3. Income packaging and social safety nets for low-income families with children in East Asia

Julia Shu-Huah Wang, Irene Y.H. Ng, Inhoe Ku, Ji Young Kang, Xi Zhao, Chenhong Peng, Aya Abe, and Yinan Yao

BACKGROUND

Welfare regimes in East Asia have been described as productivist, where social policies are subordinated to economic development objectives (Holliday, 2000). However, studies have demonstrated that there are vast differences within East Asian welfare systems (Holliday, 2000; Kim, 2015; Yang, 2017; Yang & Kühner, 2020). In this chapter, we expand the understanding of variability in East Asian social safety net systems from a new perspective by using a model family approach based on data from 2019. In particular, we focus on the social assistance aspect of social safety net systems in mainland China (China hereafter), Japan, South Korea (Korea hereafter), Taiwan, Hong Kong, and Singapore. A model family approach collects income (e.g., earned income and social benefits) and mandatory deduction and expense (e.g., taxes, social security contributions, and housing, medical, and education costs) information for selected family profiles. We first study the family income packages of low-income families with children in East Asia and then proceed to analyze the compositions of social benefits by benefit categories (e.g., living subsidies, child benefits, and housing benefits). Finally, we assess the generosity of welfare benefits in each society by contrasting the social benefits for low-income families with and without children, as well as how family incomes after public transfers compare to poverty lines.

This chapter contributes to the East Asian welfare literature in several ways. First, departing from prior studies that have a strong emphasis on social insurance systems (Kim, 2015), we adopt a stronger focus on social assistance systems. Social assistance programs are the most relevant to low-income families and can reveal the underlying welfare philosophy toward vulnerable
populations. Second, we base our study on the welfare arrangements in 2019 to provide a more updated investigation of the safety net patterns after the various social assistance program reforms in many East Asian societies that took place in the 2010s. Third, we adopt a model family approach that involves calculating the financial consequences of social policies and fiscal policies on a set of hypothetical family profiles with varying earnings, marital statuses, and family sizes. The calculations include the amount of taxes, social security contributions, and social benefits and services for each family type (Bradshaw & Finch, 2002; Gasior & Recchia, 2020; United Nations, 2010). This approach enables us to contrast families of similar profiles in each society, which permits us to have a comparable ground to conduct a comparative analysis across welfare societies and reveal heterogeneity in situations that low-income families are facing in East Asia. A model family approach also allows us to investigate how welfare design is intended to affect family budgets and to understand the overall impact of social safety nets within the context of taxation systems and family expenditures. Furthermore, by comparing family profiles, we can reveal how various family values or ideologies are embedded in social policies in each society.

**East Asian Societies**

This study compares the features of welfare systems in six East Asian societies typically covered in the East Asian welfare literature: China, Japan, Korea, Taiwan, Hong Kong, and Singapore. The latter five societies are similar in their economic and social development levels and have a relatively longer history in providing welfare (Chau & Yu, 2012; Holliday & Wilding, 2003). China, in contrast, is a newcomer in welfare provision and is a transitional economy transforming from a planned economy to one characterized by privatization and marketization. Recent studies have emphasized the importance of including China in the welfare literature debates (Hudson et al., 2014; Izuhara, 2013). Hence, we include these six societies in our comparisons.

In Table 3.1, we contrast demographic and economic profiles in these East Asian societies. China has the largest population, the lowest levels of per capita gross domestic product (GDP) and life expectancy, and the highest levels of under-5 mortality and crude marriage rates. Japan has the largest elderly population and dependency ratio. Korea ranks in the middle for most characteristics, Taiwan has the second-lowest per capita GDP and fertility rate, and Hong Kong and Singapore have the smallest population sizes and highest per capita GDP across the six societies. These diverse profiles offer a forum for an interesting comparison of heterogeneity in welfare approaches in East Asia.
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Population (in 10,000)</td>
<td>139,402</td>
<td>31,940</td>
<td>25,940</td>
<td>40,270</td>
<td>40,690</td>
<td>2,360</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>3.6</td>
<td>2.4</td>
<td>1.6</td>
<td>1.1</td>
<td>1.3</td>
<td>1.4</td>
</tr>
<tr>
<td>GDP per capita (current USD)</td>
<td>10,170</td>
<td>31,940</td>
<td>25,940</td>
<td>40,270</td>
<td>40,690</td>
<td>48,270</td>
</tr>
<tr>
<td>Fertility rate</td>
<td>1.6</td>
<td>1.4</td>
<td>1.3</td>
<td>1.1</td>
<td>1.2</td>
<td>1.2</td>
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<tr>
<td>Under-5 mortality rates (per 1,000 live births)</td>
<td>10.9</td>
<td>2.4</td>
<td>2.5</td>
<td>4.4</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Crude marriage rate (per 1,000 population)</td>
<td>76.1</td>
<td>1.7</td>
<td>4.7</td>
<td>2.2</td>
<td>8.6</td>
<td>80.6</td>
</tr>
<tr>
<td>Crude divorce rate (per 1,000 population)</td>
<td>3.4</td>
<td>1.7</td>
<td>4.7</td>
<td>2.2</td>
<td>8.6</td>
<td>80.6</td>
</tr>
<tr>
<td>Life expectancy</td>
<td>76.1</td>
<td>1.7</td>
<td>4.7</td>
<td>2.2</td>
<td>8.6</td>
<td>80.6</td>
</tr>
<tr>
<td>% elderly population aged 65+</td>
<td>12.3%</td>
<td>29.2%</td>
<td>15.9%</td>
<td>15.7%</td>
<td>18.5%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Gross dependency ratio</td>
<td>42.2</td>
<td>69.0</td>
<td>39.5</td>
<td>40.0</td>
<td>41.7</td>
<td>34.5</td>
</tr>
</tbody>
</table>

Notes:
- ** See the International Monetary Fund, DataMapper, 2019.

