay. However, when President Rho was inaugurated, the focus of the reform moved to different issues and the target of balancing became an unrealised ambition. Performance-related pay in Chapter 4, total payroll cost management in Chapter 5 and SCS pay in Chapter 6 have followed a similar pattern. All these were reform measures were diligently implemented. However, with the change of the political power, the initial strong propulsion became weaker and the reform policy was transformed or retracted. The simplification of the change of the new system according to the change of administration is shown in Table 7.4

Table 7.4 Progress of Civil Service Pay Reform by Administration (1998-2013)

Reform policy	Kim DJ (1998-2002)	Rho MH (2003-2007)	Lee MB (2008-2012)	Park GH (2013)
Public-private pay balance	Successful progress	Gradual retreat	Apparent retreat	Apparent retreat
Performance-related Pay	Good start, gridlock after resistance	Successful progress	Maintenance	Maintenance
Total payroll cost management	Early failed trial	Good start, successful progress	Hidden retreat	Maintenance
SCS pay	Early failed trial	Good start, successful progress	Apparent retreat	Maintenance

If we synthesise the progress shown above and display their pattern in a diagram, we can get a graph of fluctuations in a rising trend. Figure 7.2 illustrates the overall pattern of change in the Korean civil service pay reform since 1998.

Figure 7.2 Illustration of the Changes in Korean Civil Service Pay Reform Policy Over Time



The diagram here basically presents how strongly the reform was accepted and implemented. In other words, this shows a trajectory on how NPM priorities and orientations were received or adopted in the form of new institutions. The horizontal axis shows the time and the vertical axis shows the degree of acceptance of the NPM-inspired reform. T1 is defined as the point at which a new agenda was officially introduced. T1 marks the point where the review of a new reform agenda is finished and confirmed. The formal adoption of the agenda is completed more or less in the first or second year, at the latest, when the agenda is raised openly. The adoption of the new agenda is very radical. The formal agenda setting is followed by the legislation process. This process includes more or less the phase between T1 and T2. Legislation is important because it makes reform measures progressive. After the legislation is mostly completed, the implementation process (T2-T3) begins. However, the strength of reformative elements becomes weaker after a certain point (T2). This trend might or might not decline until it is reversed by political change (T3). In this consolidating stage, there is a possibility of a transformation of the reform. The reform may end with unintended results. It is possible that different forms of regulation occur.

As illustrated in Figure 7.2, the fluctuation by the degree, or the result of the reform, is shown along the whole process of promoting a new reform policy. Similar to the argument of Pollitt and Bouckaert (2011), fluctuation such as a rapid change, a gradual decay of previous reform and a partial reversal over time is observed here. The degree or velocity of the change varies according to the phases where major events occur. It should also be noted that, despite the fluctuations, the long term and overall trend rises, implying that the results of the reform improve in the long term.

Korean Civil Service Pay Reform: Appraising the Outcome

The ultimate goal of the public management reform is to make government organisations function more efficiently (Pollitt & Bouckaert, 2011). Then, how can we appraise that the Korean civil service pay reform achieved its objectives, or intended results? In order to understand what the reform achieved, we attempt to evaluate the outcome of the Korean civil service pay reform according to following three criteria:

1. Formalities: Has the reform established the necessary legal or institutional arrangements and is being implemented in accordance with these arrangements?
2. Effectiveness: Has the reform met the objectives or intended results?
3. Sustainability: Has the reform programme continued as expected?

Formalities In the Korean civil service experience, necessary legal regulations and arrangements were introduced and well-established in most cases. For example, in the case of public-private pay balance (PPPB), the principle of balance was backed by the statute revision, the introduction of new a investigative method and targeting of the Five-Year Plan of balancing. In the case of performance related pay (PRP), the revision of performance bonus regulation from the end of 1998 was critical to the introduction of PRP. Total payroll cost management (TPCM) was introduced by the operation guidelines that were prepared together by the three Ministries in charge of government organisations, personnel and budgeting. Policy progress was made according to the expected schedule. The SCS pay was successfully introduced when the Presidential Decree of Civil Service Remuneration was revised to broaden the differences in pay according to the job rank.

Effectiveness In terms of effectiveness, the reform targets were mostly not met. Firstly, in the case of the public and private pay balance (PPPB), before the Five Year Plan was established, the level of public sector pay was around 87% compared to that of the private sector. The original goal of PPPB was to match the level of public pay with that of private pay in 2004. In fact, the ratio was increased up to 95.9% in 2004; however, it decreased to 84.5% in 2014. This was even lower than the level when the Five Year Plan was launched. Secondly, in the case of performance-related pay (PRP), intention was to increase the portion of PRP to 6% of all pay amounts. However, although there was some progress, the portion remains around 4-5 %. In case of PRP for teachers, the progress was much slower. For example, unlike the original intention of compensating for outstanding

