

# East Asian Welfare States in Transition

## *Challenges and Opportunities*

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## **1 Economic Crisis and Welfare Reform**

Over the past fifteen years there has been a growing interest in East Asian societies among policy-makers and scholars in the West. This interest has stemmed from the extraordinary economic success of East Asian countries, but has also led a number of scholars and policy-makers to study their welfare systems (e.g. Jones 1993; Kwon 1997; Goodman *et al.* 1998). For example, British Prime Minister Tony Blair and former Governor of Hong Kong Chris Patten have shown a keen interest in the 'magi' combination of economic growth and a low level of welfare expenditure.<sup>1</sup>

After the spectacular financial crisis at the end of 1997, the appeal of this combination became a thing of the past. Amid such economic turmoil, there has also been a call for reform of East Asian social welfare systems. It seems clear that social welfare reform is a prerequisite for successful economic restructuring. In this article we will first seek to identify the strengths and drawbacks of the East Asian welfare states. Despite economic crisis, the East Asian welfare states must have had strengths which worked in the era of economic development, and future welfare reform must be grounded on these strengths. Second, this article will point out the pressures (endogenous or exogenous to the welfare state) for change, especially in the light of the economic crisis and subsequent restructuring. Finally, it will address the question of whether the low spending regimes of the East Asian welfare states can be maintained. The article will cover Japan, South Korea and Taiwan, and will pay special attention to the social policies and institutions specific to each country.<sup>2</sup>

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<sup>1</sup> See the article by Tony Blair in the *Sunday Times*, 29 October 1995.

<sup>2</sup> Of course, these three countries alone cannot represent the whole region of East Asia, and economies in the region such as Hong Kong and Singapore deserve our attention. Nevertheless, the three countries share institutional characteristics of social policies to the extent that they form a cluster of the 'East Asian welfare model', while Hong Kong and Singapore stand further away from it (Goodman *et al.* 1998).

## 2 The East Asian Welfare Model: Strengths and Weaknesses

In her pioneering study, Jones argued that societies in East Asia, particularly Japan, South Korea, Taiwan, Hong Kong and Singapore, together make up their own brand of welfare state (Jones 1993:199). She suggested that Confucianism lies at the heart of their welfare states: hierarchy, duty, compliance, consensus, order, harmony, stability and staying in power (Jones 1993:202). In contrast to Jones, Esping-Andersen maintains there is no distinct 'Pacific' model of social welfare. In his analysis of the Japanese welfare system, he suggests that this is a hybrid of key elements of catholic-conservative welfare states (occupational segmentation and familialism) with a liberal, American-style dominance of private welfare plans (Esping-Andersen 1997). Although he argued against the notion of a 'unique' Japanese welfare system proposed by Vogel (1980), the notion of a hybrid system does not carry our understanding of the Japanese welfare system much further. Moreover, his analysis cannot justify discarding the case for the East Asian welfare model, since he did not undertake careful research on other societies such as South Korea and Taiwan.

In a comparative study of the Japanese and South Korean welfare systems, I agreed with Esping-Andersen that these systems are not as unique as Vogel maintained (Kwon 1997), and that they are closer to the model of conservative welfare regimes. I identified three characteristics of East Asian welfare systems. First, the structure of social policy is organised mainly according to the principle of compulsory insurance, with public assistance for the poor. This principle does not automatically guarantee welfare rights to every citizen. Second, the family is expected to play a central role in guaranteeing minimum welfare provision. Third, the underlying politics of social welfare places emphasis on maintaining rather than transforming the prevailing order (Kwon 1997:477).

Given these similarities, I am cautious about simply identifying the welfare systems in Japan and South Korea with the conservative welfare regime (Kwon 1997:478). First, there is a subtle but important difference in the emphasis on the role of the family between for example, Germany, on the one hand, and Japan and South Korea on the other. In Japan

and South Korea, childcare and the care of aged parents are regarded as basic responsibilities of the family and of women in particular. There has been little outside support for the family in these areas of social welfare, while in Germany the state fosters the family's ability to make necessary welfare provision for their members in need.