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Welfare Regimes in East Asia

Social welfare systems in East Asia are characterized by a high reliance on families for providing care (Chow, 1987) and prioritizing economic development objectives over instituting social policies (Holliday, 2000). These features set East Asian welfare societies apart from other welfare regimes described in *The Three Worlds of Welfare Capitalism* by Esping-Andersen (1990). The Confucian culture emphasizes citizens’ duties to their country rather than rights for welfare (Goodman & Peng, 1996; Jones, 1990), and it values family relationships and filial piety as the cornerstones of welfare provision (Goodman & Peng, 1996; Karim et al., 2010). These reinforce governments’ low public expenditure in the social welfare domain (Hong, 2014). Social assistance programs for families with children were introduced the earliest in Japan in the 1940s and the latest in mainland China in the 1990s, and they were not expanded until the turn of the 21st century for most societies in the region. This has led to Midgley’s (1986) description of East Asian countries as adopting a form of “reluctant welfarism.” Governments in East Asia position social policies as a means to achieve economic development rather than regarding social development as the goal, leading Holliday (2000) to characterize East Asian welfare societies as examples of a productivist welfare regime.

Although East Asian societies share similar cultural traditions and traits in welfare systems, studies have also pointed to heterogeneities within these contexts. Holliday (2000) regarded Japan, Korea, and Taiwan as developmental–universalist welfare regimes, where social rights are extended to productive populations. He classified Hong Kong as a facilitative welfare regime, where citizens receive limited social rights, and the welfare system has a low stratification function (Holliday, 2000). Singapore is categorized as a developmental–particularist welfare regime, where social rights are also provided at a minimal level (Holliday, 2000).

Kim (2015) provided classifications of East Asian welfare societies similar to Holliday (2000), based on performances in social insurance schemes, and expanded the scope of investigation by incorporating China into the analysis. The author depicted welfare models in Japan, Korea, and Taiwan as inclusivist models, where inclusive social insurance schemes are offered to those in the workforce who are important to economic development. Hong Kong and Singapore, on the other hand, are classified as a market-oriented model, where governments mainly use compulsory individual savings as a policy tool to facilitate within-individual life-cycle redistribution (Kim, 2015). China, with its wide geographic spread and diverse population, is described as a dualist model, where both public social insurance and individual savings schemes are used to insure populations from risks (Kim, 2015).
Another stream of studies has used the fuzzy set ideal-type analysis method to classify East Asian welfare regimes (Yang, 2017; Yang & Kühner, 2020). These studies evaluate policy design and performance on productive (education, health, and family policy) and protective (old-age income protection, housing, and passive labor market policy) aspects of social policy. The findings suggest that welfare development in Korea is the most balanced across the productive and protective domains (Yang & Kühner, 2020). Welfare systems in Taiwan and China have a stronger emphasis on protective development, whereas those in Singapore and Japan made more progress in productive development (mostly as a result of improved family policies; Yang & Kühner, 2020).

Studies of East Asian welfare regimes have offered rich knowledge on how various East Asian societies are similar to and distinct from one another in their welfare approaches. However, these studies have two limitations. First, the existing East Asian welfare literature has seldom examined the social assistance systems in detail, and studies have often focused on social insurance systems (Kim, 2015). Social assistance systems differ from social insurance systems in that the intended targets of social assistance policies are the most vulnerable segment of the population, whereas social insurance programs are aimed at the general population or workers in specific industries. To political leaders, political support from the beneficiaries of social insurance systems is in general more crucial than that of social assistance systems, which only cover economically marginalized (and politically less powerful) populations. However, approaches to supporting the most disadvantaged populations can reveal important evidence regarding a country’s welfare values. Hence, understanding the features of a country’s welfare system would not be holistic without incorporating in-depth analyses of its social assistance systems. This study therefore extends current knowledge on the welfare regimes in East Asia by offering valuable new evidence on how East Asian social assistance systems compare.