performers, the majority of civil servants (up to 90%) shared PRP. Thirdly, in the case of total payroll cost management (TPCM), the original plan was to increase discretion by department to 20% of the whole budget of personnel compensation of the government (PCGID, 2004). It was expected that this budget amount should be used according to the needs of the individual departments. However, in 2013, over 90% of the amount was used to establish upper-rank positions and the actual flexible portion of the amount that reflected the demands of individual departments was as low as 1% of the whole personnel expense budget (Interview B29). Finally, in case of the senior civil service pay (SCSP), the payment was given differently according to job difficulties and performance. However, after the change of administration, the moderate plan was backtracked not to allow excessive mobility between job grades. Only performance pay to SCS attained the target of 10% of portion to total pay. Table 7.5 shows the differences between before and after the Korean civil service pay reform.

Table 7.5 Differences Between Before and After Korean Civil Service Pay Reform

	Before reform	Target of reform	After reform
Public Private Pay Gap	87% of private sector	The same level (100%)	84.5% of private sector*
Performance Pay	The portion of PRP was insignificant PRP evenly split	The portion of PRP target at 6% of total pay amount Differences in PRP	2.5% in 2006, 3% in 2007, then stagnant around 4~5%
Total Payroll Cost Reform	The same to all departments No discretion	Discretion by department up to 20% Flexibility heightened	1% flexibility by department
SCS Pay	Generous for the lower ranks, but tight for the upper ranks seniority-based	Compensation by difficulty and performance	Reduced job-based pay Increased performance- related pay General pay increase

* This data refers to the year of 2014

source: Extracted from the preceding case study Chapters (Chapter 3-6)

Sustainability Some of the newly-introduced reform measures were consolidated by enactment, but others were gradually weakened by lack of support by civil servants. In the case of PPPB, the gap between public and private pay level is increasing. However, there is no special momentum to change this trend. Despite the change of regimes, PRP is steadily expanding its portion in the long term. Although it is still a small portion, PRP for teachers is also slowly increasing. However, the receptiveness of civil servants is still low. TPCM is maintained as a mere formality. In the case of SCSP, performance-related

pay goes well; however, job pay is significantly reduced. Table 7.6 summarises the outcomes of the Korean civil service pay reform.

Table 7.6 Appraisal of the Reform Outcome

	Formalities	Effectiveness	Sustainability
PPPB (Chapter 3)	●	×	×
PRP (Chapter 4)	●	○	○
- General Service			
- Teachers	●	×	○
TPCM (Chapter 5)	●	×	×
SCSP (Chapter 6)	●	×	×
- Job Pay			
- PRP	●	○	○

(Strong: ●, Medium: ○, Weak: ×)

To conclude, NPM reform was successfully adapted in appearance in the Korean civil service. However, the policy outcome still falls short of the effectiveness and sustainability of the pursued NPM values. This implies that, once the reform is introduced as planned in the introductory stage, the following implementing process may develop different pathways by which alternations in policy outcomes are carried out. In the short term, why does this change occur? What causes this cyclic process? We explain this issue in relation to their collective inter-actions of the key actors and the changes of their motives. Borrowing the organisational change model of Kelman (2005), we separated the initiating phase from the consolidating phase.

Dynamics of the Korean Civil Service Pay Reform

Adoption of a reform agenda and formulation of policy New reform agenda is, in general, adopted by the president. However, strictly speaking, it is the coalition of the president, academic groups and bureaucracy who adopt agenda. In the process, scholar groups that participate in the presidential transition team and the presidential committee on government innovation had a big impact on the agenda and the public officials support them. Since many Korean scholars and government officials have studied in the US and the UK, they tend to be receptive to Western-style reforms (B. M. Ahn, 2008, p. 270; T. Im, 2011, p. 121; Seoul Newspaper, 2012). In addition, as presidents change every five years, s/he needs a new civil service reform agenda. In response to this, departments such as the Ministries of Personnel, of Organisation and of Budgeting participated in providing

practical expertise they could bring to the reform agenda that previously failed or stayed dormant. In addition, due to the powerful signal from the president, even the ministries with different orientation and interests closely cooperated as well. Even in cases of different policy orientations and conflicts, the involved ministries tend to agree to the direction preferred by the top decision-maker (Y. Kim & Shin, 1991)⁸¹. This shows a typical way of resolving conflicts between the ministries at stake.

The president walks a fine line between support from civil servants (and their families) and support from ordinary citizens. S/he presents reform policies sometimes on behalf of public officials and sometimes on the part of the citizens. The civil service pay reform was very symbolic, because it was sensitive to both civil servants and the general population. Ministries tend to put a bigger emphasis on their reputation as prime movers of the reform. They attempt to secure the support and confidence from the president during his/her initial years by being in favour of the reform rather than being in opposition to it. In doing so, they try to avoid losing any reform initiatives and try not to fall into the target of the reform. Accordingly, a new reform measure is speedily adopted and proceeds rapidly, because no key actors in the president led coalition will be opposed to it. Once adopted, a reform policy rapidly progresses to the stage of formulation and legislation.

