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Conference Paper

The Impact of Mobilization Power of the Elderly on Welfare Spending for the Elderly in South Korea

50th Congress of the European Regional Science Association: "Sustainable Regional Growth and Development in the Creative Knowledge Economy", 19-23 August 2010, Jönköping, Sweden

Provided in Cooperation with:

European Regional Science Association (ERSA)

Suggested Citation: Kim, Byungkyu; Cho, Deokho (2010) : The Impact of Mobilization Power of the Elderly on Welfare Spending for the Elderly in South Korea, 50th Congress of the European Regional Science Association: "Sustainable Regional Growth and Development in the Creative Knowledge Economy", 19-23 August 2010, Jönköping, Sweden, European Regional Science Association (ERSA), Louvain-la-Neuve

This Version is available at:
https://hdl.handle.net/10419/118916

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The Impact of Political Factors on Welfare Spending for the Elderly in South Korea[1]: Focused on Mobilization Power of the Elderly, Political Competition and Female Share in a Local Assembly

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ABSTRACT

Population structure in current Korea is characterized as "aging society". Under this aging society, the prompt and large-scale expansion of welfare for the elderly is required to meet the welfare demand. To figure out the factors influencing welfare spending, we test how the mobilization power of the elderly which could be instrument to improve their welfare benefits, and political factors such as political competition for a county headman, female share in a local assembly, and election year influence welfare spending for the elderly with 30 local governments for 2000 to 2007. Economic conditions, financial capacity of local governments, financial structural factor, and welfare demand are used as control variable. We find that GRDP, political competition, share of the elderly in population, welfare spending in the previous year, local tax, economic development spending and female share in local assembly influence welfare spending for the elderly. Unfortunately, mobilization power does not affect welfare spending in spite of their higher electoral participation. These results imply the mobilization power is not represented to political mechanism or decision making system, and economic development is the priority for local governments. Generalized Least Square is applied to analyze the model.

Keywords: Decentralization, Mobilization Power, Welfare for the Elderly, Political Competition, Geographical Information System

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[1] "This work was supported by the Korea Research Foundation Grant funded by the Korean Government(MOEHRD)" (KRF-2008-322-B00034).

1.INTRODUCTION

One of significant characteristics in current Korean society is 'aging society' due to the improvement in quality of life, the development of medical technology, the expansion of national medical insurance, and decrease in infant birth rates. Under this aging society, the prompt and large-scale expansion of welfare for the elderly is required to meet the welfare demand of the elderly in South Korea. As we know, dependent children and the disabled can be classified as 'deserving' for welfare services while the elderly be classified as 'undeserving' one because the latter can be protected by social insurance. But current social security system is insufficient to cover the deficiency of welfare for the elderly because national pension and basic old age pension provided by the government do not cover welfare demand for the elderly. At this moment, the mobilization power of the elderly and what factors should determine welfare for the elderly in a local level are meaningful questions to be explored to suggest the directions that elderly groups and local governments should consider to proceed their benefits and policies. This study explores the effects of mobilization power of the elderly and political factors of local governments on welfare spending for the elderly due to the transfer of social welfare services from the national government to local governments. In a realistic perspective, devolution of authority to local governments had not occurred to result in variation in policy outcomes across local jurisdictions that mobilization power of the elderly and political factors could work before government innovation in 2004. In other words, local governments' heavy dependency on the national government in welfare policies does not allow the discretion (slack) that the political mechanism of local governments can work. But there could be possibility that political mechanism of local governments influence welfare spending for the elderly because the national government allows discretion that local governments exercise by giving authority in designing and implementing welfare policies to local governments in 2004.

We try to identify local political mechanism influencing welfare spending for the elderly beyond existing studies which are only focused on adoption of self-governing system after the transfer of the authority in welfare policies to local governments from the national government in 2004. Especially, we try to figure out the impact of mobilization power of the elderly and political factors on welfare spending with 30 local governments in Daegu-metropolitan city and Gyeongsangbuk-province. Social and economic factors which are used in the previous studies are considered to identify more reliable effects of political mechanism. Generalized least square

is applied to for the analysis due to the panel data which has heteroskedasticity across panels.

