COMPARATIVE WELFARE CAPITALISM IN EAST ASIA

Productivist Models of Social Policy

Mason M. S. Kim

Comparative Welfare Capitalism in East Asia

This page intentionally left blank

Comparative Welfare Capitalism in East Asia

Productivist Models of Social Policy

Mason M. S. Kim
Assistant Professor, Spelman College, USA

palgrave
macmillan

Softcover reprint of the hardcover 1st edition 2015 978-1-137-47184-0

First published 2015 by
PALGRAVE MACMILLAN

Palgrave Macmillan in the UK is an imprint of Macmillan Publishers Limited, registered in England, company number 785998, of Houndmills, Basingstoke, Hampshire RG21 6XS.

Palgrave Macmillan in the US is a division of St Martin's Press LLC, 175 Fifth Avenue, New York, NY 10010.

Palgrave Macmillan is the global academic imprint of the above companies and has companies and representatives throughout the world.

ISBN 978-1-349-55671-7 ISBN 978-1-137-47185-7 (eBook)
DOI 10.1057/9781137471857

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources. Logging, pulping and manufacturing processes are expected to conform to the environmental regulations of the country of origin.

A catalogue record for this book is available from the British Library.

Library of Congress Cataloging-in-Publication Data

Kim, Mason M. S., 1971- author.

Comparative welfare capitalism in East Asia : productivist models of social policy / Mason M. S. Kim.
pages cm
Includes bibliographical references and index.
1. Public welfare – East Asia. 2. Welfare state – East Asia. 3. Welfare economics. 4. East Asia – Social policy. 5. East Asia--Economic policy. I. Title.

HV410.5.K56 2015
361.95—dc23 2015021841

Contents

List of Figures

List of Tables

Acknowledgments

In writing this book, I have received tremendous help, support, and inspiration from many people at various stages. My first thanks go to Dr. B. Guy Peters (University of Pittsburgh) who has been my advisor and mentor since graduate school. While giving me full freedom to work on research of my interest, he always helped me think critically to come up with new ideas. I am also deeply indebted to Dr. Thomas Rawski (University of Pittsburgh) who provided critical comments, especially regarding the changing nature of the Chinese political economy. In addition, I thank Dr. Nita Rudra (Georgetown University), Dr. Jude Hays (University of Pittsburgh), Dr. Wenfang Tang (University of Iowa), and Dr. David Bearce (University of Colorado) for their feedback on my work. Along the way, I have benefited from those who offered useful comments, criticism, and suggestions at various conferences and meetings such as the American Political Science Association (APSA), the Midwest Political Science Association (MPSA), and the East Asian Social Policy Network.

For financial support, I thank the Faculty Research Grant Committee at the University of Tennessee at Martin for its generous support for my field research. I especially extend my gratitude to Dr. Katherine Carlitz, Assistant Director of the Asian Studies Center at the University of Pittsburgh, for her support of my graduate studies as well as numerous research activities. Throughout the book writing process, Clint Taylor and Distante Johnson were greatly helpful in editing and proofreading the manuscript. I am solely responsible for any errors and omissions that remain.

Also, I would like to note that two chapters of this book are based upon previously published materials. Part of Chapter 2 was discussed in Mason Kim (2012) "Economic Globalization, Democracy, and Social Protection: Welfare Capitalism in East Asia," ed. Zhiqun Zhu, *New Dynamics in East Asian Politics: Security, Political Economy, and Society*. New York: Continuum (pp. 125–47). An earlier version of Chapter 3 was published in Mason Kim (2013) "What Drives the Institutional Divergence of Productivist Welfare Capitalism in East Asia?" *Journal of Asian Politics and History* 3: 27–58.

Finally, I owe many thanks to my parents, parents-in-law, brothers, and sisters in South Korea for their unending prayers, love, and support.

Among others, this book is dedicated to my wife, Insook, and two children, Esther and Elliot, who endured the long hours, the days, the months, and the years, while giving me so much support and encouragement. I am nothing without them.

List of Abbreviations

ADB	Asian Development Bank
CCP	Chinese Communist Party
CME	Coordinated Market Economy
CPF	Central Provident Fund
CSTS	Cross-Sectional Time Series
DB	Defined Benefit
DC	Defined Contribution
DPW	Dualist Productivist Welfare
EDB	Economic Development Board
EPB	Economic Planning Board
EPF	Employees Provident Fund
FDI	Foreign Direct Investment
GEP	Government Employees Pension
HDB	Housing and Development Board
ILO	International Labour Organization
IMF	International Monetary Fund
IPW	Inclusive Productivist Welfare
JECC	Japan Electronic Computer Corporation
KDI	Korean Development Institute
LME	Liberal Market Economy
MITI	Ministry of International Trade and Industry
MLSG	Minimum Living Standard Guarantee
MLSS	Ministry of Labour and Social Security
MPF	Mandatory Provident Fund
MPW	Market Productivist Welfare
NHI	National Health Insurance
NIE	Newly Industrialized Economy
NPS	National Pension Scheme
OECD	Organisation for Economic Co-operation and Development
PAP	People's Action Party
PAYG	Pay-As-You-Go
PCSE	Panel-Corrected Standard Errors
PWC	Productivist Welfare Capitalism
RTB	Race to the Bottom
SEZs	Special Economic Zones

SOEs	State-Owned Enterprises
VOC	Varieties of Capitalism
VOWC	Varieties of Welfare Capitalism
WHO	World Health Organization
WVS	World Value Survey

1
Introduction

What is the precise nature of welfare arrangements in capitalist East Asia? Are East Asian welfare states suitably fitted into the tripartite framework of liberal, conservative, and social democratic models developed by Esping-Andersen (1990)? If not, is there an overarching East Asian welfare model, just as many Asian scholars think of social policy in East Asia as being primarily "productivist" (Holliday 2000)? If the so-called "productivist" model is compelling and acceptable, what are the main characteristics of this model? Is it fair to assume that productivist welfarism has not experienced paradigmatic changes and therefore the key features are mostly identical among East Asian newly industrialized economies (NIEs)? Or if East Asian welfare states have evolved into a number of subtypes with systematic variations, what are the driving forces behind these variations? In short, how can we understand the presumed continuity and change of today's East Asian welfare regime?

In fact, such questions regarding East Asian welfare capitalism are by no means new in comparative welfare research. The surge of research interest in East Asia that has grown over the last two decades started with attempts to explain how East Asian NIEs could manage to combine remarkable economic dynamism with low rates of taxation and welfare spending while exhibiting impressive achievements on key quality-of-life indicators such as infant mortality, life expectancy, and literacy. East Asia's unique experience has even propelled ideological debates between right- and left-wing politicians in the West. The Labour Party in Great Britain, for example, viewed East Asia as a role model, highlighting the importance of the active role of the government for the simultaneous promotion of economic growth, social cohesion, and welfare standards. By contrast, the Conservative Party of Great

Britain saw East Asia as a good example that illustrates how the creeds of neoliberalism such as individual self-reliance and low government spending can be essential, not only for economic productivity, but also for a financially sustainable social security system (White and Goodman 1998, p. 3; Ramesh and Asher 2000, p. 3). Noteworthy in either of these conceptualizations of East Asian welfare states is that the "miracle" was largely parallel with a relatively low spending level. Indeed, East Asia's welfare expenditures – measured either as a percent of gross domestic product (GDP) or as a portion of total government expenditure – are much lower than those of most advanced European countries and even Latin American developing countries (Segura-Ubiergo 2007; Haggard and Kaufman 2008).

