CHAPTER 45

EAST ASIA

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INTRODUCTION

Research interest in the evolution of social policy regimes in East Asia has grown considerably over the past two decades, particularly as scholars have begun to consider the distributive implications of the region’s economic ‘miracle’. We know that economic growth in post-war East Asia was among the fastest in the world. Until recently, however, we knew much less about the parallel development, or lack thereof, of social policies. There are those who contend that rapid industrialization in East Asia came at the expense of a more broadly encompassing social compact. The welfare state, they argue, was sacrificed for the sake of aggregate growth (Holliday 2000). There are also those, on the other hand, who see the longer term trajectory of social policy development in the region more favourably, especially when compared to other late developers in Latin America and the former Soviet Union (Gough and Wood, 2004, with their collaborators; Kasza 2006; Haggard and Kaufman 2008). They see social policy deepening, despite global trends towards welfare state retrenchment. Despite these disagreements, most scholars of social policy in the region agree that it offers a rich source of cases to be considered within, as opposed to outside of, the conventional welfare state literature. Indeed, the region’s differences from the experiences of the Anglo-European welfare state ‘worlds’ should inform more global debates about the past, present and future of the welfare state. This chapter endeavours to do this, integrating East Asia into the larger welfare state canon and situating our analysis in terms of common global challenges.
EAST ASIAN EXCEPTIONALISM?

Debates about the direction of welfare state reform in East Asia notwithstanding, most scholars of the region will agree that the state has tended to play a much smaller and leaner fiscal role in providing and financing welfare and social security. Japan is the regional leader in terms of social spending at 18.6 per cent of GDP (in 2005). Even then, Japan is a laggard spender when compared to averages in social spending among OECD and EU countries of 20.5 per cent and 27 per cent respectively. Other East Asian countries have lagged far behind. During the mid 2000s, Taiwan and Hong Kong spent close to 10 per cent of GDP on social programmes, while social spending in Korea, China, and Singapore accounted for less than 7 per cent of gross national product (OECD 2008; ADB 2008; Taiwan Executive Yuan 2008). But as we know, social spending is only one indicator of social welfare commitment. Observers thus also note that the institutional persistence of social insurance schemes rather than more universal programmes in many of these cases has precluded more redistributive implications. In these respects, the East Asian variant of the welfare state stands apart from—and behind—its Western comparators.

Explaining East Asia’s ‘exceptionalism’ resulted in a first wave of comparative social policy analysis of the region during the 1990s. Three complementary explanations emerged. Together they constituted a relatively distinctive and regionally-based ‘East Asian approach’ to welfare state evolution. As such, scholars of the region smoothed out national distinctions—and in the case of China, excluded it from consideration altogether—and inductively generated a set of hypotheses regarding the distinctiveness of the East Asian welfare state.

First, tremendous emphasis was placed on a ‘common’ Confucian heritage shared among East Asian societies. Scholars asserted that distinctly ‘Asian’ values—such as the respect for education, filial piety, deference to authority, patriarchy, and above all the centrality of the family and kinship ties in social organization—constrained the development of more ‘Western’ conceptions of the welfare state (Jones 1993; Goodman et al. 1998). The evidence pointed to extraordinarily high levels of household savings, a preponderance of three-generation households and low labour market participation rates among women, all of which suggested that the family or household was responsible for social protection, and not the state. Where the state did matter was in education, for which East Asian governments allocated high levels of public resources. Even in the labour market, the family motif was juxtaposed onto the firm. Asian-style ‘company welfare’ reflected paternalistic-filial norms which were transposed from the prototypical male breadwinner family. Simply put, East Asia’s exceptionalism was explained, in part, by constructed notions of Asian or Confucian values.

Second, the underdeveloped welfare state in industrial Asia was also explained by the absence of a strong political ‘left’ in mainstream politics (Wong 2004). The exception of course was China, though again, the Chinese case was disregarded in conceptualizations of the ‘capitalist’ welfare state in Asia. Inspired by the dominant power resources theory
derived from the Anglo-European experience (Esping-Andersen 1990), it was argued
that the absence in East Asia of leftist parties, the presence of weak unions, and low
unionization rates among workers constrained the growth of the welfare state. In
Japan, for instance, the Socialist Party was decimated early on, a move encouraged
by the American Occupation forces at the time. Labour was also excluded from the
policy process (Pempel and Tsunekawa 1979; Kume 1998). The Cold War logic of the
post-war period likewise marginalized the political left in other places such as
Korea, Singapore, and Taiwan. Labour movements in industrializing Asia were
crushed and co-opted into the state apparatus. In other words, leftist forces failed
to play any significant policy role.

