

The 4th MDT Workshop, 24/7/2002 (not for quotation)

Towards a Comparative Study of East Asian Welfare States

KAMIMURA Yasuhiro

Institute of Social Science, University of Tokyo
kamimura@iss.u-tokyo.ac.jp

. Introduction

After the East Asian economic crisis of 1997-98, more and more attention has been paid to the social policies of East Asian countries. What kind of social policies can contribute to mitigate the social impact of the crisis(Gupta et al. 1998)? Is the existing model of East Asia adequate to serve the present purpose of social restructuring(Lee 1998)? But before answering these questions, we must investigate more about the actual conditions of each country from a comparative and historical perspective.

Comparative study of East Asian welfare states is, however, underdeveloped so far. Most comparative works on welfare states deal with OECD countries. Esping-Andersen's pathbreaking book(1990), for example, works out its three models by examining the experiences of Western countries. In contrast to his study and some other excellent works, their counterparts in East Asia are often split into two extremes, namely, sweeping generalisation and trivial particularism¹. While we can hardly believe that the welfare system of Hong Kong resembles those of Taiwan and Japan², it is also pointless to exaggerate the specificity of each country.

Recently it has become much more important than ever before to work out some models that properly conceptualise the similarities and divergences among East Asian countries. Since the economic and social strategies of international organisations like the IMF and the World Bank are becoming increasingly important, the knowledge about the regions on which such strategies are based also becomes important. In the late 1990s, the "Washington Consensus" lost its former lustre, and then "poverty alleviation" (the World Bank³) and "social conditionality"(the IMF) have become new key issues (Mkandawire 2001: 4). Thus, the present shortage of comparative study on East Asian welfare states can easily lead to serious split between the transcendental one-size-fits-all strategy and the ad hoc country-specific strategy.

This paper aims to review some of my own papers, and formulate the agenda for future research to fill the gaps as mentioned above. I would like to organise the rest of

¹ One of rare exceptions is Gough(2000).

² Jones insists that Hong Kong, Singapore, Korea, Taiwan and Japan share the characteristics of "Confucian welfare state", which is quite different from Western welfare states(Jones 1993).

³ The World Bank established the "social protection" department in 1996, and its East Asia and Pacific section was started in 1999(World Bank 1999).

this paper in correspondence to the following three questions.

- 1) Why are the social expenditures of East Asian countries much lower than those of the advanced countries? (chapter)
- 2) While we often talk about "the East Asian welfare model", have East Asian countries come along a single trajectory? (chapter)
- 3) Can East Asian countries successfully develop the universal welfare systems within the era of globalisation? (chapter)

The stress is, however, on identifying a research agenda, rather than on presenting a completed study. In chapter , the issues that I should investigate in further research will be formulated.

. Why are they underdeveloped?