Yet, what makes East Asian states distinctive is not only the low level of welfare spending, but also the pattern of social policy development. Unlike other advanced capitalist societies where social security is the major policy area of public expenditure, most East Asian states invest heavily in human capital formation, such as education and job training, as part of an economic development strategy while being less willing to spend on other "protective" areas, including pensions, health insurance, and social assistance. East Asian NIEs have certainly placed more emphasis on the "productive" role of social policy than on the "protective" effects (Rudra 2008). The primacy of this productivist tendency has attracted considerable research interest, providing important scholarly insights to those like Holliday (2000) who proposed the so-called "productivist welfare capitalism" (PWC). Undoubtedly, the PWC thesis offers a compelling account of East Asia's welfare state development as an exercise in East Asian "exceptionalism" (Peng and Wong 2010, p. 658). At the same time, however, questions about the validity of the productivist welfare theory have risen recently as new "protective" social policy initiatives were introduced in several East Asian countries like South Korea (hereafter Korea) and Taiwan. In these countries, the scope of social protection has substantially broadened (Choi 2012).

Thus, this book aims to develop conceptual refining and theoretical reframing of productivist welfarism to address a set of questions concerning whether and how welfare capitalism has experienced both continuity and change in East Asia. The remainder of this chapter briefly reviews debates on the issue of East Asian welfare types, including Holliday's description of productivist welfare capitalism, and then presents the main arguments of the book. An explanation of these terms, scope, and methods used in each chapter follows.

A. Debates on the East Asian welfare type

Since the publication of Esping-Andersen's (1990) book entitled *Three Worlds of Welfare Capitalism* that presented a widely cited and influential threefold typology of social democratic, conservative, and liberal welfare regimes, the East Asian model of welfare capitalism has become an increasingly important field of comparative welfare studies. Without doubt, the understanding of similarities and differences of welfare states in a language of categorization is important because welfare modeling provides a key route to the conceptualization of socioeconomic and political conditions for welfare state development (Wilding 2008). As part of this effort, some scholars have attempted to explain how individual East Asian cases fit into one of Esping-Andersen's three types of welfare regimes (Esping-Andersen 1997; Ku 1997; Kwon 1999, for example). However, such an approach was immediately criticized by those who raised questions as to how it would be suitable and possible to understand East Asian welfare by using a framework developed in the Western context.

Actually, efforts to conceptualize the unique experiences of East Asian welfare development (or underdevelopment) had already begun in the 1980s among those who investigated cultural determinants with a focus on the impact of Confucianism as a distinct driving force behind the overall course of East Asian welfare. Chow (1987) explored cultural and historical differences between the West and China with respect to the role of kinship in providing welfare support for family members. Other researchers expanded the practice of cultural analysis beyond the Chinese case. The most well-known perspective of this sort includes the concepts of "oikonomic welfare states" (*oikos* being Greek for "household economy") and "Confucian welfare states" that were introduced to describe how Confucian doctrines have influenced the economic success and social policy in Hong Kong, Singapore, Taiwan, and Korea (Dixon and Kim 1985; Jones 1990, 1993; Goodman and Peng 1996; Rieger and Leibfried 2003). According to the historical-cultural perspective, East Asian societies have strongly adhered to the Asian values such as filial piety, respect for authority, loyalty, patriarchy, and the close family and kinship ties that would be fundamentally incompatible with the Western style of socioeconomic and political systems. The long-lasting Confucian tradition of patriarchal responsibility for care and protection of the family household has therefore hindered the development of Western conceptions of the welfare state in East Asia. Hence, East Asia's low level of welfare expenditure is most often attributed to "familialism" that has produced an aversion to public social services.

However, the cultural approach was soon criticized by those who argue that the East Asian region is too diverse to lend itself to easy generalization (Ramesh and Asher 2000, p. 7). Indeed, Confucianism cannot explain why various welfare programs such as pensions, health insurance, and unemployment benefits that are at odds with the core "Asian" values have developed in various forms over time across East Asia. Furthermore, the cultural approach suffers from methodological limitations, including lack of indicators to conceptualize and measure the influence of culture. After all, the concept of Confucian welfarism, with its emphasis on family obligations, education, and social harmony, became secondary or even marginal in the field of comparative welfare research (Hudson, Kühner, and Yang 2014, p. 303).

Another important stream of East Asian welfare studies has come from those who have examined the role of growth-oriented soft authoritarian states. This approach was mainly predicated upon the theory of a developmental state that is "a shorthand for the seamless web of political, bureaucratic, and moneyed influences that structures economic life in capitalist Northeast Asia" (Woo-Cumings 1999, p. 1). Put differently, a developmental state is one that plays a strategic role in economic development with a competent bureaucracy that is given sufficient policy measures to take initiatives and operate effectively. Johnson (1982) portrayed Japan as a pioneer model of the development state, arguing that the post-war Japanese bureaucratic autonomy was central in achieving national economic development. He stated that the Japanese government tightly regulated the financial market and channeled funds into strategic industries for rapid industrialization. This developmental–statist model also affected the industrialization strategies of Korea and Taiwan where the soft authoritarianism–capitalism nexus emerged in the 1960s (Johns 1987; Amsden 1989; Haggard 1990; Wade 1990).

Strongly influenced by the developmental state approach, a number of studies explored how the emergence of welfare politics was intertwined with the socioeconomic conditions in East Asia. Since Midgley (1986) presented the concept of "reluctant welfarism," a group of scholars joined in the debate, arguing that social policy has been largely subordinated to the overall developmental goal of rapid economic growth. Deyo (1989, 1992), for example, asserted that the underdevelopment of social welfare in the tiger economies was closely associated with export-oriented, labor-intensive manufacturing that required cheap and disciplined labor for fast growth in the 1960s and early 1970s. Tang (2000) added that East Asian governments established a range of social welfare programs, including education, social security, health insurance, housing, and social services, for the promotion of labor stabilization and political legitimization of the authoritative regimes. In short, East Asian welfare states featured low public social expenditure, relative labor market flexibility, limited universalism and egalitarianism, and the application of social security as an instrument to target politically important interest groups (Tang 2000; Midgley and Tang 2001; Kwon 2005; Hudson, Kühner, and Yang 2014).

Developmental welfarism that viewed the role of social policy as a means to foster nation building and political legitimacy of undemocratic regimes has been later extended in a more nuanced manner by Holliday (2000, 2005), who proposed the concept of "productivist welfare capitalism" (PWC). Whereas the PWC thesis was almost identical with the developmental welfarism approach, in that social policy is understood as subordinated to economic policy objectives, the productivist welfare approach emphasized the dynamics of capitalist market economies over the political need of autonomous states (Choi 2013, p. 212).

