
The Divergent Paths of the East Asian Welfare Regimes: The Effects of Production Regimes and Democratization

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Abstract: Is there a single East Asian welfare state model? How did economic policies, globalization, democratization, and economic crisis affect the welfare regimes of the East Asian societies? Previous studies on welfare states focused on western advanced societies. A few studies on the East Asian welfare states focused on Japan or other East Asian countries up to late 1980s. This paper is an exploratory study to expand the welfare state debates to East Asian societies (Korea, Taiwan, Hong Kong, Singapore, Malaysia, Thailand, Indonesia, and Philippines) since the late 1980s to 2005. During this period, these societies experienced post-industrialization, globalization, and democratization at a different pace, to a different degree, and, possibly, on different tracks. Based on a preliminary comparative analysis, I discussed that the East Asian welfare regimes showed a sign of increasing divergences in multiple dimensions. I argued that, among diverse factors, economic developmental strategies and the level of democratization influenced the path of welfare state development in recent periods.

Key words: Asian welfare state; democratization; globalization; developmental state

I . The East Asian Welfare States: A Neglected Domain of the State Policies

In the 1980s and early 1990s, East Asian countries such as Korea, Taiwan, Singapore, and Hong Kong attracted the attention to their fast economic growth as the model late industrializing countries. The developmental state literature, pioneered by Chalmers Johnson's analysis of Japanese miracle (1982), emerged to explain the conditions of the East Asian economic miracle (Amsden, 1989). It has been argued that the authoritarian origin of such states drove the state elites to offer economic growth to enhance the state's political legitimacy. Thus, economic growth was based on state autonomy from private interest groups and state capacities to mobilize limited economic resources and to guide private firms based on its developmental strategies.

In contrast with economic growth, the East Asian states were laggards in social welfare. Their welfare programs were either ignored or considered peripheral to its economic policies. Consequently, the East Asian welfare state programs were the forgotten part of the state's policies in the region.

Esping-Andersen (1990) presented a typology of welfare regime based on different constellation of public and private welfare provisions: liberal, conservative, and social democratic. His study triggered interests in Asian welfare state programs as part of efforts to classify welfare institutions in non-European societies. Such classification turned out to be difficult for East Asian societies since they seem to possess mixed aspects of liberal and conservative regimes.

Among Asian societies, the four dragons (Korea, Taiwan, Hong Kong, and Singapore) and others (Malaysia, Indonesia, Thailand, and Philippines) present an opportunity to expand previous studies on Japanese welfare programs. These countries ex-

perienced industrialization, democratization, globalization, and economic crisis in a relative short time span. At the same time, the way each society experienced socioeconomic and political changes varies in terms of timing, pace, and degree. Each dimension of state-led industrialization, democratization, globalization, and economic crisis raised the following questions on their effects on current welfare state programs in each society.

First, the East Asian states were considered the model case for successful late industrialization with different strategies of economic growth. If Korea and Taiwan represent the state-led industrialization in manufacturing industry, Hong Kong and Singapore promoted economic growth by becoming the center for international trade and finance in the region. As Korea, Taiwan, Hong Kong, and Singapore moved to the next level of economic growth, how did different types of economic growth strategies interact with social welfare policies in these countries?

Second, these countries experienced a long period of an authoritarian regime in the second part of the 20th century. T.H. Marshall (1964) presented an evolutionary account of social welfare based on institutionalization of citizenship and democratization. However, a full-scale democratization came very recently in the Asian region. Korean and Taiwan cases suggest the role of an authoritarian state in which the state offered social welfare to preempt democratic movement and working class mobilization. The recent democratization around the late 1980s, however, brought a possibility of new political factors on welfare state programs in the two countries. Would we observe the “new politics” of social welfare in which democratic mobilization promotes expansion of social welfare in Korea and Taiwan? Would the other Asian countries, not fully democratized, present different tracks of welfare state programs?

Third, the issue of economic globalization is crucial in this region. In the late 20th century, the Asian economy became a

crucial part of economic globalization as production bases and markets. Globalization can directly affect welfare state programs by increasing capital mobility and decreasing state's control over capital. A number of studies asked whether advanced capitalist societies would be able to sustain existing welfare benefits at the expense of economic growth (Brady et al., 2005). Would different degrees and dimensions of economic globalization across the East Asian countries affect their welfare regimes differently?

Finally, around 1997, Thailand, Indonesia, and Korea experienced economic crisis, which prompted the intervention of western financial institutions and the International Monetary Fund (hereafter, "IMF"). After around 10 years since the crisis, Korea escaped the crisis, and Indonesia and Thailand did to a different degree. How did the economic crisis affect welfare state programs in such countries in contrast with those countries without such crisis? In short, the East Asian societies offer a unique opportunity for comparative studies to examine how industrialization, democratization, globalization, and economic crisis interact with one another in a relatively short time span.

In short, the purpose of this paper is to present an exploratory analysis based on more recent data for subsequent theoretical perspective on the Asian welfare states. Previous studies on the East Asian welfare states covered 1980s or a short period around the Asian economic crisis of 1997. However, it has been 10 years since the crisis of Korea, Thailand, and Indonesia. Also, the processes of globalization and democratization have continued, and we need to update our understanding of how such factors have affected the welfare institutions in the region. Based on a preliminary comparative study with recently available data covering the period between 1988 and 2004, I described how such aspects of socio-economic and political changes intertwined with welfare institutions in the East Asian countries.