Second, the level of welfare provision in Japan and South Korea in particular is considerably lower than in Germany and Austria, typical conservative welfare states. This substantial difference prevents us from simply including the welfare systems of Japan and South Korea in the cluster of conservative welfare regimes. Third, there is a difference in the nature of class politics underlying the development of the welfare state. Class has limited applicability in explaining the politics of Japan and South Korea in general and the development of their welfare systems in particular (Goodman and Peng 1996).

My study (1997) did not explore whether a distinctive East Asian welfare model existed. Nor were other studies in a position to substantiate a more concrete case for the East Asian welfare model or explain it through more theoretically informed perspectives, since they were social policy case studies. For instance, Ku (1996) and Kwon (1998) explained the development of the Taiwanese and Korean welfare systems in terms of legitimisation of authoritarian governments and the necessity of economic development, but they did not develop a comparative perspective. While there seemed to be similarities as well as differences among welfare systems in the region, these authors did not elaborate.

### 2.1 The East Asian welfare model

Goodman *et al.* (1998) attempted to break through this limitation by undertaking empirical research as well as developing comparative perspectives on East Asian welfare systems. Based on field research in Japan, South Korea, Taiwan, Hong Kong and Singapore, I have (1998b) argued that the welfare systems in East Asia share many important characteristics, which in turn support the case for an East Asian welfare model. I underlined, *inter alia*, four attributes of the East Asian welfare model.

First, with the exception of Hong Kong where the minimalist welfare system is financed by the state,

the role of the state is largely that of regulator.<sup>3</sup> Instead of state agencies, quasi-governmental bodies manage the various funds to which social welfare contributions are made. Within this arrangement, the actual delivery of social welfare may be private, although not voluntary, and the cost of services is met by public insurance agencies. These agencies are not normally parts of the government. Public health insurance systems in Japan, South Korea and Taiwan and the Central Provident Fund in Singapore operate this way.

Second, the method of financing social welfare has resulted in a fragmented welfare system in which the pooling of risk is narrower than in an integrated system. Public pension systems in Japan, South Korea and Taiwan, for instance, have several sub-funds, each covering different groups of people: public employees, private-school teachers, employees in big businesses and farmers have their own pension funds. Public health care programmes are also fragmented in Japan and South Korea, while Taiwan's new National Health Insurance has integrated all existing programmes.

Third, the welfare systems in East Asia are less redistributive than their counterparts in the West. Singapore's Central Provident Fund has no mechanism of redistribution whether intra- or inter-generational. In Japan, South Korea and Taiwan, redistribution between income groups takes place but the better off get the lion's share of social policy benefits.

Last, the political battles behind the welfare system in East Asia have been largely dominated by conservative political forces. In all five East Asian countries, labour unions and social democratic parties failed to exert any significant influence on social policy. However, Japan, South Korea and Taiwan have undergone important political changes which have begun to influence public policy.

Given such similarities, East Asian welfare systems have strong points, which might appear attractive to some policy-makers (Goodman and White 1998:17).

- They promote an ideology and practice which subordinate welfare, particularly in the form of progressive redistribution and a universal and generous benefits system, to the over-riding priorities of economic efficiency and growth.
- They are relatively cheap in financial and personnel terms, allowing the use of financial resources directly for productive purposes.
- They create a welfare environment (in which publicly provided safety nets are weak or non-existent) which fosters both positive and negative incentives for hard work and discipline.
- They discourage dependence on the state and make full use of available social resources, including community, firm, group and family.
- Funded social insurance schemes provide substantial financial resources, which can be used for developmental purposes under state direction, notably through investment in social and physical infrastructure.

On the other hand, Goodman and White (1998:17–18) point out the down-side of the East Asian welfare systems.

- The heavy reliance on the welfare role of the family has serious implications for gender relations and the position of women. The model rests implicitly on a context in which women are the main carers within the family and therefore potentially imposes an extra load on top of their 'double burden' of housework and paid employment.
- These welfare systems tend to reinforce socio-economic inequalities. The weak, vulnerable or poor are also stigmatised for being so.
- The lack of institutional integration until recently in the fragmented social insurance systems in Northeast Asia has posed high efficiency costs in terms of management and co-ordination.
- Welfare policy has reflected the political logic of conservative dominance and/or authoritarian institutions and has been established and maintained on this basis.