Second, most studies have been based on welfare conditions prior to 2010. However, each East Asian society has undergone significant changes in its respective welfare system since then. For instance, social assistance programs were reformed in Singapore in 2007, in Taiwan in 2011, in China in 2012 and 2014, and in Korea in 2015. Korea and Taiwan have expanded their child allowance programs, and Hong Kong and Korea introduced or expanded financial support for working families (through the Working Family Allowance scheme in Hong Kong and the Earned Income Tax Credit in Korea). Hence, as this study focuses on the circumstances in 2019, it can incorporate more recent policy reforms in East Asia into the investigation.
Methodologies in the Literature on East Asian Welfare Regimes

In the early literature on East Asian welfare regimes, findings are often based on a conceptual discussion. Increasingly, welfare studies on East Asian society have adopted strategies to empirically analyze welfare approaches, including cluster analysis (Wood & Gough, 2006; Lee & Ku, 2007; Kim, 2015) and fuzzy set ideal-type analysis (Hudson & Kühner, 2012; Yang, 2017; Yang & Kühner, 2020). These approaches mainly select relevant policy input, output, or outcome indicators and then contrast welfare features or categorize societies into groups.

In this study, we experiment with an alternative methodology, a model family approach, to compare not only social benefit characteristics but also income packaging compositions. A model family approach requires selecting family profiles (including family compositions and income levels) and then collecting and describing the incomes and expenditures of selected family profiles (Bradshaw & Finch, 2002; Skinner et al., 2017). The income information includes earned income and each category of social benefit income. The expenditure information includes income taxes, social security contributions, housing costs, medical expenses, and school costs.

A model family approach has three key advantages. First, the approach provides an alternative and comparable ground for cross-national comparisons in geographical areas, such as East Asia, without comparable population-based survey data sets. Second, a model family approach takes a micro-perspective to examine how safety net systems translate into the family budget, whereas other indicator approaches often focus on the macro-level variables in the society (e.g., government welfare expenditure levels and coverage rates of programs). Therefore, a model family approach offers an alternative perspective in understanding safety nets. Third, a model family approach considers not only social benefit levels but also the contexts in which social benefits are provided, such as burdens associated with taxes and other costs. Social benefits provided in societies where the cost of living is high or low have various implications for family experiences. Taking family expenses into consideration provides a more comprehensive assessment on the net impact of benefits and taxes/costs. Despite these advantages, the model family approach is limited in that it does not reflect the welfare outcomes, many families may not take up the eligible benefits, and the selected model family types are not equally representative in a given society.¹

To uncover the income packaging and social safety net features in East Asia, this study tackles the following research questions:

1. What are the patterns of income packaging among low-income families in East Asia?
2. What are the variations in the structure of social policy tools in East Asia?
3. How does the generosity of social safety nets (focusing on social assistance systems) in East Asia compare?

METHODS

The Model Family Approach

This study utilizes a model family approach to answer our research questions. The model family approach has been used in many cross-national comparative studies (e.g., Eardley et al., 1996; Bradshaw & Finch, 2002; Skinner et al., 2017) and indicator calculations (e.g., Average Productive Worker by the Organisation for Economic Co-operation and Development [OECD], Self-Sufficiency Standard in the US, Hypothetical Household Tools in EUROMOD). A model family approach requires researchers to identify several income cases and family profiles and then collect information on income packaging for these sampled families. Income cases involve a family’s level of earnings, and family profiles refer to family composition, such as the number of adults and children. Although the model family method simplifies complex realities into a few family profiles, it offers a comparable ground for comparison across countries. Also, the model family approach can facilitate the investigation of policy design or policy inputs in the welfare domain within the context of family income packaging. Income packaging information in our study includes families’ labor income, income tax, social security contributions, essential costs, and social benefits. In our study, we define essential costs as housing costs (rent), medical or health costs, and education costs to take part in mandatory education.

Samples

To compare the patterns of income packaging and social safety nets in East Asia, we selected four family profiles for comparison to prior studies (e.g., Bradshaw & Finch, 2002; Van Mechelen et al., 2004). First, we sampled low-income families with two income levels: (1) families with no earnings and (2) families with one earner earning half of the national average wage. This is similar to the OECD Average Productive Worker approach, yet the wage is set at a lower level to capture profiles of families in poverty. Second, for each of the two income levels, we sampled two family types: (1) single mothers with two children (aged 7 and 14 years) and (2) two-parent families with two children (aged 7 and 14 years). The age of children covers children in elementary and junior high schools in each society. We contrasted these two family types with childless, single-adult families. Previous studies also used these income
levels and family types when using the model family approach in order to reveal various sets of social policies and income packages (Bradshaw, 2010; Van Mechelen et al., 2004).³

Data Collection

We collected model family data for each society’s situation in 2019, a year before the outbreak of the COVID-19 pandemic. This choice of timing allowed us to conduct comparisons in a noncrisis situation. Informants having expertise in welfare systems in each society supervised research assistants in the data collection process. The cross-national research team had regular meetings to ensure comparability in the data collection process and the collected data.

We collected our data based on several assumptions and principles. First, we assumed that all families do not hold any assets that would disqualify them from social benefits. Second, we assumed that adults are active members of the labor force and do not have disabilities. Third, families may be eligible for more than one welfare program simultaneously, and if so, we assumed that families would take up all programs. If families can only choose to receive a few programs, we assumed that families would choose those that offer the larger amount of benefits. If families’ eligibility for certain programs was uncertain (e.g., long waitlist; discretion from welfare workers; and other qualities beyond income eligibility rules), we assumed that the families could receive these programs (generous scenario) to capture the ideal scenario for low-income families in each society.