II. Welfare State Theories and the East Asian Welfare States

1. Common Characteristics of East Asian Welfare States

Recent studies of the East Asian welfare state programs offer the following common characteristics across the societies. First, the colonial experiences influenced the initial characteristics of welfare state programs as in the cases of Korea from Japan and Malaysia from the United Kingdom. Second, economic development was the central goal of the state, and welfare state programs were part of developmental efforts. The East Asian cases illustrate clearly how economic and social policies were linked for the goal of the developmental state. Third, due to its peripheral function to economic growth, the state sought to minimize its role and to maximize the role of firms and families in terms of financing and providing welfare services. In other words, the state was a regulator, not a provider, of welfare benefits. Fourth, similar to the conservative welfare regime in Esping-Anderson's typology, the welfare state programs were based on social insurance principles. Such principles allowed the state to minimize its financial burden by relying on private contribution. A heavy reliance on beneficiaries and their employers for financing welfare resulted in a minimum level of redistribution. Fifth, welfare state programs evolved in a fragmented and gradual fashion in which state employees and core workers were covered first with slower expansion to other groups. Finally, the East Asian welfare state programs neglected welfare services, especially for women. The East Asian welfare state programs are similar to the conservative type in which service provision is minimal, leaving them to families. At the same time, the dividing line between the conservative welfare regime and the East Asian welfare programs

are the level of benefits: the conservative regime has a high level of decommodification for its beneficiaries, while the East Asian welfare programs a low level.

In short, the East Asian welfare state programs share such characteristics as social insurance principles, a state's regulatory role, gradual expansion of coverage, and a heavy reliance on families. The East Asian states also developed welfare programs for economic development and political legitimacy, not for socio-economic redistribution. Such common characteristics led to an argument on the new fourth type, the East Asian welfare regime (Holliday, 2000; Kwon, 2005; Aspalter, 2006).

2. Intra-regional Divergence?

Despite common characteristics of the East Asian welfare states in their initial development, a few studies argued that the region diverged into different types. Hort and Kuhnle (2000) argued that one group is based on the Germany-style social insurance programs, whereas the other group the provident funds based on the legacy of the British colonialism.

Kwon (2005) argued that developmental welfare states diverged between selective and inclusive welfare states. They are different in terms of the scope of coverage and the state's control over welfare programs. Compared with other East Asian societies, he argued, Korea and Taiwan shifted their welfare programs towards the inclusive type due to productivity-based economic development strategy and democratization since the late 1980s.

Holliday (2000) proposed three types: facilitative (Hong Kong), developmental-particularist (Singapore), and developmental-universalist (Korea and Taiwan). Such three types share the attributes of the productivist welfare capitalism that the states subordinate social welfare to economic growth. But the three types differ in terms of the institutionalization of social rights, redis-

tributive outcomes, and public share in welfare provision. The facilitative type shows the lowest of all three dimensions, the developmental-particularist the middle, and the developmental-universalist the highest. Thailand and Indonesia seem to be close to the developmental-particularist type in that they emphasize the role of families and communities instead of the state (Gough, 2001). Malaysia is mixed between the developmental-particularist and developmental-universalist in that it enacted the British-style national health service and the employee provident fund for pension programs (Gough, 2001).

Between similarities and divergences, which direction did the East Asian welfare state programs seem to follow in recent periods? In the following, I described divergent path of welfare state developments in multiple dimensions and how they were related with various factors previous welfare state literature emphasize.

III. The Measurement and Data

Measuring welfare outputs has been controversial. The most popular method is to measure welfare efforts by the amount of total expenditure on social welfare programs divided by GDP. However, such measure was criticized for its insufficient attention to the effects or contents of welfare activities. As an alternative, it has been proposed to measure welfare effects directly. A replacement rate and Esping-Andersen's decommodification index seek to capture the extent to which welfare benefits replace average wage. However, a time-series data for such measures of the East Asian welfare programs are not available. Consequently, I analyzed overall welfare expenditures and the expenditures of different types of welfare programs.

The two main sources of the data are the "Key Indicators" data of the Asian Development Bank (hereafter, "ADB") and the "Social Security Programs throughout the World" data of the U.S.

Social Security Administration and the International Social Security Association. First, the “Key Indicators of the Asian Development Bank are the 18-year time-series data on 44 developing countries that are the members of the ADB. The unique importance of the Key Indicators data is that it provides direct measures of welfare expenditures, both total and individual programs.

The “Social Security Programs throughout the World” data are another valuable source. They are different from the ADBS data in that they provide the history and legislative contents of individual welfare programs in each country. However, it does not indicate actual number of people it covers, the amount of expenditures, and benefits in monetary values. In short, if we combine the ADB and the Social Security Programs data, we have a relatively detailed understanding of welfare programs and their outputs in the East Asian countries since late 1980s.