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<sup>3</sup> The terms of regulator and provider denote the role of the state in the financing of the welfare system. The state can be referred to as a provider, in the case where the state itself delivers social policies such as health care,

which are then paid for through government expenditure. The National Health Service in Britain is a classic example.

### 3 Welfare Reform: Challenges and Opportunities

Each welfare state has been through its own history of development, and policy-makers who are pondering the relevance of the East Asian welfare model to their own countries need to consider their distinctive political, social and economic conditions. Besides the relevance of the East Asian welfare experience to other countries, we need to answer another question: Will the East Asian welfare systems remain as they are, or are they transitional? First, economic down-turn in East Asia puts a great strain on their welfare systems. Economic recession will certainly reduce the ability of the state, business, and households to pay for public welfare. This will force governments to think again about what they might have planned in an era of economic growth. At the same time, economic recession increases unemployment and early retirement. For the past three decades, Japan, South Korea and Taiwan have enjoyed economic growth and extremely low unemployment which helped to keep welfare spending relatively low. The sharp increase in unemployment and early retirement puts pressure on the welfare system as programmes for dealing with unemployment are relatively underdeveloped.

Second, the welfare system is influenced by the political changes which the three countries have experienced. South Korea has witnessed for the first time a power shift to the opposition party within the framework of the democratic constitution. In Taiwan, the opposition Democratic Progressive Party (DPP) has fought elections on a platform of democratisation, Taiwanisation and social welfare. With the 2000 presidential election approaching, the issue of social welfare will be at the centre of political debate since Taiwanisation will not appeal to voters due to military intimidation from Beijing. Compared to the volatile politics of South Korea and Taiwan, Japanese politics seems unable to move forwards. It remains to be seen whether Japanese politicians will exercise leadership to break through the nation's stagnated economy.

Third, changes in demographic structure will put pressure on social welfare systems in East Asia. Compared to other OECD countries, the population is still young, but demographic changes are taking place fast. In 1995, the proportion of elderly people (aged 65 and over) was 11.9 per cent in Japan, 5.9 per cent in South Korea and 7.6 per cent

in Taiwan, compared with 12.6 per cent in the USA and 17.4 per cent in Sweden (UN 1998). By 2020, however, 25.2 per cent of the population of Japan will be elderly, one of the highest proportions in the world. In South Korea, the figure will be 13.2 per cent in 2020 (NSO 1997). Taiwan's elderly population will be 14.1 per cent by 2021 (DGBAS 1997).

Last, there are endogenous pressures to reform the welfare systems. As in other countries, bureaucrats and officials in East Asia are not running welfare systems as efficiently as they had hoped. On top of the efficiency issue, the fragmented structures of welfare systems are in need of reform. Some social welfare programmes may cost more than the country can deliver, especially in countries where politicians promise what they cannot deliver in an effort to win votes.

Policy-makers in East Asia seem to be aware of these political, economic and demographic pressures on, as well as the problems within, their welfare systems. Some policy-makers have already pushed through reform policies while others are pondering what steps they should take. Within this context, the following sections will be concerned with reform measures in Japan, South Korea and Taiwan respectively. Through this analysis we will examine whether the low spending regimes of East Asian welfare states can be maintained after the reforms.

#### 3.1 Japan

The Japanese welfare system evolved through several stages into its present form, which is both fragmented and complex. Three concepts of social welfare played an important role in shaping its recent development. In 1973, the then Prime Minister Tanaka promised to make rigorous efforts to catch up with the welfare states of Western societies. The ambition was short-lived, mainly because of the oil crisis and economic recession that followed. In 1979 Prime Minister Ohira launched the contrasting idea of the 'Japanese-style welfare society' (Tabata 1990:2). The Liberal Democratic Party (LDP) argued that Japan should not follow the Western style of social welfare, which only caused 'welfare disease' (Hashimoto 1979). Instead, Japan needed a welfare system in which the family would play a key part. In the late 1980s Japan came up with yet another idea for social welfare under the slogan 'preparing for an ageing society'. The

Council on Welfare Vision for an Old-aged Society, an advisory council to the Minister of Health and Welfare, published a report entitled 'A welfare vision for the twenty-first century'. This report initiated reforms which resulted in the New Gold Plan to be implemented step by step to the year 2010 (Ministry of Health and Welfare 1997a).