Third, the ‘productivist’ approach articulated by Holliday (2000) offered a com-
pelling account of social policy evolution in East Asia. This approach contended that
social policy reform among Asia’s newly industrialized countries (NICS) was not
intended for social protection or redistribution, but rather to promote economic
productivity. Selective social policy provisions (health, education, housing, skills
training) were subordinated to the imperatives of labour production (and reproduc-
tion), human capital investment and sustained economic growth. As such, social
policies were initiated by economic rather than social policymakers. Productivism
also reinforced the nation-building aspirations of the post-war Asian developmental
state. According to Goodman and Peng (1996), for instance, welfare state develop-
ment in Japan was driven by a nation-building project which began during the
nineteenth century Meiji Restoration and which strengthened after the devastation of
World War II. In other words, proponents of the productivist approach argued that
economic productivity (i.e. growth) reflected national power and social policy
‘investments’ toward those ends were understood as part of broader economic
nationalist narratives.

These three complementary perspectives—Confucian values, the absence of leftist
power resources, and the primacy of productivism—provided important scholarly
insight into the uniqueness of the East Asian experience in social policy development.
As an exercise in ‘exceptionalism’, they offered a compelling starting point from which
to understand social policy reform in the region. However, we contend that they
reflected important efforts to demarcate East Asia’s regionally bounded differences
from the Anglo-European experience. Our point is that upon examining the cases
more specifically—to effectively de-essentialize the prevailing exceptionalist point of
view—one can find significant variations among these cases and considerable dyna-
mism and change over time. In other words, we argue against an exceptionalist East
Asian experience.

Indeed, we identify two broad patterns of social policy regime evolution in East
Asia. The first is a more inclusive social insurance model which has, over time,
evolved into a set of programmes based on social solidarity, universality and with
redistributive implications. The exemplary cases in the region are Japan, Korea, and
Taiwan. Meanwhile, the second pattern of regime evolution centres on a more
individualistic and market-based model, where workers and citizens more generally
live without relatively encompassing social safety nets. This pattern is most prevalent,
we argue, in Singapore, Hong Kong and ironically, communist China. The remainder of this chapter analyzes these two patterns of social policy development. We both describe and explain these divergent pathways by identifying the political economic mechanisms which led to certain social policy decisions and outcomes. In other words, we elaborate on the different choices made by social policy reformers across a range of cases.

**Inclusive Social Insurance: Japan, Korea, and Taiwan**

The pattern of social policy development in Japan, Korea, and Taiwan shares three key characteristics. First, rapid economic growth among these cases during the post-war period was accompanied by a relatively egalitarian distribution of income. Despite near 10 per cent annual growth and continual industrial upgrading, Gini coefficients in Japan, Korea, and Taiwan hovered between 0.3 and 0.4, which were comparable to levels in other egalitarian industrial economies of the west. A focus on export-oriented industrialization in the region created employment opportunities, generated high levels of upward labour mobility, and encouraged the growth of small and medium sized enterprises. Even today, Gini coefficients in Japan, Korea, and Taiwan have continued to be below 0.4, which stands in stark contrast to Hong Kong (0.514), Singapore (0.481), and China (0.473) where levels of inequality are widening (OECD 2008e; ADB 2008).

Second, the legacy of post-war growth with equity has entrenched high levels of public support for solidaristic values. World Values Survey data, for instance, show that respondents in Japan, Korea, and Taiwan are far less tolerant of income inequality than those surveyed in Singapore and China (which includes Hong Kong). While the majority of people living in Korea, Japan, and Taiwan believe that their governments are not doing enough for people living in conditions of poverty, only a minority of Chinese share this view (World Values Survey 2008). To be sure, current mainstream debates in Japan, Korea, and Taiwan reveal serious concerns and anxieties over problems of social inequality (Hara and Seiyama 2005; Koo 2007; Tai 2006). In short, people there have come to expect a fair degree of socio-economic equity to accompany growth.