I also examined the effects of democratization on welfare outputs. For such data, I relied on the Polity IV Project, “Political Regime Characteristics and Transitions, 1800-2004 (Marshall and Jaggers, 2005).” The data set includes numerous dimensions of politics, government, and degree of democratization. The democracy score is an 11-point scale (from 0 to 10). It is based on the competitiveness of political participation, the openness and competitiveness of executive recruitment, and constraints on the chief executive. The variable has not only been used by a large number of studies on politics, but it offers a comparative and multidimensional measure of the degree of democratization and its changes in the East Asia.

The available data, however, do not cover all the countries in this study. Lack of comparable data for overall and particular welfare programs has been a critical barrier to a systematic understanding of the East Asian welfare programs. The present study is also limited in that one or two countries are missing for

different measures of welfare expenditures and socioeconomic and political variables. Instead of focusing on only those variables that are available for all the countries, I included all the variables to discuss more diverse dimensions of welfare state development.

IV. Welfare Trends in the East Asia since 1988

In the following, I presented the year of the first legislation and the first year of the current legislation of major social insurance programs in nine countries. The current legislation refers to the legislation that is currently administered. The reason why I provided them both, when applicable, is that many countries introduced the welfare legislation without implementing them. For example, although Korea introduced work compensation insurance in 1953, health insurance 1953, and old age pension in 1973, the government did not implement them. Thus, it is important to consider the history of both first and current legislations.

Table 1. The First and the First Year of Current Welfare Legislation and Other Characteristics (source: Pierson, 2004; The Social Security Administration, 2004).

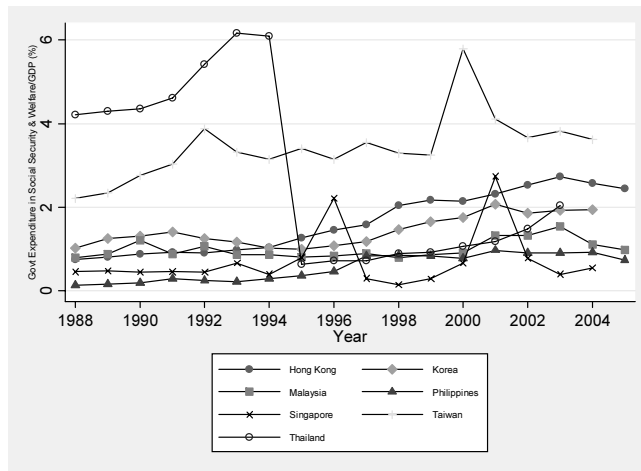
Country	Work Injury	Health	Old Age	Unemployment	Family Allowances	Universal Suffrage	Social Security Expenditure (% of GDP, 2004)
Korea	1953 (1963)	1963 (1976)	1973 (1986)	1993		1948	5.6
Taiwan	1929 (1958)	1950 (1958)	1950 (1958)	1968 (2002)		1947	(11.1)
Hong Kong	1953	1968	1971	1977	1971		(5.5)
Singapore	1933 (1975)	1953 (1996)	1953 (2001)			1947	3.3
Malaysia	1929 (1969)	1951 (1991)	1951 (1969)			1957	2.9
Indonesia	1951 (1992)	1957 (1992)	1977 (1992)			1945	1.7
Thailand	1972 (1994)	1990	1990	1990	1990	1932	1.9
Philippines	1974	1954	1954			1937	—

From the Table 1, only two countries, Hong Kong and Thailand, legislated all the five social insurance programs. Also, all eight East Asian countries legislated work injury, health, and old age pensions, and four countries legislated unemployment insurance additionally. Abbott and DeViney (1992) examined the sequence of welfare state program legislations in western societies. They found that there is a typical sequence of welfare legislation: work injury the first and unemployment the last, while pension and health insurance came between the two. Family allowance program was rarely enacted, and it was often found in the most advanced welfare states. Overall picture of the East Asian welfare program legislation is similar, but multiple programs were

frequently legislated in the same year. Such phenomenon can be interpreted as the unique characteristics of developing countries that the welfare programs were often introduced as the institutional package of the “modern state.” Also, diffusion from early adopters could be an important factor for the late-comers (Jung and Park, 2005).

The enactment alone does not tell us actual amount of efforts these countries made. To measure actual welfare efforts, we can examine welfare expenditures. The absolute size of welfare spending, however, does not consider relative economic size of each country. As an alternative, the amount of welfare spending divided by GDP is often used. The following graph shows the trends of welfare spending divided by its annual GDP.

Figure 1. Central Government Expenditure in Social Security and Welfare/GDP(%)