A great deal of Holliday's productivist welfare approach involved criticism of Esping-Andersen's *Three World* typology. Drawing upon Polanyi's (1944) view, Esping-Andersen asserted that different types of historical class coalitions produced distinctive patterns of social rights, social stratification, and state–market–family relations and in turn largely determined the main features of welfare models. The class coalition of the working class and farmers, according to Esping-Andersen, shaped the "social democratic" model of welfare capitalism in the Nordic countries that promoted an equality of the highest standards and the principle of universalism. In the continental European countries, political conservatives formed "reactionary" alliances, which led to the "conservative" model of the welfare state. The Anglo-Saxon countries, where the "liberal" model emerged, did not experience a class coalition and with only a modest level of welfare benefits becoming prevalent. As such, based upon three criteria, including "the quality of social rights," "social stratification," and "the relationship between state, market, and family," Esping-Andersen identified a liberal world prioritizing the market, a conservative world defined by status, and a social democratic world focused on welfare (Table 1.1).

According to Holliday, however, the identification of East Asian welfare capitalism requires one more criterion because the three-model typology does not fit the reality of East Asia. First, the influence of capitalists in East Asia was not strong enough to fuel the formation

Table 1.1 Four worlds of welfare capitalism

	Social Policy	Social Rights	Stratification Effects	State–Market–Family Relationship
Liberal	Neither privileged nor subordinate	Minimal	Equality of poverty for minority; market-differentiated welfare for majority	**Market provision encouraged**
Conservative	Neither privileged nor subordinate	Quite extensive	**Existing status differentials preserved**	Family protected
Social Democratic	Privileged	**Extensive**	Universal benefits graduated according to accustomed earnings	Market crowded out; family socialized
Productivist	**Subordinate to economic policy**	Minimal: extension linked to productive activity	Reinforcement of productive elements	Premised on overriding growth objectives

Source: Holliday (2000, p. 709).

of "liberal" welfare states. Indeed, capitalism in East Asia was crafted historically as part of the process of state-led industrialization (Cumings 1984). Second, there was no powerful landlord class in East Asia during the post-war era that would have promoted the formation of "conservative" welfare states (Kay 2002). Third, East Asia did not have a coalition combining the working class and farmers, which might have favored the development of "social democratic" welfare states (Kamimura 2006, p. 316). Given this peculiar historical context, the East Asian welfare regime needed another yardstick to identify its nature; thus, Holliday presented "the subordination of social policy to economic policy objectives" as the fourth criterion for welfare state modeling.

The core argument of the productivist welfare thesis is that social welfare in East Asia has been mainly determined by productivist principles of minimal social rights with extensions linked to productivist activity, reinforcement of the position of productive elements such as education and job training in society, and state–market–family relationships directed toward growth (Table 1.1). Due to the belief that the government's social welfare spending gives rise to a burden on the economy and consequently undermines international price competitiveness, family welfare and/or occupationally segregated corporate welfare have become the major methods of social security provision in East Asia (Song and Hong 2005, p. 180). As such, Holliday and the advocates of productivist welfarism maintain that East Asia's economic strategies have led the governments to avoid any strong financial commitments to social welfare, while expanding investment in education, in order to build a more competent labor pool to facilitate national economic growth. This is why few right-based welfare programs were developed during the fast-paced industrialization period of the 1960s to 1980s (Pierson 2004, p. 11).

Undeniably, the productivist model reflects the key features of East Asian welfare capitalism that distinguishes East Asia from other parts of the world. However, despite its significant contribution to the welfare state debate, productivism per se offers little to explain why the pattern of adoption and extension of PWC has not been uniform in the region (Kim 2010). Indeed, it is not hard to observe the surge of institutional variation and dynamism of East Asian welfare regimes since the late 1990s (Peng and Wong 2008, 2010). Although some states like Singapore, Hong Kong, and Malaysia remain productivist by fostering individual savings schemes which emphasize the *self-help* principle, other nations have developed redistributive social insurance schemes with an expectation of *risk-pooling* effects. An expansion of this type is remarkable in Korea and Taiwan, among others. Also, another group of East Asian states, including Thailand and China, have pursued a dualist approach, embracing both social insurance and individual savings schemes simultaneously. In other words, the scope and extent of social policy protection have been substantially broadened in some countries, although it is equally true that there has been little paradigmatic change in the philosophy and the fundamentals of productivist welfarism. To be sure, productivist welfare states have experienced both continuity and change (Kwon and Holliday 2007; Peng and Wong 2008; Choi 2012). This trend raises a question as to whether it is still useful to characterize East Asian welfare states as productive. If productivism is still a key unifying theme, how can the recent growth of social protection programs be understood within the analytical framework of PWC?

There are many *inter*-regional comparative analyses that look at contrasting features between East Asia and other parts of the world, but few studies have explored the issue of *intra*-regional variation of East Asian welfare regimes in a systematic manner. Thus, this research aims to show that, despite the similar nature as productivist welfare states, East Asian economies have evolved into three different types of productivist welfarism. To test this argument, this book first presents a three-model typology of PWC and then investigates the political–economic conditions under which systemic variation occurs.

B. Arguments in brief

(1) Three models of productivist welfarism

Productivist welfare capitalism offers a captivating account of welfare state evolution in East Asia, viewing the provision of social security benefits as being subordinate to the imperatives of labor production, human capital formation, and sustainable economic growth. However, despite the continuity and steadiness of its productivist credentials, the institutional design and implementation of PWC are not identical in the region. This variation began in the post-war years and has become more significant since the 1997 Asian financial crisis (Kwon, H. 2009). Indeed, the financial crisis was a momentous watershed not only because it hit the region hard and wide, but also because it led many of the East Asian states to realize the importance of a social protection mechanism. For example, the expansion of social insurance plans and public assistance programs is more prominent in Japan, Korea, and Taiwan, whereas compulsory individual savings schemes play a leading role in Singapore, Malaysia, and Hong Kong. Unlike these two groups, China and Thailand are deliberately pursuing a mixed system, combining social insurance and individual savings.

Given this presumed variation, the current single-lensed productivist welfare approach does not fully address the question of whether and why East Asian productivist welfare states have cultivated different patterns of social policy development. It is therefore necessary to tailor the existing PWC theory to the dynamism of East Asian productivist welfare states. To this end, this study proposes three subtypes of PWC.

The first model is what is called *inclusive productivist welfare* (IPW). It highlights the characteristic of *risk pooling* embedded in social insurance schemes and public assistance programs. However, it is worth noting at the outset that, although social insurance and public assistance have redistributive functions, the use of risk pooling in this model is not for the protection of social rights per se, but rather for the creation of a socioeconomic circumstance conducive to economic growth. In other words, the primary goal of risk pooling in the productivist context is not redistribution itself, but economic development. Many East Asian states have often provided *inclusive* benefits of risk-pooling programs selectively to state employees and industrial workers who are considered central to the economy. Consequently, a great portion of the vulnerable population who truly needed social protection was often neglected by the social security system (Kwon 2005). This indicates that the lion's share of insurance benefits were primarily for middle-/upper-income groups who would be able to make significant contributions to the economy, especially during the early years of industrialization. In fact, some productivist welfare states have extended insurance coverage to a majority of the population recently and may appear to have been fundamentally transformed into a Western style of *protective* welfare state. But it is misleading to view such programs as a paradigmatic shift because the extension of social security benefits in IPW states was mainly motivated to offset negative effects of economic liberalization. Japan, Korea, and Taiwan are typical examples of this model.

