Korea’s Public Sector Reforms post-1997 Financial Crisis:
A Critical Assessment

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1 Introduction

Excessive government intervention was one of the principal causes of the 1997 financial crisis of South Korea (Korea hereafter). Therefore, drastic reforms were undertaken in response to the crisis not only in the private sector (finance, business and labour) but also in the public sector. In 1998, President Kim Dae-jung initiated a variety of public sector reforms with the objective of ‘a small and efficient but better serving government’ (P.S. Kim 2000). This aimed at creating a competitive, efficient and highly productive government based on market-oriented, performance-oriented and customer-oriented principles. Nonetheless, the Korean public sector is still regarded as bloated, concentrated, inflexible and inefficient. A number of attempts have been made to examine and evaluate public sector reforms in Korea in the wake of the crisis (P.S. Kim 2000; Yang 2004: Jeong et al 2005). Yet, the criteria for evaluating these reforms are not appropriately established, and the mechanism and processes through which public sector reforms affect the economy in particular are not adequately articulated.

This paper examines and evaluates public sector reforms undertaken in Korea since the 1997 financial crisis with a focus on the Kim Dae-jung and Roh Moo-hyun governments. Two overarching issues of the public sector are whether public policies are consistent with citizen preferences, and whether public services are provided
efficiently. The first question is concerned, in essence, with the political process of policy-making which is beyond of the scope of this paper. The latter concerns the management of public administration for the efficient and effective performance of public functions. The scope of management of public administration involves the organisational structure and the operational process. The organisational structure includes organisational goals and strategy, governance, and actions with administrative tools. The operational process includes interaction among stakeholders, problem solving resolutions, and enforcement of resolutions.

An institutional approach is employed in analysing and assessing the management system of public administration in Korea. In doing so, this paper focuses on public governance, a crucial aspect of the institutional approach. Public governance refers to the formal and informal arrangements that determine relationships among stakeholders, how public decisions are made, and how public actions are carried out from the societal perspective (Mimicopoulos 2007). Based on the concept of public governance, Korea’s public management reforms are assessed against a set of evaluation criteria. This is then augmented by a comparative evaluation of Korea’s public sector management by comparing it with the counterparts of advanced countries.

2 Evaluation Criteria for Public Sector Management Reforms
The criterion chosen to assess the Korean public sector management reforms is the concept of ‘good public governance’ which means the needs of the public being served effectively, efficiently and fairly. Good public governance is achieved via appropriate public decisions and actions implemented through suitable structures and processes for all aspects of executive management. As pointed out by a number of empirical studies (Mimicopoulos 2007), good public governance helps strengthen
democracy, and promotes economic prosperity and social cohesion. The framework for good public governance for this study is focused on economic perspectives.

Consistent with Korea’s strategic economic goal of achieving the status of an advanced market-oriented, knowledge-based economy, the following inter-related dimensions of good public governance are selected: (a) effectiveness, (b) efficiency (c) predictability, (d) transparency, and (e) participation.\(^1\) Effectiveness refers to the extent of the achievement of the overall strategic economic goals. Effectiveness implies consistency, which in turn requires public management in line with the overall strategic economic goals and their consistent pursuit over time or over political regimes. Without effectiveness and consistency in public management, it is difficult for the private sector to make its economic and business decisions. Effectiveness also implies appropriate coordination of reforms undertaken by a variety of government ministries and agencies. Effectiveness of public governance in Korea may be measured by the quality of public services, competence of civil servants, and independence of civil servants from politicians.

Efficiency in the implementation of public administration should be one of the requisites in that the same output should be obtained with a reduction of inputs. Otherwise, nation’s resource allocation is regarded as inefficient. Efficiency may be measured by the size of the public sector, which is in turn measured by the extent of public expenditure relative to GDP, the number of civil servants compared to overall employment, and wages rates for civil servants compared to employees in the private sector.

\(^1\) Various organisations have come up with different sets of dimensions for good public governance which comprise basic principles of human rights protection, democracy, transparency, participation, decentralised power sharing, sound public administration, accountability, rule of law, effectiveness, equity, strategic vision and so on. For the basic characteristics of these measurements, see Mimicopoulos (2007) who proposes three criteria: efficiency, transparency and participation. For Korea’s strategic economic goal, see Kwon (2010).
Predictability in the management of the public sector is the most important criterion for private businesses (Mimicopoulos 2007). Unpredictability increases risk in the business environment and produces disincentives for investment. Predictability and consistency reinforce each other. Without an adequate level of consistency in public management, it is difficulty to maintain predictability. Predictability may be measured in part by political stability and the volatility of budgetary expenditures.

Transparency is increasingly considered a basic operating requirement for any government. Transparency requires unobstructed flows of information between the government and the public. Government should also be accountable for its actions and procedures. Accountability goes hand in hand with transparency. Transparency and accountability improve the credibility of government actions, enhance the rule of law, and minimise corruption. They can thus be measured by the extent of the public’s respect for laws and rules and by the level of corruption.