Fourth, as each society may have intraregional variation, we made the executive decision to include the capital cities in China, Japan, Korea, and Taiwan. Specifically, our comparisons are based on Beijing, Tokyo, Seoul, Taipei, Hong Kong, and Singapore.⁴ The focus on wealthy cities, which generally provide the most generous social benefits in each society, allowed us to examine the situation of the most generous scenario in each society. Fifth, with regard to collecting information on costs, when a range of estimates is involved, we opted for the lower bound of the costs to derive a conservative estimate. Overall, we compared social benefit design in East Asia on the generous side as we captured generous social benefits and conservative costs. For housing costs, we estimated the rent based on the apartments affordable to the given family income in each city.⁵ For health costs, we derived the estimates from the per capita out-of-pocket health expenditure information released by each government. For school costs, we estimated the costs of school meals, uniforms, and books and equipment costs that parents are required to pay.

We primarily collected the data through Internet searches (e.g., policy report websites of government bureaus regarding welfare eligibility and benefit levels). We supplemented this data collection method by calculating numbers.
through national surveys and statistics or soliciting answers from local welfare officers. In Singapore, where welfare eligibilities and benefit levels were also highly contingent upon the discretion of welfare workers, we interviewed low-income families and social workers to derive the estimates. We obtained research ethical approval from the University of Hong Kong before collecting these data.

After the data collection process, we carefully examined the data to ensure their comparability across the six cities. We converted all monetary currencies into US dollars using exchange rates adjusted for purchasing power parity (PPP) in 2019. When comparing nominal exchange rates with PPP-adjusted exchange rates, Japan has the least variation, and Taiwan has the largest variation. We also analyzed our data using nominal exchange rates as a sensitivity analysis to check the robustness of our findings. Following the conventions in the international comparative literature (Bradshaw & Finch, 2002; Skinner et al., 2017), we present our main findings using PPP-adjusted monetary values.

Empirical Strategies

For each of the four aforementioned low-income family profiles, we conducted comparisons in four aspects. First, we separately examined the income packaging for four family profiles in each society through bar graphs. In each bar graph, we presented information on earnings, income-related or means-tested social benefits (e.g., living subsidy from social assistance programs), non-income-related or universal social benefits (e.g., universal child benefit), income taxes, social security contributions, and essential costs (including health costs, housing costs, and education costs).

Second, we delineated the compositions of social benefit categories. Specifically, for each of the four family profiles, we plotted the proportion of benefits from each of the following domains: living subsidy (cash assistance to support the living needs for families receiving social assistance), nutrition subsidy (food assistance), housing subsidy (rental subsidy), medical subsidy, child benefit, education subsidy, fertility subsidy, tax benefit (refundable Earned Income Tax Credit and Child Tax Credit), and other subsidies (utility, heating, or holiday assistance).

Third, we examined generosity by comparing necessary expenditures (NEs; including taxes, social security contributions, and essential costs) and household social benefit income levels after NE. Specifically, we first showed the NE by summing the income taxes, social security contributions, and essential costs (including health costs, housing costs, and education costs). We then contrasted NE with household social benefit after NE to examine the extent to which social benefits help cover NE. We derived the household social benefit after NE by summing the income-specific social benefits and
non-income-specific social benefits, as well as subtracting NE from the sum. We subtracted essential costs from the social benefit levels for two reasons. First, health benefits, housing benefits, and education benefits often take the form of in-kind services or cost reimbursements. Hence, the benefit amount for health, housing, and education could be more accurately understood relative to the respective health, housing, and education expenses. Second, previous studies that calculated low-income families’ household resources also subtracted essential expenses from the household income (Fox et al., 2015; Hutto et al., 2011).

Fourth, as a second measure of generosity, we examined the ratio between per capita household income levels and a relative poverty line. We contrasted household income levels after social benefits and NE (HIPTC hereafter) with the amount before social benefits (after taxes, social contributions, and NE). Specifically, HIPTC captures the net income factoring in earnings, social benefits, taxes, social security contributions, and NE. The per capita HIPTC is calculated by dividing the total household HIPTC by equivalized household size. We used the OECD modified scale to measure the equivalized household size. We assigned a value of 1 to the household head, 0.5 to each additional adult in the household, and 0.3 to each child (Anyaegbu, 2010; De Vos & Zaidi, 1997). The relative poverty line is defined as 60 percent of the national average earnings based on the OECD definition ( Förster & Mira D’Ercole, 2005), and this definition has been used in poverty studies in East Asia (Yeh & Lue, 2018).

Based on the two measures of generosity, we compared the generosity of social benefits across the East Asian economies for different family types by composition: between single-parent families with children, two-parent families with children, and childless single-adult families. The comparisons of benefit differences between families having children or not can reveal the pro-children status of the welfare systems. Comparison of the benefit differences between two- and single-parent families can uncover the pro-marriage values of the welfare design.

RESULTS

Income Packaging

Income—earnings and social benefits

In Figure 3.1a, for families earning half of the average wage, those in Singapore have the highest earnings, whereas those in China have the lowest earnings after adjusting for PPP. The governments in Singapore and Taiwan provided higher levels of social benefits, followed by Japan, Hong Kong, Korea, and China. Korea and Singapore are the only societies that provide
some universal benefits (e.g., Midday Meal in Korea and EduSave contributions and utility rebates in Singapore), yet the amounts are low relative to the means-tested benefits.