2.THEORETICAL REVIEW

Aging and the mobilization power of the elderly

Korean society entered into 'aging society' in 2000 and population of the elderly has increased fast. Especially, aging population in Gyeongbuk and Daegu providences reached about 15% of total population in 2005(National Statistics Office, 2009). This aging brings about social problems like poverty, disease, alienation from the society, and loss of social role for the elderly. To resolve these problems, increased aging population could be main body to represent their interests and benefit by mobilizing their political power, as well as to request welfare meeting with the demand for the elderly. Existing theories can be divided to psychological and political approaches. The former one includes continuity theory and disengagement theory. Continuity theory argues individuals who engaged in society actively continue to be engaged while disengagement theory argues that as individual gets old, they gradually disengage from social participation(Cutler, 1977). The latter is focused on population share participating in elections as representation. In this perspective, who participates in politics is important factor; who votes, who does not have significant consequences for who gets elected and for the content of public policies(Griffin and Keane, 2006). According to this theory, the degree of influencing power is different depending on the level of representation.

There has been no study examining the impact of mobilization power of the elderly on welfare spending so far in South Korea. Thus it is valuable to explore how the mobilization power of the elderly influences welfare for the elderly. Especially, the impact of population share of the elderly and participation rates of the elderly in general election is examined as main explanatory variables influencing welfare spending for the elderly.

Devolution (decentralization) and logic in welfare spending for the elderly

Devolution implies a transfer of authority to design and implement policies from the national government to local governments. This decentralization allows local governments to have more discretionary power in welfare decision making, and local environments like political, social and economic factors in local jurisdictions to influence welfare policy through increased discretionary power of local governments (Cho et al, 2005; Fording et al, 2007; Kim and Fording,

forthcoming). Compared with local governments in a centralized government system, local governments in a decentralized government system can design and implement their own policies that meet their jurisdictions need. Hence, there could be more variation in policy outcome across local jurisdictions, and this variation can be explained by local environments. There have been two different arguments about the question that how local environments influence welfare spending; political model, and economic and social model. Political model implies that welfare spending is a function of political mechanism whereas econo-social model implies that welfare spending is a function of economic and social environments. Key (1949; 1956) and Lockard (1963) argue the political competition between the two parties and voting rate are important political factors influencing policy. But there is a contradiction about factors influencing welfare spending. Some scholars emphasize political factors such as party competition, majority party share and political ideologies of majority party, are important in deciding budget. Especially, strong party competition catalyzes generous redistributive policies for low-income citizen and then increases welfare spending to obtain support of low-income citizen to win an election. Thus party competition has positive relationship with welfare (Wildavsky, 1974; Wong, 1988). Others emphasize economic factors. Peterson (1981) argues welfare policy executed by local governments is restricted by economic interests. Only local governments achieve economic development and have excessive financial resources pursue welfare policy (Wilensky, 1975). Regardless of factors emphasized, government expenditure scale is decided by various environmental factors surrounding local governments. Fabricant (1952) found that income per capita, urbanization, and population density are significant factors influencing public expenditure. Dawson and Robinson (1963) found that party competition is closely related to welfare spending in states, but it becomes insignificant when they control income. They concluded that income per capita, population density, and urbanization determine welfare spending rather than party competition. Dye (1979) also stated social and economic factors are more influential than political factors. But Fry and Winters (1970) found political factors have significant and independent relationship with redistributive policies. Based on previous studies, we assume that welfare spending is a function of environmental factors such as political, social, and economic factors surrounding local governments.