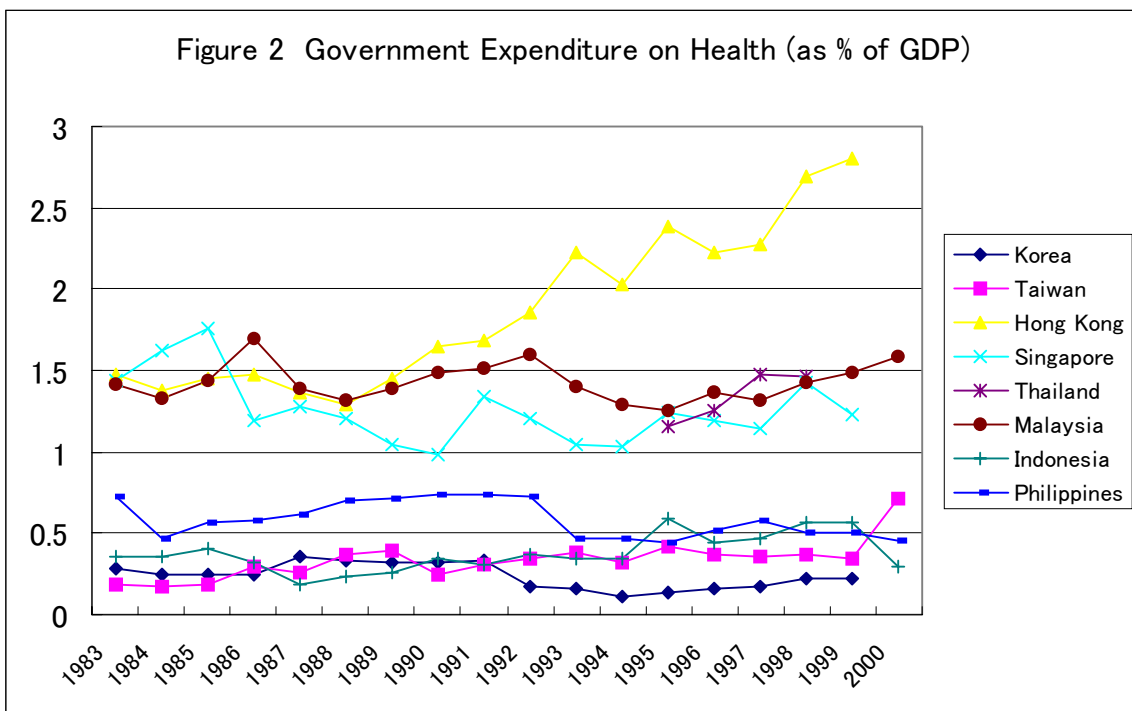
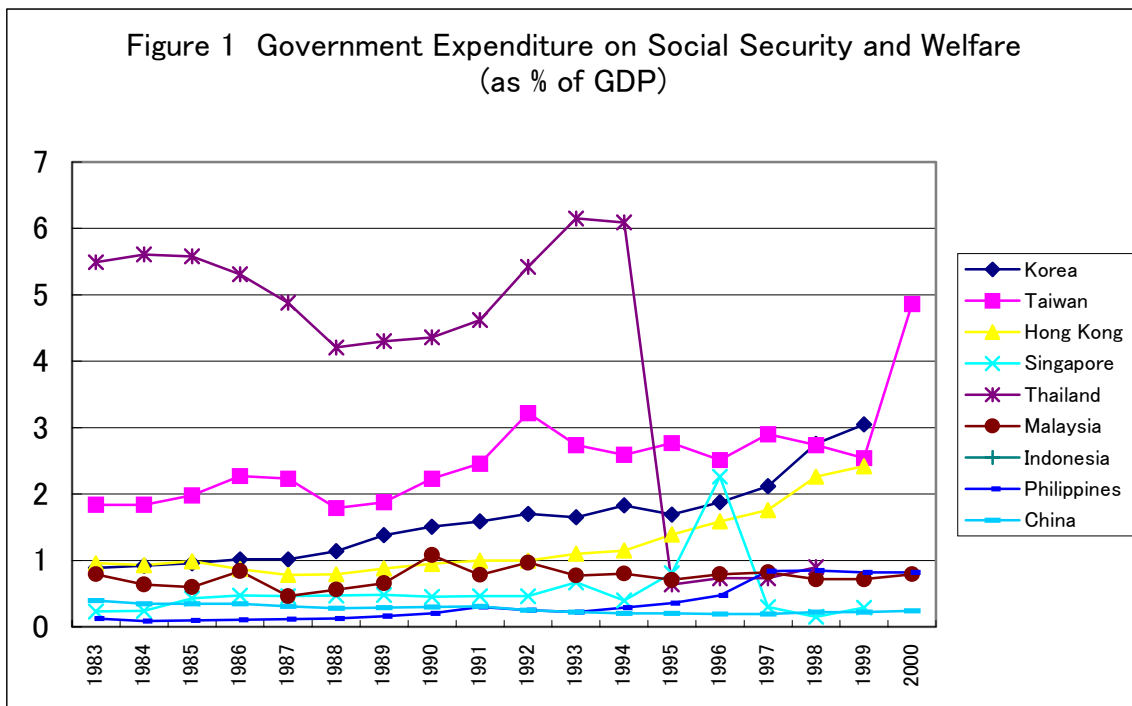
Why are the social expenditures of East Asian countries much lower than those of the advanced countries? Let us start with glancing at some available data.

Figure 1 shows the trends of government expenditure on social security and welfare as proportion of GDP in each countries⁴. It tells us that: 1) As is often pointed out, the percentages are generally lower than those of the advanced countries⁵. 2) Korea, Taiwan and Hong Kong are relatively high. Taiwan has constantly been more generous than other countries. There is a marked increase in Korea from the late 1980s, and in Hong Kong from the early 1990s. 3) Other countries(Singapore, Thailand, Malaysia, Indonesia, the Philippines and China) have not shown any substantial changes within this period.

Figure 2 indicates the trends of government expenditure on health. It shows us that: 1) Hong Kong, Singapore and Malaysia are relatively high. All of these countries have the legacy of British colonial rule. 2) There is marked increase in Hong Kong from the early 1990s. 3) Again, the percentages are lower than those of the advanced countries.

⁴ Based on ADB(Asian Development Bank), *Key Indicators of Developing Asian and Pacific Countries 2001*. It seems that it does not include the expenditure for pension payment.

⁵ Note that prior to 1995 the figure of Thailand includes education, health, housing and community amenities, which means it is not comparable with other years and other countries.