Success of public management depends on how comprehensively the government incorporates the aggregate social interest or the ‘encompassing interest’ (McGuire and Olson 1996). Government stakeholders are a diverse mix of citizens, businesses and special interest groups, often with widely divergent values and objectives. It is up to the government to drive these conflicting viewpoints down to a single set of strategic administrative procedures that best serve the public interest and achieve the strategic goals. This involves participation of stakeholders in decision-making and implementation of public administrative measures. Increased participation can be achieved by strengthening the freedom and pluralism of the media, and establishing consultative councils to facilitate the transmission of information between the public and private sectors. Participation may be measured by the extent of involvement of consultative councils in public management, the extent
of the use of e-government, or the number of NGOs. E-government is an important
tools with which to improve not only administrative effectiveness and efficiency but
also citizens’ participation in governance. Against these five criteria, Korea’s public
sector reforms since 1997 are examined and assessed with a focus on public sector
management.

Kaufmann et al (2008) produce the World Governance Indicators that measure
perceptions of the quality of cross-country governance, synthesizing the views and
reports of diverse sources such as the World Economic Forum (WEF), the
International Institute for Management Development (IMD), the World Bank
Business Environment Surveys, and the Gallop World Poll. To mitigate the
challenges of aggregating numerous cross-country indicators, Kaufmann et al. (2008)
identify six fundamental dimensions of governance:

(1) voice and accountability: the quality of citizens’ participation in
politics and freedom of expression, association and media;
(2) political stability and absence of violence: the likelihood that the
government will be destabilized by unconstitutional or violent
means, including terrorism;
(3) government effectiveness: the quality of public services and
bureaucracy, competence of civil servants, independence of civil
service from politicians;
(4) regulatory quality: the quality of policy and regulations to permit
and promote private sector development;
(5) rule of law: perception of the likelihood of crime and violence,
society’s compliance with rules, the enforcement quality of laws
and contracts by the judiciary; and
(6) control of corruption: the level of corruption by exercises of public
power for private gain.

The measured score of each indicator ranges between -2.5 to 2.5 with a mean of zero,
with higher scores corresponding to better governance. The percentile rank ranges
from zero to 100 out of 212 countries and territories surveyed. Against these six inter-
related conditions for good public governance, Korea’s public sector management
reforms since 1997 are assessed in a global comparative context. The following
section provides a brief descriptive overview of the major reforms undertaken in the area of public management since 1997.

3 Administrative Reforms

3.1 Government Structural Reforms

Korea was engulfed by a financial crisis just weeks before the 1997 presidential election. The cumbersome size of government ministries and their inefficient organisations were held to be part of the major reasons why the government did not foresee and deflect the crisis (Yang 2004). It quickly became obvious to the new President that widespread government restructuring should take place beyond what would normally occur under a new political administration. In addition, the IMF rescue conditions required drastic fiscal austerity measures, implying the reduction of some ministries and agencies. The election of Kim Dae-jung marked a watershed as the first peaceful transfer of power in Korean politics from the ruling conservative government to a liberal-democratic opposition party. It was thus expected that the new government would undertake drastic reforms of the public sector not only to meet the IMF rescue conditions but also to change the bureaucratic culture. Shortly prior to the inauguration of the Kim Administration, the National Assembly passed the Administrative Procedure Act that provided the legal foundation for public sector reforms (APEC 2007). Reforms took place in February 1998, May 1999 and January 2001.

The first restructuring of the public sector commenced immediately after the new government took office with the stated objectives of the rationalisation of state functions by creating a smaller more efficient government; the enhancement of efficiency by incorporating competition into public sector functions and among civil
service personnel; and cultural change toward a more customer-oriented public
service (Choi 1999; Jeong et al. 2005; Yong and Tan 2005).

A variety of structural reorganisations were undertaken under the Kim Dae-jung government. Noticeable among them were the establishment of the Office of Budget and the Planning and Budget Committee under direct presidential authority, with a commensurate reduction of functions of the Ministry of Finance and Economy (MOFE). Primary responsibility for international trade negotiations was transferred from the Ministry of Trade and Industry to the Ministry of Foreign Affairs, which became the Ministry of Foreign Affairs and Trade (MOFAT). To remedy the lack of prudential supervision of the financial sector, supervisory roles were withdrawn from the Bank of Korea and MOFE and transferred to a new Financial Supervisory Commission (FSC) under prime ministerial authority. The Financial Supervisory Service (FSS) was established under the FSC as the operational organisation to implement financial monitoring. In 2006, it employed 1686 officials (Lee and Park 2009). To enhance policy coordination and evaluation, and to eliminate redundant functions, the former Administrative Coordination Office was upgraded to the Office of the Prime Minister (Jeong et al. 2005).