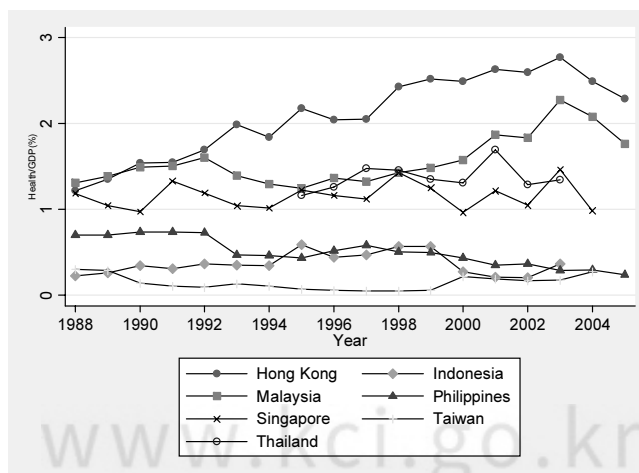
Taiwan is the leader after controlling its economy size. Hong Kong is the second and Korea the third. Overall trend suggests that, in the 21st century, there seems to be a change in relative welfare efforts: Thailand picks up a momentum of enhancing wel-

fare efforts with the addition of unemployment insurance and family allowances program in 1990s and early 2000s. At the same time, Malaysia, Philippines, and Singapore are still welfare laggards in the region. Singapore, despite its relative economic development, maintains a minimal role of the state in welfare provision. Would the economic crisis affect welfare efforts in a long-term? Korea and Thailand do not seem to be affected negatively by the crisis. Both countries continued to increase welfare outputs since the crisis.

The above figures show welfare efforts in social security and welfare in general. However, societies can differ in terms of their focus on the type of social policies. For example, among advanced industrialized societies, the United States tends to concentrate on education, whereas the European countries emphasize social security and welfare programs. How are the East Asian states compared in terms of their focus on different types of social policies?

The following two graphs offer an interesting contrast in health and educational policies.

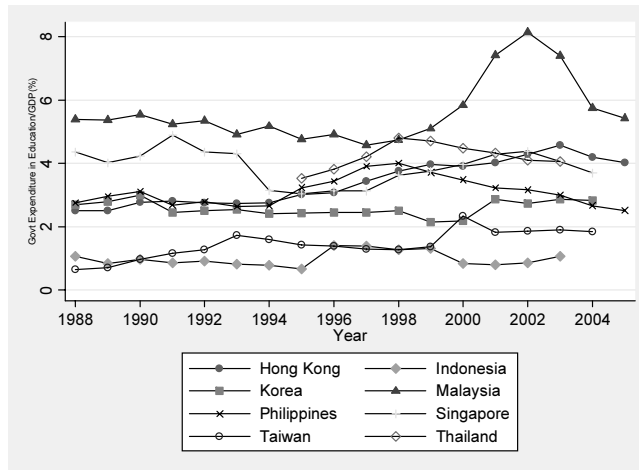
Figure 2. Central Government Expenditure in Health/GDP (%)



In contrast with the trends in social security and welfare, Hong Kong stands out as the leader in welfare efforts in health care. Hong Kong established its health insurance for employees in 1968 and medical social assistance in 1971. While Taiwan was the leader in social security and welfare expenditures, its health care expenditures were lower than the other countries. The ADB data do not have information on Korea, but the Korean government provides no contribution to its health insurance programs for workers. Malaysia established the British-style national health service, which is reflected in its relatively high level of spending on health. The relative rankings of health care spending suggest that societies have their own focus within a portfolio of welfare programs. It can be argued that Hong Kong and Malaysia developed the strong state's role in health care as opposed welfare in general, while Taiwan and Korea minimized the state's involvement in health care.

It has been argued that education versus welfare form two polar directions of social policies for modern states (Flora and Heidenheimer, 1982). The following graph shows the governmental spending in education.

The Figure 3 and the previous graphs show that Malaysia, Thailand, Hong Kong, Singapore have spent more on education than social security and welfare, whereas Korea and Taiwan the opposite. The trends in education and other programs also demonstrate that it is problematic to claim the single East Asian welfare state model. We do not see a homogenization process in the recent periods.

Figure 3. Central Government Expenditure in Education/GDP (%)

V. The Factors on Welfare State Programs: The Usual Suspects

How do we explain such divergence within the East-Asian societies? In the following, I discussed the effects of developmental state, democratization, globalization, and economic crisis by comparing the trends of welfare spending with either presence or trends of such factors.

1. Developmental State

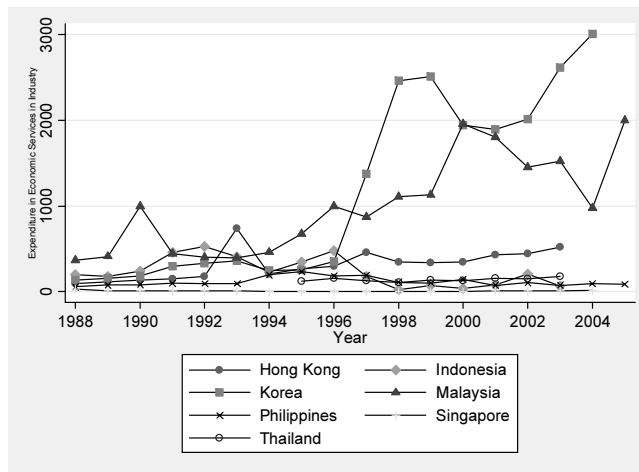
The concept of the developmental states has been applied to explain how the state directly guided successful industrialization (Johnson, 1982; Amsden, 1989). Recent attention on the East Asian welfare programs attracted the relationship between welfare programs and economic development. It has been argued that the states in the region pushed such policies to aid economic

development in terms of capital mobilization (e.g., pension funds) or labor power (work injury and health insurance). To emphasize such role of welfare programs, previous studies called the East Asian welfare state model as the “productivist welfare state (Holliday, 2000)” and “welfare developmentalism (Kwon, 2005; Pierson, 2004; Aspalter, 2006; Kwon and Holliday, 2006).” In particular, the state’s minimal role in welfare provision in terms of financing and administration and the coverage of core workers prior to other social groups all demonstrate that the East Asian states linked production and welfare regimes.