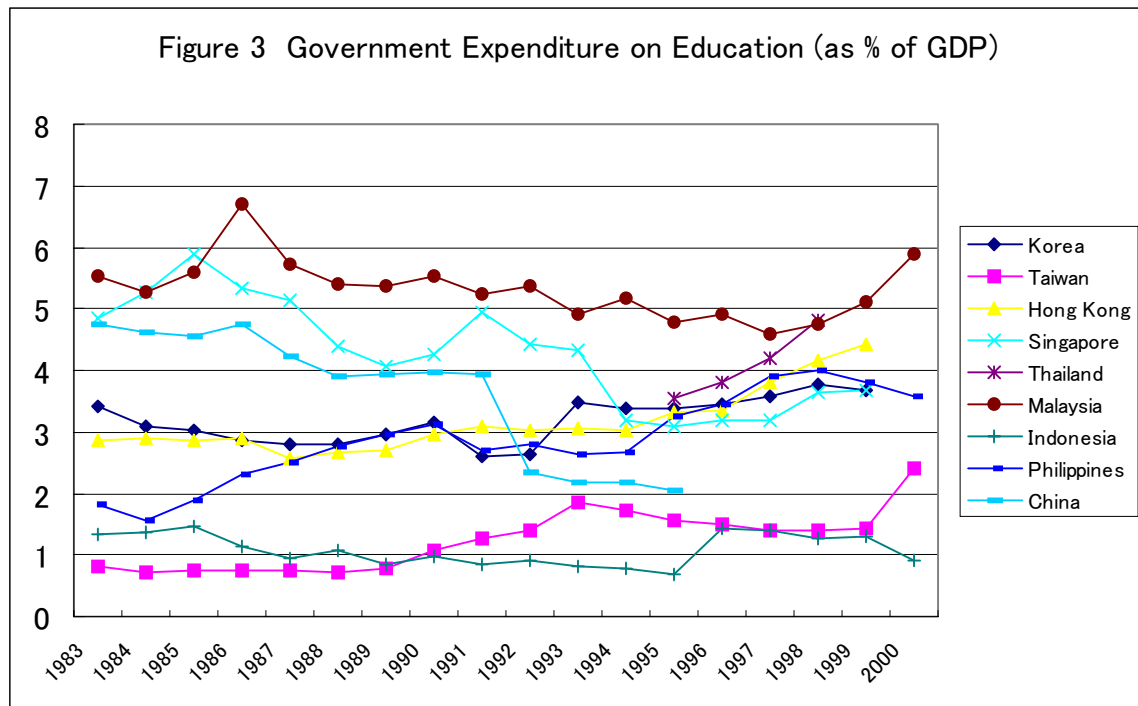


Figure 3 displays the trends of government expenditure on education⁶. We notice that: 1) Most countries spend more money on education than on social security and health. 2) Malaysia and Singapore are relatively high.

We shall turn now to the correlation between expenditure and its expected determinants. Figure 4 is the scatter diagram of the economic level and social expenditure⁷. The two variables are roughly correlated. But there are countries like Singapore, where the level of expenditure is not so high for their economic level. On the contrary, there are also countries like Poland, where the expenditure is rather high for their economic level. We can hardly conclude that the GDP per capita is the only determinant of expenditure level.

Figure 5 and Figure 6 show the apparent correlation between expenditure and the ageing ratio⁸. Here we can find the tentative answer to the question why the social expenditures of East Asian countries are low. As Wilensky(1975) pointed out, we may roughly say that economic standard and ageing level of the country are still major

⁶ This kind of international statistics often excludes the expenditure of local governments. For more accurate comparison, we should explore the national data sources of each country.

⁷ GDP per capita is based on The Statistics Bureau(Japan), *World Statistics 2001* (in Japanese). Social expenditure is based on ILO, *Cost of Social Security 1990-96* (<http://www.ilo.org/public/english/protection/socsec/publ/css/cssindex.htm>). Note that the definition of expenditure is different from those of Figure 1. As for Taiwan, the figures are picked from DGBAS, *Statistical Yearbook of The Republic of China 2000*.

⁸ The ageing ratio is based on UN, *Demographic Yearbook 1997*. As for Taiwan, the figures are picked from DGBAS, *Statistical Yearbook of The Republic of China 2000*. Public health expenditure is picked from UNDP, *Human Development Report 2001*.

factors that determine its effort in the sphere of welfare. In Figure 5, Taiwan seems to be situated at the takeoff point.