The second restructuring of May 1999 was on operational systems, while the first restructuring of 1998 had focused more on structural change. Despite the relatively large changes in the 1998 reforms, public opinion held that the government had protected itself from the dramatic restructuring in the private sector, and that the pain was not being shared equally across society. Hence, the second restructuring sought to directly address public concerns and adopted a more robust approach to rationalisation of the public sector by pressing for reductions in the workforce and
transferring some service delivery responsibility to the private sector and local government (Yang 2004; Jeong et al 2005).

A third restructuring, which took place in January 2001, was intended to reinforce certain social and economic policies expected to be important in the future. The position of Minister for Economic Affairs was upgraded to Deputy Prime Minister in response to criticisms that the lack of a central figure coordinating economic policy was making reform more difficult. The Minister of Education and Human Resources was upgraded to Deputy Prime Minister in charge of human resource management, due to the emergence of sensitive post-crisis issues such as the re-education of displaced workers and the development of human capital. The establishment of the Ministry of Gender Affairs was the final major development in the third government restructuring (Yang 2004; Jeong et al. 2005). ²

3.2 Government Managerial Reforms

Government managerial reforms were undertaken alongside structural reforms to enhance public sector efficiency (Lim and Hwang 2002; Jeong et al. 2005). The newly established Office of Budget introduced the ‘total operational expense system’, whereby the Office sets a budgetary ceiling, under which each ministry and agency determined the priority and amount of specific expenditures (Choi 1999). This provided ministries and government agencies with greater flexibility and discretion in expenditure decisions. It was also intended to promote efficiency in the budget process by conditionally offering public servants a portion of any savings that they helped to create. Budget funds were also allocated to ministries and agencies in accordance with their achievements in implementing managerial reforms (Chang and Chae 2004). Another important reform to the budgetary process was the establishment

² For other structural reorganisations undertaken by the Kim Dae-jung government, see Yang (2004) and Jeong et.al. (2005).
of a budget advisory board to solicit expert advice from a wide spectrum of public and business specialists (Choi 1999).

As mentioned above, the government sought to reduce the workforce as part of its second reform. Each ministry was given one year to lay off a certain number of employees, and was prohibited from all recruitment and promotion during that time. Subsequently, the government capped its workforce numbers permanently, although some priority occupations such as teachers were excluded (Jeong et al. 2005). The number of government employees was reduced significantly during the post-crisis era.

As shown in Table 1, the total number of civil servants at the end of 1997 was estimated to be 934,000 (including the central, provincial and local governments).

This had been reduced to 868,000 by the end of 2001.

*Table 1 Number of Civil Servants and Government Expenditure*

<table>
<thead>
<tr>
<th>Year</th>
<th>No of civil servants (‘000)</th>
<th>Growth rate (%)</th>
<th>Percent of population (%)</th>
<th>Public Expenditure (trillion KRW)</th>
<th>Growth rate (%)</th>
<th>Percent of GDP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>886 (-)</td>
<td>1.99</td>
<td>45.5</td>
<td>9.5</td>
<td>18.5</td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>900 1.54</td>
<td>2.00</td>
<td>50.7</td>
<td>11.6</td>
<td>18.7</td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>908 0.86</td>
<td>2.00</td>
<td>60.4</td>
<td>19.0</td>
<td>18.7</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>905 -0.24</td>
<td>1.97</td>
<td>71.6</td>
<td>18.6</td>
<td>19.0</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>926 2.25</td>
<td>2.00</td>
<td>84.4</td>
<td>18.0</td>
<td>20.2</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>934 0.91</td>
<td>2.00</td>
<td>100.3</td>
<td>18.8</td>
<td>22.1</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>887 -5.10</td>
<td>1.89</td>
<td>115.4</td>
<td>15.1</td>
<td>26.0</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>878 -1.00</td>
<td>1.85</td>
<td>121.0</td>
<td>4.8</td>
<td>25.1</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>872 -0.64</td>
<td>1.83</td>
<td>129.3</td>
<td>6.9</td>
<td>24.8</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>868 -0.46</td>
<td>1.81</td>
<td>136.8</td>
<td>5.8</td>
<td>25.1</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>890 2.52</td>
<td>1.85</td>
<td>136.0</td>
<td>-0.5</td>
<td>19.9</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>916 2.92</td>
<td>1.89</td>
<td>164.3</td>
<td>20.8</td>
<td>22.7</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>936 2.23</td>
<td>1.93</td>
<td>173.5</td>
<td>5.6</td>
<td>22.3</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>931 -0.57</td>
<td>1.91</td>
<td>187.9</td>
<td>8.3</td>
<td>23.2</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>957 2.81</td>
<td>1.95</td>
<td>205.9</td>
<td>9.6</td>
<td>24.3</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>975 1.88</td>
<td>2.01</td>
<td>209.8</td>
<td>1.9</td>
<td>23.3</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>975 0.00</td>
<td>2.00</td>
<td>238.8</td>
<td>13.8</td>
<td>23.3</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>971 -0.40</td>
<td>2.00</td>
<td>272.9</td>
<td>14.3</td>
<td>25.7</td>
<td></td>
</tr>
</tbody>
</table>

