

Towards a Comparative Study of East Asian Welfare States

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Abstract

This article tries to identify a research agenda on the comparative study of East Asian welfare states by dealing with the following three preliminary questions: 1) Why are the social expenditures of East Asian countries much lower than those of the advanced countries?; 2) Have East Asian countries actually come along a single trajectory?; 3) Can East Asian countries successfully develop universal welfare systems within the era of globalization? The agenda for future research consists of: 1) The role of the functional equivalents of state welfare, e.g. market, family, community, etc. should be examined.; 2) Efforts should be made to identify the causes of similarities and differences in East Asian welfare states.; 3) The impact of globalisation on the East Asian welfare states should be examined.

Key Words: welfare states, East Asia, corporatism, globalisation

1. 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 further concerning 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 groundbreaking 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 sys-

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1) One rare exception is Gough (2000).

tem 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 organizations 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, making "poverty alleviation" (the World Bank³⁾) and "social conditionality" (the IMF) the new key issues (Mkandawire 2001: 4). Thus, the present shortage of comparative study on East Asian welfare states can easily lead to a 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 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 II)
- 2) While we often talk about "the East Asian welfare model," have East Asian countries actually come along a single trajectory? (Chapter III)
- 3) Can East Asian countries successfully develop universal welfare systems within the era of globalisation? (Chapter IV)

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

II. 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.

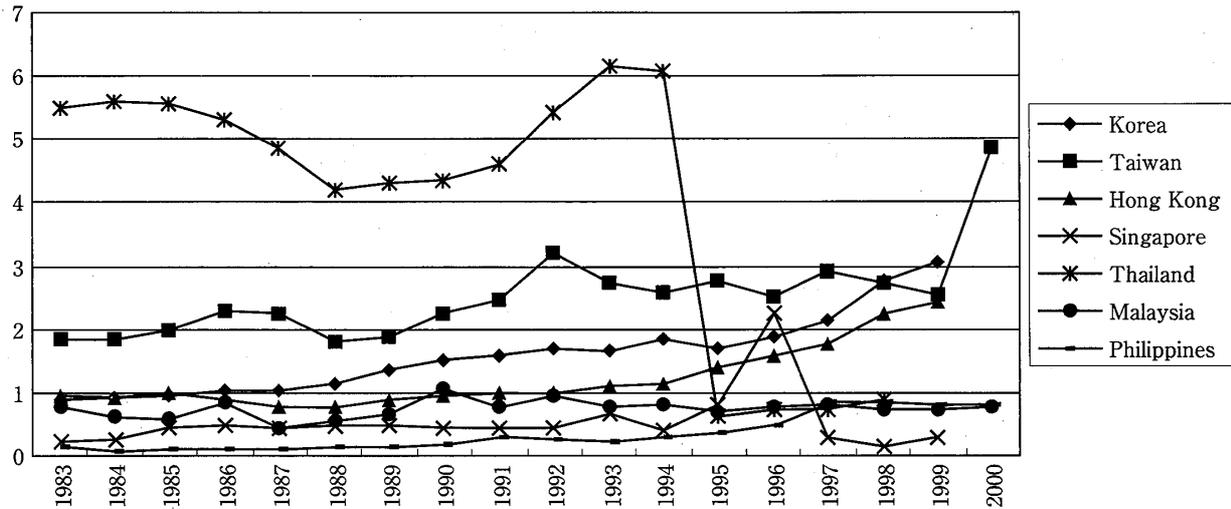
Figure 1 shows the trends of government expenditure on social security and welfare as a proportion of GDP in each country⁴⁾. It illustrates to us that: 1) As is often pointed out, the expenditures are generally lower than those of non-Asian advanced countries⁵⁾. 2) Kore-

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

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).

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.