Legislation The initiative of reform shifts slowly to the government departments. In other words, required steps and procedures are transferred from the jurisdiction of the Secretary of the President or presidential committees to the jurisdiction of the concerned departments. Whereas the parliament is involved in the legislation of only Acts and, sub-decrees, e.g., Presidential Decree, Directive, Ordinance, and Instructions, are all enacted and enforced independently by the executive branch. For example, civil service is instituted by one State Public Officials Act and numerous sub-decrees⁸². A relevant department, such as the Ministry of Personnel Management, is responsible for these sub-decrees. The enactment task is swiftly done by the department concerned and is finally confirmed in the Cabinet meeting. Until this stage, it is easy to reach an agreement

⁸¹ According to Y. Kim and Shin (1991), conflicts are more likely to be resolved through an informal custom than through a carefully designed formal mechanism. This shows such characteristics as informality and consensus-seeking in the conflict-resolution process. This method is accepted as interactions in a community. The Korean bureaucrats are traditionally sensitive to the clues in their boss' remarks. They tend to infer the intentions of the boss and, accordingly, act in a way that conforms with his/her views.

⁸² The Korean civil service act has a very complex structure. In 2015, the Ministry of Personnel Management was responsible for numerous legislations, including 6 Acts, 37 Presidential-decrees, 9 Prime ministers' decree and dozens of Ordinances and Directive and so on. Lower level Legislations are more detailed, concrete and executive.

because even opposing departments are reluctant to reveal conflicts between departments. The required budget is also relatively easily secured with the help of the president, the legislation of the department concerned, and the agreement in the policy-formulation process.

Through this process, bureaucracy, formerly the target of civil service reform, regains the ownership of policy and slowly starts to act as a master. In Korea, administrative reform has generally been implemented through enacting of a president-decree, or directive, rather than a revision of the law. This was preferred because it was free from parliamentary intervention. Therefore, legislation and implementation was quickly executed and the introduction of a Western personnel system also passed through in a similar way. Although external groups, such as the presidential committees, take part in this process, they only monitor whether the legislation was done or not, as they do not know the working-level contents as the bureaucracy; also, they do not have the know-how of dealing with the details of the actual administrative process. Extensive administrative legislation could be one of the obstacles to administrative reform (Page, 2012). Returning to Figure 7.2, despite fluctuations in the rise and fall in the reform process, we can tell the difference between D1 and D3. As the outcome of the reform, the level of D3 got one step higher than when the reform started (D1). This relates to the reform implementation process.

Implementation In this process, the role of the ministries in charge of implementation of reform becomes more important. All departments are subject to the same structure of Presidential Decree of Civil Service Remuneration. At this stage, reform-initiating departments issue annual instructions to control the actual operation. The ministry in charge of evaluation checks whether the contents of the reforms are properly enforced by each Ministry. Based on this evaluation, it revises very complicated practical guidelines. From this point, the strength of the reform is falling sharply. If the general public has a high interest and other participants are strongly involved in the policy process, the legislation and implementation are sometimes postponed. For example, in the initial implementation process, the PRP faced fierce resistance from trade unions and the president withdrew his powerful support for the PRP ahead of the election. In such cases, legislation might be possible but is postponed, or one waits until the next government or opposition has subsided.

In the period between T2 and T3 in Figure 7.2, the driving power of the reform weakens and the political focus shifts to another reform issue. The ministry in charge

completes the reform tasks and changes the way of implementation. Sometimes, the tasks are delegated to other departments. In this case, the department in charge monitors the performance of other departments. As political support from the president shifts to different agendas, conflicts between departments having different orientation start to appear. The bureaucratic pathologies, such as expanding the jurisdiction and regulation of the ministry, emerge as well. Even the political environment changes, introduced schemes are rarely reversed or withdrawn. However, our study of the four cases discussed in the preceding chapters shows that, without political support, reform policies are difficult to have continuity towards the original direction and purpose. The initial term of office of the presidential committee members who actively participate in them is generally three years (e.g., in the case of the presidential committee on the Government Innovation). After this period, most committee members are replaced. Moving into a lame duck phase makes it difficult to monitor and perform external control. When a presidential term expires, some committees are abolished. Trade unions and civil society have insufficient information to assess the performance or the implementation of the reform and the ability of the National Assembly to participate in the policy process is still incomplete⁸³.

To conclude, unlike the conventional view of ‘imperial presidency’ in Korea, the president did not always dominate the role of imperial policy-maker. Every stage has its own influential policy entrepreneur over time. Throughout the steps of legislation and implementation, its ownership gradually moves on to the core department and the innovative reform policy will degrade with the lack of internal and external control.