Literature review: As expressed in the previous subheading chapter, there has been no study on the impact of mobilization power of the elderly on welfare spending. Most domestic studies about the determinants of local government welfare spending applied the analysis model of foreign studies to domestic cases. Studies performed in early 1990s when self-governing system reinitiated, discussed institutional perspective of administration system and the impact of adoption of self-governing system on welfare spending. Empirical studies began in 1995 when the county and city headman began to be elected by his citizen (Lee & Kim, 1992; Kim, 1998; Son, 1999; Kang, 2003). These studies explored whether adoption of self-governing system increased welfare spending or not. The finding of each of these studies is different and inconclusive. Studies about the effect of political competition on local government expenditure are undertaken by Ji & Kim (2003) and Shin (2007). Both studies found political competition influences social development spending.[2] Recent studies on welfare spending tried to figure out factors influencing welfare spending by considering various political (party identification of a headman and an assemblyman, relationship between a headman and a local assembly, the time of adoption of self-governing system), social (population, population density, the number of low-income welfare beneficiaries, the number of the elderly), and economic (income per capita, financial autonomy of local governments) factors (Jin, 2006; Park & Park, 2007). Although there is a little difference in their findings, they found social and economic factors are more influential than political factor commonly. Doesn't political mechanism of local governments influence welfare spending in reality? We think political mechanism of local governments influences welfare spending. In the previous studies, scholars did not use appropriate measures for political factors producing variation in welfare spending across local governments. They considered party identification of a headman of local government, participation rate in an election, majority party share in the composition of local assembly, and the relationship between a headman and a local assembly. In Korean political system, there is no political ideology spectrum like liberalism to conservatism in the U.S. Hence, party identification or majority party share is not proper selection to examine political impact on welfare spending. We use V. O. Key's political competition concept as main explanatory variable. In spite of the reinitiation of self-governing system in 1991, little transfer of authority to design welfare policy from the national government

2 Social development spending includes housing, health, welfare, culture, and manpower development spending.

to local governments, heavy financial dependency on the national government, and low financial autonomy of local governments do not allow the room for the political mechanism of local government to work. But government innovation under the president Roh in 2004 transferred a significant amount of authority in welfare policies to local governments. We anticipate this devolution gives the room that political mechanism work. Empirical study on the impact of local political factors on welfare spending after 2004 government innovation is only Park & Park (2007)'s one. They considered party identification of a headman of local government, and an election year as political factors and found only an election year is significant factor influencing welfare spending.

3.HYPOTHESES AND MODEL

Case selection and hypotheses

To test the hypotheses, we examine 30 local governments (similar to county or city governments) in Daegu Metropolitan-City[3] and Gyeongsangbuk-Do[4] (similar to state) for 2000 to 2007 in South Korea. We restrict research period from 2000 to 2007 because the national government transferred 67 out of 138 policy authorities in welfare to local governments in 2005.[5] This devolution gives a slack that local environments influence welfare spending and produces variation in welfare spending across local governments.

We focus on political factors such as mobilization power of the elderly, political competition, and female share in a local assembly influencing welfare spending for the elderly. As electoral participation rates of the elderly increases, welfare spending for the elderly increases because their mobilization power makes the local government design and implement more generous policies for the elderly. We term this potential effect of political factor the "political mobilization hypothesis".

H1: As electoral participation rates of the elderly increases, welfare spending for the elderly increases.

3 Daegu Metropolitan City is composed of 7 Gus (Cities) and 1 Gun (County).
4 Gyeongsangbuk-Do is composed of 10 Sies (cities) and 13 Guns (counties).
5 No previous research has found significant political effects on welfare spending including studies examining welfare spending before 2004.

As electoral competition between two top vote getters for a mayor or a county headman, and an assemblyman gets stronger, welfare spending for the elderly increases because they need to obtain the marginal votes of the minority who are usually not considered as a main target to win an election in low levels of electoral competition situation. Under the a two-party system or a multiple-party system, there is a tendency that welfare policies for the minority become generous as electoral competition between two top vote getters gets stronger. We term this potential effect of political factor the "political competition hypothesis".

H2: As electoral competition between the two top vote getters gets stronger for a county headman and an assemblyman, welfare spending increases.

We also test another newly issued political factor, the share of female assemblywomen in a local assembly because the introduction of proportional representation and the quota system for female local assemblywomen in 2006 resulted in the dramatic increase in the number of female assemblywomen in a local assembly. We hypothesize that as the number of female assemblywomen who have a tendency to be generous to welfare increases, welfare spending increases. We term this potential effect of political factor the "female share hypothesis".