A close examination of the New Gold Plan illustrates the Japanese governments' efforts to control the cost of social protection and a shift in the Japanese welfare policy towards more state involvement. Tanaka's welfare initiative of 1973 brought the issue of ageing and elderly care into the sphere of national politics. It introduced, *inter alia*, Medical Care Aid for the Elderly (MCAE), which would provide free medical care for people over 70. This programme caused two immediate setbacks.

First, the MCAE put a great financial burden on National Health Insurance (Campbell 1992). Secondly, the MCAE turned out to be extremely expensive. A considerable number of the aged went to geriatric hospitals and occupied medical facilities due to the lack of a social care system for the aged. This was also related to changes in the Japanese family structure which had undergone a fundamental transformation since the 1950s. The government failed to recognise that the family could not provide the same degree of welfare to its members, particularly the elderly, as it had done in a traditional setting (Sumitaka 1998: 191). It assumed that the family would continue to care for the elderly (Council on Family Life Problems 1967). The phenomenon of 'hospital-becoming-nursing-home' was a spectacular manifestation of the discrepancy between social policy and social reality. This phenomenon also engraved a strong image of 'welfare problems' in Japanese people's minds.

These problems provoked a welfare backlash and paved the way for the idea of a Japanese-style welfare society which promoted self-help and the role of firms and communities in providing necessary welfare for their members. Under the banner of a Japanese-style welfare society, Japan carried out a series of reforms to control welfare costs during the 1980s. The 1983 health care reform replaced the

Medical Care Aid for the Elderly with the Health Service for the Aged. This required central and local governments and all insurers of public health care insurance to bear a greater share of the health care cost, which used to be paid mainly by the National Health Insurance scheme.<sup>4</sup> The elderly also had to pay 10 per cent of the medical cost of visits to health care institutions: this was intended to deter elderly people from visiting hospitals (Watanabe 1993).

The 1985 pension reform dealt with the public pension system. It aimed at curtailing pension costs in the ageing society by introducing a system which would gradually increase the eligibility age to 65. It also instituted basic pensions, guaranteed to all pensioners and financed by a National Fund to which different public pension schemes would contribute. The Japanese government's long-term aim was to integrate all public pension programmes into one national programme, which would in turn reduce the cost of pensions and the risk of financial difficulties for pension funds (Ministry of Health and Welfare 1997a).

These social welfare reforms were aimed at reducing the government budget deficit without any further increase in taxes. Such an extraordinarily difficult task was partly due to the fact that successive LDP governments had failed to introduce a consumption tax, which eventually came into force in 1989.

On the eve of its introduction, the Ministry of Finance and the Ministry of Health and Welfare agreed that there should be social welfare programmes for elderly people, which would be financed by this tax (Sato 1997), and in 1990 the Ministry of Health and Welfare announced the Gold Plan. The Gold Plan was a programme to increase the number of social service workers and facilities for elderly people to certain target numbers by the year 2000. In particular, it aimed at providing social services to elderly people in their homes. Home-helpers, short-stay centres, day-service centres and a home-help service were focal points. The underlying strategy was to reduce the cost of social protection by establishing cheaper social service institutions for the elderly to replace more expensive hospital care. In 1994, the government replaced the Gold Plan with the New Gold Plan.

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<sup>4</sup> All insurers of health insurance programmes such as the government-managed Health Insurance, Mutual Aid Association and other insurance funds bore 70 per cent

of medical costs, the central government 20 per cent, and prefecture and municipal governments paid 5 per cent each.

