1. Introduction: doing social policy, East Asian style

Nowhere in the world presents a more dramatic case of wealth creation than East Asia. With the enormous post-war expansion of economic activities, the economic powerhouses of East Asia have grown strong even after the 1997 Asian Financial Crisis. However, if we turn our attention to the development of modern welfare states in the region, the story seems to have been much less remarkable. Even with the region’s most expansive welfare state of Japan, it is often argued, the welfare state is an antithesis to economic growth, undermining work incentives, family responsibility and self-sufficiency. The conservative ascendancy, particularly in the USA and the UK, at the peak time of economic growth in East Asia reaffirmed the negative link between social programmes and economic productivity. In an age of austerity, conservative observers seem to see these stringent welfare states of East Asia as a better alternative to those financially troubled welfare states of the advanced industrial democracies.

The book focuses on the five most advanced economies in the region. This includes Japan as a forerunner of the developmental state model and the original four tiger economies of South Korea (hereafter Korea), Taiwan, Singapore and Hong Kong. In these economies, it is often believed that there is a substantial antagonism between social policy and economic policy. One of the most widely cited accounts presents that this tension was almost invariably resolved by subordinating the former to the latter (Holliday, 2000). Social programmes were to pick up the pieces and understood as something that should not get in the way of ensuring a smooth supply of labour to productive sectors of the formal economy. Redistributive justice through social programmes was deemed minimal and certainly not expected to extend beyond political and economic imperatives. How far is this the case after decades of policy development? Are social programmes in these economies indeed as restrictive as commonly understood? And finally, what explains the growth and shape of social programmes? These questions are the main concerns of this book.

My central thesis is that these economies have developed their own brand or unique combination of various aspects of redistributive strategies. There is a considerable degree of variations both in terms of the means by which social risks are managed and in terms of the extent to which redistributive actions are
carried out. Surprisingly, there also appear to be substantial redistributive components built into the social policy institutions in East Asia. However, these components are different from the standard model of welfare states as they were not so much about redistributing income and risk against the brutality of capitalism. They were much more about redistributing opportunity in favour of capitalism. Social policy institutions do not just redistribute income and risk. They also establish the opportunity structure that influences life chances. Indeed, the pursuit of egalitarian objectives is often associated with more equalising achievement in the opportunity structure particularly through educational attainment and intergenerational mobility (Esping-Andersen, 2015).

Nevertheless, it is entirely possible to conceive that not all redistributive effort through a system of social welfare is to pursue egalitarian objectives. In East Asia, the redistributive intent built into the social policy institutions was fundamentally different in that their primary objectives were neither social protection nor income maintenance. Whereas these were the two core aims of all welfare states that were established to correct market failure and tame capitalism, social policy institutions in East Asia were formed with the intention to build markets and nurture capitalism.

In the European, or more specifically British, context, the emergence of the welfare state was closely associated with the need to address the tension between capitalism and democracy, none of which was fully developed in East Asia when the welfare state was first envisaged. People sought leadership and political elites promised better life through ‘capital accumulation’. The policy directions for social programmes in East Asia should be understood as consistent with established institutions emphasising the maintenance of high rates of physical and human capital accumulation.

While the extent of programmatic variation within and between the economies makes it difficult to generalise about the welfare state in East Asia, social programmes have become an integral part of social risk management. Established as a revenue-raising institution, however, they were found to be limited in scope and inadequate in depth to effectively address nations’ changing social risk profiles. The abundance of a young workforce that provided a basis of labour-intensive development no longer holds true while an increasing level of income inequality and the unprecedented level of ageing population begin to undermine the growth potential of these economies. Some alarming trends highlight the extent of the problems. For instance, Singapore, Taiwan, Hong Kong and Korea top the chart for the lowest fertility societies in the world. Japan’s population is already in decline. Korea, albeit its Confucian filial piety, has the highest elderly poverty in the Organisation for Economic Co-operation and Development (OECD) and both Singapore and Hong Kong have reached a dangerously high level of income inequality. Like other social programmes elsewhere, social policies in East Asia came under mounting
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pressure to be redirected, adapted and even converted to serve new goals and interests of new actors. Actors and institutions set the agenda and decide what to do with emerging new social risks. Yet as the book will argue, the nation’s social risk profiles appear increasingly reflective on the resultant distributional outcomes from the underpinnings and workings of early and existing social policy institutions. The allocative structure of social policy resources has a critical impact on the nation’s social risk profiles.