Building the Korean Civil Service Reform Model: Reform Outcomes and PSB

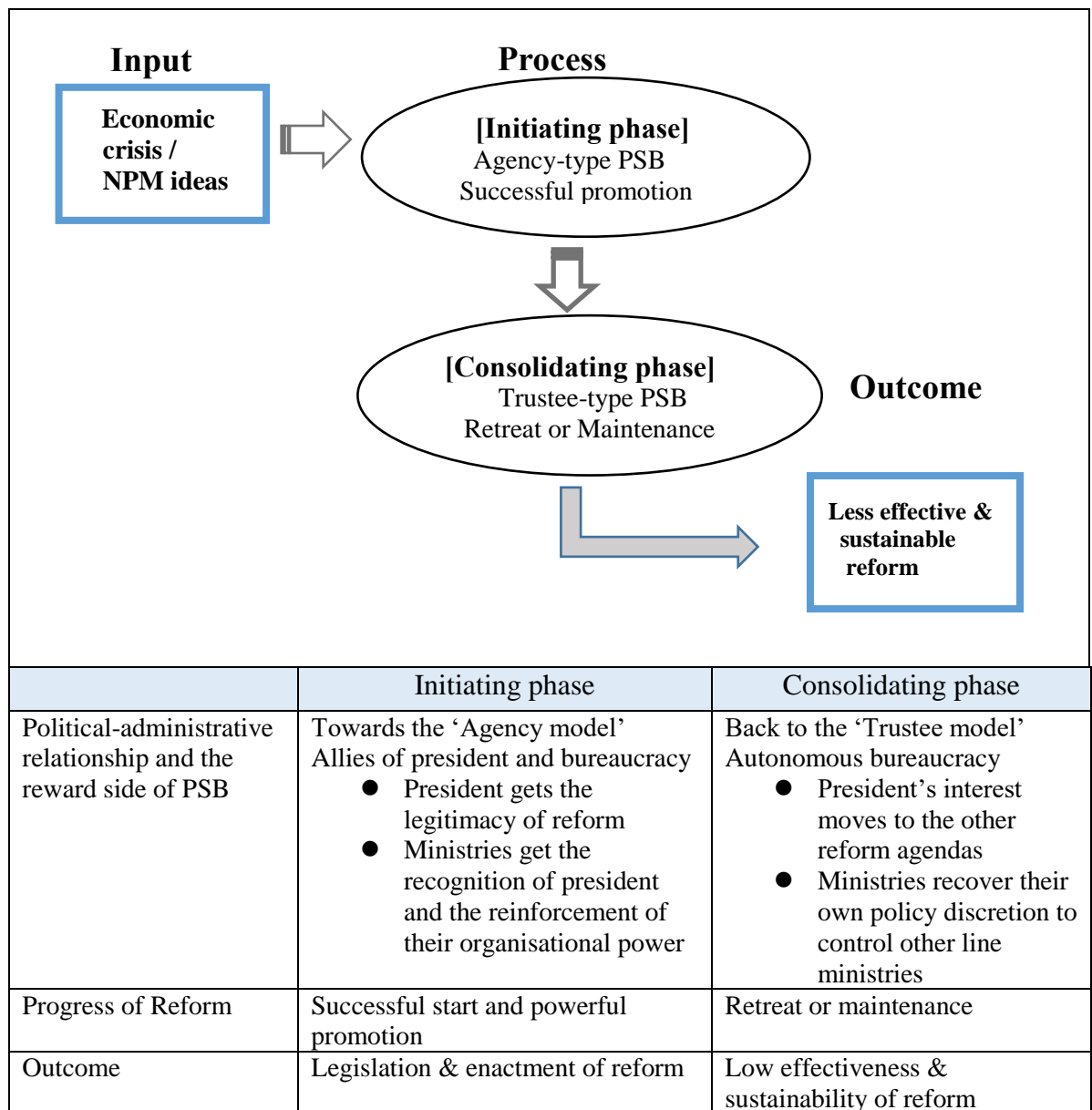
From the discussion above, we present a model of the Korean civil service reform. The first key to the initiation of civil service pay reform in Korea after the 1990s was external factors, such as economic crisis and the worldwide prevalence of the NPM idea. Since then, efforts have been made to improve the efficiency of public service by introducing competition and compensation based on performance. The introductory process of civil

⁸³ The policy evaluation capacity of the Parliament and political party is gradually increasing. Their policy capacities under previous authoritarian regimes were minimised. However, since the political democratisation of the so-called ‘equinox phenomenon’, different forces governing the administration and the Parliament, continue, the functions of the Parliament to check the executives have been or should be strengthened. The equinox trend after democratic government is a general phenomenon globally (C. Park & Kang, 2003).

service reform can be roughly categorised into two different phases, the initial phase and the consolidating phase, as was shown in individual empirical chapters 3 – 6. In the initial phase, such as agenda setting, formation of policy and enactment, these reform measures were quickly accepted. The coalition between the president, involved academics, and the government departments played a crucial role in initiating change. However, it was rather a weak coalition, than a strong and lasting bond. If this is classified as a type of PSB, it is closer to the agency-type bargain. Under such an agency-type bargain, the relationship between the president and the government department is an owner-agent relationship. The president, controlling the bureaucracy, leads the reform in order to obtain political support from the public. The president gains legitimacy by initiating civil service reform. While the government departments cooperate with the president, they gain a reputation as reformist and secure their status through obtaining the recognition of the president.