Third, the governments in Japan, Korea, and Taiwan have actively deepened their commitment to creating more redistributive social insurance institutions. In all three cases, social policy deepening has been driven by the continued expansion in eligibility to pre-existing social insurance schemes. Health and pension schemes were created in the pre- and immediate post-World War II eras, but they were far from universal, being limited in scope and occupationally specific in terms of eligibility.
Universality was achieved over time, with the gradual expansion of existing schemes to include workers in other employment sectors and eventually self-employed workers as well. In addition to universalizing coverage, governments sought to enhance the redistributive capacity of social insurance by cross-subsidizing occupationally organized funds (for example, Japan) or by eliminating occupational differentiations altogether by integrating disparate funds into a single pipe mechanism in order to maximize risk- and financial-pooling (Korea and Taiwan). Furthermore, since the 1990s, Japan, Korea, and Taiwan have also introduced new publicly administered social insurance (long-term care) and tax-based child care programmes to address the problems of population ageing and fertility decline. These have not only led to dramatic increases in social spending, but they also represent further efforts to socialize through the state the costs of family care (Boling 2008; Peng 2008; Peng and Wong 2008; Kwon 2007). In sum, the governments in Japan, Korea, and Taiwan have both deepened existing social insurance programmes and added new schemes intended to remove and socialize the burden of care away from the family to the state.

We offer three reasons as to why these paragons of what Chalmers Johnson refers to as ‘capitalist’ developmental states chose the pathway of inclusive social insurance. The first relates to democracy. Governments in Japan, Korea, and Taiwan were, we argue, compelled to enlarge social welfare provision throughout the post-war period because of bottom-up democratic political pressure. Second, these countries were more inclined to choose the option of welfare state deepening because the political and economic costs of universalism and redistribution were lower in what were already relatively egalitarian societies. And third, Japan, Korea, and Taiwan were able to draw on a deeper sense of social solidarity because the real or imagined social ‘distance’ amongst the population was in fact relatively limited. More specifically, we argue that these states were able to gain support for solidaristic solutions to social risks because of a deeply entrenched narrative of national population homogeneity, a deeper sense of national ‘we-ness’ around which social policymakers could more easily sell the idea of a universal and inclusive social insurance state.

**DEMOCRACY, DEVELOPMENT, AND NATIONAL IDENTITY**

Social policy reform in Japan was initiated in the immediate post-war period. Rebuilding the Japanese economy, especially the growth of large industrial firms, resulted in increasing levels of inequality during the 1950s. The dominant and conservative Liberal Democratic Party (LDP) pre-empted social instability, however, by legislating comprehensive health insurance and pensions in 1958 and 1959 respectively. A year later, the government initiated its ‘income doubling plan’, a macro-economic policy to achieve full employment and industrial diversification. The LDP government later legislated an employment insurance programme to provide income
security for unemployed industrial workers to address labour concerns after the 1974 oil shock and the subsequent economic crisis. Early efforts to address the challenges of income inequality and rapid growth in Japan thus comprised specific universal social insurance schemes and broader economic policies aimed at continual industrial upgrading (Campbell 1992; Milly 1999).

Social policy reform led by the LDP was not a function of the party’s ideological commitments, however. Rather, policy reform in post-war Japan was prompted by political pressures on the governing LDP to secure broad-based electoral support. The LDP was a conservative catch-all party, meaning it looked to fashion broad socio-economic coalitions of support (Calder 1986). Political pressure for the LDP to initiate some social policy reform came from the bottom-up, specifically, the electorate. The Japanese Socialist Party, never a significant challenger to the LDP, nonetheless compelled the government to attend to issues of socio-economic inequality. Meanwhile, the American Occupation administration, despite its opposition to the socialist party and its ideologies, encouraged the LDP to address growing levels of inequality in order to prevent a tide of popular support for left-leaning parties and the still nascent labour union movement. Perhaps most important, the LDP included in its power base the electoral support of (and the generous seat bonus associated with) rural voters and small business entrepreneurs. To mitigate a concentration of social policy benefits among the labour aristocracy (i.e. those employed in large firms), the LDP universalized social insurance programmes early on. In Japan, the impetus for early social policy expansion was therefore political; in order to maintain its political dominance, the governing LDP needed to facilitate both growth and a relatively equitable distribution of income in cities and the countryside. Its strategy was to pre-empt political instability which might stem from growing levels of socio-economic inequality.

This political logic of ‘compensation’ exchanged for support (Calder 1986) was evident in post-war Korea and Taiwan as well. During the authoritarian period in both places, the non-democratic state provided some social insurance protection to its citizens, though the scope of coverage was extremely limited. In Korea, voluntary health insurance was first introduced in 1963, and then made compulsory in 1976. The scope of coverage was limited to only those workers employed in large firms, while government workers and military service personnel were included in separate insurance schemes. By the early 1980s, still less than one-fifth of workers enjoyed any medical insurance coverage. The extent of insurance coverage in Taiwan was similarly exclusionary during the authoritarian period. The Kuomintang (KMT) government first introduced a labour insurance programme (which included medical care) in 1953. As in Korea, government and military employees in Taiwan were covered by separate social insurance schemes. Labour insurance in Taiwan was only gradually expanded. Similar to the Korean experience, less than one-fifth of workers were eligible for labour insurance coverage by the 1980s (Wong 2004).