Source: KNSO (2003-2010a)
To further improve efficiency in government service delivery, codes of conduct, performance guidelines, incentive schemes, and merit-based personnel management were introduced. A new Civil Service Commission (CSC) was established in 1999 to promote transparency, merit and neutrality in civil service personnel appointments (P.S. Kim 2000; Yang 2004; Jeong et al. 2005). After 1997, the government allowed the hiring of civilians for the top three civil service grades, thereby bypassing the high civil service examinations. Government pay scales were adjusted more in line with the private sector, and various pay incentives were introduced. The civil service has moved away from seniority-based salaries, toward a system where remuneration was differentiated within each pay grade relative to performance.

To improve the accountability and performance of civil servants, nearly 600 Public Service Charters were published by nearly 300 agencies from central and local governments, presenting performance targets and standards (Jeong et al. 2005). To prevent corruption, the Presidential Advisory Council for Anti-Corruption was established in 1999, and the Anti-Corruption Act was enacted in 2001. Under this Act, the Korean Independent Commission against Corruption (KICAC) was established in 2002 (Kwon 2008). The Commission has set the direction for anti-corruption policy, establishing the Public Service Ethics Act and the Code of Conduct for Public Officials, and providing protection for whistle-blowers. The KICAC was the first official body in Korean history solely dedicated to anticorruption activities. In 2008, it was integrated into the new Anti-Corruption and Civil Rights Commission (ACRC) along with the Office of Ombudsman and Administrative Appeals Commission (Choi 2009).
To improve transparency, a new Government Information Disclosure Act was introduced which provided the public with the right to request any government documents, except those related to national security. In 2001, Korea passed the first comprehensive legislation on e-government, the “Promotion of Digitalisation of Administrative Work for E-Government Realisation Act”. Under the Act, public institutions had to create their own information management systems, through which information could be properly kept and speedily searched by making full use of information technologies (Jeong et al. 2005). The government also initiated e-government with the “Comprehensive Plan for e-Government” announced in 1999. E-government is expected to use the Internet as a “one-stop processing” point for routine administrative procedures and applications, public provision of information, public feedback, government procurement, and liaison between central, regional and local governments (Yang 2004; Jeong et al. 2005; Yong and Tan 2005). By 2002, the Korean government launched the government e-service website which offered access to almost 400 public services (Yong and Tan 2005).

Serious efforts were made by the Kim government to enhance public participation in government affairs. The Administrative Procedure Act of 1998 was designed to ensure the participation of citizens and civic organisations in the policy-making process through preliminary announcements on legislation and government policies and public hearings (APEC 2007). Citizens’ participation was also promoted with the introduction of the above-mentioned online system, through which citizens and the government could exchange information and ideas. Management consulting was introduced in mid-1998 in all central government departments. Eight firms, including foreign companies, were selected through open tenders (P.S. Kim 2000). Finally, as part of its managerial reforms, the government attempted to change the
culture of bureaucracy toward more customer-oriented public services. This was an attempt to cultivate the idea that the government is a service provider that must serve the public, rather than the traditional idea of top-down government.

The Roh Moo-hyun government, inaugurated in February 2003, did not have the same mandate for public sector reforms as its predecessor. Thus, Roh did not undertake structural reforms beyond what would normally occur under a new political administration. Instead, the Roh government introduced continuous reforms in public administration and personnel management to foster effective government, though not necessarily smaller or more efficient. The Roh government identified five goals – efficiency, customer satisfaction, transparency, decentralisation and participation – as key elements of its administration (APEC 2007). This was to fulfil Roh’s political pledges of an ‘effective and serving government’, ‘a participatory government’, and ‘regionally balanced development’ (K.B. Kim 2007). To this end, the Roh government pursued continuous reforms over its five year tenure and attempted to establish a ‘reform culture’ by coordinating, consolidating and networking reform processes across individual ministries. It also introduced the concept of the team and the business management system into public sector management (S.B. Kim 2007).

The Roh government certainly attempted to achieve administrative transparency, efficiency and participation in part by improving on the outstanding result of the e-government from the Kim government. In this regard, the Roh government announced the “Participatory Government’s Vision and Direction of E-Government” in 2003 with the aim of realising the “World Best Open E-Government”, and set up a set of specific objectives, strategies and action plans over his presidential tenure (Obi 2004). Some specific objectives include increasing online work processing from 15 percent in 2003 to 85 percent in 2008, reducing visits for civil
service applicants from 10 to 3 visits per year, and raising the utilisation rate of e-government from 23 percent to 60 percent over the same period. To realise the goals of the “Participatory e-Government” plans, a Presidential Committee on Government Innovation and Decentralisation was established as an advisory body to the office of the President. Also the Government Superhighway Network was established connecting all departments and government agencies (Yong and Tan 2005).