Figure 4

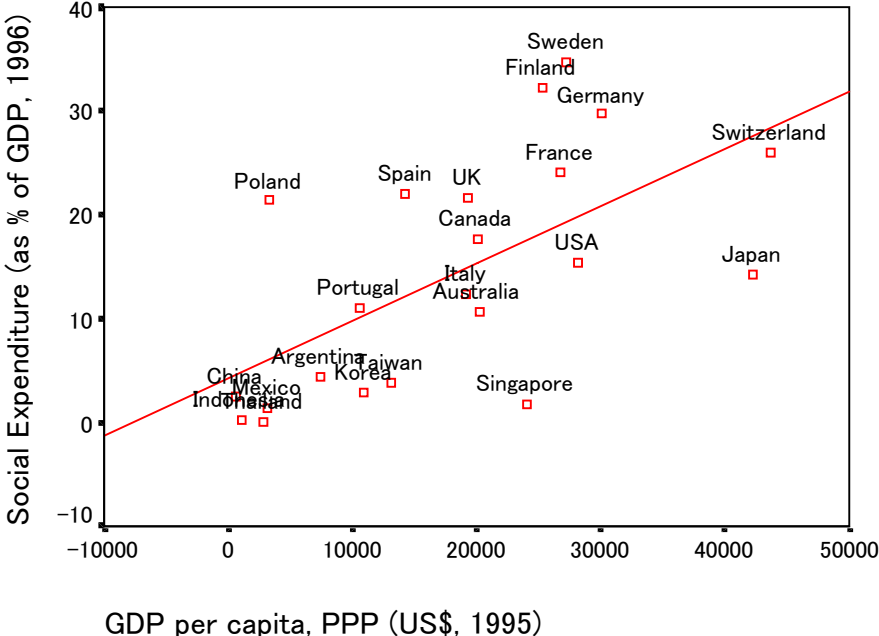
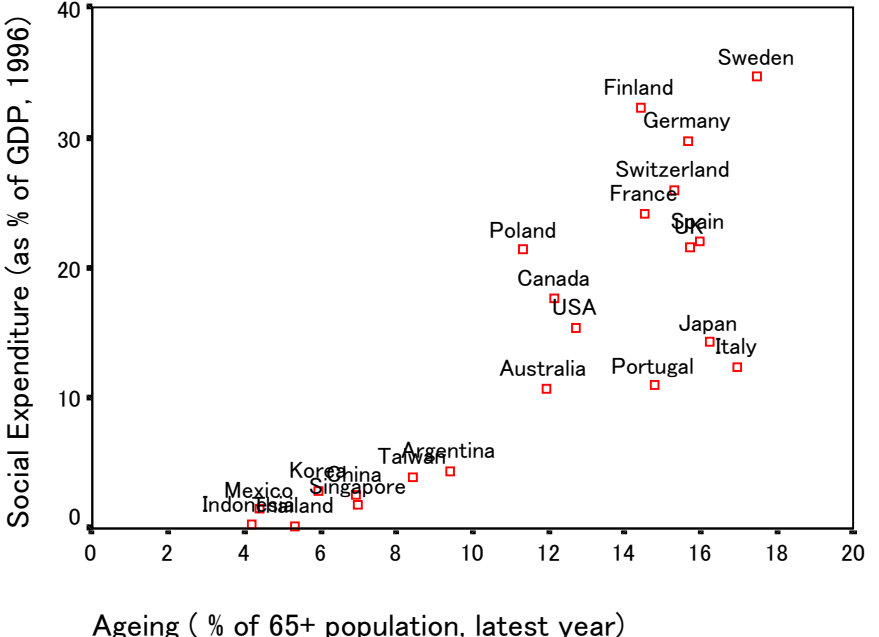
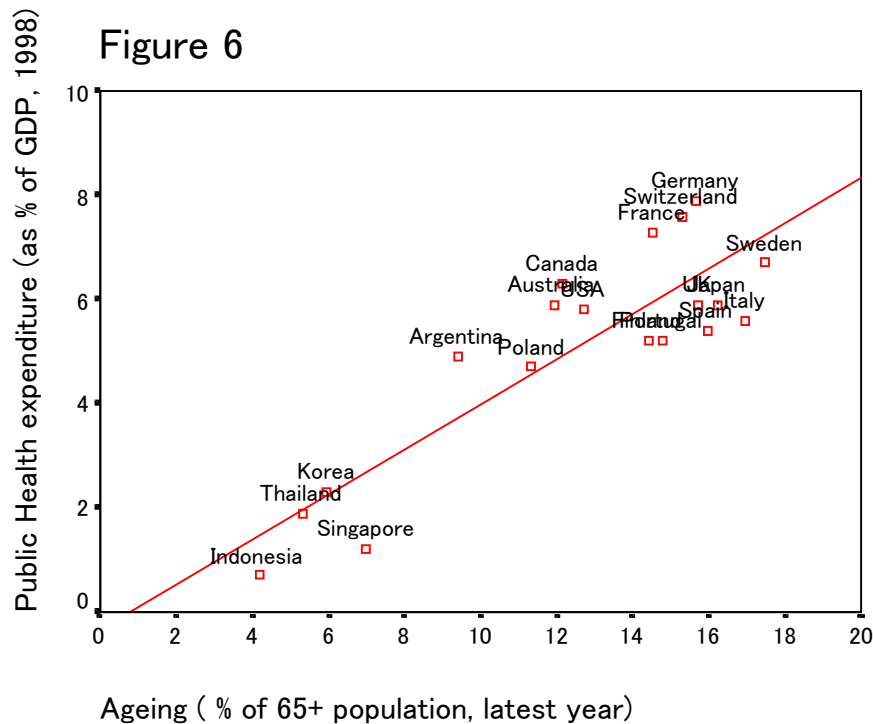