In both places, the introduction of social insurance was from the start non-universal in coverage, and expansion was gradual and piecemeal. There was also very little socio-economic redistribution among households and social classes. Most
importantly, the authoritarian state in South Korea and Taiwan selectively compensated those strata deemed politically and economically important to the state: specifically the labour aristocracy, civil servants and the military. As authoritarian regimes, the government in Korea and KMT in Taiwan could politically and economically afford to exclude significant portions of the population. In fact, the exclusionary social insurance programmes initiated during the authoritarian period in both places stratified society further, exacerbating rather than ameliorating social class and status differences.

The process of democratization, which was initiated in Korea and Taiwan during the late 1980s with the introduction of national elections, shaped the course of social policy reform in the post-authoritarian era. The introduction of political competition altered the political incentives for the then ruling parties, compelling them to legislate significant social policy changes. In Korea, the authoritarian-turned-democratic ruling party extended health insurance to rural self-employed workers (farmers) in 1988, timed to occur with founding presidential and legislative elections. A year later, in 1989, the ruling party again expanded the scope of healthcare insurance to urban-based self-employed workers. It was also during this time that the government introduced a national pensions programme to appeal to labour. Winning the support of labour was critical for the Korean state as workers had been a main source of opposition to the authoritarian regime during the mid to late 1980s. The KMT in Taiwan reacted to the introduction of democratization in similarly strategic ways. Though the ruling party there had historically eschewed demands for universal health insurance, it did an about-face when it initiated reform discussions during the late 1980s and legislated a comprehensive national health insurance (NHI) system in 1994. The NHI was implemented in the spring of 1995, on the eve of founding presidential elections. In both places, democratic reform and the political incentives of electoral competition prompted the universalization of what were formerly limited social insurance schemes (Wong 2004). Democratic transition in Korea and Taiwan essentially ‘de-aligned’ the political party system, with the introduction of new opposition parties. De-alignment was then followed by a process of party ‘realignment’, whereby nominally conservative parties turned to social policy reform as winning electoral platforms.

Japan, though democratic since the beginning of the post-war period, experienced a similar process of party de-alignment and realignment during the early 1990s, which prompted a renewed round of social policy reform. Throughout the 1980s and when policymakers began to feel the pressures of the increasingly globalized economy, the LDP government initiated a policy discourse about a ‘Japanese-style welfare society’, essentially a plan for welfare retrenchment. This idea resulted in new waves of bottom-up societal mobilization around social policy deepening rather than government efforts at retrenchment. Civil society groups emerged, especially those which pushed for more not less comprehensive social policy reform in the 1990s. The mainstreaming of social policy reform became even more pronounced after the LDP lost power for the first time in 1993 (Pempel 1997). The ‘Japanese-style welfare society’ idea failed to resonate.
Multi-party competition in Japan turned the prospect of social policy reform into a highly contested, and increasingly winning, political issue. Contending parties built new electoral coalitions around social policy reform. Though the LDP remained the dominant party throughout the 1990s, it was still forced to co-opt policy ideas from opposition parties such as the Social Democratic Party, as well as newly formed splinter parties and prospective coalition partners such as the populist New Komeito (Clean Party) and Liberal Party. The LDP thus initiated new social care programmes for the elderly and children, expanding government outlays, organizing insurance schemes, and subsidizing care facilities. Functionally, these programmes were intended to address Japan's rapid demographic shift and greying society. Politically, however, these initiatives proved popular among voters and vital for the LDP's political survival.

A similar political-economic logic played out in Korea and Taiwan during the late 1990s, especially after the 1997 Asian Financial Crisis. The election of former dissident and populist-leaning Kim Dae-Jung in 1997 deepened the state's commitment to social welfare in Korea. The precariousness of the labour situation and threats of social unrest prompted the Kim government to quickly implement the national pensions programme, to centralize the national health insurance system and to launch new reform efforts in socialized care for the elderly and children (Peng 2004). In Taiwan, the electoral defeat of the KMT in 2000 created new social policy promises, specifically in old-age income security and gender-sensitive labour market and workplace policies. Wong (2003) argues that electoral competition during the late 1990s resulted in a 'race to the top' and a 'ratcheting up' of social policy reform promises among political entrepreneurs. Indeed, the continued mobilization of civil society groups and the integration of activist social movements into the political arena ensured that social policy reform remained a key policy agenda item in democratizing Korea and Taiwan.