Moving to the consolidating phase, the speed of change slows down. The president with the five-year term withdraws the coalition, looking for a new reform agenda. Officials secure a position to substantially drive the reforms, while scholars and other participants are excluded from the policy process. This is closer to a trustee-type bargain, explaining the relationship between the president and the department under non-democratic or authoritarian regime. In such relationship, the president guarantees the autonomy of the department, while he keeps moving to a new agenda in order to obtain support from people continually. Already having autonomy, the department strengthens the regulatory authority over the policies through legislative delegation in the administration or enforcement, but does not care much for reform-minded changes. Through this process, the outcome of reform is likely to gradually retreat or maintain a certain level. Figure 7.3 illustrates a model of the Korean civil service reform that shows the factors and relationship types that influence the process and results of the reform. The incentives and rewards of the participants revealed in the civil service pay reform process eventually act as factors constraining the outcomes. This process constitutes the context of the administrative reform in Korea.

Figure 7.3 The Korean Civil Service Reform Model



As it is widely noted, Korea is a country that successfully accomplished democracy and economic growth at the same time in the final quarter of the 20th century. During this time, PSB in the field of politico-economy was trustee-type. This political and administrative relation (especially between the president and the bureaucracy) under the authoritarian regime has left a legacy in the behaviour of the participants of the policy process. For example, the most important feature of the Korean civil service reform model shows that, although agency-type PSB work in the initiating stage, it changes to a trustee-type PSB in the consolidating stage. This changed trustee-type PSB imposes limitation on the results initiated by the Western NPM-based reform. This feature is repeated in other examples of the Korean administration reform, such as the agencification or

budgeting reform processes (see section 7.1). These characteristics explain why the results of the NPM administrative reform could not reach the intended level.

It is necessary to distinguish the changes in the types of PSB seen in the individual civil service reform process from the institutional PSB type changes in the Korean civil service history. The general trend in the evolution of PSBs in Korea has been a move from a trustee type bargain to an agency type bargain. As reviewed in section 2.3, we can analyse the nature of the civil service since 1998 by observing the institutional characteristics of PSBs or the relationship between politics and public administration. The relationship between the president and public servants before 1998 indicated the features of the developmental bureaucracy era, when public servants provided political loyalty and special morale to back the president in order to gain a higher autonomous administrative power. However, the relationship since 1998 has turned into a more professional and contractual partnership. The value that the NPM-based reform had was to increase competition within the bureaucracy, stimulating performance and cost-effectiveness, which fits with a agency type bargain. In Figure 7.2, the long-term trend line (T0 – T3) shows that, despite the internal fluctuations, the relationship between the president and bureaucrats operated on democratic terms and favourable conditions for the agency-type PSBs. However, the individual civil service reform process shows that such changes fell short of initial expectation. That is, when the strength of the initiating power that drove a given civil service reform weakened (i.e., T2 – T3 in Figure 7.2), explicit or implicit policy retreat occurred. In addition, the relationship between the president and bureaucracy (in the controlling ministries) tended to show an inertia reversion to trustee-type PSB. The coalition between the president and the ministries in charge of personnel, organisation and budget is broken. The president's interest shifts to a new reform agenda. Then, the budgetary ministry's discretion and autonomous power rises. After all, the effectiveness of a longer term NPM policy is limited.

A fully articulated NPM-based policy is likely to more effectively develop in a political system where the agency type PSB arrangement is in smooth and regular operation (Hood and Lodge, 2006). However, the unsuccessful introduction of NPM, or a superficial introduction of NPM, implies that the civil service reform in Korea still might be dependent on a small number of strong or controlling ministries. It is particularly true when the president uses NPM as a toolkit to control civil servants for the purpose of gaining support from the public, rather than as a way of setting strategic goals that facilitate improvement of the long-term efficiency and productivity of the public

administration. When the president's priority shifts to different themes that attract the public, the initiative of the civil service reform is also transferred down to the delegated controlling ministries. Here the evidence suggests that a trustee-type PSB still has explanatory power in understanding the political scene. By suggesting the progress and limits of the actual feature of the civil service reform in Chapters 3-6, this thesis demonstrates that the transition from the trustee type PSB to the agency type PSB takes considerable time and that the Korean civil service still has some elements of the trustee PSB model from the developmental bureaucracy era.