“Participatory government” aimed at social cohesion and voluntary cooperation with the state by fostering civil society organisations and establishing a large number of commissions and committees under the president, ministers and agencies. In 2005, there were 381 committees with 3100 committee members under the central government, and 1391 committees with 3292 members under provincial governments (Hwang 2007). The budget for these committees increased from 54 billion won in 2002 to 236.7 billion won in 2007 (Lee and Park 2009). In undertaking incessant reforms, the number of civil servants increased from 890,000 in 2002 to 936,000 in 2004 and further to 975,000 in 2007. This number remained about the same in 2009 under the new Lee Myung-bak government (Table 1). In addition, the Roh government initiated the dispersal of central government ministries to the regions as part of its regionally balanced development plan.

4. **Evaluation of Government Structural and Managerial Reforms**

A number of Korea observers have argued that reforms introduced by the Kim and Roh governments have contributed to the effectiveness of governance. The Kim government attempted to improve governmental effectiveness by enhanced policy coordination, and targeting budgetary allocations toward the emerging needs of the public. Moon and Ju (2007) find that expenditure areas of emerging social demands, such as education, infrastructure and income distribution, increased relatively faster
than other areas. Because of the similarity in ideology under the Kim and Roh administrations, relative consistency was maintained by carrying out reforms in the same direction, contributing to overall governance effectiveness. S.B. Kim (2007) argues that the business management system and the team concept introduced by the Roh government helped improve government effectiveness. It appears that the e-government development strategy by the Roh government has yielded significant fruits, as attested by the UN Global E-Government Survey in which Korea ranked first in both the e-government development index and e-participation index in 2010 (UN 2010).

It appears, however, that overall, the public sector reforms undertaken by the Kim and Roh governments are not highly regarded. Yang (2004) argues that by the time of the third reform by the Kim government in 2001, political expediencies appeared to have won out over the initial goals of reform, as indicated by the de-emphasis on the downsizing of government and by emphasis on quality of service. In addition, President Kim lost the capacity to pursue reform as he lost public support and credibility due to his lack of coordination skills, and corruption cases involving his associates. The Roh government constantly introduced reforms based on a strong ideology, which became controversial and, as a result, the government lost its political base and public support for its reforms. Added to this were uncooperative rent-seeking interest groups, which he had promoted and supported, employing non-democratic tactics for their claims. When public opinion on his reform agendas was polarised into conservative and progressive positions, and the conflicts between the two blocs escalated, President Roh revealed his lack of democratic leadership and inability to compromise. All these developments together with the impeachment
resolution against him exacerbated political instability, thereby hampering managerial improvement.

*Effectiveness:* the weakest link in the public sector reforms undertaken by the Kim and Roh administrations was the lack of consistent coordination, evaluation, and monitoring of the reform process (Lim and Hwang 2002). A variety of drastic reforms introduced by the Kim government lacked consistency over the first and third structural changes, and by the time of the third structural reform his government appeared to have lost the vigour of persistent reform. The Office of Budget and the Planning and Budget Committee played a key role in the reforms. However, they were weakened in their ability to push the reforms forward and to continue the policy coordination role when they were merged into the Ministry of Planning and Budget (MPB) in the second restructuring. The Kim government attempted to strengthen the responsibility for policy coordination by upgrading the role as part of the Prime Minister’s office. However, the Prime Minister is appointed by the President and carries out Presidential directives with no autonomous or real power.

The aggressive pursuit of multiple goals by the Roh government undermined his government’s coherence and consistency in the process of reforms, thereby losing public support and credibility, as attested by the crushing defeat of the government party in the 2007 presidential election. President Roh pledged to strengthen the role of the Prime Minister during his election campaign, but did not delegate any real power to the Prime Minister. In practice, prime ministers changed a number of times during the two administrations, indicating the lack of a policy coordination and evaluation role in the position of Prime Minister. Given a single five-year term, the Presidential Office cannot perform the role of consistent coordination, evaluation and monitoring of reforms over different administrations.
Attempts to change the culture of the bureaucracy toward a more customer-oriented public service are not highly regarded. P.S. Kim (2000) points out that those civil servants who had enjoyed privileges in the past were known to oppose the directions of the Civil Service Commission. Lee and Park (2009) argue that the central government bureaucracy was one of the most powerful allies of previous conservative and authoritarian governments, and bureaucrats were often resistant to changes made under the progressive governments of Presidents Kim and Roh. Civil servants also suffered from reform fatigue due to constant pressure to undertake changes by the Kim and Roh administrations. In addition, there appears no evidence that showed a discernable improvement in the independence of civil servants from politicians during the two governments. Lim and Hwang (2002) and K.B. Kim (2007) argue that the two governments did not seriously pursue the new system of hiring talent and expertise from both the private and public sectors through competition. In view of all this, the effectiveness in public governance under the Kim and Roh governments would not be regarded highly.