The political logic of the inclusive social insurance model in Japan, Korea, and Taiwan is rooted in democratic processes in which bottom-up demands for welfare deepening were mobilized through civil society activism and electoral politics. Still, the democratic state in these cases proved relatively receptive to such welfare reform demands in part because of the legacies of post-war growth with equity. The gap between the have and have-nots was relatively narrow, meaning the economic costs of redistribution were lower. Growth with equity also ensured the social distance between social classes was relatively close, thus legitimating a more solidaristic approach to mitigating social risk. Politically, the experience of growth with equity in Japan, Korea, and Taiwan, also meant that the political system was not a priori structured along class lines. A left–right cleavage was not deeply entrenched in mainstream democratic politics, which we see elsewhere in the developing world, which provided the ideological flexibility for political entrepreneurs to legitimately advocate positions for social policy deepening. Thus, it was nominally conservative parties such as the LDP, the Grand National Party in Korea, and the KMT which initiated the universalization of social insurance.

Social solidarity and the normative basis of universal social insurance were also afforded by narratives of national population homogeneity. In Japan, Korea, and Taiwan, this narrative served as a powerful galvanizing force in the post-war...
nation-building process. For example, the idea of a Japanese-style welfare society, which attributed Japan’s low levels of public welfare spending to its deep socio-cultural norms of family and community solidarity, was premised on the ‘theory of Japaneseness’ (*Nihonjinron*), a deeply ingrained discourse which asserted that Japan was historically and remains a culturally, ethnically, and racially homogeneous society. Though the *Nihonjinron* narrative no longer resonates as strongly in a globalized Japan, the idea of ‘the Japanese’ as a uniquely homogeneous society remains strong. Similarly powerful national narratives structured the development of identity politics in Korea and Taiwan which in turn inculcated a sort of solidaristic base for legitimating the politics of welfare state deepening.

Tensions surrounding this intensely nationalist narrative have recently emerged, however, particularly with respect to increased immigration. The inability of the Japanese government, for example, to reform its immigration policies to address the problems of demographic ageing, fertility decline, and chronic labour shortages has largely been the result of strong resistance among Japanese to opening the country to foreign newcomers. Public policy debates about foreign care workers have been terribly negative and bordering on xenophobic, revealing concerns about the cultural inappropriateness of having foreigners caring for elderly Japanese. Similar anxieties about population diversity have obstructed more general policy debates over immigration policy reforms (Shipper 2008; Shinkawa 2008). A similar narrative of population homogeneity, and thus resistance to the idea of multiculturalism, is evident in Korea. Like Japan, debate in Korea regarding allowing non-Koreans to immigrate (and claim citizenship) has been intensely conflictual (Lee et al. 2006). Even in Taiwan, where tensions between Taiwanese and Chinese mainlanders (who arrived in 1949) have already existed for half a century, the prospects of opening Taiwan to other foreigners increasingly have been met with social and political opposition. Policy conflicts about more open immigration policies, specifically those related to foreign workers from South-East Asia and to the growing number of foreign brides have revealed ardent resistance in democratic Taiwan to the idea of population diversity. In sum, rapid flows of in-migration have begun to challenge the social bases of the welfare state in Japan, Korea, and Taiwan.

**Individualistic Social Protection: Hong Kong, Singapore, and China**

Income inequality in Hong Kong, Singapore, and China was much higher than in Japan, Korea, and Taiwan during the 1990s and 2000s. And in the case of China, levels of inequality have continued to widen rapidly. Though the aggregate economic growth rate in China has been the fastest in world for nearly a generation now, nearly 40 per cent of Chinese have continued to live on less than $2 purchasing power
parity (PPP) per day (ABD 2008). Levels of economic disparity between the over 800 million people living in the countryside and city dwellers have been particularly acute. Economic reform in China, which was initiated during the 1970s, prioritized the industrial development of coastal cities, which skewed the distribution of economic gains away from China’s inland provinces. Beyond descriptive economic measures of inequality, however, the social ‘distance’ between those living in Chinese cities and the countryside is also vast and disparate, which has undermined notions of social solidarity. To be sure, unlike in Japan, Korea, and Taiwan, attitudinal support for ‘competitiveness’ in Hong Kong, Singapore, and China is much higher than popular support for more ‘egalitarianism’. And despite recent efforts by the Chinese state to address issues of socio-economic inequality, popular attitudes there have continued to be more tolerant of income inequality (World Values Survey 2008). The same can be said of prevailing attitudes in Hong Kong and Singapore.