Figure 5





But then, is it right that the East Asian governments have not made any efforts in the field of social welfare? Certainly not. As shown in Table 1, all of the ten countries taken up here have introduced some schemes that correspond to old age, sickness and work injury. We notice that: 1) As for work injury compensation, every country has introduced it in the early period. 2) Most countries have also introduced certain kinds of health security schemes. But in some countries (Thailand and Singapore, especially), the ratio of public expenditure in the total cost for health is considerably low. 3) As for old age income security, many countries adopt provident fund systems, which often provide only lump-sum benefits. Only Japan has a universal pension scheme. 4) Only four countries have an unemployment insurance system. Except for Japan, however, it was only recently introduced.

Here we can classify the countries according to the characteristics of their pension schemes.

- 1) early introduction and extensive coverage: Japan, Taiwan, Singapore, Malaysia
- 2) late introduction and extensive coverage: Korea
- 3) early introduction and small coverage: Indonesia, the Philippines, China
- 4) late introduction and small coverage: Thailand

The extent of coverage could be explained by the size of the agricultural sector in each country. Indonesia, the Philippines, China and Thailand all have large agricultural sectors. Meanwhile, what determines the timing of introduction? I will explain this point in the next chapter.

. Have they come along a single trajectory?

While we often talk about "the East Asian welfare model", have East Asian countries come along a single trajectory?

As we have seen in the previous chapter, although East Asian countries(except Japan) are roughly similar in that they have relatively young populations and low social expenditure, we can also find some significant differences among them. In this chapter, I would like to explain, based on Kamimura(1997, 1999), the timing of the introduction of social security schemes(stressing pensions for workers) in the Asian NIEs(Korea, Taiwan, Hong Kong and Singapore) by the difference of political structure in the regime formation period. Here, "political structure" mainly refers to the state-labour relations. And, "regime formation" means the establishment of power which preceded the industrialisation of the country; Park Chung-hee's military government of Korea in 1960s; Kuo Ming Tang(KMT, the Nationalist Party) government of Taiwan in 1950s; People's Action Party government of Singapore in 1960s; As for Hong Kong, we can find the new state-labour relation formed around 1949.

When we examine the state-labour relations in the regime formation period of each country, we notice that the three countries other than Hong Kong had the character of "state corporatism" in Schmitter's following terminology.

"Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of (1)singular, (2)compulsory, (3)noncompetitive, (4)hierarchically ordered and functionally differentiated categories, (5)recognized or licensed (if not created) by the state and (6)granted a deliberate representational monopoly within their respective categories in exchange for (7)observing certain controls on their selection of leaders and articulation of demands and supports"(Schmitter 1979: 13. Numbers are added by quoter.).

Table 2 State-Labour Relations in the Regime Formation Periods

	Taiwan	Singapore	Korea	Hong Kong
1) Singular	○	○	○	×
2) Compulsory	○	○	○	×
3) Noncompetitive	○	○	○	×
4) Hierarchically ordered	○	○	×	×
5) Recognition by state	○	○	△	×
6) Representational monopoly	○	○	○	×
7) Controls on leadership selection and interest articulation	○	○	×	×

According to this definition, the state-labour relations in each country could be described as Table 2. While Taiwan and Singapore fulfil all the factors of corporatism, Korea's corporatism seems to be different. How can we sub-categorise these cases?

Stepan developed Schmitter's concept, and distinguished two "policy poles" within state corporatism by examining several Latin American regimes. He says,

"Near the 'inclusionary pole' the state elite can attempt to forge a new state-society equilibrium by policies aimed at incorporating salient working-class groups into the new economic and political model. Near the 'exclusionary pole' the attempt to forge a new state-society equilibrium can rely heavily on coercive policies to deactivate and then restructure salient working-class groups"(Stepan 1978: 74).

He also noted that the same regime can shift from one pole to another(ibid., p.78).

"The state elite attempts to exclude from the political arena a variety of relatively autonomous, largely working-class based, institutional structures capable of resisting their political design, and then seeks to reintegrate the excluded groups into associational organizations designed and controlled by the state."(ibid., p.79)

And he observes that, in inclusionary corporatism, distributive, symbolic and group-specific welfare policies are used to encapsulate salient worker and peasant groups in state corporatist associational structures(ibid., p.76).