The second model is called *market productivist welfare* (MPW). This model aims to construct a social security system based on individual – not socially pooled – savings arrangements. Just as the inclusive model views social policy as a tool for economic development, so does the market-oriented approach. However, whereas the former underlines positive impacts of risk pooling on sustainable economic growth, the latter is pessimistic about the effect of risk pooling because it believes that any redistributive effects derived from such schemes will impose financial burdens on the government and therefore hurt market efficiency. Nevertheless, this does not mean that market-oriented states squarely ignore the need or importance of social security. Instead of redistributive measures, the states construct their own model – that is, a mandatory savings arrangement – that can foster market efficiency. In this *self-reliance* system, workers bear all financial responsibility for their own social security. Since benefits are linked entirely to individual contributions, there is neither risk pooling nor deficits; as a consequence, the government is free from any financial commitments. Examples of this market-oriented productivist model are Singapore, Hong Kong, and Malaysia.

The last model is *dualist productivist welfare* (DPW). Unlike the previous two models, dualist states pursue both inclusive ("risk pooling" through "social insurance") and market-oriented ("self-reliance" through "mandatory individual savings") strategies simultaneously. The DPW model is believed to be an optimal strategy for economic growth, particularly in countries that have large socioeconomic gaps between manufacturing and agricultural sectors or between urban and rural areas. In general, states utilizing the dualist approach develop a range of market-oriented social policy measures for less productive rural residents while establishing inclusive programs for more productive urban workers. That is, the dualist states provide risk-pooling insurance benefits to industrial/urban residents while providing the rural population with self-help programs. As such, one of the prominent features of dualist welfarism is the sector-specific (or region-specific) fragmentation of social security programs. At present, China and Thailand exemplify the DPW pattern.

(2) Economic openness

East Asian productivist welfare states appear to diverge into three broad categories – inclusive, market-oriented, and dualist states. If this divergence is systematic and robust, the next task should be about proposing a set of causal factors to define the cross-national variation. To address this question, this book examines the impact of economic openness and political pressure because, in general, the temporal and spatial variation is an outcome of changes in the initial economic and political conditions that shaped the early stage of productivist welfarism in each country.

Although most East Asian economies were industrialized under the flagship of a strong state and export-led strategies, they have actually shown significant differences in the extent and form of exposure to the global economy (Wan 2008). The weight of foreign portfolio investment and international trade was different across the East Asian economies, resulting in the rise of relatively distinctive economic structures in the region. For example, Singapore and Hong Kong have been engaged in "market-conforming" developmental strategies such as open financial markets, whereas Japan, Korea, and Taiwan pursued "market-distorting" developmental strategies through closed financial markets during the industrialization period (Wade 1990, p. 28). This difference generated unique initial conditions under which economic globalization has had different impacts on the formation of social security systems. That is, there were "strategic complementarities" between economic openness and social security institutions (Huber and Stephens 1999; Ebbinghaus and Manow 2001).

Unquestionably, market-oriented social security measures are likely to be adopted in "market-conforming" economies. Because open economies are more vulnerable to the interest of foreign investors, one important policy task is to create a pro-business environment attractive to foreign investment. An individual savings–based social security platform is ideal since it is conducive to the realization of self-reliance. As such, productivist welfare states with a higher level of economic liberalization tend to develop more market-oriented social policies.

By contrast, inclusive measures of productivist welfare are likely to be prevalent in economies with "market-distorting" practices. In these economies, the government plays a significant role, thus orchestrating the overall economic development strategy. Firms are operated based on government-backed bank loans and/or foreign borrowings rather than foreign portfolio investment. Their loans and borrowings help the government obtain and possess strong policy autonomy, which is required for the protection of domestic industries against foreign competition (Kim 2002). The accumulation of *patient* and *less liquid* capital can make the economies less vulnerable to the interests of foreign shareholders. In this case, the protection of skilled labor in domestic industrial sectors is among the most critical tasks for long-term economic development. For this reason, the government adopts an *inclusive* risk-pooling system to protect industrial workers. Because social insurance is a contribution-based, risk-pooling scheme, inclusive social insurance is a cost-effective strategy for the government that aims to protect important human resources from social contingencies while attempting to avoid full financial responsibility (Goodman and Peng 1996, p. 207). Thus, different degrees of economic openness and associated strategies nurture the institutional divergence of productivist welfarism in spite of the basic elements of productivism in East Asia.

(3) Political pressure

The analysis of social welfare often focuses on the *supply* side, investigating what kind of welfare programs are provided by policy makers. This is particularly true in East Asia where economic strategies have influenced the development of productivist welfare. As explained earlier, "market-distorting" and "market-conforming" economies have produced different strategic complementarities, causing the divergent pathways of productivist welfarism. However, the influence of the *demand* side of social policy cannot be discounted because, in many cases, the character of social policy is shaped by the interaction between the supply side (policy makers) and the demand side (the general public) in the political market (Haggard and Kaufman 2008, pp. 13–17).

In general, due to the need to cater to a broad electoral base, democratic regimes are more influenced by the demand side than are their authoritarian counterparts. Politicians in democratic regimes often use redistributive social programs as a means to appeal to broader constituencies in order to win and retain office, thereby gaining a stronger social policy commitment. Indeed, democratic transition in East Asia has generated great political pressure, altering the incentive structure of the ruling parties and compelling the authorities to shape a new course of productivist social policies. For example, the introduction of democratic electoral competition in Korea, Taiwan, and the Philippines led the ruling parties to adopt and expand social insurance programs – which might have been otherwise eschewed – as a means to gain public support for the regime (*Ibid*., pp. 221–61).

With respect to the impact of political pressure in democracies, it is also necessary to take into account citizens' political attitudes toward the government. Generally, democratic transition brings about changes in citizens' expectations of government, leading to the quantitative increase of "critical citizens" (or "dissatisfied democrats") (Norris 1999). Economic growth and democratic transition tend to produce a public that becomes less respectful of authority and more engaged in various contentious actions with a higher expectation of government's role (Huntington 1968, p. 41). Several studies confirm this assumption, reflecting a decline of political trust in democratic IPW states like Japan, Korea, and Taiwan and a higher level of political trust and satisfaction among many non-democratic MPW states, including Singapore and Hong Kong (Tanaka 2001; Ahn and Kang 2002; Inglehart and Welzel 2005; Tang 2005; Wang 2005). These findings indicate that authoritarian regimes are less vulnerable to political pressure than their democratic counterparts, and accordingly, the latter is likely to attempt to garner political support through expansion of redistributive social policies. That is, the political attitudes of the people influence the pathways of productivist welfare capitalism.