Whereas growth with equity allowed places such as Japan, Korea, and Taiwan to pursue greater social policy deepening, the absence of such a development—measured in terms of income distribution or popular attitudes regarding the normative place of egalitarianism—has made it more difficult for governments in Hong Kong, Singapore, and China to pursue sweeping social policy reforms. Indeed, the preferred mode of social protection in the latter three continues to rest with the individual’s capacity to mitigate social risk, which in fact maintains and even exacerbates, rather than ameliorates, socio-economic stratification. Singapore’s Central Provident Fund (CPF), for instance, was first introduced by the British colonial administration in 1955 as a compulsory savings scheme for individual old age income security. Comprising both employee and employer contributions, the CPF was gradually extended to other social protection needs such as housing (in 1968) and medical care (in 1984) and later to education. Following the Singaporean example, Hong Kong adopted in 2000 the Mandatory Provident Fund scheme for retirement income security. China also introduced a similar savings-based model. The Housing Provident Fund was introduced in Shanghai during the early 1990s and eventually became a national programme a few years later in an effort increase home ownership among China’s growing city-dwelling middle class. The move towards individualized savings mechanisms in China marks a change in emphasis in social protection, a move from the collective to the individual and from the public provision of welfare to protection through private means. In all three places, social protection has been individualized through incentivized private savings. Such programmes are not redistributive.

**Constrained Choices**

There are several reasons why we see this alternative pattern of social policy development in East Asia, or more specifically why social policymakers have been constrained
in their choices about new directions and innovations in social policy reform. First, unlike in Japan, Korea, and Taiwan, where the pressures of electoral competition and the strategic imperatives of political entrepreneurship compelled policymakers and activists there to push for welfare state deepening, the absence of democracy in China, Singapore, and Hong Kong has precluded both this political logic and the incentives for radical social policy change. For instance, despite a vocal civil society and one which has historically leaned towards a social democratic ideal, Hong Kong has never actually enjoyed a fully fledged democratic system of government. Likewise, there is little political competition in Singapore, a political reality which has allowed the ruling People’s Action Party great latitude in designing social policy with little opposition. China’s political system is non-democratic, without either viable opposition parties or an independent civil society or media to instigate bottom-up pressures for change. In all three places, therefore, social policy reform has been motivated neither by a broader normative commitment of the state to promote greater equity nor a political imperative or incentive to have to appeal to voters.

Second, Hong Kong, Singapore, and China are without the central fiscal capacity to increase the state’s role in social protection. Hong Kong, for instance, known as one of the world’s ‘freest’ market economies, has a negligible tax (individual or corporate) base from which to accumulate fiscal resources. Firms there are also resistant to paying employer contributions to social insurance. Singapore is the same. After gaining independence from the Malayan Federation in 1965, the city-state embarked on a development strategy that was underpinned by a discourse of mere ‘economic survivalism’. As such, full employment, rather than socio-economic redistribution, was the main priority for economic policymakers. Social policy advocates were marginalized. Without natural resources to exploit, Singapore, not unlike Hong Kong, was forced to leverage its locational advantages to attract foreign investment and multinational corporations. One such advantage was, and continues to be, a low tax burden for foreign firms. The state’s fiscal base is therefore uniquely small, believed to be among the smallest in the industrial world (Ramesh 1995). Both Hong Kong and Singapore are fiscally lean states. Furthermore, to impose social insurance contributions onto employers, a de facto payroll tax, would be economically inconceivable. That they currently face greater economic competition from challengers in South-East Asia and from China has only made the prospects of sharing the costs of social insurance with industry even less tenable.

Though China continues to insist that its economy remains nominally socialist, its government has similarly come under increasing fiscal constraint. Demands on the central state for more social protection have arisen because of demographic pressures (i.e. an ageing society), increasing numbers of migrant workers without a social safety net, and overall growing levels of socio-economic inequality, especially among those living in the rural areas vis-à-vis relatively well-off city dwellers. In response, the Chinese state has offloaded its fiscal responsibilities in the provision of social insurance benefits for the already limited few who are eligible. For instance, state-owned enterprises (SOEs), and later non-SOEs, have increasingly been made responsible for contributing to workers’ social insurance and benefits rather than the
government. The central state has also decentralized the management of labour and social insurance to county and city-level governments, with the expectation that sub-national administrations can more effectively tailor social programmes to meet local needs. Indeed, it was also rationalized by the central state that local governments would create insurance ‘pools’ to mitigate risk and socialize the costs and benefits to those eligible (Selden and You 1997). However, this process of administrative decentralization, especially after the 1994 fiscal reforms which earmarked tax flows upwards, has failed to provide local governments with the resources required to pay-out pensions and other social benefits. The problem of local corruption and the realities of China’s ‘leaky’ fiscal federalism have compounded the challenges of ensuring adequate resources to sustain the provision of social protection at the local level.