H3: As female share increases in the composition of a local assembly, welfare spending increases.

Model

Hypotheses are analyzed through the following equation and pooled time series and GLS (Generalized Least Square) are applied for the analysis:

$$Y_{i,t} = \alpha + \beta 1X1_{i,t} + \beta 2X2_{i,t} + \beta 3X3_{i,t} + \beta 4X4_{i,t} + \beta 5X5_{i,t} + \beta 6X6_{i,t} + \beta 7X7_{i,t} + \beta 8X8_{i,t} + \beta 9X9_{i,t} + \beta 10D1_{i,t} + \beta 11D2_{i,t} + \beta 12Y_{i,(t-1)} + \varepsilon \quad \text{Eq.(1)}$$

Y= Welfare spending for the elderly per capita,
X1=Rates that electoral participation of the elderly out of total participation,
X2=Share of the elderly population,
X3=Local tax revenue per capita,
X4= Financial autonomy,
X5= Economic development spending per capita,
X6=Electoral competition between the two top vote getters for a county headman,
X7= Electoral competition between the two top vote getters for a local assembly,
X8= Female share in a composition of a local assembly,
X9= GRDP per capita,
D1=Election year,
D2=Devolution,

$Y_{i,(t-1)}$ =Welfare spending per capita in the previous year,
i=county or city, t=year

Data for the dependent variable are collected by various ways. Most of those are extracted from the budget document of each county or city. A part of those are collected by petition for the release of information or visiting the county/city governments. Welfare spending for the elderly per capita is defined as welfare spending for the elderly in each local government divided by the number of population in each local jurisdiction. As explained case selection and hypotheses section, we consider mobilization power of the elderly, electoral competition between the two top vote getters for a headman of local governments and for a local assemblyman in each electoral district, and female share in each local assembly.[6] Mobilization power of the elderly is measured as the share that electoral participation of the elderly out of total electoral participation. Thus a higher share implies a higher mobilization power. Political competition between the two top vote getters for a headman or a mayor is measured as the value that the proportion of vote obtained by the second highest vote getter is subtracted from the proportion of vote obtained by the first highest vote getter in an election. Thus a lower percentile value indicates smaller gap in vote poll between the two top vote getters and implies stronger competition whereas higher percentile value implies weaker competition. Measurement for political competition between the two top vote getters for an assemblyman in each electoral district is identical to the measurement for political competition for a headman. As stated in the hypothesis 1 and 2, we anticipate welfare spending for the elderly increases as mobilization power gets stronger and political competition becomes stronger. Female share in the composition of a local assembly is defined as the number of female assemblywomen divided by the number of total assemblymen in each local district. We anticipate that welfare spending increases as female share in a local assembly increases. According to election results in 2006, female assemblywomen are 437 out of total 2,415 assemblymen due to introduction of proportional representation and the quota system for female. This dramatic rise of female share in a local assembly could be a new political factor influencing welfare policies. We anticipate that welfare spending for the elderly increases as a share of female in the composition of a local assembly increases because many of them have an academic degree in social work, and have work experiences in women's organizations and in a

6 Existing studies considered a percentage of the vote that a headman or a mayor obtains, a relationship between a headman (mayor) and a local assembly, and party identification of a headman or mayor as political factors.

welfare committee in an assembly. Kim (2004) studied the role of female in the national congress and found that they play a significant role in improving welfare for women, the disabled, children and low income families. Although it is difficult to apply the findings to a local assembly directly because of the difference in the level of governments, the finding could be the clue that we anticipate the growth of female share in a local assembly increases welfare spending for the elderly. Political factor which is confirmed in the previous studies is election year. Welfare spending increases in the year when an election is held because an incumbent of a local government is likely to increase welfare spending to obtain the vote of the minority who are welfare beneficiaries. We give 1 to the election year 1998, 2002 and 2006, and 0 to the others.