After the initial discussion of the East Asian welfare regime as the new type, it was replaced by divergences within the East Asian system. The popular reference has been made to the divergences due to the state’s economic management within the East Asian states. Here the logic is simple: since the East Asian states created welfare programs to help their economic policies, different types of economic policies across the societies would produce different types of welfare programs.

Significant differences in terms of the style of the state’s intervention have been pointed out (Amsden, 1989; Deyo, 1987). On the one hand, Korea and, to a less degree, Taiwan intervened in economy directly either by participating in industrial production or guiding private firms for targeted industries. On the other hand, the states in Hong Kong and Singapore pursued economic growth based on international trades and finance industry. Those states involved in economy relatively passively by providing institutional infrastructure. How would we measure such differences? In the following graph, I measured the central government expenditures in economic services in industry. The more the state spent in economic services for industry, the more it involved in economic production.

Figure 4. Central Government Expenditures in Economic Services in Industry (2000 Constant U.S. \$ in Million)



From this figure, Korea led the other countries with Malaysia as the second after the economic crisis of 1997 despite the alleged neo-liberal economic reforms. Taiwan is not present due to the absence of the data. If we compare the countries in terms of welfare expenditures divided by GDP in Figure 1, Taiwan, Korea, and Malaysia, the past and present leaders in economic developmentalism seem to lead welfare developmentalism. In other word, I argue, the state's economic and welfare policies are linked in the East Asia. Also, the state's styles of intervention in the two policy domains are linked. If institutional inertia is strong in national policies, the features of economic and welfare policies in the early periods of national modernization would influence those in later periods, which would reinforce different styles of production and welfare regimes within the East Asia region.

Kwon (2002, 2005) claimed that Taiwan and Korea changed the type of the developmental welfare states from selective to inclusive type, whose distinction based on the type of coverage and

the democratic nature of governance. He argued that the states in both countries shaped their welfare policies to accommodate economic growth driven by the state in the first phase of industrialization, and that increasing quality-based competition in global markets demanded structural reforms in the economy. To persuade workers to accept structural reforms in labor markets and to upgrade labor skills, a new direction in economic growth strategies resulted in either new social insurance program such as employment insurance or upgrading existing social insurance programs such as health or pension.

In short, the type of the state's economic and welfare policies set Korea and Taiwan apart from the other countries up to late 1990s, and the new economic challenges and corresponding changes in their goals for welfare policies amplified the divergence within the East Asian welfare state system. By the same logic, Hong Kong and Singapore promoted different state's role in their economic development. Consequently, their welfare programs focused on provident funds instead of social insurance programs for core workers in export-oriented industrialization. Such characteristics of the initial welfare state programs were maintained in late 1990s, thus increasing the differences from the Korean and Taiwan welfare programs.

2. Democratization

A group of scholars on the western welfare states has examined the effects of democratization and politics within a capitalist society. Under the heading such as "democratic class struggle" and "politics matter," they argued that workers in democratic societies relied on political mobilization to protect their living against market forces (Korpi, 1989). When the workers dominated the government for a substantial amount of periods by forming a ruling leftist party as in the case of Sweden, they managed to es-

establish the welfare state programs that could “decommodify” individual workers. Esping-Andersen’s social democratic welfare regime represents such a case in which workers’ political power in a democratic society shaped the type and redistributive outcomes of the welfare regime.

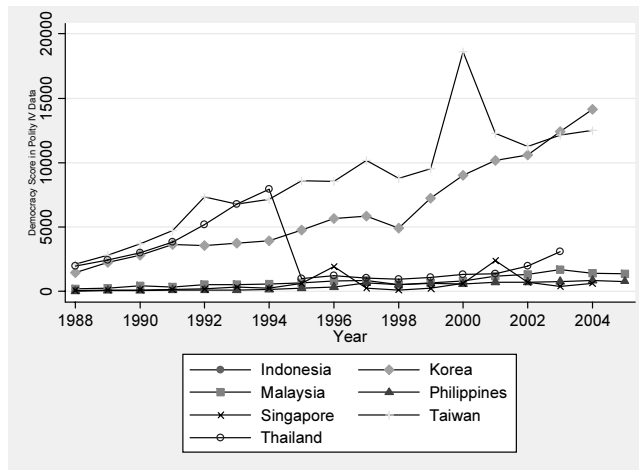
The Swedish case highlighted the democratic class struggle approach, but the effects of democratization were not applied to the East Asian cases. First, most East Asian countries were under an authoritarian regime in the periods of forming welfare programs. Only in late 1980s and even later, such countries as Taiwan and Korea started a full-scale democratization. Second, the state-led industrialization with an authoritarian government weakened workers’ movement from the beginning of industrialization. Consequently, these countries had a very low unionization rate without any political representation in terms of a leftist party. Other social groups played no substantial role in emerging welfare state programs. In other words, the state, not the social groups, led the emergence of welfare state programs. For such experiences, the strong state model of Germany seems to be a better example than the social democratic model of Sweden for the East Asian cases.