Even more notable is the fact that the Chinese state has increasingly offloaded its prior social welfare responsibilities onto individuals. Citing the influence of the World Bank and other international economic institutions, Chinese social policymakers have gradually replaced pre-existing pay-as-you-go pension schemes with personal retirement accounts. This reform has minimized intergenerational transfers in old age income security (Frazier 2006; Hurst 2009). Furthermore, despite recent efforts to overhaul the rural healthcare system, new insurance benefits are to cover only catastrophic illnesses and the government’s share in covering the costs of healthcare has remained miniscule. The vast majority of China’s healthcare bill is paid directly out-of-pocket by patients. In other words, because of fiscal constraints on the central government, China’s former social welfare system based on the socialist ideal of a single pillar of support (the central state) has evolved towards what analysts call a ‘three pillar’ model comprising the firm, resource-poor local government and individual savings. It needs to be emphasized, however, that those living in the countryside are virtually without any form of social protection at all (Davis 1989; Wong 1993; Frazier 2004).

Third, in addition to the absence of democracy and the realities of fiscal constraint, Hong Kong, Singapore, and China have had to opt for a more individualistic and market-based approach to social policy because of a much shallower normative base from which to draw a sense of social solidarity: the realities of the Chinese countryside are so disparate from the realities of those living in the coastal cities; the experiences of Hong Kong’s wealthy have little resonance with the city’s underclass. In other words, these societies have not benefited from the social legacies of growth with equity experienced in Japan, Korea, and Taiwan. But even deeper than that, Hong Kong, Singaporean, and Chinese societies are without the same sort of national homogeneity and ethnic solidarity that have formed the basis of inclusive social citizenship in Japan, Korea, and Taiwan.

Hong Kong and Singapore are former British colonies, and both have had a historically large foreigner presence. Singapore is home to South Asians, Chinese, Muslim Malays, and a large community of Western ex-pats. Both Hong Kong and Singapore have also historically utilized migrant workers from neighbouring countries to take-up low-wage and low-skill jobs in precarious employment sectors, making up a significant part of the population (Athukorala and Manning 1999). For
example, nearly 30 per cent of all employed workers in Singapore are foreigners, with a large proportion of immigrant workers in the domestic care sector. China’s vast geography and ethnic diversity have similarly undermined the construction of a singular national ethnic narrative, the central government’s efforts to impose a uniform national identity notwithstanding. Our point is that the absence of any deeply felt national identity and the contestation over the presence of ‘others’ have weakened the social basis and thus public support for solidaristic solutions for mitigating social risk. In other words, such attitudes have legitimated individual efforts at social protection rather than collective or solidaristic means.

CONCLUSION AND LOOKING FORWARD

The emergence of a uniquely East Asian model of welfare state development, as documented by the first generation of scholars interested in social policy reform in the region, was tremendously helpful in clarifying, in broad strokes, the empirical realities of what was then a relatively understudied region in the welfare state main. It furthermore provided a useful lens through which to view canonical welfare state theories, even if the exceptionalist view seemed to suggest that Asia fell outside existing theories. This chapter contends that contrary to the exceptionalist thesis, two broad patterns or pathways of welfare development have emerged in the region: the universal social insurance model, with Japan, Korea, and Taiwan as exemplars, contrasted with a more individualistic approach to social protection evidenced in Hong Kong, Singapore, and China. These broad patterns are just that: broad. As such, universalism in Japan, Korea, and Taiwan is not without its blind spots in terms of coverage or redistributive impact, just as individual savings programmes implemented in other places do not preclude some experimentation with more inclusive social insurance. Our point, rather, is that though social policy regimes in Asia are dynamic, the evidence nonetheless suggests trending among key cases along these divergent evolutionary trajectories.