Efficiency: the Kim government introduced a variety of measures to improve the efficiency in public governance. However, it appears that these measures have not been highly successful. As shown in Table 1, the number of civil servants gradually decreased from 934,000 in 1997 to 868,000 in 2001. However, the number increased significantly to 890,000 in 2002, the last year of the Kim government. K.B. Kim (2007) argues that decreases in the civil servants during the Kim government were undertaken without accompanying streamlining of the administrative apparatus or increases in productivity, and has simply resulted in the hiring of part time workers. He further argues that measures to enhance the performance efficiency of civil servants fell short of achieving their intended targets because of the lack of a coordinated and
determined push for it. Lim and Hwang (2002) point out that overlapping functions among government agencies were not coordinated and that the government organisation was still full of redundancy, corruption, red tape and a peace-at-any-price principle. As mentioned above, they also argue that the human resource management system in the public sector has remained unchanged without undertaking new initiatives that both of the governments envisioned.

It appears that the Roh government de-emphasised efficiency in implementing multiple reforms. Efficiency, measured by the number of civil servants and their salary, declined significantly during his tenure. The number of civil servants increased substantially from 890,000 in 2002 to 975,000 in 2007, or a 1.84 percent annual growth (Table 1). As a percentage of the total population, the number of civil servants remained more or less unchanged during the Kim government, and then increased during the Roh administration (Table 1). The ratio of civil servants to the population declined from 2.00 in 1997 to 1.81 in 2001, and then increased steadily to 2.01 in 2007.

During the Roh administration, salary for civil servants also increased remarkably. Table 2 shows that the ratio of civil servants’ salary to GDP jumped from 1.6 percent in 2003 to 2.1 percent over the 2004-2007 period, declining slightly to 2.0 percent in 2008-2009 period under the present Lee Myung-bak government. As a proportion of total government expenditure, salary to civil servants increased from 9.7 percent in 2003 to 13.7 percent in 2004, and slightly declined over time to 12.5 percent in 2007. This was reduced further to 11.6 percent in 2008. Salary per civil servant increased at an annual rate of 9.7 percent over the 2002-2008 period, while the wage level of all non-agricultural industries increased by only 6.3 percent (KNSO 2010a).
**Table 2  Expenditure on Civil Service Salaries (Personnel Expenses), 2001-2009**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Salary (trill won)</th>
<th>Salary Exp./GDP (%)</th>
<th>Salary Exp./Total Govt. Exp. (%)</th>
<th>No of civil servants ('000) (Table 1)</th>
<th>Salary/civil servant/year ('000won)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
<td>868</td>
<td>n.a</td>
</tr>
<tr>
<td>2002</td>
<td>10.7</td>
<td>1.6</td>
<td>9.8</td>
<td>890</td>
<td>12,022</td>
</tr>
<tr>
<td>2003</td>
<td>11.4</td>
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<td>9.7</td>
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</table>

Sources: KNSO (2003-2010a)

*Predictability:* it is doubtful that predictability in public governance has improved significantly, because of the lack of consistency and proper coordination in the series of reforms undertaken, as discussed above. This may be reflected in the volatility of budgetary expenditure and of the number of civil servants. As shown in Table 1, the annual growth rates of public expenditure ranged from -0.5 percent to 20.8 percent over the Kim and Roh governments. As a percentage of GDP, public expenditure ranged 19.9 percent to 26.0 percent over the two governments.

*Transparency:* as examined above, both the Kim and Roh governments made significant efforts to enhance transparency in public administration. In spite of all these efforts, the level of transparency in Korea, as measured by corruption levels, remained remarkably low. According to KNSO (2010b: 520), the number of reported crimes per one million people remained at about 200 during the 1980s and increased to 300 in the 1990s. The number then increased to about 400 during the Kim and Roh governments. The annual number of government official crimes, which is related to corruption, fluctuates widely over time. It remained at around 500 during the 1980s
and increased to 1800 in the 1990s before the Kim government. The number then increased to 2800 during the Kim and Roh governments. Tsai (2009) claims that a high degree of political corruption remains a characteristic feature of Korean governance even after the process of democratisation has been consolidated. An empirical study by Choi (2009) shows that the abovementioned KICAC has not been effective in fighting corruption due to a lack of adequate institutionalisation. Its detection rate for corrupt practices is relatively high, but its prosecution rate is low. This is in part due to a lack of resources, particularly to the prosecutors’ offices. KICAC’s educational role in the society and business community is also regarded as weak and inadequate. Choi (2009) further argues that the recent merging of KICAC with other bodies under the Lee government will only exacerbate this problem because of weak functional relevancy and coherence among the three merged agencies, thereby diluting KICAC’s core function of combating corruption.