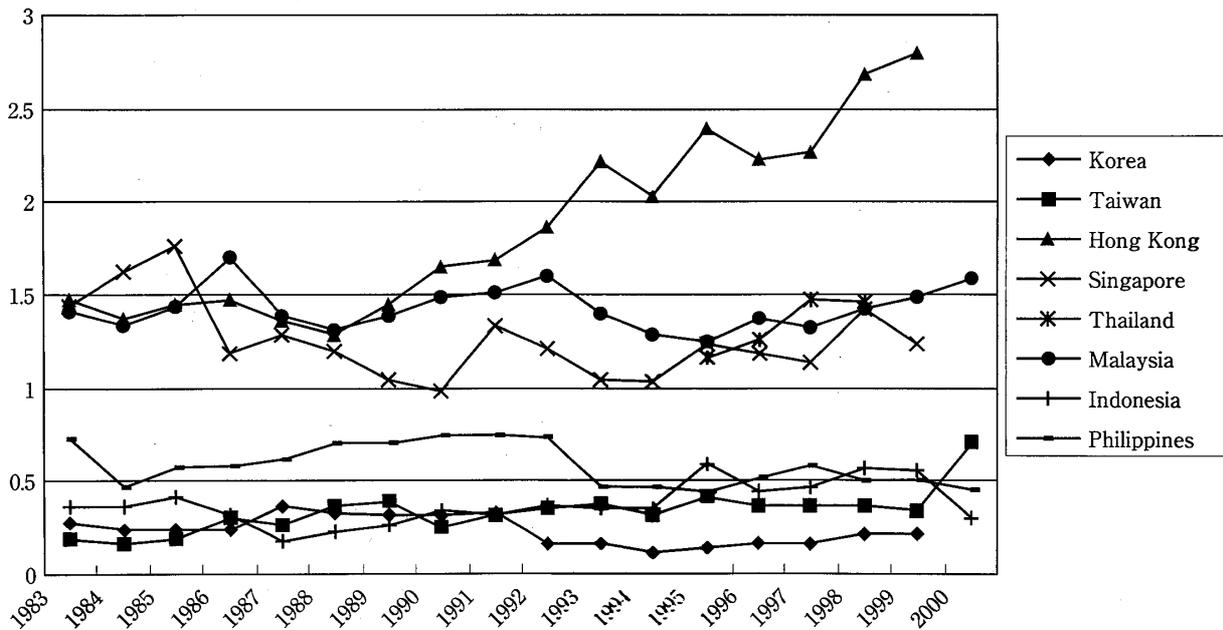
Figure 1 Government Expenditure on Social Security and Welfare (as % of GDP)



a, Taiwan and Hong Kong are relatively high. Taiwan has consistently 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 and the Philippines) 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 share 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 non-Asian advanced countries.

Figure 2 Government Expenditure on Health (as % of GDP)



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

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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

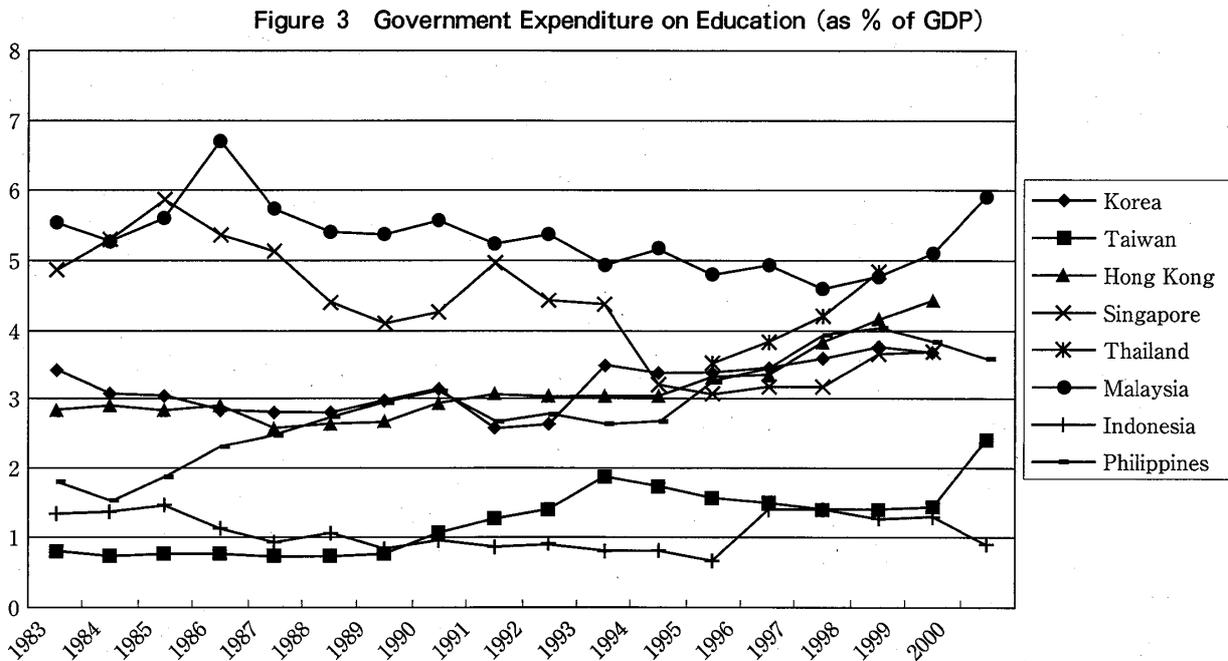
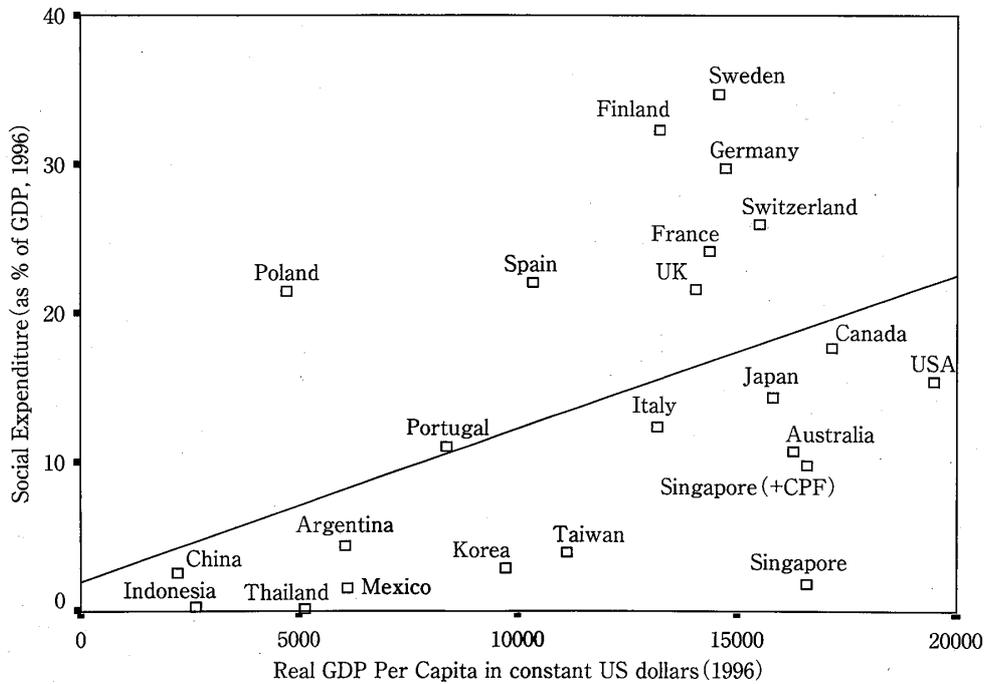