**Table 1: Targets of the New Gold Plan**

|                                     | 1990    | 1999 (Target) |
|-------------------------------------|---------|---------------|
| Home-helpers                        | 35,905  | 170,000       |
| Short-stay centres                  | 7,674   | 60,000        |
| Day-service centres                 | 1,780   | 17,000        |
| In-home care centres                | 300     | 10,000        |
| Special nursing homes               | 172,019 | 290,000       |
| Help-service facilities             | 47,811  | 280,000       |
| Care houses                         | 1,700   | 100,000       |
| Residential centres for the elderly | 40      | 400           |

Source: Ministry of Health and Welfare (1997b)

A similar strategy was also applied in the area of childcare. The new childcare policy, the Angel Plan, will increase the number of childcare institutions (Peng 1998).

Japanese welfare reforms in the 1990s mark a significant change in policy direction: from welfare retrenchment in the 1980s, to a focus on controlling the cost of social protection. Despite this strategy, the cost of social protection, though potentially cheaper than alternatives, will inevitably rise.

### 3.2 South Korea

Among the three East Asian countries under review, South Korea suffered from the most severe economic crisis in 1997. Since then, it has stabilised the situation by paying back some short-term debts and rescheduling others. This is, however, only a short-term recovery, and fundamental restructuring of the economy is still imperative. Economic restructuring has already turned the financial crisis into a social crisis of which ordinary citizens have to bear the cost. For example, since February 1998 the number of unemployed has increased sharply from 2 per cent to a record high of 8.7 per cent. This, in turn, strains the welfare system of the country.

Is the Korean welfare system able to deal with such an unprecedented social crisis? To avoid confusion, we need to divide problems of the welfare system into two categories: those related to factors within the welfare system and those that are due to factors outside the system.

First, two main programmes of the Korean welfare system, the National Health Insurance and the National Pension Programme, are in need of reform

due to endogenous problems. The National Health Insurance schemes originated from a pilot programme for health insurance that was tried for ten years from 1965 (Choe 1991:121) and became compulsory in 1977. It started first with large-scale companies, then public employees and private-school teachers. By 1987 when the first democratic presidential election for twenty years was held, the gradual expansion of coverage was complete and the entire population had access to National Health Insurance. During this period of gradual expansion, separate health care funds were established rather than one integrated national fund. Under the name of National Health Insurance, more than four hundred health care funds operated.

This fragmented system had two shortcomings. First, the pooling of risk was too narrow to smooth the rate of contingencies across different risk categories. Second, the cost of administration in a fragmented system is higher than in an integrated one, since there are inevitable overlaps in terms of personnel and organisation. The Kim Dae-jung government decided to change the system in 1998. As a first step towards integration, health funds for public sector employees and private-school teachers were merged with those for farmers and the self-employed. As a consequence, low-income earners, mostly farmers and urban informal workers, pay less than before, while high-income earners pay higher contributions. Such changes in National Health Insurance mark a significant shift in the Korean welfare system. Although the fragmented system was partly the result of gradual development of social policy institutions, it was also the outcome of policy-makers' lukewarm attitude towards social welfare.

**Table 2: Number of pensioners in public pension programmes (1995)**

|                                      | Old-age pension | National pension programme* | Public employees' pension | Private-school teachers' pension | Total   |
|--------------------------------------|-----------------|-----------------------------|---------------------------|----------------------------------|---------|
| Number (persons)                     | 266,000         | 38,162                      | 56,343                    | 3,950                            | 364,455 |
| Proportion of people age 65 and over | 10 %            | 1.45 %                      | 2.1 %                     | 0.15 %                           | 13.7 %  |

\*Number of special old-age pensioners

Source: MoHW (1997), *Yearbook of Health and Welfare Statistics*

Another endogenous problem facing the Korean welfare system is the potential financial crisis of the National Pension Programme. Like National Health Insurance, this started with industrial workers in 1988. It has gradually increased its coverage and is scheduled to include the self-employed in urban areas in 1999. Since it is a funded pension system requiring a twenty year contribution for full pensions, there are no pensioners who receive full pensions, although there are recipients of survivor pensions, invalidity pensions and lump-sum benefits.

The Korean government projects that the fund for the National Pension Programme will run out by the year 2033 (Committee for Social Security 1997:33). Either the programme will not be able to deliver pensions as promised, or the government has to put money into the pension fund. Kwon (1999a) explains that the programme will face financial difficulties as the internal rate of return promised was too high. The Korean government has now established an inter-ministerial task force to review the programme.