As for Taiwan, Singapore and Korea, all the state elites seemed to choose "exclusionary" policy at first. Taiwanese and Singaporean government harshly eradicated anti-governmental labour unions, and established their own conformist labour organisations. Korean government was also antagonistic to labour organisation, but could not eradicate it. This is the line which divides Korea and other countries. Since Taiwanese and Singaporean government effectively excluded anti-governmental unions, they inevitably shifted to "inclusionary" policy. On the other hand, Korean government could not do that, and therefore, they remained near the "exclusionary pole". As for Hong Kong, although there were two major labour organisations, the colonial government of Hong Kong did not see them as partners of negotiation. So we may describe Hong Kong's regime as "exclusionary pluralism".

Thus we see that only Taiwan and Singapore shifted to "inclusionary" corporatism, where pension schemes for workers were introduced prior to full-scale industrialisation. In Taiwan, Labour Insurance was set up in 1950, which included sickness, disability, maternity, death and old age benefit(only in lump sum). While those who were covered were mainly workers in public enterprises at the beginning, the coverage was gradually extended to workers in the private sector, which included medium and small-sized businesses. In Singapore, Central Provident Fund(CPF), which was founded before independence, was improved after 1968 when the People's Action Party monopolised the parliament seats. CPF was a mandatory saving scheme for old age income security,

which was later extended to other purposes, including housing, medical care and education.

In Korea and Hong Kong, where a shift to the "inclusionary" pole did not occur, on the contrary, pension schemes for workers were not adopted until recent years. Most workers in Korea and Hong Kong, therefore, had to survive the industrialisation period without a reliable social security system. In Korea, although Industrial Injury Insurance was introduced in 1964, and Medical Insurance was implemented in 1977, they were not extended to a wide range of workers until the late 1980s. Moreover, the pension scheme was not started until 1988. In Hong Kong, welfare had been left to charity and mutual aid until the social assistance system was set up in 1971. After long discussion, Mandatory Provident Fund(MPF) was finally legislated in 1999.

To sum up, we can distinguish two paths at least as to the welfare state formation of the Asian NIEs. One is the early introduction path of Taiwan and Singapore, which results from "inclusionary corporatism". The other is the late introduction path of Korea and Hong Kong. Therefore, we could hardly expect that there is only one trajectory in East Asia.

. Can they develop?

Can East Asian countries successfully develop the universal welfare systems within the era of globalisation? Let us focus on the case of Taiwan(Kamimura 2002). We may find out that there are many difficulties in developing the universal welfare system even in a fortunate example of democratisation like Taiwan.

As mentioned in the previous chapter, Taiwan had formed its social insurance system under Kuo Ming Tang's authoritarian regime. It was considerably developed, as one of the conservative politicians pointed out, "The developing process of our welfare policy is not the same as those of foreign countries. Not《from nothing to something》, but 《from something to changing》". Its emphasis was, however, on soldiers, civil servants and teachers. In 1990, while the average old age benefit for civil servants is NT\$740,561 (lump sum. NT\$100 JP¥380, US\$3, UK £ 2), that for workers is only NT\$280,484. With the gradual democratisation after 1987, people became aware that the old system was inadequate and unequal. For that reason, in early the 1990s the introduction of the National Pension Scheme came to be a point of issue in electoral campaigns. Did it successfully lead to legislation?

Here I shall describe the electoral contests in 1990s briefly. In the 1992 election of the legislators, Su Huan-chi(a candidate of Democratic Progressive Party, DPP) pledged the introduction of old age allowance of NT\$5,000 per month, and he was elected. Then candidates noticed the effectiveness of the pension promise. In the 1993 local elections, all parties guaranteed that promise. Following the election, many cities and prefectures (15 of 23) implemented the old age allowance, but most of them were abolished soon after for financial difficulties. Today, only three local governments continue to pay the

benefit. The two other results of electoral contests were "old age living allowance for medium and low income households"(1993) and "welfare allowance for old farmers"(1995). They are of some importance, because more than 190,000 people receive the former, and almost 590,000 people get the latter. However, more than 670,000 of aged people still receive neither pension nor allowance. Moreover, students, housewives and the unemployed are not insured for pensions. It seems that the existing social insurance system and the ad hoc introduction of various kinds of allowances rather impede the implementation of the National Pension Scheme.