Figure 4

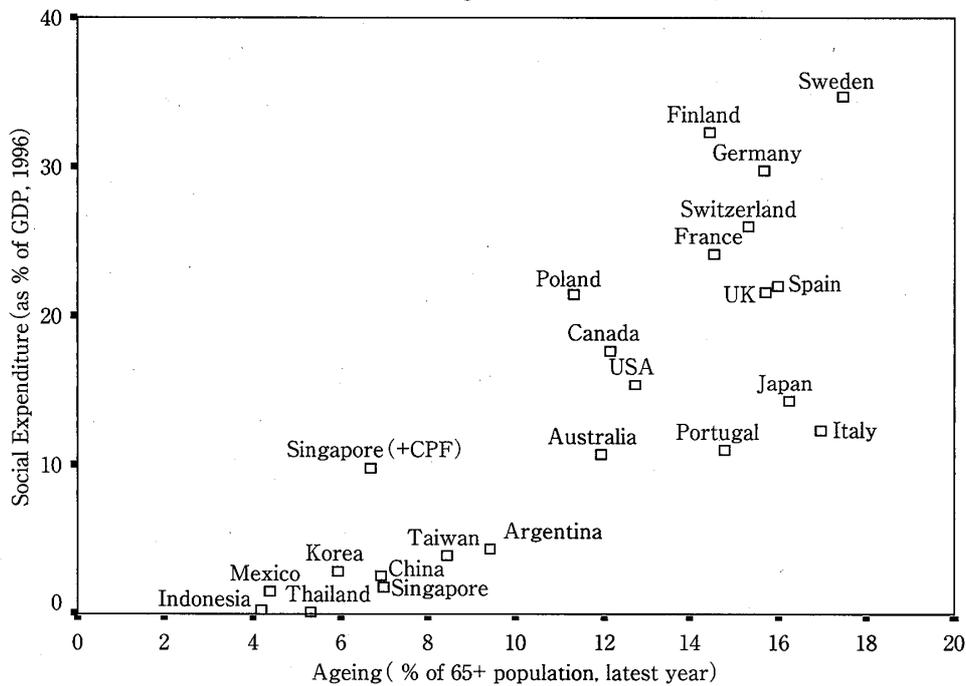


6) This kind of international statistics often excludes the expenditure of local governments. For more accurate comparison, we should explore the national data sources of each country.

variables are roughly correlated. But there are countries like Singapore, where the level of expenditure is not so high in relation to its economic level⁸⁾. On the contrary, there are also countries like Poland, where the expenditure is fairly high in relation to its economic level. It is also obvious that there is a considerable range of difference among the rich countries. 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 ratio⁹⁾. Here we can find the tentative answer to the question of why the social expenditures of East Asian countries are low. As Wilensky (1975) pointed out, we may tentatively say that economic standard and ageing level of the country are still major factors