Of course, redistributive welfare benefits are not an exclusive feature of democratic regimes. Authoritarian states may also adopt inclusive programs such as pensions and health insurance as a winning platform for regime support. Bueno de Mesquita and his colleagues (2003) argue that authoritarian rulers are also politically sensitive to their constituencies – especially the selectorate and winning coalition, whose political support is critical for the rulers to stay in power. Essentially, dictators use carrots (welfare benefits) and sticks (coercive and repressive practices) in order to build support or acceptance of the ruler. As seen in the cases of authoritarian Korea and Taiwan during the 1960s and 1970s, the provision of insurance benefits was mainly for those who were deemed politically and economically important – that is, skilled industrial workers, civil servants, and the military. Thus, the inclusive welfare benefits served only a limited population in a selective manner, exacerbating social class divisions and inequalities (Peng and Wong 2010, p. 662).

Although authoritarian regimes in market-distorting economies often implemented inclusive welfare programs due to economic and political needs during the earlier period of industrialization, a strong incentive to extend those programs to the whole population was lacking. The prevailing belief was that the extension of coverage and entitlement would require greater financial responsibility and political accountability. Certainly, any significant and meaningful expansion of protective measures was unusual in authoritarian developmental states; conversely, inclusive social policy was more salient in democratic regimes that were believed to be more responsive to political pressure and public opinion. It can be therefore concluded that, as productivist welfare states become democratized, the extension of inclusive programs is accepted as a strategic choice to deal with the surge of political pressure stemming from electoral competition and "critical democrats." In this regard, it is logical to believe that economic conditions (economic liberalization and open market) cultivate the *creation* of institutional variation of productivist welfarism, whereas political conditions (democratic governance and political pressure) fuel the *growth* of the variation.

C. Terms, scope, and method of analysis

Despite numerous definitions of the terms *social security*, *social protection*, *welfare system*, *welfare state*, and *welfare regime*, there is no single agreement about what constitutes each term. For example, some argue that the *welfare state* connotes a set of interconnected legal, political, and social rights. For others, it is just convenient shorthand for the many social programs that are found in most states. As such, the concepts of these terms are ambiguous and slippery (Gough 2001, p. 165; Overbye 2010, p. 153). So these terms will be used somewhat loosely in this book. Nonetheless, some distinction needs to be drawn to clarify selected aspects of these terms.

First, the International Labour Organization (ILO) defines *social security* as "the safety net that society provides for its members through a series of public measures" (ILO 1984, p. 3). In most cases, this term is used somewhat narrowly in the context of contributory insurance-type or savings-type schemes. As suggested by the ILO, this book uses the term *social security* as an equivalent for insurance programs or some other formal schemes set up by the government. Second, *social protection* is defined to include a broader range of public and private measures – not only contributory schemes but also noncontributory programs – designed to "reduce poverty and vulnerability by diminishing citizens' exposure to risks and enhancing their capacity to protect themselves against hazard and loss of income" (Ortiz 2001, p. 41). Third, the *welfare state* and *welfare system* are often used to indicate a set of institutionalized state measures to meet key social protection needs, often confined to old-age pension, health, unemployment, work injuries, education, housing, public assistance, and social services (Wilensky 1975, pp. 6–7; Pierson 2007, p. 10;). Therefore, *welfare state* and *welfare system* will be used to signify institutional aspects of social protection. Lastly, *welfare regime* is defined as a complexity of legal and organizational features of social policy that are systematically interwoven to reflect consistent and deep-rooted principles and norms of social well-being (Esping-Andersen 1990, pp. 1–3). Hence, *welfare regime* symbolizes principles that are historically embedded in a society, and those core principles are materialized through the establishment of a *welfare state* or *welfare system* that signifies institutional formats of social protection.

This book intends to investigate institutional variation of productivist welfarism because East Asian productivist states are believed to have undergone institutional changes corresponding to economic and political circumstances. Among the broad range of policy agendas, this research examines old-age pension, health insurance, and public assistance. This relatively narrow focus allows a fair cross-national comparison of the statutory social protection system. Because pension, health, and public assistance are policy sectors that together account for a tremendous – if not the largest – share of government expenditures in most countries, this study observes the institutional forms and functions of these three policy areas.

Another issue involves the possible confusion over how to define the range of East Asia. The traditional way is to select the so-called "four tiger economies" (Korea, Taiwan, Hong Kong, and Singapore), plus Japan, based on economic and cultural similarities (Goodman and Peng 1996, pp. 194–98). However, although the main theoretical ideas of this study came from the special attention to Korea, Singapore, and China, the term *East Asia* is used in this volume as shorthand for Northeast and Southeast Asia, encompassing 11 states (Japan, Korea, Taiwan, Hong Kong, Singapore, Indonesia, Malaysia, Philippines, Thailand, Vietnam, and China). Given the extent to which Southeast Asia has replicated the welfare regime pattern of Northeast Asia, it is reasonable to include the Southeast Asian region in this analysis. Indeed, Southeast Asia is similar to Northeast Asia in that social policy comes into play in the process of nation building in post-colonial states. As such, social policy plays a significant role in accelerating economic development. Truly, most of these East Asian countries view economic growth as the supreme policy objective, and social policy has been greatly influenced by the productivist conception. Another similarity is that, in the face of political crises, many of them have often taken sporadic initiatives in social security provision as a means to garner political support and legitimize undemocratic regimes (Gough 2004, p. 187; Schmidt 2005, p. 2). Thus, unlike recent studies that focus on a limited number of countries, this book provides a more comprehensive picture of East Asian productivist welfarism.

The extended application of the PWC theory to Northeast and Southeast Asian countries gives us methodological benefits, too. Among others, it allows the advantages of the "most-similar-and-most-different-systems" method (Przeworski and Teune 1970). The first five countries have long been regarded as the first generation of the developmental state, whereas the next six countries are viewed as the second generation of developmental states. This generational factor helps control different income levels and different industrialization phases in statistical analysis. Also, the inclusion of two transition economies (China and Vietnam) not only increases case quantity and diversity, but also reduces case selection bias.

The analytical methods of the following chapters rely on a combination of statistical analyses and case studies. Comparative quantitative analyses are used in Chapter 2 to find the determinants of welfare state development in East Asia. The value of this kind of analysis is quite evident. In general, the use of aggregated data facilitates the identification of broad patterns and confirms the existence of a causal relation between various factors. Nevertheless, many of the East Asian welfare studies are either simply descriptive or focused on a single case, so their conclusions are hardly convincing (Ramesh and Asher 2000, p. 2). This problem is mainly due to the absence of a systematic cross-sectional time-series data set (Ku and Finer 2007, p. 129). The data problem makes it difficult to discover a true picture of the causal nexus behind the productivist welfare strategy. To overcome the shortcomings of the existing literature, cluster analysis is employed, searching for underlying subcategories of PWC with an aim of theoretical and empirical sophistication of the current productivist welfare discussion. After that, the book uses cross-sectional time-series analysis to assess the extent to which economic openness and political pressure have influenced institutional variation of productivist welfarism in East Asia.

Although the previous quantitative approaches provide great benefits, the problems of quantitative methods cannot be ignored (Janoski and

Hicks 1994). One of the most obvious problems of statistical analysis is the use of a single value to characterize the various aspects of welfare state development. Moreover, any possible inaccuracy of country-level and timeline data makes the findings potentially questionable (Peters 1998). Also, the addition of more cases is not necessarily a plus, given any substantial heterogeneity among East Asian countries (Haggard and Kaufman 2008, p. 18). Therefore, for a better understanding of East Asian PWC, it is necessary to utilize the advantages of case studies over the quantitative strategy. To this end, this study conducts three cases – that is, Korea's inclusive productivist welfare, Singapore's market productivist welfare, and China's dualist productivist welfare. The combination of quantitative and qualitative approaches will help us understand the trend of diverging productivist welfarism in both general and specific settings.