**Social benefits—single- and two-parent families**

When comparing the social benefits for single- and two-parent households, the differences are the largest in Taiwan, with couple families receiving about US$1000 more than single-parent families. Hong Kong, Japan, and Korea also provide more social benefits for couple families than single-parent families. In other societies, the differences between two household types were minor. The social benefit patterns for families with no earnings (Figure 3.1b) do not differ much from those earning half of the average wage.

**Expenses**

These market income and social benefits should be understood in the context of expenses in each society. For families earning half of the average wage (Figure 3.1a), only families in Korea, followed by Japan, are required to pay income taxes or local taxes. With respect to social security contributions, Singapore has the highest amount of social security contributions, followed by Japan. Regarding housing, health, and school costs, Singapore and Taiwan have the highest cost of living levels. For families with no earnings (Figure 3.1b), no family is required to pay income taxes in any society, and only families in Taiwan, Singapore, and Korea have to pay some social security contributions.
Figure 3.1b Income packaging (no earnings)

Benefit Structure

In Figure 3.2a, we present the distribution of the benefit structure. According to the social assistance eligibility rules in each society, families with one earner receiving half of the average wage did not qualify for social assistance in Korea and Singapore. Among the benefits that families can receive, a living subsidy from social assistance accounted for the highest proportion of benefits in Taiwan, followed by couple families in Japan, Hong Kong, and China. Only in Japan and for single parents in Korea were child benefits provided to families with children aged 7 and 14. Also, a tax subsidy was only provided in Korea.7

With respect to a housing subsidy, China and Singapore provided the highest proportion of benefits in the housing domain. In terms of a medical subsidy, Korea and Hong Kong provided the highest proportion of benefits for medical support compared to other societies. With regard to an education subsidy, Singapore provided the highest proportion of benefits to education (potentially because they did not offer living subsidies), and China provided the lowest.

Among families with no earnings (Figure 3.2b), all societies provided living subsidies to families with children under their respective social assistance programs.8 Among families without earnings, housing subsidies took up a higher share of social benefits in China, medical subsidies took up a higher share of benefits in Korea and Hong Kong, and education subsidies took up the higher share of benefits in Singapore.
Figure 3.2a  Benefit composition and share (half of average wages)

Figure 3.2b  Benefit composition and share (no earnings)
Generosity—Household NE and Household Social Benefits After NE

In Figure 3.3a, we present the NE in each society and the benefit levels after NE. In each society, we present information from single-parent families with two children aged 7 and 14 and two-parent families with two children aged 7 and 14 in order to contrast with childless, single-adult families. The results show that, among families with children in Taiwan, Japan, Hong Kong, and, to a lesser extent, China, social benefits can cover these NEs, whereas families with children in Singapore and Korea still need to bear these costs. It is worth noting that although Singapore provides a large amount of social benefits, it was not enough to offset the high NE in Singapore.

In Figure 3.3b, we present the same generosity results for families with no earnings. We found that generosity of social benefits was the highest in Taiwan, followed by Japan, Singapore, and Hong Kong and Korea. China offered the lowest level of benefit generosity for families with no earnings. Despite these differences, all six societies provided social benefits that can entirely offset the NE.

Contrasting the generosity results in Figures 3.3a and 3.3b, Taiwan, Japan, and Hong Kong provided generous social benefits to meet necessary living expenses to families with children having no earnings and earning half of the average wage. Although China provided lower benefit amounts, they were sufficient to meet essential costs for families with children regardless of income levels. Singapore and Korea, on the contrary, only generously covered fami-

Figure 3.3a  Generosity—household necessary expenditures and household transfer income after household necessary expenditures (half of average wages)
Generosity—household necessary expenditures and household transfer income after household necessary expenditures (no earnings)

lies without income but did not cover some necessary expenses for families earning half of the average earning.

Generosity—Per Capita Household Income Before and After Social Benefits and Relative Poverty Line

In Figure 3.4a, we compare the per capita household income before and after social benefits in relation to relative poverty lines across six societies. For families with children having one earner receiving half of the average wages, Taiwanese families received the highest HIPTC relative to the relative poverty line. This is followed by Japan, China, Hong Kong, and then Korea and Singapore. Among families having no earnings (Figure 3.4b), the ranking is similar.

Pro-Children—Single, Childless Adults and Families with Children

In Panel 1 of Table 3.2, we contrast the differences between families with and without children based on findings from two generosity measures. For the findings in Figures 3.3a and 3.3b, we first calculated the differences between NE and social benefits after NE to derive the social benefit levels; we then took the differences of social benefit levels between families with and without

Figure 3.3b
Figure 3.4a  Generosity—per capita household income before and after social benefits compared to relative poverty line (half of average wages)

Figure 3.4b  Generosity—per capita household income before and after social benefits compared to relative poverty line (no earnings)
### Table 3.2 Preferential treatment of families with children and married couples