Figure 5



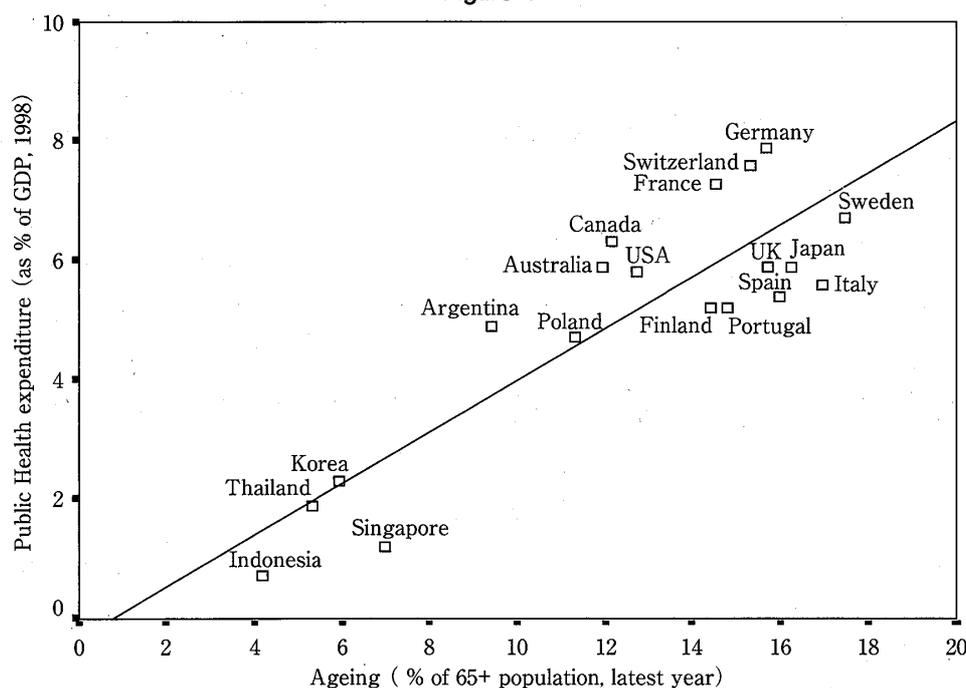
7) Real GDP Per Capita (in constant US dollars, international prices, base year 1985) is based on World Bank (William Easterly and Mirvat Sewadeh), 2002, *Global Development Network Growth Database* (<http://www.worldbank.org/research/growth/GDNdata.htm>). Social expenditure is based on ILO, *Cost of 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. The amount of CPF withdrawals in Singapore is based on Asher (2000: 35). As for Taiwan, the figures are picked from DGBAS, *Statistical Yearbook of the Republic of China 2000*.

8) The case of Singapore is complicated. If we include the withdrawals of the Central Provident Fund into "social expenditure" (indicated as "Singapore (+CPF)" on the diagram), the amount is fairly high. It must be noted, however, that the CPF scheme is based on individual accounts, and have neither the function of income redistribution among rich and poor, nor that of social risk pooling.

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

Figure 6



that determine its effort in the sphere of welfare¹⁰). In Figure 5, Taiwan seems to be situated at the takeoff point.

But then, is it correct that the East Asian governments have not made any efforts in the field of social welfare? That is certainly not the case. As shown in Table 1, all of the ten countries taken up here have introduced some plans 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 policies. But in some countries (Thailand and Singapore, especially), the ratio of public expenditure in the total cost for healthcare 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 system. 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 systems.

- 1) Early introduction and extensive coverage: Japan, Taiwan, Singapore, Malaysia
- 2) Late introduction and extensive coverage: Korea
- 3) Early introduction and minimal coverage: Indonesia, the Philippines, China
- 4) Late introduction and minimal 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.

10) The differences among rich countries remain, however.