D. The structure of the book

In addition to this introductory chapter that presents a set of questions concerning whether and how productivist welfarism has experienced both continuity and change in East Asia, this book includes four chapters to examine the pattern and causes of institutional variation of East Asian welfare regimes. Chapter 2 situates the East Asian welfare regime in a comparative perspective, highlighting that a growth-oriented state and the subordination of social policy to economic objectives are the two central aspects of productivist welfarism. However, East Asian states reveal interesting differences among themselves that constitute a certain pattern of variation. Chapter 2 asserts that, despite their long-lasting state-led developmental strategies, East Asian states have evolved into three types of productivist welfarism based on the levels of risk pooling and self-help of social protection programs. This chapter shows how East Asian welfare states have become either more redistributive or more market oriented within the productivist boundary.

Chapter 3 turns to a question of why, then, some of the East Asian states entered the pathway of inclusive welfare institutions while others developed market-oriented institutions. This chapter identifies and maps the functional pressures that have caused the emergence of different types of productivist welfarism. It explores two causal factors of institutional divergence. The first is economic openness. Although East Asian developmental states have formed seemingly similar state-led export strategies during the industrialization period, the extent and form of their reliance on foreign capital and trade were significantly different. And the different level of exposure to international markets created particular economic circumstances and development strategies that were suitable for a certain type of social security system, thus facilitating the divergence of productivist welfare institutions in East Asia. The second factor is bottom-up political pressure for the expansion of social protection. As seen in the case of Korea, productivist welfare states with a higher level of political pressure on decision makers have been more likely to expand inclusive welfare benefits than those that are relatively less vulnerable to political pressure. Chapter 3 conducts cross-sectional time-series analysis to investigate the proposed causal links.

Based upon the analytical frameworks presented in the previous chapters, Chapter 4 offers three exemplary cases to help make better sense of how economic and political factors have influenced the institutional variation in the evolution of productivist welfarism. The cases include Korea's inclusive welfare approach, Singapore's market-oriented welfare, and China's dualist strategy. Each case surveys the institutional features of social protection programs, particularly focusing on the old-age pension and health care schemes, because they are commonly essential to the understanding of the pattern of risk pooling and self-reliance. Also, Chapter 4 sheds light on the political and economic conditions of Korea, Singapore, and China to trace the formation and evolution of productivist welfarism in these countries.

The final chapter brings together the arguments, summarizes the findings, and casts the last question: will the institutional divergence of productivist welfarism become greater in the future? What, then, would East Asian welfare states look like? This chapter ends by emphasizing that it is still too early to precisely assess and predict what possible impacts of newly rising challenges, including globalization, labor market flexibility, rising inequality, and ageing populations, would have on the productivist pattern of social welfare in East Asia. It is therefore important to continue to examine the issue, with more comparative case observations.

2

Institutional Variation in Productivist Welfare Capitalism

Challenging those who view welfare states in the developing world as either mostly identical or tremendously heterogeneous, some political economy scholars have recently discussed the possibility of systematic variation in welfare capitalism in less developed countries. Rudra (2007), for example, argues that the developing world has systematically evolved into two ideal types: the *protective* welfare state that emphasizes the government's role in the "decommodification" of social welfare, and the *productive* welfare state that aims to integrate labor productivity into social policy. Interestingly, the result of the analysis identifies all of the observed East Asian countries as *productive* welfare states. Indeed, East Asian countries share some intriguing characteristics distinctive from most Western European and North American states, where the provision of social welfare has long been assumed as being one of the most important policy tasks. The newly industrialized economies (NIEs) in East Asia have invested heavily in human capital formation such as education and job training, with a focus on the "productive" function of social policy, while being less committed to the provision of "protective" programs such as pensions, health care, and income supports (Haggard and Kaufman 2008). More interestingly, East Asian NIEs have achieved impressive policy outcomes in many important areas, including infant mortality, life expectancy, and literacy rates, even without substantial increases in taxation and spending on welfare.

Although East Asia has been relatively overlooked in the comparative welfare capitalism literature, East Asia's unique experiences have increasingly attracted research interests from both theoretical and practical points of view. Among others, Holliday (2000) proposed the so-called *productivist welfare capitalism* (PWC) to explain how East Asian NIEs used social policy to achieve economic goals such as industrialization, labor productivity, and human capital accumulation. Those who are uncomfortable with Esping-Andersen's (1990) avowedly Western-centric three-model typology have adopted productivist welfarism as an alternative model to account for welfare state development in East Asia.

However, despite their common emphasis on productive aspects of social policy, East Asian NIEs reveal substantial differences in terms of specific institutional arrangements of social welfare programs (Peng and Wong 2010; Choi 2012; Lin and Chan 2013). Some countries have established national social insurance schemes with a focus on *risk-pooling* effects, while others have promoted mandatory individual savings schemes based on the *self-help* principle. Also, another group of countries has formed a dualist structure, mixing social insurance and individual savings schemes. This presumed institutional variation is certainly long-standing and compelling, but few empirical studies have explored the possibility of a finely nuanced typology of productivist welfarism. Holliday (2000) actually identifies three distinct clusters of PWC – namely, "facilitative," "developmental-universal," and "developmental-particularist" – alongside the degree of social rights, stratification effects, and the state–market–family relationship. In the facilitative type (Hong Kong), the role of the market is prioritized, while, in the developmental-universalist type (Japan, Korea, and Taiwan), the state underpins the market and families with certain universal programs. In the developmental-particularist type (Singapore), the state directs social welfare activities of families. Holliday's typology is, however, descriptive rather than analytical and, more importantly, lacking in empirical tests as to why and how the three types emerged and have evolved. Moreover, it has been noted that the variation is not very extensive (Holliday 2000, p. 710). After all, we do not know much about whether any significant subtypes exist under the broader category of productivist welfare and whether such a divergence is theoretically and empirically substantial. If institutional variation of productivist welfarism is systematic and robust, then can we still assert that productivist welfare capitalism is an overarching model to describe the key features of East Asian welfare states (Wilding 2008)? Or if we believe that East Asia's social policy is still primarily productivist, how can we understand the institutional divergence within the productivist framework?

Even though the conceptual parsimony of Holliday's PWC has potential benefits, any holistic view has a critical limitation in its ability to account for the presumed diversity of productivist welfarism. It is therefore necessary to develop a new typology of productivist welfarism alongside institutional differences of East Asian welfare states while not diluting the important contribution of Holliday's original PWC thesis. A theoretical compromise between the enduring productivist features and the need to incorporate the actual divergence of East Asian welfare states will help resolve much of the current disagreement among scholars over how to define the nature of East Asia's social policy development. This chapter, therefore, aims to provide a more systematic typology tailored to the dynamism of productivist welfare approaches, thereby enabling us to examine the causal mechanism of institutional varieties of the East Asian welfare regime.