7.3 Significance and Implications

Theoretical Implications

Scholars agree that the prescription from NPM has been consistently and actively introduced in Korea since the 1990s (B. Kim & Park, 2005; P. S. Kim, 2000; Sun Hyuk Kim & Han, 2015; Y. Oh, 2014; C. Park, 2011; C. Park & Joo, 2010). Since Kim Dae-jung's administration, this trend has, with some slight variations, continued through the terms of Presidents Rho Moo-hyun, Lee Myung-bak, and incumbent Park Guen-hye. As the country actively imported and promoted various government reform programmes from the developed Western countries, Korea has been frequently referred to as a 'department store' or a 'museum of reform' (T. Im, 2011). The contents of the reform were also very radical and such an attitude of the Korean government was known as a 'bandwagoning strategy' (Sun Hyuk Kim & Han, 2015). The main focus has been on the introduction and proliferation of materialistic incentive, the reinforcement of performance management, and the delegation of government authority to individual ministries, so as to enhance flexibility and efficiency of the government (CSC, 2007a). Still, many reform measures are being tried under the name of benchmark of Western countries. In this context, this study contributes to our understanding by offering two major points to the development of theory of public administrative reform.

Firstly, this study expands the theory of NPM by adding the cases of NPM application in Korea. Up to now, the NPM research mainly focused on which contents were introduced and which results were obtained by the import of NPM. However, this research took a closer look into the process and patterns of change over time and suggested the details of convergence and divergence of NPM. On the one hand, the

Korean civil service pay reform which referred to Western NPM theory and practice converges in terms of the content and direction of the reform. On the other hand, the process (the composition, relationship, and interaction) and the outcome (the degree of enactment, effectiveness, and continuity) of the reform show a distinctive Korean pattern. In addition, in the short term, the progress and retreat have been repeated; however, in the long term, the NPM idea has been validly pursued.

Secondly, this research broadens our understanding of the process of the reform introduction. Through the presentation of the Korean civil service reform model, it opens up the black box of the policy process and shows in detail what happens in this process. It empirically shows that the process can place limits on the outcome by defining the key actors' behaviour, rewards, and PSB relationship that brings forth the results. In particular, this study is the first to propose that, in the initial phase of the public management reform in Korea, the agency-type of PSB has an explanatory power, while the trustee-type of PSB can better account for the consolidation phase. This thesis argues that the unsuccessful policy outcome of the NPM-based reform relates to the changes in the understanding of rewards in the bargaining between the president and the ministries concerned over time. Although the PSB type of the Korean civil service in terms of institutions is still closer to the trustee type PSB, the overall trend moves slowly towards the agency type PSB.

If we expand this model to the case of other Asian countries, it might to some extent explain why there were differences when East Asian countries attempted to introduce western NPM reforms. More or less, East Asian countries created a competent and centralised bureaucracy from the 1960s to 1980s in their developmental state period. At this time the political power which lacked democratic legitimacy formed a close relationship with the bureaucracy and supported its policy autonomy. However, when NPM reforms were introduced, the type of PSB relationship initially existing in individual countries was different. The starting point PSB between politicians and the administration in Singapore and Hong Kong appeared to be more similar to the agency-type of the Western countries. In these cases, an undemocratic political power promoted the forces for change through a contractual relationship with the professional bureaucracy (Singapore); or alternatively, a hybrid model appeared when the state's role and skills were relatively weak (Hong Kong). On the other hand, the reform of the NPM was delayed or in gridlock in Japan, where the capacity and autonomy of the bureaucracy to the political power was relatively strong (Burns, 2015, p. 83) as in Taiwan while it was

under the authoritarian rule. In short, the reform process shows a path dependence where the initial relationship between politics and administration can influence the outcomes of the reform.

Thirdly, this thesis contributes to our understanding of the behaviour of bureaucracy. Public choice theory assumes that bureaucracy maximises its self-interest through the ways of increasing numbers of staff or maximising budget or bureau-shaping (Dunleavy, 1991; Niskanen, 1974). Given the extension of this perspective, it assumes that bureaucracy should always resist public sector reform that contradicts its interest. However, the case of Korea shows that bureaucracy is very strategic and long-term-oriented in the pursuit of its own interests. For example, it manages complex rules, while dealing with the political reform agenda which operates in a relatively short term. Sometimes, it cooperates with other department agencies in accordance with the instructions of the president and even accepts the reform that involves a budgetary cut-down. However, it gradually goes back to its own way as the reform progresses. In other words, bureaucracy does not always resist, rather, it has a dual identity: sometimes, that of a leader of reform and, at other times, as a resistance force. In the policy process, bureaucracy cleverly transformed from the object of reform into the subject of reform, thus changing its identity. The Korean case shows that just as the past Ministry of Economic Planning had a powerful authority in leading policy adjustment helped by the president's support during the industrialisation period, the current ministries in charge of the administrative reform (personnel, organisation and budget) played a similar role and reproduced their authority.