Table 1 Introduction of Social Security Programmes in the East Asian Countries

	Japan	Korea	Taiwan	Hong Kong	Singapore	Thailand	Malaysia	Indonesia	Philippines	China
Old Age	First law: 1941. Current laws: 1944 (employees pension insurance), 1959 (national pension program), and 1985. Social insurance. <i>Contributors/Labour force: 46.5%</i>	First law: 1973 (not implemented until 1988—quoter). Current law: 1986, as amended (1989, 1993, 1995, and 1998). Social insurance. <i>Contributors/Labour force: 46.5%</i>	First law: 1950. Current law: 1958, as amended (1983 and 1994). Social insurance (Lump-sum benefits only). <i>Contributors/Labour force: 79.8%</i>	First law: 1971 (social assistance). Current law: 1993 (Comprehensive Social Security Assistance). Social insurance. <i>Contributors/Labour force: 65.3%</i>	First law: 1963. Current law: 1985, as amended in 1991. Provident fund (Lump-sum benefits and annuity payments). <i>Contributors/Labour force: 65.3%</i>	First and current law: 1990. Revised 1999. Social insurance. <i>Contributors/Labour force: 18.0%</i>	First law: 1951 (provident fund). Current law: 1969 (disability insurance); 1991 (provident fund) amended 1995. Dual provident fund (Lump-sum benefits and periodic payments) and social insurance systems (disability only). <i>Contributors/Labour force: 50.0%</i>	First law: 1951. Current law: 1977. Provident fund (Lump-sum benefits only). <i>Contributors/Labour force: 10.6%</i>	First and current law: 1954, as amended 1997. Social insurance. <i>Contributors/Labour force: 21.0%</i>	First law: 1951. Current laws: 1953, 1978, 1986, 1988, 1994 and 1998. Local government social insurance (basic pension) and individual pension accounts systems. <i>Contributors/Labour force: 12.3%</i>
Sickness	First law: 1922 (health insurance; implementation delayed until 1927) and 1938 (national health insurance). Current laws: 1963 and 1988 (national health insurance); and 1984 and 1997 (health insurance). Social insurance. <i>Public expenditure ratio: 78.7%</i>	First law: 1963 (Medical Insurance Law). Implemented in 1977—quoter) and 1997 (National Medical Insurance Law). Current law: 1998 (Medical Insurance Law) and 1998 (National Medical Insurance Law). Social insurance. <i>Public expenditure ratio: 45.1%</i>	First law: 1950. Current law: 1958, as amended (1983, 1994 (National Health Insurance)). Social insurance.	First laws: 1968 (employer liability), 1983 (provident fund). Current law: 1996 (employer liability), 1983 (provident fund). Multiple employer liability, provident fund, and social assistance systems. <i>Public expenditure ratio: 36.4%</i>	First laws: 1963 (employer liability), 1983 (provident fund). Current law: 1996 (employer liability), 1983 (provident fund). Multiple employer liability, provident fund, and social assistance systems. <i>Public expenditure ratio: 36.4%</i>	First and current law: 1990. Revised 1994. Social insurance. <i>Public expenditure ratio: 31.7%</i>	First law: 1951. Current law: 1991. Dual provident fund (Lump-sum benefits and periodic payments) and <i>Public expenditure ratio: 53.3%</i>	First law: 1957. Current law: 1982. Social insurance. <i>Public expenditure ratio: 46.7%</i>	First and current laws: 1954 as amended in 1997 (sickness benefits), 1969 as amended in 1996 (medical care), and 1977 as amended in 1997 (maternity). Social insurance. <i>Public expenditure ratio: 45.9%</i>	First law: 1951. Current laws: 1953, 1978, 1986, 1988, 1994 and 1998. Local government social insurance (medical fund pools) and/or employer-provided (medical savings accounts) programs.
Work Injury	First law: 1911. Current law: 1947, 1980, 1986, and 1995. Social insurance.	First law: 1953. Current law: 1963 (as amended through 1997). Compulsory insurance with public carrier.	First laws: 1929, 1950. Current law: 1958, as amended (1983 and 1994). Social insurance.	First law: 1963 (employer liability) and 1971 (social assistance). Current law: 1995. Dual employer liability and social assistance system.	First law: 1933. Current law: 1990. Employer liability/compulsory insurance with private carrier.	First law: 1972. Current law: 1994. Compulsory insurance with public carrier.	First law: 1929. Current law: 1968. Social insurance.	First law: 1939. Current law: 1982. Social insurance.	First and current law: 1974, as amended 1995. Social insurance.	First law: 1951. Current laws: 1953, 1978, 1986. Local government social insurance (work-injury fund pools) and/or employer-provided (medical savings accounts) programs.
Unemployment	First law: 1947. Current law: 1975 and 1986. Social insurance.	none (First law: 1995—quoter).	First law: 1968. Current laws: 1968, effective January 1999. Social insurance.	First and current law: 1977. Social assistance (not specialised in unemployment—quoter).	none.	Included under the 1990 Social Security Act, implementing pending Royal Decree.	none.	none.	none.	First law: 1986. Current law: 1989. Local government social insurance.
Family Allowances	First law: 1971 (children's allowance). Current laws: 1981, 1985, 1991 and 1994. Dual employer liability and assistance systems.	none.	none.	First and current law: 1971. Social assistance (not specialised in family allowance—quoter).	none.	First and current law: 1990 (implemented in 1989). Revised 1999. Social insurance.	none.	none.	none.	none.