The main argument of Chapter 2 is that despite their long-lasting, state-led developmental strategies, East Asian states have evolved into three types of productivist welfarism – namely, *inclusive productivist welfare* (IPW), *market productivist welfare* (MPW), and *dualist productivist welfare* (DPW). This chapter conducts cluster analysis with the data obtained from 11 East Asian states to test the three-model typology of productivist welfarism.

A. East Asian welfare states from a comparative perspective

(1) Government expenditure on social welfare in East Asia

Political and economic changes that occurred in the developing world throughout the 1980s and 1990s called scholarly attention to welfare state development in East Asia, Latin America, and Eastern Europe (Huber 1996; Kaufman and Segura-Ubiergo 2001; Segura-Ubiergo 2007; Haggard and Kaufman 2008). Their interest was largely predicated on the prevailing view that industrialization and/or democratization are necessary conditions for welfare state development (Pierson 2007, pp. 9–40). However, despite the remarkable economic development over the past decades, East Asian states have not been among those that spend a considerable portion of revenues on social security and welfare. If we use government social expenditure as a proxy for welfare state development, East Asia is truly among the least developed welfare states. Figure 2.1 shows that, during the 1970s to 2000s, East Asian countries have spent much less on social policy as a whole, compared to Organisation for Economic Co-operation and Development (OECD), Eastern European, and Latin American countries. The average level of social expenditure in other parts of the world ranges from 8.7 percent to 18.9 percent of gross domestic product (GDP) and 37.6 percent to 52.6 percent of total government spending, while East Asia's expenditures are only 6.2 percent and 29.6 percent, respectively. Although

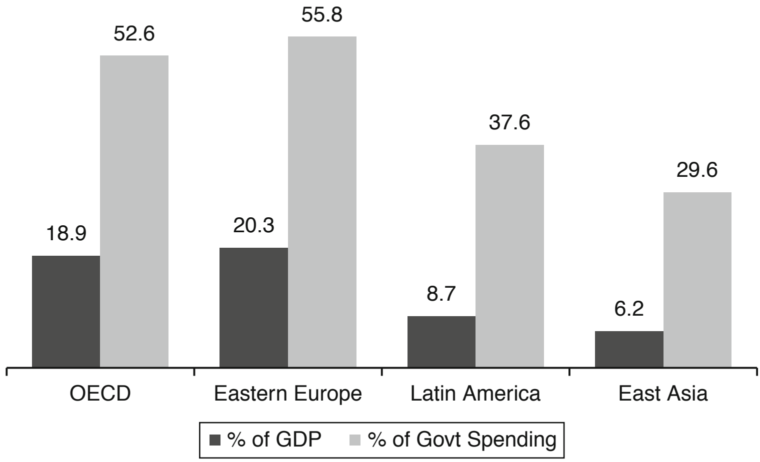

Figure 2.1 Average government expenditures on social security, health, and education (the 1970s to the 2000s)

Note: (i) 19 OECD states, 6 Eastern European states, 14 Latin American states, and 11 East Asian states; (ii) OECD and Latin America (1973 to 2000), Eastern Europe (the 1990s only), and East Asia (the 1980s to the 2000s).

Source: IMF, *Government Finance Statistics*; Asian Development Bank, *Key Indicators*; various national statistical yearbooks.

Japan's expenditure on social welfare is relatively high at 23 percent of total government expenditure, it is still not considerable by Western European and North American standards. Without a doubt, East Asia is among those who spend the least for welfare.

East Asian states demonstrate another interesting pattern. Unlike OECD, Eastern European, and Latin American countries where social welfare is by far the biggest spending sector, East Asian states spend markedly more on economic development programs (22.7 percent of total government spending) and education (14.9 percent) than on health (5.9 percent) and social security (8.8 percent) (Table 2.1). Undoubtedly, economic development and human capital formation feature as a leading policy thrust, while welfare benefits remain relatively marginal in East Asia.

(2) Productivist welfare capitalism

This contrast has prompted scholars to raise a question: why is welfare spending in East Asia insignificant? Why has human capital formation – as reflected in generous provisions of primary and secondary education and vocational training – been central in East Asia? Since the early 1990s, political economy scholars have attempted to address this

Table 2.1 Government expenditure on social and economic policies in East Asia (1980s to the 2000s)

	Education				**Health**				**Social Security**				**Economic Affairs**			
	80s	**90s**	**00s**	**Avg.**	**80s**	**90s**	**00s**	**Avg.**	**80s**	**90s**	**00s**	**Avg.**	**80s**	**90s**	**00s**	**Avg.**
China	11.5	14.9	13.3	13.2	5.4	5.8	4.8	5.3	1.7	2.3	7.9	4.0	53.8	41.0	30.1	41.6
Japan	9.3	15.0	12.4	12.2	13.6	20.6	22.2	18.8	18.8	18.6	23.6	20.3	7.4	8.9	9.3	8.5
Korea	18.5	17.9	14.9	17.1	1.7	1.1	0.8	1.2	7.0	9.6	17.1	11.2	19.3	22.0	21.9	21.1
Taiwan	5.2	9.2	11.5	8.6	1.6	0.6	1.3	1.1	15.2	22.3	23.8	20.5	16.7	18.4	19.2	18.1
Hong Kong	16.4	17.9	20.7	18.3	8.4	11.3	12.4	10.7	5.3	7.4	12.4	8.3	22.3	18.6	18.6	19.8
Singapore	17.0	20.3	20.9	19.4	4.8	6.4	6.0	5.7	1.2	3.3	5.8	3.4	16.6	13.4	13.1	14.3
Indonesia	11.7	8.7	4.3	8.2	3.3	2.5	1.4	2.4	.	5.9	6.5	6.2	60.9	22.7	5.7	29.8
Malaysia	16.7	20.5	23.3	20.2	4.3	5.8	6.8	5.6	4.0	3.7	4.2	3.9	24.7	19.9	18.3	21.0
Philippines	12.4	15.6	15.3	14.5	3.7	2.7	1.8	2.7	0.8	2.3	5.0	2.7	27.6	24.0	22.6	24.7
Thailand	19.6	20.9	21.0	20.5	5.4	7.1	8.3	6.9	3.7	3.5	8.5	5.2	16.0	29.8	20.6	22.1
Vietnam	.	11.7	12.5	12.1	.	4.2	3.3	3.7	.	12.4	9.0	10.7	.	27.2	29.9	28.6
Average	13.8	15.7	15.5	14.9	5.6	6.1	6.1	5.9	6.4	8.3	11.3	8.8	26.5	22.4	19.0	22.7

Source: IMF, *Government Finance Statistics*; World Bank, *World Development Indicators*; Asian Development Bank, *Key Indicators*; MIAC, *Japan Statistical Yearbook*; National Bureau of Statistics, *Statistical Yearbook of China*; General Statistical Office, *Statistical Yearbook of Vietnam*.

question, arguing that social policy in East Asia was driven primarily by the requirements and outcomes of economic development policy as part of the nation-building process (Deyo 1992, p. 289). This state-centered approach highlights three features of East Asia's welfare regime – that is, small government expenditures on social welfare, social security benefits for selective groups of industrial workers, and priority placed on education (Tang 2000).