#### Panel 1: Pro-children (differences between families with children and childless, single adults)

<table>
<thead>
<tr>
<th>Country</th>
<th>Half of the national average wage</th>
<th>No earnings</th>
<th>Average for pro-children</th>
<th>Half of the national average wage</th>
<th>No earnings</th>
<th>Average for pro-children</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$961</td>
<td>$1021</td>
<td>$991</td>
<td>49%</td>
<td>25%</td>
<td>37%</td>
</tr>
<tr>
<td>Japan</td>
<td>$1587</td>
<td>$1643</td>
<td>$1615</td>
<td>40%</td>
<td>15%</td>
<td>27%</td>
</tr>
<tr>
<td>Korea</td>
<td>$1164</td>
<td>$1660</td>
<td>$1412</td>
<td>27%</td>
<td>22%</td>
<td>24%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>$2371</td>
<td>$3670</td>
<td>$3020</td>
<td>49%</td>
<td>53%</td>
<td>51%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>$1384</td>
<td>$1683</td>
<td>$1533</td>
<td>42%</td>
<td>34%</td>
<td>38%</td>
</tr>
<tr>
<td>Singapore</td>
<td>$1339</td>
<td>$2570</td>
<td>$1954</td>
<td>−2%</td>
<td>24%</td>
<td>11%</td>
</tr>
</tbody>
</table>

#### Panel 2: Pro-marriage (differences between couple families and single-parent families)

<table>
<thead>
<tr>
<th>Country</th>
<th>Half of the national average wage</th>
<th>No earnings</th>
<th>Average for pro-marriage</th>
<th>Half of the national average wage</th>
<th>No earnings</th>
<th>Average for pro-marriage</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$24</td>
<td>$285</td>
<td>$154</td>
<td>−12%</td>
<td>−8%</td>
<td>−10%</td>
</tr>
<tr>
<td>Japan</td>
<td>$187</td>
<td>$16</td>
<td>$85</td>
<td>−7%</td>
<td>−22%</td>
<td>−15%</td>
</tr>
<tr>
<td>Korea</td>
<td>$161</td>
<td>$211</td>
<td>$186</td>
<td>−5%</td>
<td>−13%</td>
<td>−9%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>$1012</td>
<td>$1413</td>
<td>$1213</td>
<td>7%</td>
<td>−1%</td>
<td>3%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>$349</td>
<td>$552</td>
<td>$451</td>
<td>−1%</td>
<td>−2%</td>
<td>−2%</td>
</tr>
<tr>
<td>Singapore</td>
<td>$61</td>
<td>$499</td>
<td>$280</td>
<td>−14%</td>
<td>−11%</td>
<td>−12%</td>
</tr>
</tbody>
</table>
children. For the results in Figures 3.4a and 3.4b, similarly, we first took the differences of per capita family income relative to the poverty line before and after social benefits; then we contrasted the differences between families with and without children.

Further, when contrasting the differences between single- and two-parent households, we found that among families with no earnings, two-parent families in Taiwan received more per capita HIPTC than single-parent families. Single-parent families in Japan, Korea, Hong Kong, and Singapore, on the other hand, received more per capita HIPTC than two-parent families in both income scenarios.

The results suggest that Taiwan has the strongest pro-children values compared to other societies, as the benefit generosity differences between families with or without children are the largest in both figures. This is followed by Japan, Hong Kong, and Korea. Singapore’s social benefits in favor of having a child were more generous for families with no earnings and less generous for families earning half of the national average wage. China’s pro-children features of social benefits were the least salient when considering the benefits amount, and salient (ranked third in pro-children features among six societies) when considering per capita household income relative to the poverty line.

**Pro-Marriage—Single and Two-Parent Families**

In Panel 2 of Table 3.2, we compare benefit generosity between single- and two-parent families based on the findings in Figures 3.3a, 3.3b, 3.4a and 3.4b. First, notably, the living needs for couple families in Taiwan were compensated to the largest extent, regardless of the definitions of generosity. Second, the welfare system in Japan stood out as the one that, on average, favored single-parent families more than two-parent families to the largest extent across the generosity definitions. In particular, in Figure 3.3b, for families with no earnings, Japan provided more social benefits to single-parent families (i.e., those with only three family members in the household) than couple families that have four family members.