We consider financial autonomy of local governments as financial capacity of local government. Financial autonomy is a standard that we can evaluate the financial capacity of a local government. It is measured as the proportion of local tax revenue and non-tax receipt to general account budget (Lee and Kim, 2007). Generally, welfare spending increases as financial autonomy gets higher because a local government has more financial capacity. We also consider economic development spending per capita to figure out which policy is local governments' priority between economic development and welfare. We anticipate economic development spending per capita has negative relationship with welfare spending for the elderly per capita because local governments concentrate on economic development have less financial room for welfare.

We consider local tax revenue per capita and GRDP per capita as economic variables. Local tax per capita and GRDP per capita represent economic prosperity. Thus we anticipate welfare spending for the elderly increases as local tax per capita and GRDP per capita increase. We also consider the proportion of the elderly to total population as the welfare demand factor. We anticipate that as welfare demand factor increases, welfare spending for the elderly increases. We consider devolution of authority to local government as financial structure factor. Due to the point that welfare budget is influenced by itself in the previous year, we give the lagged effect (t-1) to the dependent variable and input it as internal explanatory variable. Definition and sources for variables used in the model is identified in table 1.

Table 1. Definition and Sources for the Variables

Variable	Definition (unit)	Source

Welfare spending for the elderly per capita	Welfare spending for the elderly in a city or county / the number of total population (won)	Budget document of each local government
Mobilization power of the elderly	% of the elderly participating in an election out of total population participating in an election	National election commission
Political competition for a headman	% of vote obtained by top vote getter-% of vote obtained by the second-vote getter	National election commission
Political competition for an assemblyman	Mean(% of vote obtained by the top-vote getter-% of vote obtained by the second-vote getter in each election district)	National election commission
Female share in a local assembly	The number of female assemblymen / total number of assemblymen (%)	Daegu, Gyeongsangbuk-Do election commission
Election year	2002=1, 2006=1, the rest year=0	
Proportion of the elderly population	The number of people who are age 65 and over age 65 / the number of total population (%)	Statistical yearbook of Daegu, Gyeongsangbuk-Do
Financial autonomy	(local tax + non-tax receipt) / general account budget (%)	Financial yearbook of local governments
Economic development spending per capita	Economic development spending/the number of total population	Financial yearbook of local governments
Local tax per capita	Local tax / total population (won)	Financial yearbook of local governments
GRDP per capita	GRDP/ total population (thousand won)	Financial yearbook of local governments
Devolution	Before 2005=0, Since 2005=1	
Welfare spending per capita in the previous year	Welfare spending per capita in the previous year	Budget document of each local government

4.RESULTS

The coefficient estimates for the equation are presented in table. 2. Adjusted R^2 value is 90.28 in OLS. This value represents explained variance compared to total variance. We think fitness of the model and explanatory power is pretty strong.

Table 2. Coefficients and Standard Error

	OLS	GLS
Variables	**ß**	**ß**
Mobilization power of the elderly	-0.131 (.205)	-0.094 (.170)
Political competition for a headman	-0.080** (.039)	-0.058*** (.019)
Political competition for an assemblyman	-0.070 (.083)	-0.050 (.033)
Female share in a local assembly	0.580*** (.215)	0.444*** (.120)
Election year	-2.505 (2.164)	-0.567 (.979)
Financial autonomy	-0.135	-0.087

	(.173)	(.102)
Economic development per capita	-0.051* (.026)	-0.039** (.020)
Proportion of the elderly	1.942*** (.593)	1.923*** (.000)
Local tax per capita	0.0009 (.0006)	0.0006* (.0003)
GRDP per capita	0.00007** (.00003)	0.00006*** (.00002)
Devolution	2.484 (2.751)	1.812 (1.295)
Welfare spending per capita in a previous year	0.689*** (.068)	0.656*** (.066)
adj-R^2	90.28	
N	210	210