The toughest exogenous challenge to the Korean welfare system at present is unemployment. To protect unemployed workers, the Korean government introduced the Employment Insurance Programme in 1995 to provide benefits for those who had previously paid insurance premiums. This programme also places a strong emphasis on training. It is mandatory for employers with more than five employees. The contribution rate is 0.6 per cent of total wage, and employers and employees each pay half. The fund falls far short of what is required in an era of massive unemployment, and the present government

has been implementing an emergency work-fare programme which gives work and benefits to the unemployed through their local governments.

Rapid population ageing is another social challenge to the Korean welfare system, although it has not caught the public concern as in Japan. The public pension system in Korea comprises the National Pension Programme for ordinary citizens, the Public Employees' Pension for government employees and the Private-School Teachers' Pension for private-school teachers. Of these public programmes, the National Pension Programme is the main programme for most Korean people. It has expanded its coverage over the years and begun to cover the entire working population in April 1999 (Kwon 1999a).<sup>5</sup> One should, however, bear in mind that it is a funded pension programme in contrast to a pay-as-you-go scheme. It requires a twenty-year contribution to be eligible for full pensions and fifteen years for partial pensions. For those who cannot pay contributions for that length of time before their retirement, there are two options: a lump-sum payment or a special pension. The lump-sum payment consists of all the money one has paid plus a certain rate of interest, while the special pension is a certain proportion of the full pension according to the number of years of contributions.

Table 2 shows that only 13.7 per cent of elderly people received pensions in 1995. These figures will remain stable until the year 2002 when the first group of people who joined the National Pension Programme in 1988 will be eligible for partial pensions. Even then, the number of people who are entitled to receive pensions will be small. Since, in 1995,

<sup>5</sup> It does not include people within other programmes, i.e., the Public Employees' Pension and the Private-school Teachers' Pension.

the public pension system covered only 41.9 per cent of the working population, less than half of the elderly will be entitled to public pensions in 2015.

What is more serious in relation to population ageing is that the present elderly population is far more prone to poverty. According to Kwon (1999b), more than half of single elderly households and a third of couple-only elderly households live in poverty. Among households with at least one elderly person, 23 per cent live in poverty, while the general poverty rate in relative terms is 10 per cent. To alleviate this poverty, it is necessary to increase the level of old-age allowances, which is a third of the poverty line at present. An increase in the old-age allowance will require substantial public money. As in the Employment Programme, it remains to be seen whether Korean society is able and willing to pay for this.

### 3.3 Taiwan

The history of the Taiwanese welfare system can be traced back to 1950, when the Labour Insurance programme was introduced as the first social insurance scheme. This was already a part of the Kuo Min Tang (KMT) manifesto before it was forced to cross the Taiwanese straits. In 1945, in an effort to outmanoeuvre the Communists, the KMT had already launched a social policy manifesto in the wake of the establishment of the Ministry of Social Affairs. After the introduction of the Labour Insurance programme, the Government Employees' Insurance and Retired Government Employees' Insurance programmes were introduced in 1958 and 1965. In the 1980s, health insurance programmes for private-school teachers, their dependents and local councilors were introduced. Thus, the Taiwanese welfare system until the late 1980s was complex and fragmented and provided social protection only to a small section of the population. In that context, the introduction of the Farmers' Health Insurance programmes in 1989 and the National Health Insurance programme in 1995 were major developments. Health care related programmes were integrated and the Taiwanese welfare system became simpler.

Since the introduction of National Health Insurance, Taiwan has been engaged in a political debate on what form of National Pension Programme should be introduced. The debates are becoming intensified as the presidential election in 2000 is approaching (Ku 1998). The National

Pension Programme will, according to the Council for Economic Planning Board's planning report (CEPB 1995), be a funded scheme, requiring a 40-year contribution for a full level of pension. Persons who pay contributions for between 10 to 40 years can claim a reduced pension only, minus 2.5 per cent of the full pension per year. Although Taiwan has not yet introduced a national pension programme for ordinary citizens, Labour Insurance, Government Employees' Insurance and Insurance for Private-School Teachers and Staff cover 54 per cent of the working population. Within these schemes people can choose a lump-sum retirement benefit or pensions. Labour Insurance is now fully matured and is paying lump-sum retirement benefits, and there are also Farmers' Old-age Allowances, which will be phased out once the National Pension Programme is introduced. The number of persons receiving pensions or allowances from these schemes is 27.5 per cent of the elderly population aged 65 or over.