Implication for Practitioners

This research provides a guide on how to deal with bureaucracy. Given that the motives of bureaucracy change in the reform process, it is worth focusing on how to monitor the process, i.e. each step of policy introduction, rather than on the contents of the policy. Continuous monitoring of the policy process makes government departments work more effectively. It should also be noted that civil servants do not always resist the reform. If there is a political demand, public officials actively cooperate and legislate the reform measures, even those that require a change to bureaucracy itself. The problem is how to find a device that would ensure the continuous change in response to the needs of the policy itself and the demands of civil society. This means bureaucracy sensitively responds to political demand, but is less likely to respond quickly to civil or policy demands.

Viewed from an international perspective, it is a world-wide phenomenon that the contents and values of the civil service reform converge and individual countries' politics and economy, i.e., what Pollitt and Bouckaert (2011) call context, diverge. Recently, the Korean culture and institutions are spreading to developing countries throughout Asia. As this study ranges over the phenomena in the process leading to the naturalisation of Western practice in Korea, it can provide a reference and considerations for a subsequent adaptation in other developing countries. Some Asia-Pacific countries, including Middle East and Africa, import many institutions; however, they need to consider different political and historical contexts and the role of bureaucracy in them.

Suggestions for Future Research

As this study is based on the information and data regarding the civil service pay reform in Korea, it has a limitation in terms of generalizability to overall public administrative reform. In particular, the approach adopted in this study was a case study, which involves some limitations in terms of the research methodology. The motives and relationships between actors in the civil service pay reform process are not necessarily representative of the conceptualisation of the civil service reform in Korea. Therefore, further research is needed that would examine more areas of public management reform in Korea and other countries. In the case of Korea, NPM-influenced public management reform, such as agencification, budget reform and e-government, needs to be reviewed in relation to the process, actors, and their PSB. The exploration in other public management area could provide further insights into the process and outcomes of the civil service reform. If we look outside of Korea and widen the geographical range, it is worth attempting to understand the reform of Asia and African countries that imported the Korean institution and to compare results. One possible extension to this research is to apply our conceptual model of the civil service reform to other countries.

Appendix A: Research Methods (Data)

Major strengths of case study data collection include the opportunity to use several different sources of evidence. Furthermore, the need to use multiple sources of evidence far exceeds the respective needs in other research strategies (Yin, 2003, p. 97). Among the various suggested data sources to support a case study, the two main methods used in this present study were document-examination and interviews.

Document Examination

Documentation used in this study includes legislation records, newspaper archives, government documents, and parliamentary debates. The official websites, such as www.moleg.go.kr by the Korean Legislative Office and www.kinds.or.kr operated by the Korea Press Foundation, were consulted. The official electronic information on the civil service pay by the government personnel ministry (currently, MPM, Ministry of Personnel Management) was used as the source for obtaining civil service statistics. The civil service pay portal website was merged into the current MPM website. The government documents of white papers, annual task plan books and annual budget reports published by the relevant government departments were also analysed. Main ministries remain in charge of the government personnel, organisation and planning and budget, although the names of organisations were slightly altered due to the government reorganisations in 2003, 2008, 2013 and 2014. In addition, the periodical issues by the Korean Labour Institute were also analysed.

The Interviews

In-depth interviews were conducted three times in total, twice in 2007 and 2009 with special importance and then in 2014; additional email exchanges and phone interviews were performed. An interview in the format of a case study has the advantage of focusing directly on the case study topic and provides perceived causal inferences (Yin, 2003, p. 86). In order to complement the weakness of the interview method itself, all the interviews were recorded and typed in both Korean and English. In this study, 39 interviews were carefully sampled for civil servants, members of the presidential committee, a former advisor to the President, academic experts and a public service union member. They are considered to be key actors in the area of civil service reform policies or persons who

observed key actors' activities in the policy process as members of the committee, experts on the pay system or representatives of the public service union. Interviews with these respondents made it possible to provide a realistic and rich evidence for the empirical analysis of the policy process.

The classification of the interviewees is as follows:

The number of interviewees is 39 in total: 30 civil servants, 6 academic experts, 2 private sector HR managers, and 1 representative of the public service union. All of civil servants are members of the CSC, MOPAS, MOSPA and MPB, in charge of the civil service pay reform. Their grade was variously sampled from Grade 6 (working level) to the SCS (Senior Civil Service). Interviewees from academia included a former presidential committee member, a former director of compensation policy division in the government and a former advisor for the President. Since the aim of this research was to look inside the policy process, most interviewees were sampled among the experts with experience in the pay reform process. The private sector HR experts were also interviewed with the aim of comparing the pay reform of civil service to that of the private companies.

Table A Composition of the Interviewees

Category	Department	No.	Total
Civil Service	Civil Service Commission	10	30
	Ministry of Public Administration and Security (or Ministry of Security and Public Administration)	12	
	Ministry of Planning and Budget	8	
Academics	University	3	6
	Academic Institute	3	
Private sector	HR manager	2	2
Public Service Union	Korean Postal Workers Union	1	1
Total			39

Interviews were initially conducted with a core list of questions. Yet, the questions were adjusted and expanded considering the experience and the answers of the interviewees.