Such picture changed substantially with the surge of democratization in the region led by Korea and Taiwan in the late 1980s. Although both countries still do not have the Swedish style ruling leftist party, they launched political competition between parties, and experienced a peaceful regime change by elections. Although the unionization rate is still low, Korea established the tripartite committee between the government, employers, and employees in 1998 as an institutional response to the economic crisis of 1997. Since each country went through democratization processes at a different pace and to a different extent, it is significant to examine the extent to which democratization affected welfare state programs across years. Recent studies on

Korea and Taiwan added democracy as an important factor in the change of the welfare programs (Kwon, 1998; 2005; Shin, 2000; Aspalther, 2006). In the Korean case, it was argued, the institutionalization of the tripartite committee and overall democratization facilitated the pressures of workers and the public in general to expand welfare benefits such as health insurance and pension since the late 1980s.

In this paper, I sought to take advantage of a comparative dataset on the degree of democratization. The following graph shows the changes in the score in the countries except Hong Kong.

Figure 5. Democratization Score in Polity IV Data



Korea and Taiwan gradually increased the level of democratization, exceeding other countries since the late 1980s. Based on the figure, the division into the two groups in democratization corresponds to the similar grouping in the governmental expenditures in social welfare in the previous graphs. Kwon (2005) explains that Korea and Taiwan shifted their welfare programs

from selective to inclusive type due to democratization. In Korea, the national pension program was created around the time of the democratization movement and the election of the President Roh Tae-Woo. The employment insurance program was legislated during the President Kim Young Sam to persuade workers with the legitimacy of structural reforms in the economy. The networks of policy experts were able to promote unifying administrative and financing systems of national health insurance. Such new influence of policy experts was possible only within the context of enhanced democratization. In the Taiwan case, the political competition between the Kuomintang (KMT) and the Democratic Progressive Party (DPP) and increasing importance of local election pushed the state to enact its first national health insurance in 1994.

In short, if we find an evidence of divergence within the East Asian region, it is Korea and Taiwan that separated themselves from the others by introducing the main types of social insurance, expanding their scope of coverage to non-workers, and slowly changing the role of the state from a regulator to a provider. If the developmental state and political legitimation of an authoritarian regime drove the first generation of the welfare state programs, the presence of democratization since the late 1980s contributed to the divergence of the second generation within the region. Depending on the pace of democratization in countries such as Singapore, Malaysia, Indonesia, Philippines, and Thailand, we would witness more divergence, not convergence, within the region.

3. Economic Globalization

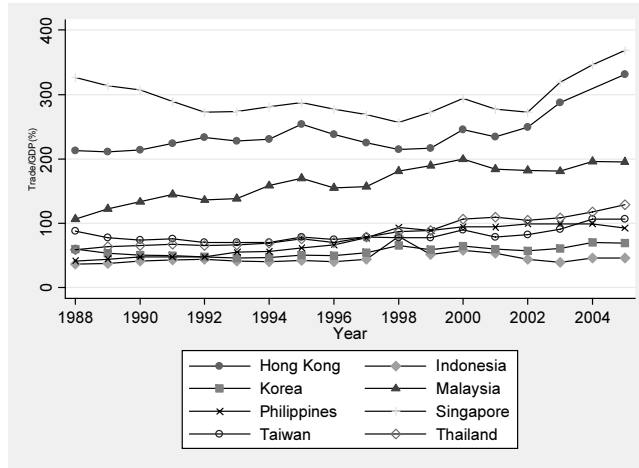
It is economic globalization that is behind the current discussion of the western welfare states. Since Pierson (1995) argued that globalization would not retrench welfare spending by the

new politics of welfare beneficiaries, a large number of works were produced to examine the effects of economic globalization (Swank, 2002; Esping-Andersen, 2002; Huber and Stephens, 2001; Allan and Scruggs, 2004; Korpi, 2003; Korpi and Palme, 2003; Brady et al., 2005; Garret and Mitchell, 2001). Although the debates are not settled, a general direction of the studies seems to indicate either positive effects or a skeptical view of the effects of globalization. First, there is no clear sign of welfare state retrenchment due to either political power of the organized labor or welfare beneficiaries. As an alternative, on the one hand, it has been argued that globalization increased welfare spending for cooperation of labor or human capital investment. On the other hand, there is a skeptical view. Based on a comprehensive list of different globalization measures, Brady et al., (2005) concluded that economic globalization has not substantially affected welfare spending in advanced capitalist societies. Both positive and skeptical views agree that domestic politics, such as the leftist or conservative party power, does matter even more in the context of increasing globalization. Finally, Esping-Andersen (2002) claims that different welfare regimes reacted differently to economic globalization, and that the effects of globalization varied with the welfare regimes.

