The Legacy of Deferred Compensation in Korea's Administrative Reforms*

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Abstract: While New Public Management is becoming an established program for improving the quality of public administration, this study redirects our attention to the merits of an older system. Some of the public administration mechanisms that were reformed with the advent of democratization and globalization are argued in this study to have worked better than their newer versions. Using the Korean example, this study demonstrates that liberal political reforms may be harmful for public management, contrary to the usual expectations about their benefits. In the Korean bureaucracy, the disruption of deferred compensation—attractive post-retirement employment as a reward for policy performance during one’s tenure as a civil servant—impaired its organizational capacity, as policy autonomy dropped and corruption increased within the bureaucracy.

Keywords: Korea, bureaucracy, deferred compensation, democratization, Civil Service Reform

INTRODUCTION

Public administration researchers have recently focused on the reform programs referred to as New Public Management (NPM). To reform existing public management is assumed to be the only way to improve organizational capacity in public administration, whether the reforms aim at better governance or regulatory policy performance.

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Along with the neoliberal reforms in politics and the economy, NPM has been praised by many studies as a solution for developing or underdeveloped countries, where the performance of governments in providing public services tends to be lower than in advanced countries.

The experiences of Korea do not exactly confirm the premise of NPM. Worse, in some cases old programs prove to have been better than the new ones. Observations for the past two decades suggest that the autonomy of a few government agencies dropped and regulatory administration deteriorated. Problems including the increasing financial scandals, corruption in public services, and policy incoherence confirm the negative turn of Korea’s public management. Given the world’s appraisal of Korean governmental capability up to the 1980s, the appearance of such negative terms as organizational interests against national policy goals or policy indifference in the newspapers is surprising to most watchers of Korea.

What has made Korea’s administrative reforms stagnate? Why isn’t Korea’s public management improving itself in parallel with its political liberalization, as happened in other democratizing countries? What undermined the organizational capacity of public administration in some cases?

This article argues that some of Korea’s older, pre-reform public administration mechanisms worked better than their newer versions. In particular, the disruption of deferred compensation—a system of long-term rewards for policy performance in which officials are employed in private or public firms (State Owned/Invested Corporations) after retirement from government office—impaired its organizational capacity, reducing policy autonomy and increasing corruption.

Democratization in Korea, according to this interpretation, hurt the deferred compensation system in two ways. First, it decreased the absolute number of jobs offered to retiring civil servants under the public pressure for further liberalization. The pressure was realized in the economic sector with the demand for breaking the link between the government and private businesses. Bureaucrats in economic ministries were pressed to refrain from seeking nak-ha-san (literally translated as parachute—appointment to a public firm) or a post-retirement job in the private sector. Second, political elites who were less vulnerable to public pressure took over from the bureaucrats as the beneficiaries of the nak-ha-san system. Bureaucrats bore the sole burden of sacrifice as Korea’s public administration adjusted to political liberalization.

As deferred compensation was disrupted and incentives for policy performance decreased as a consequence, the negative effects were obvious. The political-bureaucratic collusions for rents are a prime example. Collusion began with the reliance of bureaucrats on key political figures for deferred compensation as this benefit became harder to get. The new political elites who rose to the center of Korean politics after