*p<0.1, **p<0.05, ***p<0.01

We cannot find a critical difference in the significance of coefficients between OLS and GLS except local tax per capita, but a difference in the value of those. Unfortunately, hypothesis 1 is rejected; the mobilization power of the elderly which measures electoral participation of the elderly to total electoral participation is not significant statistically, and the direction of coefficient is contrary to our expectation. This result implies although an electoral participation of the elderly is relatively higher than that of other age groups, their interests are not represented to the politics and policy decision mechanism. Consistent with our expectations, we find that as political competition between two top vote getters for a headman gets stronger, welfare spending for the elderly increases. This finding conforms to the 'political competition hypothesis' that as electoral competition between the two top vote getters gets stronger, welfare spending for the elderly increases, and implies that under strong political competition, the incumbent increases welfare spending to obtain the marginal votes of the minority who are usually not considered as a main target to win an election in lower levels of electoral competition situation. We also identify female share is significant factor affecting welfare spending for the elderly. As female share in a local assembly increases, welfare spending for the elderly per capita increases. This finding conforms to the female share hypothesis that as a percentage of female assemblywomen increases in a local assembly, welfare spending increases. Contrary to the results in the previous studies, welfare spending decreases in the election year, but it is not significant statistically.[7] As

7 Welfare spending in the most of local governments decreases in 2002. This factor results in negative value of coefficient for election year. When we exclude 2002 election year, the coefficient is changed to positive value and is significant statistically. This result implies the incumbent headman spends more money for welfare to obtain the votes of welfare beneficiaries.

expected, proportion of the elderly has a positive relationship with welfare spending. Local tax per capita and GRDP per capita have a positive relationship with welfare spending for the elderly, and those are significant statistically. Unexpectedly, financial autonomy has a negative relationship with welfare spending. As financial autonomy gets higher, welfare spending decreases. This unexpected result is probably caused by the reason that local governments which have higher financial autonomy are more likely to spend on economic development than on welfare as found by a few previous researches. Negative relationship between economic development spending and welfare spending for the elderly supports our argument. Devolution is positively related to welfare spending as expected. But it is not significant. Welfare spending for the elderly per capita in the previous year is positively and significantly related to welfare spending per capita. This result is identical to Wildavsky's argument that budget can be explained by incrementalism well.

As we see in table.2 political competition and female share in a local assembly are significant political factors determining welfare spending for the elderly per capita.

5.CONCLUSION

We explored whether the mobilization power of the elderly is represented in politics or policy decision mechanism or not, as well as other political, and control factors determining welfare spending for the elderly. Mobilization power of the elderly does not influence welfare spending for the elderly per capita while political competition and female share in a local assembly do influence. These results imply that local political mechanism is working in a process of policy decision making due to the transfer of authority in deciding and implementing welfare policies from the national to local governments in 2004. But relatively higher level of electoral participation of the elderly does not represent their interests in deciding welfare policy for the elderly. To connect their power to the decision making, the elderly should mobilize their power as collective power and issue their interest to local political mechanism. Although local governing system has been initiated for a long time in Korea, local governments had been just implementation institutions of the national government rather than autonomous governments establishing their own policies and arranging budget to meet their own citizens' needs. This dependency is caused largely by non-transfer of authority from the national government to local

governments, and local governments' heavy financial dependency on the national government. Previous studies concluded that political factors did not affect welfare spending except for the election year. This conclusion is come out by two factors that scholars had not applied appropriate measurement for political factors to their studies, and devolution of authority to local governments had not occurred to result in enough variation in policy outcomes across local jurisdictions that political factors could work.

But considerable authority in welfare policies is transferred to local governments from the national government since 2005. This devolution of authority might allow local government to design and arrange their own welfare policies partially, and produce variation in policy outcome across local jurisdictions. We examine whether devolution causes variation in welfare spending for the elderly across local governments, and if so, how it can be explained. Especially, we try to identify the effects of political factors such as mobilization power of the elderly, political competition, female share in a local assembly and election year, and find strong political competition and higher female share in a local assembly increase welfare spending for the elderly. Thus, this study provides new implications that political factors of local governments influence policy outcome (welfare spending), as well as devolution of the authority to local governments from the national governments might allow political mechanism of local government to work in the decision making process in Korean public administration system.

This study can be extended by increasing the number of local governments as research object and extending study period. We are collecting data on 22 local governments in Junlanam-Do, 14 local governments in Junlabuk-Do, and 31 local governments in Gyeongki-Do for 2000 to 2009 to generalize the results of the study.

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