Would we observe similar results on the East Asian welfare states? Most studies on globalization analyzed western advanced capitalist societies. Rudra (2002) compared the effects of globalization in developed and developing countries, She concluded that globalization affected welfare spending negatively only in the developing countries. She argues that relative power of the labor in the developed countries resisted the negative effects of globalization on welfare spending, while the labor in the developing countries lacked such power. On the other hand, the case studies on Korea suggest that globalization increased welfare spending to the extent that the Korean welfare state progressed to an

“inclusive” developmental welfare state (Kwon, 2005) or approached towards European conservative welfare regime (Hort and Kuhnle, 2000). I measured economic globalization as trade flows measured by exports and imports divided by GDP.

Figure 6. Trade Flows/GDP (%).



In Figure 6, Singapore, Hong Kong, and Malaysia indicate a high level of economic globalization, whereas the remaining groups including Korea and Taiwan relatively a lower level. It does not mean that Korea, the leading industrializing countries in the region, is falling behind other countries in the area of exports and imports. But its reliance on global markets is relatively small, possibly due to its domestic market. Considering the fact that the welfare leaders, Korea and Taiwan, are in the lower ranking of economic globalization, it seems to support a skeptical view on the western states that globalization does not affect welfare state programs substantially. Katzenstein (1985) argued that small countries with open economy tend to develop their welfare programs to protect workers more than other types of countries.

Would increasing economic globalization in relatively small East Asian states result in similar expansion of their welfare programs? The above results, however, do not present such positive effects of small and open economy on welfare spending. I argue that Katzenstein's argument presupposes a high level of democratization. The East Asian societies, however, have experienced economic globalization and democratization at the same time or globalization without a full-scale democratization. Therefore, the political pressures from workers on the states, the key link from globalization to welfare state programs, might not have occurred yet.

4. The Economic Crisis

Korea, Thailand, and Indonesia experienced a major economic crisis around 1997, and the International Monetary Fund intervened to restore financial liquidity of these countries. Has the economic crisis affected the East Asian welfare states? Kwon (2005) contended that the economic and social crisis of 1997 affected the Korean welfare state to expand its programs to be more inclusive. At the same time, Kwon (2001) and Kwon and Holliday (2006) claimed that there was no fundamental change in the limited role of the state as a regulator in welfare provision. Gough (2001) argued that the effects of the crisis varied with the cases: Korea became a full-fledged welfare state, while Thailand and Indonesia turned to a community-based welfare provision. He argued that the nature of previous welfare state programs influenced the effects of the same economic crisis. The crisis triggered more advanced welfare programs of Korea to increase its momentum, while it depressed already weak and fragmented welfare programs of Indonesia and Thailand.

The Figure 1 did not demonstrate changes in the three countries before and after the crisis of 1997. The International

Monetary Fund's direct control over social policies held the Korean state's plan to expand its welfare programs shortly. However, the crisis did not seem to have long term effects. The main reason is that the crisis itself lasted very short. Within 2 or 3 years, Korea, Indonesia, and Thailand bounced back. During the crisis, the IMF and other global institutions focused heavily on reforming economic institutions, not social and welfare policies. Consequently, the impacts of the crisis on welfare regimes would have been indirectly through reforming markets and market institutions. If anything, the experiences of the economic and social crisis seem to increase the positive impact of democratization on welfare expansion by increasing needs of social protection from market competition. Thus, as in the case of globalization, the effects of crisis should be considered within the context of political democratization. In summary, the East Asian countries are different from western countries in that they experienced new phase of global industrialization, democratization, and economic crisis together in a short time span. Thus, to understand the East Asian welfare state programs, it is imperative to examine the interactions of such socio-economic and political factors, not a single dominant factor.

VI. Discussion

Is there a single East Asian welfare state model? How did the developmental state, democratization, economic globalization, and economic crisis affected the welfare state development in the East Asia since late 1980s? These are the questions that I raised in this paper. The following table shows top rankings of the countries for different dimensions of welfare spending and economic and political characteristics since late 1980s.

Table 2. Rankings in Welfare and Other Measures Since Late 1990s.

Rank	Welfare	Welfare /GDP	Health /GDP	Educ. /GDP	Educ. /Welfare	GDP per capita	Democracy Score	Trade /GDP	IMF Credit
1	Taiwan	Taiwan	Hong Kong	Malaysia	Singapore	Hong Kong	Taiwan	Singapore	Indonesia
2	Korea	Hong Kong	Malaysia	Hong Kong	Malaysia	Singapore	Korea	Hong Kong	Korea
3	Hong Kong	Korea	Thailand	Thailand	Thailand	Taiwan	Thailand	Malaysia	Thailand
4	Thailand	Thailand	Singapore	Singapore	Philippines	Korea	Malaysia	Thailand	Philippines

Note: Health data are not available for Korea, and social security and welfare data are not available for Indonesia.