Participation: Both the Kim and Roh governments attempted to promote public participation in policy-making as well as public administration by establishing special committees and commissions and advancing e-government. In particular, the Roh government, designated as a “Participatory Government”, attempted to foster civil society organisations and established a number of committees and commissions, although mainly for policy-making areas. However, many of these civil society organisations turned out to be uncooperative rent-seeking interest groups, thereby failing to facilitate public participation. It looks quite likely though that public participation in government administrative procedures improved considerably through e-government. This is reflected in the improvements in Korea’s ranks in e-participation index of the UN Global E-Government Survey from 5th in 2005 to 2nd in 2008 and further to 1st in 2010 (UN 2010).
5. **Comparative Evaluation of Government Managerial Reforms**

So far the reforms in the public sector have been analysed and assessed in terms of their effects on the five dimensions of good public governance. This assessment is augmented by comparing the quality of various facets of public governance in Korea with those of OECD and other countries. This is done based on global indicators estimated by Kaufmann et al (2008 and 2010) and other global organisations. Table 3 shows Korea’s ranks and scores of the six dimensions of public governance measured by Kaufmann et al. As mentioned earlier, the measured score of each indicator ranges between -2.5 to 2.5 with a mean of zero, and the rank shows the percentile ranks ranging from zero to 100 out of 212 countries and territories surveyed.

<table>
<thead>
<tr>
<th>Table 3</th>
<th>Governance Indicators: Korea and OECD</th>
</tr>
</thead>
<tbody>
<tr>
<td>VA</td>
<td>Estimate</td>
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</tr>
<tr>
<td>OECD Estimate</td>
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<tr>
<td>OECD Rank</td>
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<td>PV</td>
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<tr>
<td>GE</td>
<td>Estimate</td>
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<td>OECD: Estimate</td>
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<td>OECD: Rank</td>
<td>92.5</td>
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<tr>
<td>RQ</td>
<td>Estimate</td>
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<tr>
<td></td>
<td>Percentile Rank</td>
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</tbody>
</table>
Effectiveness: as shown in the trend of GE (government effectiveness) in Table 3, the World Bank regards the improvement in effectiveness of Korea’s public governance quite highly, although it is still far behind the OECD average. Korea’s government effectiveness score on the World Governance Indicators has improved more or less steadily in the recent past. Over the period 1998-2007 (the Kim and Roh governments), Korea’s government effectiveness score improved from 0.34 in 1998, an exceptionally poor year probably due to the 1997 financial crisis, to 1.22 in 2007 with an average score of 0.89 over the period. ³ This is compared to the OECD average of 1.60 which is almost twice as large as the Korean average score. Korea’s percentile rank for the government effectiveness was 78.2 percentile over the period 1998-2007, indicating that 78.2 percent of the countries surveyed were less effective

³ It should be noted that the World Governance Indicators as shown in Table 3 measure the perceptions of the quality of overall governance, including not only public administration as examined above, but also other areas such as regulation, taxation, management of state-owned enterprises and politics.

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<td>1.02</td>
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</table>

*VA: voice and accountability; PV: political stability and absence of violence; GE: government effectiveness; RQ: regulatory quality; RL: rule of law; and CC: control of corruption.
than Korea or 22 percent of the countries were better than Korea. This is compared to an OECD average of 90.0th. Over the period 2008-2009, the earlier part of the Lee Myung-bak government, Korea’s government effectiveness did not improve significantly by the World Bank Governance Indicators.

Another comparative assessment of the effectiveness of public governance is made by means of the indicators measured by the International Institute for Management Development (IMD). One of the indicators is ‘government decisions’ that indicate the extent of government decisions being effectively implemented. Table 4 shows Korea’s rank for ‘government decisions’, ranging from 30th to 42nd out of 47 to 55 countries over the period 2000-2007 (up to the end of the Roh government). Korea’s rank for ‘public service’, which indicates the extent of the independence of civil servants from political interference, ranged 20th to 48th, with an average of 28th, over the 2000-2007 period. For ‘bureaucracy’ which shows the extent of bureaucrats’ hindrance of business activity, Korea’s ranks ranged from 22nd to 35th over the period 2000 to 2007. These results appear to support the result of the comparative assessment of effectiveness of public governance by the World Bank (Table 3).

Table 4 Korea’s rank in the area of government Efficiency (IMD)

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<td>24</td>
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<td>25</td>
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<td>25</td>
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<tr>
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<td>36</td>
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<td>38</td>
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<td>Bribing &amp; corruption</td>
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<td>30</td>
<td>42</td>
<td>33</td>
<td>22</td>
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</table>

*Government decisions are effectively implemented
*Public service is not independent from political interference
*Transparency of government policy is satisfactory
*Bureaucracy does not hinder business activity
*Bribing and corruption do not exist
Predictability: ‘political stability and the absence of violence’ would have helped to enhance the predictability and consistency of public management. As shown in Table 3, the index of political stability and absence of violence improved substantially in Korea with its score increasing from -0.02 in 1998 to 0.41 in 2007 with an average score of 0.25. This is compared to an OECD average score of 1.04, four times as high as the Korean average score. Over the same period, Korea’s percentile rank also improved from 46th to 59th with an average rank of 54.2nd, compared to an OECD average rank of 83.7th. All this shows that Korea’s predictability of public governance lagged far below the OECD average throughout the period 1998-2007.