In the 2000 presidential election, DPP came to power for the first time. DPP's platform has pledged to create a "welfare state" for a long time. The new president Chen Shui-bian had promised to realise "the 333 family welfare plan", which means; a monthly allowance of NT\$3,000 for senior citizens over 65; a 3 percent mortgage rate for first time homebuyers; and free medical care for children under 3 years old. Following the inauguration, however, he was criticised for curtailing his promise. His government withdrew the old age allowance plan later, and proposed two other plans of the National Pension. Plan A was a mandatory saving system with individual account, which was defined contribution(DC). Plan B was a monthly pension of NT\$3,000 financed by increasing consumption tax, which was defined benefit(DB). These two plans caused a heated debate. Some people criticised plan A for being a revised version of KMT's plan, which emphasised individual responsibility. Other people condemned plan B as being it was a new version of DPP's old age allowance, which was not financially sustainable. When the debate continued, the share index went down under NT\$7,000. Thus President Chen declared the postponement of the introduction of the National Pension Scheme. He said,

"I think it is urgent that we develop Taiwan's economy and make it a top priority. Otherwise, everything is useless if Taiwan's economy declines or collapses. And how will we be able to ensure the welfare of our society? Therefore, please be patient. The many social welfare policies we planned to implement have been temporarily delayed. We can implement these social welfare programs at a later date, but our economic development cannot wait"(at the press conference of 16/9/2000).

To sum up, why is it that democratisation has not led automatically to the introduction of the National Pension Scheme? Certain internal factors should be considered. Differentiated social insurance system as a legacy of authoritarian regime, and many trivial benefit schemes as a result of electoral contests after democratisation cause great difficulty in establishing a new integrated system. In understanding welfare state formation of newly democratised countries, institutional legacy must be looked into carefully.

On the other hand, there are also some external factors that require examination. Globalisation fuels international economic competition, and undermines fiscal autonomy of national governments. Thus, new president Chen, whose DPP had

promised to create a "welfare state", could not avoid declaring the postponement of the introduction of National Pension Scheme. We should take into account that the international circumstances of Taiwan's welfare state formation are quite different from those of advanced countries in the era of "embedded liberalism"⁹.

. An agenda for future research

Here I shall summarise the points, according to the questions asked in the first chapter.

1) Why are the social expenditures of East Asian countries much lower than those of the advanced countries? As we have seen in the second chapter, it is mainly because the ageing ratios of East Asian countries are still much lower. Even under the authoritarian regimes, however, most countries have developed certain kinds of social welfare schemes.

2) Have East Asian countries come along a single trajectory? As shown in the third chapter, we can distinguish two paths at least as to the welfare state formation of the Asian NIEs. One is early introduction path, which results from "inclusionary corporatism". The other is late introduction path. Therefore, we could hardly expect that there is only one trajectory in East Asia.

3) Can East Asian countries develop the universal welfare systems today? As we have found in the fourth chapter, even in a successful example of democratisation like Taiwan, there are considerable difficulties in developing the universal welfare system. This is partly because of the institutional legacy, and partly due to the present international politico-economic circumstances.

Based on these findings, I would like to formulate the issues that I should investigate in the further research as follows.

1) Although this paper has dealt with state welfare only, we should pay attention to the "functional equivalents" as well. Market, family, community, enterprises and NGOs also provide some welfare for the people. It is thus helpful to use the concept of "welfare regime"(Esping-Andersen 1990, 1999; Gough 2000), or the framework of "social risk management"(Holzmann & Jorgensen 1999), which apprehend the welfare system of a society as a whole. However, there seems to be a hazard here in accepting the status quo and losing the standpoint for critical analyses. If one sector(enterprise, for example) substitutes another(state, for example), the outcome can hardly be "equivalent". Probably someone gains, and someone else loses. So it is necessary to evaluate a welfare regime from the point of "stratification" or (qualitative) equalisation, as well as "de-commodification"(Esping-Andersen 1990). For example, it may be fruitful to explore

⁹ John Ruggie's term "embedded liberalism" means the compromise of domestic regulation and international liberalisation in the post-war era(Cerny 1997: 259).

how enterprise welfare and state pension schemes substitute each other. What are the differences in workers' welfare between public enterprises, multinational corporations, local firms and the informal sector, and how they relate to the character of industrial relations inside and outside the companies? We should examine these points from a comparative perspective.

2) As seen in relation to the Asian NIEs in the third chapter, we should make more efforts to identify the causes of similarities and differences in East Asian Welfare States. So far, only few attempts have been made at this issue. As for the causes of the OECD welfare states, Esping-Andersen pointed out the importance of the following three factors, that is: "the nature of class mobilization(especially of the working class); class-political coalition structures; and the historical legacy of regime institutionalization" (Esping-Andersen 1990: 29). Although I agree with the last point, it is problematic to apply the first and especially the second points to (former) authoritarian states. Where unions were suppressed and there was no effective democratic parliament, neither class mobilisation theory nor class coalition thesis worked well. So I have proposed the state-labour relation model for the Asian NIEs. We may speculate that Malaysia, Indonesia and the Philippines belong to the Taiwan/Singapore type(early introduction of social security schemes), while Thailand belongs to the Korea type(late introduction of social security schemes). Although the timing of introduction itself might not be so interesting, if it effects on the formation of institutional legacy, it could be important. We should analyse how the institutional legacy of the authoritarian era influences the present conditions of each country.