**DISCUSSION AND CONCLUSION**

This study indicates that East Asian societies exhibit great variation in income packaging and social benefit structure and generosity. Table 3.3 provides a summary of our overall findings, and we also summarize our classification of these welfare societies in this table and at the end of this section. The welfare regimes in Japan, Korea, and Taiwan are classified as the developmental–universalist (or inclusivist) welfare regimes (Holliday, 2000; Kim, 2015). Among these societies, Taiwan offers the most generous benefit levels to...
<table>
<thead>
<tr>
<th>Society</th>
<th>Regime classification</th>
<th>Income packaging</th>
<th>Benefit structure</th>
<th>Generosity—household social benefits</th>
<th>Generosity—relative poverty line</th>
<th>Generosity—Pro-children</th>
<th>Generosity—Pro-marriage</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Emerging productivist model</td>
<td>Lowest earnings</td>
<td>High housing; low education subsidy</td>
<td>(4) Moderate</td>
<td>Moderate</td>
<td>Pro-children</td>
<td>–</td>
</tr>
<tr>
<td>Japan</td>
<td>Inclusivist welfare model</td>
<td>Higher taxes</td>
<td>Child benefit</td>
<td>(2) High</td>
<td>High</td>
<td>Pro-children</td>
<td>Subsidize single parents and the least pro-marriage</td>
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<tr>
<td>Korea</td>
<td>Nominal inclusivist welfare model</td>
<td>Higher taxes</td>
<td>Tax subsidy; low coverage of living subsidy; child benefits for single parents; high medical subsidy</td>
<td>(4) Moderate and low for working poor</td>
<td>Low</td>
<td>Pro-children</td>
<td>–</td>
</tr>
<tr>
<td>Taiwan</td>
<td>Familial inclusivist welfare model</td>
<td>High benefits; high cost of living</td>
<td>High living subsidies</td>
<td>(1) Highest</td>
<td>Highest</td>
<td>Strongly pro-children</td>
<td>Strongly pro-marriage</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Inclusive minimalist welfare model</td>
<td>High medical subsidy</td>
<td></td>
<td>(3) Moderately High</td>
<td>Moderate</td>
<td>Pro-children</td>
<td>–</td>
</tr>
<tr>
<td>Singapore</td>
<td>Minimalist welfare model</td>
<td>Highest earning; high benefits; high social contributions; high cost of living</td>
<td>Low coverage of living subsidy; high education subsidy</td>
<td>(5) Low for working poor</td>
<td>Low</td>
<td>Lower</td>
<td>–</td>
</tr>
</tbody>
</table>
low-income families with children despite its high cost of living. Japan provides child benefits to children who are older, unlike Taiwan and Korea, who only provide child benefits to children who are under age 5 or 7. The generosity of social benefits in Japan is also relatively high, and its benefit system favors single parents more than couple families. Korea offers unique programs, such as the Earned Income Tax Credit, yet the benefits generosity is not particularly high relative to other peers in the developmental–universalist welfare regimes or even lower than Hong Kong, a society that is known to be adopting laissez-faire principles and a minimalist welfare model.

China is classified as a dualist welfare regime (Kim, 2015), which relies on both public and private contributions in social insurance systems. With regard to its social assistance systems, we find that although its earnings are the lowest among six societies, the benefits are moderately generous to offset NEs for families with school-aged children regardless of families’ income levels, at least among families with low income levels (half of the average wage and no earnings). China also devoted the highest proportion of benefits to supporting families’ housing needs, while also lacking support for children’s educational needs (according to Figures 3.2a and 3.2b).

Hong Kong and Singapore are examples of a market-oriented welfare model (Kim, 2015), which values individual responsibilities in welfare provision. From our investigation we found that despite Hong Kong adopting a minimalist welfare ideology, its benefit generosity for low-income families with children is only slightly behind that of its inclusivist peers. In particular, it provided a higher proportion of benefits to the medical domain than other societies.

Although Singapore provided high levels of social benefits, after taking into account the high costs of NEs, the generosity levels of social benefits after NE in Singapore were relatively low, especially for families earning half of the average wage. Also, Singapore was one of the only two societies aside from Korea that did not offer public assistance when families were earning half of the average wage. In addition, Singapore did not exhibit high levels of pro-children and pro-marriage values in their benefit structure relative to other East Asian peers, which suggests that the welfare system in Singapore does not favor families with children or married families as much as other societies. Singapore also devoted a higher proportion of social benefits to the education domain.

In sum, this study depicts the characteristics of social assistance systems for low-income families with children in East Asia, and it can broaden the understanding of heterogeneities among East Asian welfare regimes. Despite prior studies’ primary focus on social insurance systems in describing East Asian welfare regimes, our focus on social assistance systems derives some distinct findings while also uncovering striking similarities between our results.
and those in prior studies. With regard to similarities, Taiwan and Japan are examples of the *inclusivist welfare model*, offered the most generous social benefits among the six societies, and achieved their generosity through high levels of public assistance living subsidies in Taiwan and child benefits in Japan. These two societies also embedded various family values in their own welfare systems, with Japan subsidizing single parents more and Taiwan providing more support to two-parent families. Hence, we further labeled Taiwan as a particular *familial inclusivist model*. This aligns with prior studies showing that Taiwan upholds traditional family values to a greater extent than other OECD countries (Kim & Choi, 2011). Korea can be termed a *nominal inclusivist welfare model*. Although the Korean welfare system expanded remarkably in the past few years, as observed in the expanding social assistance and Earned Income Tax Credit programs and introducing a universal child allowance, its social benefit generosity levels were lower than those of its inclusivist welfare model peers, Japan and Taiwan. Hence, the welfare generosity in Korea is rather nominally inclusive. We also find that Singapore and, to a lesser extent, Hong Kong are examples of the *minimalist welfare model* and that they are represented by low levels of social benefits after NE and stronger investments in welfare domains (e.g., health and education) that reinforce productive activities. However, we found evidence that generosity of welfare systems in Hong Kong is catching up to its inclusivist peer, so we further labeled Hong Kong as an *inclusive minimalist welfare model*. China, despite its low absolute levels of earnings and benefits, adopts an *emerging productivist model* that provides generous levels of benefits to meet necessary living expenses, which set it closer to Taiwan, Japan, Korea, and Hong Kong. Meanwhile, China also invests in housing benefits among its benefit package, which can offer stable support for a productive workforce.