Unlike the case of National Health Insurance, the National Pension Programme will not integrate existing pension programmes. The principle set up by the Taiwanese government is that Labour Insurance, Government Employees' Insurance and the National Pension Programme will be separately managed, but with the same level of contribution and payment (Li 1998). This policy intention will, however, be contested in the presidential election in the year 2000.

Compared to other countries in East Asia, Taiwan's future looks promising. The economy is relatively strong despite the Asian economic crisis, and more social welfare programmes are becoming available to its citizens. Public support for the welfare system has been growing (Figure 1), and political parties cannot ignore this as the presidential election approaches. The question, however, is the extent to which the Taiwanese people can afford and are willing to pay for the new social welfare institutions and programmes.

## 4 Concluding remarks

We have identified some strengths and weaknesses of East Asian welfare systems. To recapitulate the strong points of the East Asian welfare model which may seem attractive to some policy-makers:



Figure 1: Trends in public support for National Health Insurance

Source: Yeh and Jeng (1998)

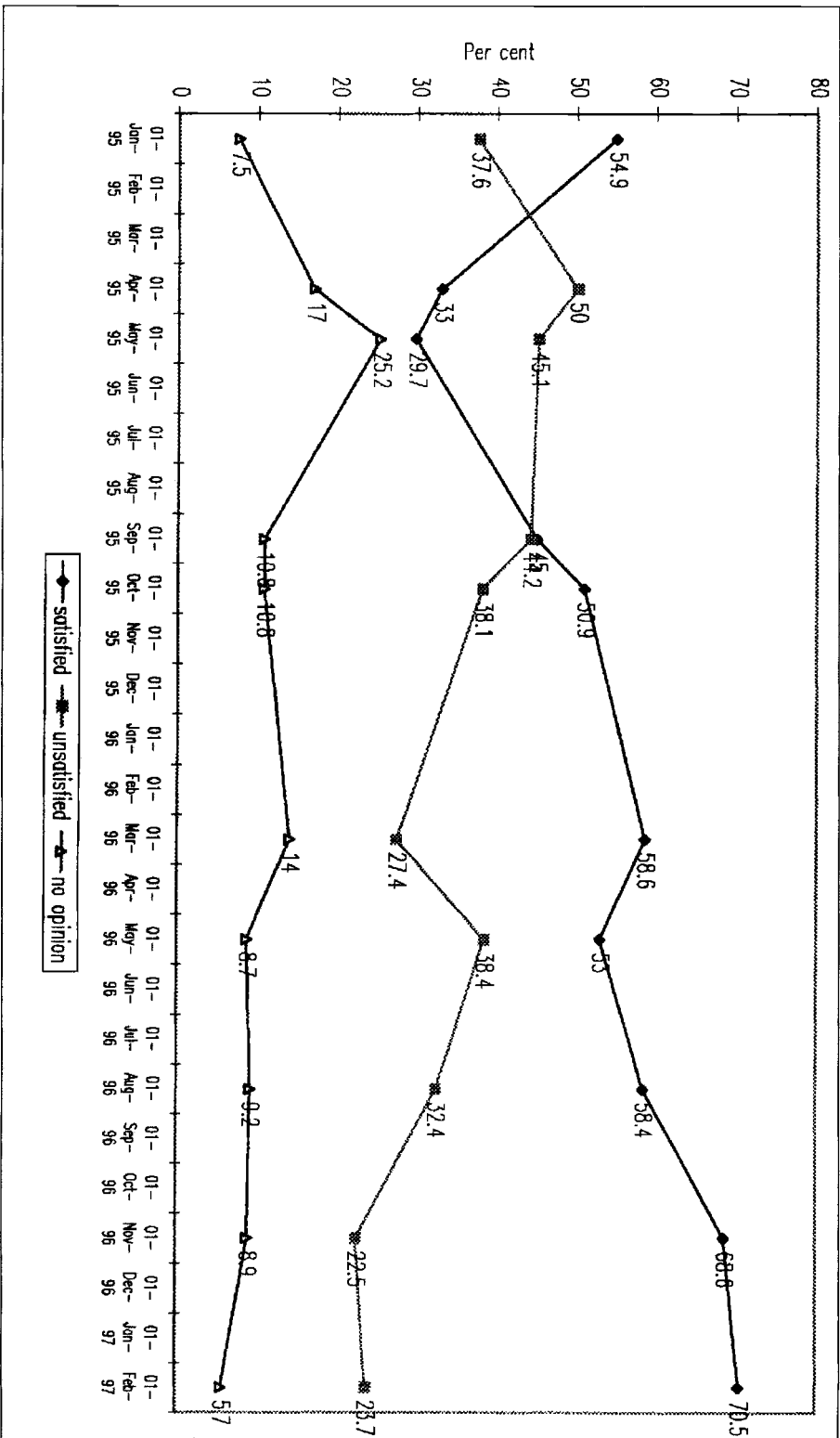
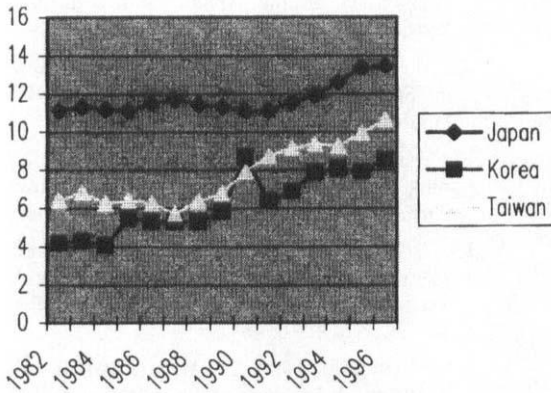