In column 1 and 2, for both welfare spending and welfare spending divided by GDP, Taiwan, Hong Kong, Korea, and Thailand are in the top groups. However, if we compare health care spending, Korea and Taiwan are out of the top ranks despite their enactment of national health insurance. Educational spending also indicates similar rankings. If education and social welfare policies form opposite styles of social policies across societies (Flora and Heidenheimer, 1982), the East Asian welfare states in recent periods do not present a single, homogeneous type. Rather, we observe diverse paths and types of welfare state programs. First, Taiwan and Korea demonstrate social insurance principles on pension and public aids. Second, Singapore and Hong Kong show focus on provident funds and education. Next, Malaysia sought to follow the social insurance model following the footsteps of Taiwan and Korea, while the remaining countries still lag behind in their overall welfare efforts. Thus, the findings support the discussions of divergences within the East Asian welfare regimes: selective versus inclusive welfare developmentalism (Kwon, 2004, 2005); facilitative, developmental-particularist, and developmental-universalist (Holliday, 2000). However, the present data

seem to suggest that it is hard to summarize the divergent development of the East Asian welfare programs in a single typology.

How do we explain such divergences in recent periods? It is difficult to point out a single, dominant factor. The relevant factors often occur simultaneously and cross-cut the effects of one another. However, based on the present findings, the factors on the East Asian welfare states can be summarized as follows.

First, institutional legacy matters. As Esping-Andersen (1999) and Pierson (1995) argued, the first generation of welfare institutions shaped the second generation by institutionalizing the organizational principles of welfare programs and consequent social coalitions. For example, social insurance and provident funds, two alternative programs for pension benefits, create distinct benefit and cost structures and, consequently, different stake holders in subsequent welfare reforms.

Second, the type of the state's economic growth strategy is important. The East Asian cases are not an exception. Esping-Andersen and others have argued that production and welfare regimes have interacted with each other in the western societies. Such link is more visible in the East Asia due to the active management of the state's economic growth and welfare provision (e.g., "developmental state" and "welfare developmentalism"). With Japan as its prototype, Korea and Taiwan presented the developmental state model in which the state concentrated all its resources on promoting economic growth. The export-led industrialization strategies of Korean and Taiwanese states shaped their welfare programs to focus on core industrial workers with social insurance principles, minimizing the state's involvement in welfare provision. Hong Kong and Singapore chose international entrepôt as their industrialization strategy. The entrepôt strategy did not require the creation of core industrial workers. Instead, the states enacted the provident funds as a way to mobilize financial resources for their finance industry. The institutionaliza-

tion of the provident funds in the first generation of welfare programs in Hong Kong and Singapore, however, hindered the enactment of social insurance programs subsequently. In other words, once a certain style of welfare state programs is institutionalized, the force of institutional inertia makes it hard to change its fundamental principle even against new socio-economic and political demands in subsequent periods. For example, it has been argued that the Korean developmental state changed its characteristics towards more symbiotic relationship with firms (Kim, 1997). However, the state's basic orientation on economic growth and its implications on social policies (e.g., social insurance as its core principle, lack of social services, and minimal role of the state's financial contribution) have continued in Korea and Taiwan.

Third, democratization has become important in the divergent development since the late 1980s. From the above table, all the countries in the top rankings (e.g., Korea and Taiwan) experienced fast democratization in the late 1980s. The countries with recent advance in democratization (e.g., Thailand and Malaysia) also present increases in welfare spending. Democratization promotes the collective mobilization of workers and citizens as a whole for policy solutions to socio-economic problems. Also, democratization forces the state to respond to such social demands to survive in electoral competition. The recent trends of democratization and welfare spending point to the importance of such political aspects in the second generation of the East Asian welfare regimes.

Finally, there is no clear evidence that economic globalization promoted welfare spending. Such countries as Singapore and Malaysia with strong impact of economic globalization in the economy do not present a high level of welfare spending. Hong Kong as the classical international entrepôt spends its social expenditures mostly on housing policies. Katzenstein and recent studies on the positive effects of globalization presuppose one con-

dition: collective mobilization of workers and democratization. The effects of globalization that drove the state to offer social protection for its workers is strong when workers and citizens are able to pressure the state. The East Asian states with a high level of globalization, however, did not seem to enjoy a full-scale democratization. Thus, I argue that globalization can influence welfare state programs only in combination with corresponding democratization.

The economic crisis of 1997 also did not present substantial impacts. Examining the trends in welfare spending around the time of the economic crisis did not show long-lasting changes. Such weak long-term effect may come from a quick recovery of those countries with the crisis (Korea, Indonesia, and Thailand). Also, the demands of the international organizations and financial institutions focused on economic reforms. However, in the long run, it is possible that the structural reforms in the economy would affect labor markets in terms of employment stability and put pressures on welfare programs.

Table 3. Developmental State and Democratization.

		Democratization	
		High	Low
Developmental State	Strong	Korea, Taiwan	Malaysia
	Weak	Hong Kong	Singapore

The East Asian states present the sign of divergences based on the first generation of the welfare state programs. At the same time, the democratization in a few countries since the late 1980s reinforced such divergence. It can be argued that a shift towards more universalistic welfare programs in a few countries has occurred in conjunction with increasing democratization. At the same time, without an institutional legacy of welfare devel-

opmentalism, democratization alone would not promote the emergence of welfare programs based on social insurance principles in Hong Kong and Singapore. With the prospect of increasing democratization, it will be interesting to observe which path Malaysia, Thailand, and Philippines would follow in the 21st century. The outcomes would depend on how those societies would cope with the issues of economic growth and social demands in the age of globalization and democratization. Thus, the East Asian welfare states will continue to offer a crucial test ground for theoretical debates on social welfare.

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