**Limitations**

The study has several limitations. First, our focus on the capital cities cannot capture the diversity in welfare resources within each society. Second, although the model family approach provides us with a platform for comparisons, the findings are confined to selected family profiles. In this case, we only depict the snapshots from families without earnings and families earning half of the average wage. Further, we selected families with two children aged 7 and 14, so our findings cannot be representative of families with younger children. Our assumption that model families are renters is also not representative of all families in each society. Our selection of single- and two-parent families with children also cannot capture the diverse family compositions in reality, especially with the high prevalence of three-generational co-residence in East Asia. Third, we collected the data based on the situation in 2019 in
capital cities in each society. In addition, we conducted this study in 2019, one year before the outbreak of the COVID-19 pandemic. Although our findings can capture the welfare situation in a noncrisis context, these findings cannot reflect various responses from East Asian governments during the COVID-19 pandemic. Fourth, as mentioned earlier, some social benefits based on cost reimbursements or in-kind provision (e.g., health services, housing costs, and education costs) were monetized to estimate the values of these benefits, and the process of cost estimation can only measure the approximate amount rather than the definite monetary amount of benefits. Fifth, findings from this study only represent the welfare design rather than the welfare outcomes. We could only depict how the welfare systems were designed to assist families, but our results could not entirely reflect how the welfare programs are implemented, whether families actually received the benefits, whether welfare programs induce behavioral changes (e.g., decisions to partner and give birth), and how the benefits affect families. Prior studies have suggested that welfare design may not be reflected in welfare outcomes (Wang et al., 2021) and that welfare design has impacts on behavioral changes (Blank, 2002; Gregg et al., 2009). Despite these limitations, this study utilizes the model family approach to examine the income packaging and social benefit structure and generosity for low-income families with children in East Asia, which enriches the understanding of East Asian welfare features.

NOTES

1. We further elaborate on the limitations in the Discussion section.
2. Please note that for the national average wage, Hong Kong and Singapore only have information on median wage. Taking the median wage as the average, one would underestimate the average wage when compared to other societies. For brevity, we use “national average wage” as the label to represent the average wage in China, Japan, Korea, and Taiwan and the median wage in Hong Kong and Singapore. Furthermore, we separately assumed that the earner in the household is a male, so the earning is based on the male national average wage, and then we assumed that the earner in the household is a female, so the earning is based on the female national average wage. We averaged the derived values to obtain information for the national average wage.
3. We recognize that families with younger children may face different costs and social benefit categories, yet we were limited by the space constraints in this chapter. To carefully examine such variations, we intend to study the experiences of younger children in another paper.
4. The percentage of the national population living in each city is as follows: Beijing, 1.5 percent; Tokyo, 11 percent; Taipei, 11.2 percent; Seoul, 19.1 percent; Hong Kong, 100 percent; and Singapore, 100 percent.
5. Each society coordinator derives these estimates based on the common housing arrangements in each city, oftentimes verified by results from surveys of the low-income population. For instance, in Hong Kong, people with no income live
Poverty and inequality in East Asia

in subdivided housing. In Singapore, people with low income live in a bedroom in a shared apartment. As the household size grows larger, we assume that they will live in a bigger space, and we checked on the rent value for the corresponding housing space in each city.

6. The calculation of the medical subsidy assumes that out-of-pocket medical expenses are eligible for (and reimbursed by) medical assistance in each society.

7. On the Earned Income Tax Credit in Korea: since 2009, low-income households with earned/business income that meet the income and property requirements are eligible for up to KRW2.5 million per year as an incentive to support their economic activity. On the Child Tax Credit in Korea: since 2015, low-income households with children under age 18 whose annual household income is below KRW40 million are eligible for child incentives up to KRW700,000.

8. The figure shows that Japan provided a lower proportion of living assistance and a higher proportion of child benefits. However, in Japan, families received a lump sum amount of social benefits altogether rather than dissecting the benefits by categories. The amount of living subsidy was calculated after deducting child benefits from the total qualified amount of social benefits. Hence, the distribution of benefits was not perceived by recipients.

9. For instance, in China, among families earning half the average wage, we contrasted NE and social benefits after NE. For single-parent families, the difference between NE and social benefits after NE was US$819. For two-parent families, the difference was US$843. For single-adult families, the difference was US$0. Hence, the average differences between NE and social benefits after NE were US$831.

10. For instance, in China, among families earning half of the average wage, we contrasted per capita family income before and after social benefits relative to the poverty line. Social benefits increased per capita family income for single-parent families by 49 percentage points of the relative poverty line, and social benefits increased per capita family income for two-parent families by 37 percentage points of the relative poverty line. On average, social benefits increased per capita family income by 43 percentage points among families with children. In contrast, social benefits did not change per capita family income for single adults (0 percentage points). Hence, social benefits’ poverty alleviation effects on families with children relative to single adults were 43 percentage points greater.

11. Korea will expand its child benefit coverage to children under 8 years old by 2022.

12. Only Singapore has a similar program, the Workfare Income Supplement.

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