Data Sources: U. S. Social Security Administration, 1999, *Social Security Programs Throughout the World 1999*; as for Contributors/Labour force (1986): World Bank, 2000, *Pension Systems in East Asia and the Pacific: Challenges and Opportunities*, p. 65; as for Taiwan's Contributors/Labour force: *Japan Statistical Yearbook 2002*; as for Taiwan's Contributors/Labour force: *Statistical Yearbook of The Republic of China 2000*; as for Public expenditure ratio (as % of total health expenditure, 1998): UNDP, 2001, *Human Development Report 2001*.

Meanwhile, what determines the timing of introduction? I will explain this point in the next chapter.

III. Have they come along a single trajectory?¹¹⁾

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

As we have already 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 also observe considerable variation among them. How can we understand this diversity?

As for the diversity among Western countries, Esping-Andersen (1990) distinguished the three welfare models, that is, liberal, conservative, and social democratic. Learning much from Polanyi (1944), he argued that the patterns of historical class coalition determined the characteristics of each welfare state. According to Polanyi, in the 19th century, the trading class supported economic liberalism which was aiming at the establishment of a self-regulating market, while the working and the landed classes supported the principle of social protection against the destructiveness of the market (ibid. 138). While the landed classes sought a solution in the maintenance of the past (i.e. conservatism), the workers borrowed a solution from the future (i.e. socialism) (ibid. 162). Esping-Andersen also examined the classes that led the formation of welfare states. But he also noted that the structure of class coalitions in the parliament, rather than the power of any single class, is decisive (Esping-Andersen 1990: 30). According to him, in the Nordic countries, the coalition of the working class and farmers led to the formation of the “social democratic” welfare state that would promote an equality of the highest standards with the principles of universalism. In contrast, in the continental European countries, the conservative forces successfully formed “reactionary” alliances, which developed the “conservative” welfare state that preserved status differentials in the labour market. In the Anglo-Saxon countries, such a coalition did not appear. Thus, there emerged the “liberal” welfare state, in which only a modest level of benefits would be provided (ibid. 27).

Unfortunately, this kind of story does not fit the reality of East Asia. I argue this, stressing the cases of the Asian NIEs (Korea, Taiwan, Hong Kong and Singapore). First, in the regime formation¹²⁾ period of all four countries, there were no strong capitalists who favoured the formation of “liberal” welfare states. Since Korea and Taiwan were still very much agricultural countries, powerful industrial capitalists had not emerged yet. While there were commercial capitalists in Hong Kong and Singapore who were engaged in transit

11) This chapter is based on Kamimura (1997, 1999).

trade, they never took the initiative in politics. As typically witnessed in Korea, capitalists in the Asian NIEs were created in the process of state-led industrialisation, and did not create the regime by themselves. Secondly, there were no powerful landed classes favoured the formation of "conservative" welfare states. Since Hong Kong and Singapore were city-states, and therefore had minimal agricultural sectors, there were no landed classes from the very beginning. While there had been landed classes in Korea and Taiwan, early land reforms effectively removed them. Thirdly, there was no possibility in the Asian NIEs of a coalition combining the working class and farmers, which might have favoured the formation of "social democratic" welfare states. As Hong Kong and Singapore had insignificant agricultural sectors, this hypothesis was unrealistic for them. In Korea and Taiwan, the state incorporated farmers in order to block the influence of communists. In all cases, there were no opportunities for labour parties to lead welfare regime formation. In sum, it is hard to apply Esping-Andersen's model to the Asian NIEs.

Then, what led welfare regime formation in these countries? And, what factors determined the character of their welfare systems? My answers to these questions are that state-labour relations are decisive. It was the state, relatively independent of any social forces, that nurtured capitalists, dismissed the landed classes, suppressed workers' excessive demands, and at the same time could introduce some measures for people's welfare. The state-labour relations were crucial then, because other social forces, such as capitalists and landlords, were weak. I shall argue in the rest of this chapter that the difference in state-labour relations in the regime formation period explains the character of the social security systems (stressing pensions for workers) of each country during its rapid industrialisation.

When we examine the state-labour relations in the regime formation period of each country, we notice that three countries other than Hong Kong had the character of "state corporatism" in Schmitter(1979)'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. The numbering was added by Kamimura.).

According to this definition, state-labour relations in each country could be described as

12) Here, "regime formation" means the establishment of power which preceded the industrialisation of each country; Park Chung-hee's military government of Korea in 1960s; the Kuo Ming Tang (KMT, the Nationalist Party) government of Taiwan in 1950s; the People's Action Party government of Singapore in 1960s; and in Hong Kong, we find that the new state-labour relation formed around 1949.