This short chapter has also endeavoured to offer some explanations for these divergent pathways. Distilling from the different country experiences, we find three factors that were most influential in shaping policymakers’ choices and social policy decisions. First, democratic reform and specifically the imperatives of electoral competition and political entrepreneurship created a set of incentives to deepen welfare state reform and to effect greater coverage and redistribution; the absence of such political incentives afforded non-democratic states the policy latitude to pursue other options. Second, the experience of growth with equity, particularly in Japan, Korea, and Taiwan, reduced the structural costs of greater redistributive social policy. The legacy of rapid though equitable growth helped foster a deeper sense of social solidarity—aided also by relatively homogeneous populations—among citizens. The absence of growth
with equity in the other cases highlights how socio-economic equity was not a priority and how the eventual social, political, and economic costs of promoting equity became considerably (or even prohibitively) higher. And finally, we have argued that policy choices favouring either social insurance or individual-based social protection are a function of a state’s fiscal capacity; i.e. the state’s willingness to expend its fiscal resources, on the one hand, as opposed to a strategy of offloading its responsibilities onto other levels of government, actors or institutions, on the other.

Looking forward, the East Asian welfare state, similar to all social policy regimes around the world, is currently facing new challenges associated with the process of post-industrialism. Modernization in Asia has been very rapid, characterized as a ‘compressed modernity’ (Chang 1999). Economies have been transformed, from agriculture to manufacturing to value-added technology to services, in just over a half-century. As a result, labour markets have been in flux. Workers are mobile, and employment needs demand constant retraining. Gone, for instance, are the company welfare model in capitalist Asia and the ‘iron rice bowl’ in socialist China. Economic modernization into the current post-industrial era has also ushered in new social configurations due to rapid de-familialization and changes in gender relations. The number of three-generational households in East Asia has dropped dramatically, with increases in divorce rates, the number of single parent households, and an overall decline in fertility rates. Gender relations in the family and the labour market have also evolved. Attitudes in Asia have shifted towards greater gender equality in both public and private spheres, even if they are not yet reflected in actual experience. Female participation rates in the formal (as opposed to the casual or informal) labour market have increased, thus progressively eroding the male breadwinner household. In addition, East Asia’s ageing society, which is the most rapid in the world, has placed greater stress on the welfare state, particularly in terms of old age income security, long-term care, and health. At the other end of the demographic profile, the shrinking proportion of young ‘productive’ people has translated into fewer resources saved or injected into the welfare state system.

One of the most urgent challenges confronting social policymakers in the six East Asian countries discussed here stems from the increasingly globalized and transformed labour market situation. New labour demands resulting from continual economic upgrading and rapid population ageing have begun to reshape patterns of intra-regional migration. This is especially pronounced in low-wage employment sectors such as domestic care, low-skill manufacturing, and other forms of casual work. There has been a growth in the number of migrant workers from developing and industrializing South-East Asian countries to industrial East Asia. The evidence suggests that in-migration has begun to threaten prevailing norms of social solidarity, particularly in what had been relatively homogenous societies such as Japan and Korea. ‘Outsiders’ are perceived to be a strain on local social policy regimes, especially those migrant workers employed in informal labour sectors and thus less likely to be paying-in to social protection schemes. In-migration in places like Japan and Korea has also exposed the shallowness of the basis of social citizenship, forcing us to reconsider the sort of ‘inclusiveness’ their social policy regimes strive for.
Policymakers are keenly aware of these emerging challenges to their existing social policy regimes. Demographic pressures, reduced fiscal capacity and labour migration are shaping domestic debates about the future of social policy reform. At the risk of engaging in uncertain futurology, the evidence seems to suggest that there might eventually be some long-term convergence in the two broad patterns of social policy development discussed in this chapter. The universal social insurance approach, for instance, is under threat, as pensions fail to pay-out, health insurance runs chronic fiscal deficits, and as the social bases of solidarity begin to erode. We should expect that democratic political institutions in Japan, Korea, and Taiwan will resist systematic retrenchment, and indeed, recent evidence—such as the legislation of long-term care in Korea or the continued public management of health insurance in Taiwan—suggests that this might be the case (Peng and Wong 2008). However, over the long term, efforts to rethink and reform the current social insurance model more radically may prevail. Yet, just as the challenges of post-industrialism may compel relatively generous social insurance states to become less generous, these same challenges may force states like China, Hong Kong, and Singapore to consider more solidaristic approaches to social protection. Hong Kong’s government, for instance, has considered comprehensive healthcare reform. Meanwhile, the Chinese state has initiated new efforts to reintroduce minimal social insurance schemes in the countryside as well as to strengthen the social safety net for a growing number of unemployed workers. In sum, as different countries face similar challenges, it is not inconceivable that we may begin to see some retrenchment in the universal social insurance model, while at the same time, some deepening of socialized protection among adherents to the individual, market-based approach to mitigating risk.