When interviewing a civil servant who had a similar experience in the civil service reform process, it was relatively easy to achieve rapport among the respondents, to access the data regarding the policy process, and to ask politically sensitive questions. As it was a type of elite interviewing, unconstructed interviewing techniques were applied (Dexter, 1970).

Eliminating Potential Bias from the Researcher's Working Experience

In seeking to minimise potential biases that could be caused by the present researcher's role as a policy participant and colleague in the hierarchical structure of the Korean civil service, two main efforts were made during the study. Firstly, the time scope of this research was set to a level that goes beyond the present researcher's policy participation in the events – which included a role as a policy practitioner for the civil service pay policy division of the central personnel agency for 27 months (from November of 2002 to February of 2005). By contrast, the whole time span for this research covers 15 years: from the year of 1999, when the Korean government ambitiously started the pay reform, through to 2013, the last year of the Lee Myung-bak administration. Secondly, the interviewees who contributed to the thesis data and arguments were selected in a snowballing process carefully designed to seek out different perspectives and viewpoints. Yin (2009) mentioned the importance of 'openness' for the purpose of eliminating a researcher's pre-conceptions. Being open-minded on findings about the policy process is key here, rather than having an answer to the research question that is fixed in advance. In seeking to reflect various perspectives, an attempt was made to diversify interviewees in terms of their rank and organisations to which they belong. Many interviewees, not only from the personnel agency, but also from the president's office, the budgetary agency, and the academic environment, helped the researcher to be open-minded. Undertaking much of the writing at LSE, in an academic environment full of comparative administrative experiences, also meant that the government experience of the researcher was constantly challenged and underlying values and socialisation were subject to critical attention.

A Coded List of Interviewees

Interviewee code	Position	Time of interview
Bureaucrats		
B1	Former director general of the performance and compensation bureau, the CSC	14 August 2007
B2	Former director of the compensation policy division, the CSC	16 August 2007
B3	Former director of the compensation policy division, the CSC	31 July 2007
B4	Director general of the performance and compensation bureau Former advisory secretary of the president	9 August 2007
B5	Former deputy director of the compensation policy division, the CSC	31 August 2007
B6	Former director of the compensation and welfare division, the CSC	3 August 2007
B7	Former director of the compensation and welfare division, the CSC	2 August 2007
B8	Former director of the compensation policy division, the CSC	2 August 2007
B9	Deputy director of the compensation policy division, the CSC	29 August 2007
B10	Former official of the compensation policy division, the CSC	31 July 2007
B11	Director of the SCS policy division, the MOPAS Advisory secretary of the president	15 January 2009
B12	Former deputy director of the compensation policy division, the MOPAS	15 January 2009
B13	Former deputy director of the compensation policy division, the MOPAS	20 January 2009
B14	Former deputy director of the compensation policy division, the MOPAS	16 January 2009
B15	Former deputy director of the organisational management office, the MOPAS	16 January 2009
B16	Former deputy director of the job analysis division, the MOPAS	15 January 2009
B17	Former deputy director of the SCS policy division, the MOPAS	20 January 2009
B18	Former official of the compensation policy division, the MOPAS	21 January 2009
B19	Former deputy director of the performance and compensation planning division, the MOSPA	15 May 2014 (phone interview)
B20	Former director of the fiscal management division, the MPB	30 August 2007
B21	Former director of the fiscal management division, MPB	29 August 2007

B22	Former deputy director of the fiscal management division, the MPB	22 August 2007
B23	Former deputy director of the fiscal management division, the MPB	8 August 2007
B24	Former deputy director of the fiscal management division, the MPB	29 August 2007
B25	Former official of the fiscal management division, the MPB	29 August 2007
B26	Former official of the fiscal management division, the MPB	29 August 2007
B27	Former deputy director of the performance and compensation planning division, the MOSPA	16 May 2014 (phone interview)
B28	Former deputy director of organisational management office, MOPAS	16 June 2014 (email)
B29	Former deputy director of the performance and compensation planning division, the MOSPA	17 June 2014 (email interview)
B30	Former deputy director of the SCS policy division	17 June 2014 (phone interview)
Academics and Others		
A1	Professor in public administration Former advisory secretary of the president	9 August 2007
A2	Representative of the public service union	13 August 2007
A3	Researcher in an economic institute, Ph.D.	16 August 2007
A4	Researcher in a public labour institute, Ph.D.	21 August 2007
A5	Professor in public administration	23 August 2007
A6	Professor in public administration	23 August 2007
A7	HR manager in a private company	6 August 2007
A8	HR manager in a private company	9 August 2007
A9	Senior researcher in a public institute, Ph.D.	24 June 2014 (email interview)

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