The analytical framework that guides this analysis will be presented in the next two chapters and the empirical support appears in the following five chapters. Chapter 2 sets out the analytical foundations of the book. Contrary to the common belief that markets and social policy institutions are opposed to each other, social policy institutions in East Asia are designed to help build them. In order to understand how, it first discusses why we must see ‘capital accumulation’ as an underpinning motive behind the introduction of social policy in East Asia. This is followed by how this motive is built into the design of major social programmes. In doing so, it is useful to unpack a wide range of goals embedded in them. Particularly important are the ways in which specific aspects of social policy institutions have developed to help build markets. By establishing a greater degree of ideational institutional coherence between individual social policy institutions and the national narrative, social policy institutions provide meanings and purposes for state actions.

Chapter 3 traces the historical development of East Asia’s growth strategy and how economic nationalism became an interpretive schema to define a set of shared assumptions, core values and frames of reference. Having dictated the early adoption of social policy, this once hegemonic paradigm became increasingly challenged as each economy entered the period of post-industrialisation. A growing level of inequality directly challenged East Asia’s famous growth with equity model. East Asia’s emphasis on equality in opportunity made sense because economic growth improved life chances. Yet this is increasingly inadequate because economic gains are not shared equitably while opportunity structures are changing. All this has put pressure on a growth paradigm as a hegemonic idea.

The following five chapters investigate a specific social policy sector in turn: cash transfers (Chapter 4), healthcare (Chapter 5), education (Chapter 6), housing (Chapter 7) and family policy (Chapter 8). Cash transfers are the most commonly used mechanisms of income redistribution for most welfare states. However, social policies as a revenue-raising institution confine their use both in scope and in design. When in use, in particular, cash benefits tend to be reserved for the most vulnerable. By definition, they refer to government pay-ments to particular service users and include a wide range of income support benefits, most of which are means-tested. Cash benefits may also include non-means-tested and non-contributory categorical benefits. But they are
different from contributory benefits that are based on either social insurance or provident funds. These are primarily designed for horizontal redistribution, seeking to reallocate income across the life cycle, albeit to varying degrees.

Whereas these two forms of cash transfers are paid directly to service users, government subsidies are paid to providers in order to enable them to supply social services at less than cost or market price. Examples include heavily subsidised public housing or healthcare services. Contrary to cash transfers, subsidies are useful because they protect people’s incomes *ex ante* and are often considered as cost-effective forms of fiscal protection particularly for the countries with limited fiscal resource (Rickard, 2012). Similarly, East Asia’s antagonistic stance towards the idea of developing a high tax and expenditure regime has led to its redistributive efforts being more closely associated with a range of financial and regulatory apparatuses, including user charges, commodity price control and regulations. The importance of this type of policy instrument becomes accentuated as East Asian economies are heavily reliant on non-state providers for social service provisions. Regulations on economic activities of hospitals, choice of schools and property market as well as childcare and aged care facilities should also be seen as consistent with established institutions emphasising the role of social policy as a market-building state intervention mechanism.

Under each social policy area, the analysis presents how the central design feature of social policy institutions reconciles the pursuit of economic growth and the need for redistribution. A strong focus on service provisions that are relatively insulated from the antagonistic attitudes towards state welfarism should be seen as such effort.

The final chapter revisits the varying degree of redistributive strategies and discusses the extent of variation. It highlights some of the salient features that characterise each economy. It then discusses whether further spending is likely to improve redistributive outcome. It finishes by noting that the strategy of redistribution is the principal means of expressing societal choices about equity and is a reflection of the kind of society one aspires to build.