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follows (also see Table 2).

First, in the case of Taiwan, (1) there was only the Chinese Federation of Labour (CFL) of Taiwan Province as the national centre of labour unionisation. (2) Unions joined the CFL as a matter of course, though not by legal obligation. (3) There were no organizations that could rival the CFL. (4) The CFL was established to be centralised upon the federations of each prefecture and city, the Federation of Industrial Unions of Taiwan Province and the prefectures, and the Federation of Occupational Unions of Taiwan Province and the prefectures (Wakabayashi 1992: 114). (5) The CFL was not only established by the government, but also subsidised by it (*ibid.*). (6) The leaders of the CFL were also executive members of the Kuo Ming Tang (KMT, the Nationalist Party). Most of the officials of lower level unions were also members of the KMT (*ibid.*). (7) Although the CFL was the quasi-governmental organization for controlling unions, it certainly had the monopolistic privilege of making representations to the government.

Second, in the case of Singapore, (1) although there had been two national labour centres, the leftist one was weakened by the government. By 1965, unions were integrated by the National Trade Union Congress (NTUC). (2) Unions were expected to join the NTUC as a matter of course and did, though not by legal obligation. (3) There were no other organizations that could oppose the NTUC. (4) The NTUC was highly centralised to the extent that lower level unions could hardly oppose it. The NTUC also developed grassroots movements like a co-operative society of consumption for penetrating into the rank and file members (Rodan 1989). (5) The NTUC was not only established by the government, but also subsidised by it, even being given civil servants as staff (Kimura 1990: 12). In the late 1960s, about 80 percent of NTUC's revenue was from government subsidies (Kobayashi et al. 1993: 30). (6) The leaders of the NTUC were also executive members of People's Action Party. In those days Devan Nair was the secretary general of the NTUC. He had converted from the leftist labour movement, then was a member of the Party's central committee, and eventually became the third president of Singapore in 1981 (Takeshita 1995). (7) The NTUC was the monopolistic representative of labour's interest. Later the NTUC joined the tripartite National Wage Council, established in 1972, from which they extracted some social policies from the government in exchange for agreements on wage restraint and cooperation in the improvement of productivity (*ibid.* Shimodaira 1986: 44).

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	○	○	×	×

Third, in the case of Korea, (1) there was only the Federation of Korean Trade Unions (FKTU) as the national centre of labour unionisation. (2) Unions were expected to join the FKTU as a matter of course, though not by legal obligation. (3) Anti-mainstream factions that might rival the FKTU were made illegal. (4) The FKTU had, however, a decentralised character, the leaders of which could not control the lower level unions fully. President Park saw the FKTU as a target of repression, rather than as the counterpart of cooperation, because it was not a monolithic organization. (5) The FKTU was developed from its predecessor, which was reorganised by President Park. So he only used the existing structure, but did not create the new body by himself. His government provided money for the FKTU (Choi 1989: 83), but the police sometimes interfered in the establishment of new unions (Shin 1993: 183). (6) The leaders of the FKTU were selected from among labour movement activists, and trained by the government. But they were not sent from within Park's circle. That is, none of them were military personnel who had joined the revolution, nor executive members of the ruling party (Choi 1989: 233). (7) Although the FKTU certainly represented labour's interest to the government monopolistically, it did not have a strong say. It could not join deliberative councils of the government through 1960s, nor could it send its representatives to the national assembly until 1972 (Choi 1989: 233).

Finally, the situation in Hong Kong was quite different from the other three countries. (1) There were two national labour centres, the Federation of Trade Unions (FTU) and the Trade Union Congress (TUC). The former was affiliated with the Communist Party of Mainland China, while the latter with the KMT (the Nationalist Party) of Taiwan. (2) There were many unions which joined neither of these organizations. (3) The FTU and the TUC were in a competitive relationship. (4) There were myriad craft unions arising from their guild origin, which the national centres could not control fully. The FTU and the TUC were more political groups than integrated bodies of lower level unions. Thus, the nature of Hong Kong's labour movement was highly decentralised and fragmented (England et al. 1981: 136). (5) Although the FTU and the TUC were legitimised by the Colonial Office, they developed by the Communist Party of mainland China and the KMT of Taiwan respectively, not established nor subsidised by the Office (England et al. 1981: 136, 141). (6) The Colonial Office strictly controlled the political activities of the national centres, but did not care about their selection of leaders or expression of opinions. (7) Neither of the two national centres was regarded as the counterpart of negotiation by the Colonial Office. That means they did not have any representational right before the Office.

Thus we can see that, 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 (1978) 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 ec-

onomic 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.