Figure 2: Trends in the cost of social protection in East Asia



Note: The figures do not include expenditure on housing, and Taiwan figures do not include employers' and employees' contributions to various programmes.

Source: Ministry of Health and Welfare (Japan) 1997a; National Office of Statistics (South Korea), *Korea Statistical Yearbooks 1995–1998*; Ministry of Health and Welfare (South Korea), *Yearbooks of Health and Welfare Statistics 1995–1998*; Board of Insurance (South Korea), *Yearbook of Insurance*; Director General of Budget, Accounting and Statistics (Taiwan), *Social Indicators: The Republic of China 1997*.

it promotes an ideology and practice which subordinate welfare, particularly in the form of progressive redistribution and a universal and generous benefits system, to the over-riding priorities of economic efficiency and growth. The East Asian welfare systems are also relatively cheap in financial and personnel terms, allowing the diversion of financial resources directly to productive purposes. They discourage dependence on the state and make full use of available social resources, including the community, firm, group and family.

There is also a down-side to the East Asian welfare systems. Their heavy reliance on the welfare role of the family has serious implications for gender relations and the position of women. The models reside implicitly in a context in which women are the main care providers within the family and therefore potentially impose an extra load on top of their 'double burden' of housework and paid employment. These welfare systems also tend to reinforce socio-economic inequalities.

However, the East Asian welfare systems are rapidly changing in nature. In Japan, population ageing has

been one of the main challenges. In South Korea, the pressure on the welfare system is enormous due to the economic crisis on top of problems within the welfare system. The Kim Dae-jung government has pushed through some measures to deal with such problems, but a whole range of difficult tasks lies ahead. The restructuring of the National Health Insurance and National Pension Programme are, *inter alia*, main items on the agenda. The Employment Insurance Programme and the Old-age Allowances also need a considerable amount of public money. In Taiwan, there is a public debate about the National Pension Programme. Taiwan has also experienced a sharp rise in the cost of social protection since 1993.

The issues and challenges are different in the three countries, and therefore reform measures should be different. What is common is that the low spending regime of social welfare will not be maintained. Of course, the three will be among the low spenders in the cross-national league table of social expenditure among developed nations, but these societies will have to decide where the line of balance between social cost and social protection should be drawn.

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