Transparency: Korean public administration has improved and yet remained far behind the levels of advanced countries. In so far as maintenance of the rule of law is part of public administration, Korea’s performance is quite poor relative to OECD countries. Table 3 shows that Korea’s score for the rule of law remained more or less unchanged at an average value of 0.90 over the period 1998-2007, while the OECD average was 1.52. Over the Kim and Roh governments, Korea’s percentile rank for the rule of law was on average 77.2nd in comparison with an OECD average of 90.7th. As the transparency dimension of public governance is measured by the control of corruption, Korea fares quite poorly as compared to OECD countries. Korea’s average score of the control of corruption over the 1998-2007 period was 0.45, compared to an OECD average of 1.68. In terms of percentile ranks of the control of corruption, Korea also fell far behind OECD countries in that Korea’s rank was 68.2nd in comparison with an OECD average of 90.9th.
The International Institute for Management Development (IMD) also develops international indexes of “transparency” and “bribing and corruption”. For both of these indexes, Korea ranked poorly, although improved somewhat over time. Korea’s rank for “transparency” was on average 37.1st over the period 2000-2007 and for “bribing and corruption it was 31.1st (Table 4). Korea also ranks quite poorly on the Corruption Perceptions Index by Transparency International, although slightly improved over time. As shown in Table 4, Korea’s rank ranged from 40 to 48 on the Index between 2000 and 2007, with an average of 43.1st. All this indicates that although both the Kim and Roh governments made significant efforts to enhance transparency in public administration, the level of transparency in Korean government management remained remarkably lower than those of OECD countries.⁴

**Predictability:** ‘political stability and absence of violence’ would have helped to enhance the predictability and consistency of public management. As shown in Table 3, Korea’s score for the political stability and absence of violence increased from -0.02 in 1998 to 0.41 in 2007, with an average of 0.25, indicating improvement on it over the Kim and Roh governments. However, the corresponding OECD average was 1.04, four times as large as the Korean average. In terms of percentile ranks, Korea landed on a rank of 54.2nd over the period, compared to an OECD average rank of 83.7th.

**Participation:** the Kim and Roh governments made serious efforts to enhance popular participation in government affairs. ‘Voice and accountability’ of the World Bank Global Governance Indicators reflects the quality of citizens’ participation in politics and freedom of expression, and association and media. Participation in public management as indicated by ‘voice and accountability’ shows that Korea remained

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⁴ It should be noted that the level of corruption and the rule of law are determined not only by public governance but also by poor corporate governance of private business, both of which need to improve to lower the corruption level.
more or less unchanged over the Kim and Roh governments and far below other OECD countries (Table 3). Over the period 1998-2007, Korea’s average score was 65.5, far below the corresponding OECD figure of 1.36. In terms of percentile ranks, Korea’s average rank of 68.4th was well below the OECD average of 91.4.

6 Conclusion

This paper has examined reforms of public sector management in Korea since 1997 and assessed them from an institutional perspective and in comparison to other countries with a focus on the Kim Dae-jung and Roh Moo-hyun governments. Both of them undertook reforms in public management with the objectives of rationalising state functions to create a smaller, more efficient government; the enhancement of efficiency by incorporating competition into public sector functions and personnel; and cultural change toward a more customer-oriented public service. To this end, the Kim government downsized the public sector and introduced a new budgeting system. Both governments introduced structural reorganisations, merit-based human resource management, and a new information system. They both developed schemes for public participation and implemented anti-corruption policy. There is little evidence available in early 2011 on the performance of the Lee Myung-bak government in this area, apart from what appears to be a freeze on public sector growth in 2008 and 2009 which is borne out in the above Tables.

The success of the reforms undertaken by the Kim and Roh administrations may be regarded as mixed. Overall, they have succeeded in improving public governance with some evidence, and yet there remains room for improvement. Effectiveness in public governance has improved, and yet Korea’s value in this domain remains far below the corresponding OECD average. Public governance efficiency has also improved, although there was room for improvement, particularly
under the Roh government. Predictability and consistency has been low, particularly compared to advanced countries, mainly because of the continuous introduction of multiple reform programs with poor coordination. Serious efforts have been made to improve citizens’ participation in public administration with some evidence of improvement particularly through implementation of e-government. Nonetheless Korea has fared poorly as compared to OECD countries with regard to public participation in government administration.

A few important success factors for public sector reforms emerge from this critical analysis and assessment of Korea’s reforms in public administration. They include a strong and consistent commitment of the President, participation of citizens and key stakeholders, and public support for government reform measures. Given a single five-year term, the Presidential Office cannot perform the role of consistent coordination, evaluation and monitoring of reforms over different administrations. Hence, an organisation under direct presidential authority, with a legal foundation of substantial independence and autonomy will be needed to pursue public sector reforms in a consistent and coherent way.
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