"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. 79)

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

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

Thus we see that only Taiwan and Singapore shifted to "inclusionary" corporatism, in which 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 benefits (only in lump sum). While those who were covered were mainly workers in public enterprises in the beginning, coverage was gradually extended to workers in the private sector, which included medium and small-sized businesses. In Singapore, the Central Provident Fund (CPF), which was founded before independence, was improved after 1968 when the People's Action Party monopolised parliament. 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, in which a shift to the "inclusionary" pole did not occur, 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 sys-

tem was set up in 1971. After long discussion, the Mandatory Provident Fund (MPF) was finally legislated in 1999.

To sum up, we can distinguish at least two paths in regard to 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, one can hardly maintain that there is only one trajectory in East Asia.

IV. Can they develop?¹³⁾

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

As mentioned in the previous chapter, Taiwan had formed its social insurance system under the KMT (the Nationalist Party)'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. It is not 'from nothing to something', but 'from something to shifting'." Its emphasis was, however, on soldiers, civil servants and teachers. In 1990, while the average old age benefit for civil servants was NT \$ 740,561 (lump sum. NT \$ 100 = JP ¥ 380, US \$ 3, UK £ 2), that for workers is only NT \$ 280,484. With gradual democratisation after 1987, people became aware that the old system was inadequate and unequal. For that reason, in the early 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 the 1990s briefly. In the 1992 legislative election, Su Huan-chi (a candidate of the Democratic Progressive Party, DPP) pledged the introduction of an 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 due to financial difficulties. Today, only three local governments continue to pay the benefit. The two other results of electoral contests were "old age living allowances 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 elderly people still receive neither pen-

13) This chapter is based on Kamimura (2002).

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sion 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 impedes the implementation of the National Pension Scheme.

In the 2000 presidential election, the DPP came to power for the first time. The DPP's platform long pledged to create a "welfare state." The new president Chen Shui-bian had promised to realise "the 333 family welfare plan," which means: 1) a monthly allowance of NT \$3,000 for senior citizens over 65; 2) a 3 percent mortgage rate for first time homebuyers; and 3) free medical care for children under 3 years old. Following the inauguration, however, he was criticised for curtailing his promises. His government withdrew the old age allowance plan later, and proposed two other plans for National Pensions. Plan A was a mandatory saving system with individual accounts, which was a defined contribution plan (DC). Plan B was a monthly pension of NT \$3,000 financed by increasing the consumption tax, which was a defined benefit plan (DB). These two plans caused a heated debate. Some people criticised plan A for being a revised version of the KMT's plan, which emphasised individual responsibility. Other people condemned plan B as being a new version of the DPP's old age allowance, which was not financially sustainable. As 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 on 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. The differentiated social insurance system as a legacy of authoritarian regime, and many trivial benefit schemes as a result of electoral contests after democratisation, caused great difficulty in establishing a new integrated system. In understanding welfare state formation of newly democratised countries, institutional legacy must be examined 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, the 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 the formation of advanced welfare states in the era of "embedded liberalism."¹⁴⁾

V. 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 non-Asian 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 authoritarian regimes, however, most countries have developed certain kinds of social welfare policies.

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

3) Can East Asian countries develop 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 a 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 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), for examining 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 actor (enterprises, for example) substitutes for another (state, for example), the outcome can hardly be "equivalent." It is probable that 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 how enterprise welfare and state pension schemes substitute for one another. What are the differences in workers' welfare between public enterprises, multinational corporations, local firms, and the informal sector? And how do they relate to the character of industrial relations inside and outside the companies? We should examine these points from a

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

comparative perspective.

2) As seen in relation to the Asian NIEs in the third chapter, we should make greater efforts to identify the causes of similarities and differences in East Asian Welfare States. So far, only a few attempts have been made on this issue. In regard to the origins of the OECD welfare states, Esping-Andersen pointed out the importance of the following three factors: "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 the class coalition thesis work well. So I have proposed a 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 systems), while Thailand belongs to the Korea type (late introduction of social security systems). Although the timing of introduction itself might not be so interesting, if it affects the formation of institutional legacies, it could be important. We should also analyse how the institutional legacy of the authoritarian era influences the present conditions of each country.

3) As sketched out in the case of Taiwan in the fourth chapter, we should consider the present politico-economic conditions of late welfare state formation within the era of globalisation. Not just the institutional legacy, but international circumstances have a significant effect on its 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 many discussions of structural reform in East Asian countries. Reforms of labour markets, industrial relations, and the social security system are some of the crucial issues. 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 asked to promote further liberalisation and marketisation. Moreover, the social strategies of the international organizations (IMF, IBRD, UN, ADB, etc.) have become much more significant, as I have mentioned in the first chapter. Thus, we need to carefully scrutinise the impact of economic and ideological globalisation on the welfare reform discussion in each country.

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