3) As sketched in the case of Taiwan in the fourth chapter, we should consider the present politico-economic conditions of the late welfare state formation within the era of globalisation. Not just the institutional legacy, but international circumstances have a significant effect on the future direction. While there is plenty of literature on the "globalisation and the welfare state" of OECD countries(Mishra 1999; Gough 1996), little is known about the effect of globalisation on the late welfare state formation of East Asia. Here it is important to explore the ideological as well as the economic aspects of globalisation. Following the economic crisis of 1997-98, there have been a lot of discussions on structural reform in East Asian countries. Reforms of labour markets, industrial relations and the social security system are some of the crucial points. There is however a dilemma, for, on the one hand, it is necessary to restructure the social safety nets to cope with the crisis, while, on the other hand, each government is requested to promote further liberalisation, marketisation and flexibilisation. Moreover, the social strategies of the international organisations(IMF, IBRD, UN, ADB, etc.) become much more significant, as I have mentioned in the first chapter. We should carefully scrutinise the impact of the economic and ideological globalisation on the welfare reform discussion of each country.

Bibliography

- Cerny, Philip, 1997, "Paradoxes of the competition state: the dynamics of political globalization," *Government and Opposition* Vol.32 No.2.
- Esping-Andersen, Gosta, 1990, *The Three Worlds of Welfare Capitalism*, Cambridge: Polity Press.
- Esping-Andersen, Gosta, 1999, *Social Foundations of Postindustrial Economies*, Oxford: Oxford University Press.
- Gough, Ian, 1996, "Social Welfare and Competitiveness," *New Political Economy* Vol.1 No.2.
- Gough, Ian, 2000, "Welfare Regimes in East Asia and Europe," presented at "Towards the new social policy agenda in East Asia", Parallel session to the Annual World Bank Conference on Development Economics Europe 2000, Paris, 27 June 2000.
- Gupta, Sanjeev et al., 1998, "Mitigating the Social Costs of the Economic Crisis and the Reform Programs in Asia", Papers on Policy Analysis and Assessments, IMF.
- Holzmann, Robert & Jorgensen, Steen, 1999, "Social Protection as Social Risk Management: Conceptual Underpinnings for the Social Protection Sector Strategy Paper," *Journal of International Development* No.11, pp.1005-1027.
- Jones, Catherine, 1993, "The Pacific Challenge: Confucian Welfare States," in Jones(ed.), *New Perspectives on the Welfare State in Europe*, London: Routledge.
- Kamimura, Yasuhiro, 1997, "Welfare State Formation in the Asian NIEs"(in Japanese), master thesis.
- Kamimura, Yasuhiro, 1999, "The Extension of the Theory of Welfare State to Asian NIEs"(in Japanese), *Sociologos* No.23.
- Kamimura, Yasuhiro, 2001, "Social Policy in the Asian Countries: Issues and Research Agenda"(in Japanese), in Suehiro, Akira & Komorida, Akio(eds.), *Comparative Studies of Liberalization, Economic Crisis and Social Restructuring in Asia, Latin America and Russia/Eastern Europe: Part 1: New Perspective on Critical Issues*, Institute of Social Science, University of Tokyo.
- Kamimura, Yasuhiro, 2002, "A Sketch of Taiwan's National Pension Debate: Late Welfare State Formation in the Global Economy"(in Japanese), *Shakai-seisaku Gakkai Shi(The Journal of Social Policy and Labor Studies)* No.7, forthcoming.
- Lee, Eddy, 1998, *The Asian Financial Crisis: The Challenge for Social Policy*, ILO.
- Mishra, Ramesh, 1999, *Globalization and the Welfare State*, Cheltenham: Edward Elgar.
- Mkandawire, Thandica, 2001, "Social Policy in a Development Context," UNRISD, Social Policy and Development, Programme Paper No.7.
- President Chen Shui-bian's Press conference, September 16, 2000,
<http://www.gio.gov.tw/taiwan-website/4-0a/chen/press916.htm>
- Schmitter, Philippe C., 1979, "Still the Century of Corporatism?," in Schmitter, Philippe C. & Lehmbruch, Gerhard(eds.), *Trends toward Corporatist Intermediation*, London: Sage.
- Stepan, Alfred, 1978, *The State and Society: Peru in Comparative Perspective*, Princeton: Princeton University Press.
- Wilensky, Harold L., 1975, *The Welfare State and Equality: Structural and Ideological Roots of Public Expenditures*, Berkeley: University of California Press.
- World Bank, 1999, "Towards an East Asian Social Protection Strategy," Human Development Unit, East Asia and Pacific Region, The World Bank, Draft.