Holliday (2000) redefines this pattern in his model called "productivist welfare capitalism" (PWC) which centers on the claim that, unlike advanced capitalist societies where social welfare generally embodies the successes of social democratic politics, East Asia's social policy is strictly subordinate to the overriding policy objective of economic growth. PWC is a concept that pays attention to the *productive* function of social policy rather than the rights-based, *protective* nature of social protection. With this in mind, Holliday (2000) asserts that social welfare in East Asia has been determined by productivist principles of (1) minimal social rights with extensions linked to productivist activity, (2) reinforcement of the position of productive elements such as education and job training, and (3) state–market–family relationships directed toward growth.

Of course, most countries in the real world exhibit a hybrid form of the welfare state, combining both *protective* and *productive* components (Arts and Gelissen 2002, p. 139). Many OECD countries with *protective* universal welfare programs have increasingly emphasized the importance of *productive* social investment policies over the past decades in order to increase economic efficiency (Jessop 2000; Hudson and Kühner 2009). However, although a combination of protective and productive elements has been emerging as a new policy trend in today's globalization era, the reform effort does not genuinely aim at a fundamental subordination of social policy to economic policy objectives. In this regard, the productive nature of East Asian welfare states is a highly peculiar, if not solely unique, feature that distinguishes East Asia from other parts of the world. Rudra (2007) also views the productivist welfare state as a system in which governments intervene in markets to promote international competitiveness of domestic firms by making social policies subject to economic goals. The core principle of productivist welfarism is thus in line with East Asia's "growth first and distribution later" strategy that has overshadowed any significant expansion of universal and redistributive welfare programs during the high-speed industrialization period (Lee and Ku 2007).

(3) Continuities and changes

A growth-oriented state and the subordination of social policy to industrial objectives are the two central aspects of productivist welfare states. However, East Asian states reveal interesting differences among themselves that constitute a certain pattern of variation. Table 2.1 shows that Japan, Korea, and Taiwan have constantly increased government expenditure on social protection during the 1980s to 2000s period. But in China, Singapore, Indonesia, Malaysia, the Philippines, and Thailand, the overall increase in social welfare and health spending has been slightly over 1 percent of GDP and much less than 10 percent of total government spending. Among others, Singapore and Malaysia continue to display reluctance for any meaningful expansion of social welfare, yet these two countries strongly support public education and vocational training. To date, they remain resistant to unemployment benefits of any sort and maintain a tightly conditioned system of social assistance (Ramesh and Asher 2000).

The variation is even more prominent in non-financial areas, as seen in the cases of Korea and Singapore. Referring to several of Japan's social policy programs, Korea has enacted a series of legislation to consolidate the foundation of its social safety net, particularly since the 1997 financial crisis (Kwon 2002; Shin 2003; Hwang 2007). When the National Pension Scheme (NPS) was introduced in 1988, it aimed to cover only large-firm employees and industrial workers, but in the 1990s, the benefits were extended to farmers, fishermen, and the self-employed. Korea also implemented an unemployment insurance program in 1995 and has extended the benefits to all workers in formal sectors during the 1990s and 2000s. Moreover, hundreds of health insurance programs that had been occupationally segregated became unified in a single and nationwide health insurance program in 2000. In addition, the Minimum Living Standard Guarantee (MLSG), a new social assistance program, was enacted for those who were in need but not entitled to public assistance under the old system. In Singapore, by contrast, austere and market-oriented social security institutions have existed since the 1950s, precluding any meaningful redistributive and adequate benefits for the economically disadvantaged. At the apex of Singapore's system lies the Central Provident Fund (CPF) which is a compulsory savings scheme designed to encourage individual responsibility for one's own retirement and other social security needs.

The contrasting patterns between Korea and Singapore are often viewed as an indicator that many of the East Asian states have been moving away from the typical mode of productivist welfare capitalism toward a more Scandinavian-style social democratic model. Some studies even cast doubt on the usefulness and validity of the concept of productivist welfarism (Kuhnle 2002; Ramesh 2003; Kim 2008; Wilding 2008). However, the divergence between Korea and Singapore hardly signifies a collapse of the productivist camp, because the expansion of social protection programs in Korea is not a fundamental shift of welfare regime, but an outcome of institutional *adjustment* to mitigate negative effects caused by changes in socioeconomic environments such as greater labor market flexibility (Kim 2002). Indeed, the imperatives of Korea's *Productive Welfare* ("saeng-san-jok pok-ji"), which was officially proposed for the first time by the Kim Young-Sam government (1993–97) and further developed by the Kim Dae-Jung government (1998–2002), provided state support for a national minimum income floor through job opportunities and training for the poor and disabled (Song and Hong 2005, pp. 191–92). That is, the expansion of social protection programs has been largely equivalent to "workfare" that aims at the creation of work incentives for the long-term growth of the economy.

In fact, the two-dimensional distinction between more redistributive approaches and more market-oriented tactics are by no means new in comparative political economy. Some scholars have already noticed this institutional divergence, arguing that East Asian states have evolved into either a social insurance model with social solidarity and universality or a market-based model associated with commodification of social security (Peng and Wong 2008, 2010). Somewhat surprisingly, however, few studies have proposed systematic typologies to examine whether and how productivist welfare states have been diversified institutionally to deal with socioeconomic challenges (Mares and Carnes 2009, p. 104). The current single-lensed PWC thesis is not comprehensive enough to account for the dynamism of East Asian welfare states. The productivist perspective, therefore, needs to be refined with a more systematic and empirical treatment. To this end, the next section explores what conceptual dimensions and indicators can be utilized to measure the presumed institutional divergence.

B. Institutional divergence of productivist welfarism

(1) Dimensions of divergence

The concepts of redistribution and market efficiency are often referred to as a set of "steering gears" of policy doctrines that form the major ideological division in political economy. They have long dominated many social policy issues, generating heated debates and rival policies among scholars and policy makers (Garrett and Mitchell 2001). Policy competition over strategic choices between redistribution and market efficiency has been prominent, particularly in Western European protective welfare states. During the 1960s and 1970s, redistributive fiscal policies were popular and widely implemented in Europe, mainly due to prosperity, equality, and full employment that seemed to be in perfect harmony as basic social rights. However, as international markets became more integrated, economic competitiveness emerged as the major issue in the early 1980s. Generous welfare benefits were blamed for causing drastic increases in non-wage production costs associated with the loss of market competitiveness. As a consequence, pressure to cut welfare programs became intense and widespread (Cerny and Evans 1999; Mishra 1999). Since then, many Western countries have undergone significant welfare reforms intended to improve economic efficiency at the cost of traditional social services and progressive tax systems. Although political costs associated with electoral competition hindered the path of welfare retrenchment (Pierson 2001), protective welfare states in Europe were largely overwhelmed by serious challenges from market competition and economic efficiency.

East Asian productivist welfare states have also encountered similar challenges as they become more integrated into the global market. Interestingly, however, East Asian NIEs have not converged into the same pattern of responses to coping with those socioeconomic challenges. They have instead opted to develop either more redistributive (risk-pooling) approaches or more market-oriented (self-reliance) strategies in accordance with changes in political and economic circumstances. While some East Asian states continue to practice anti-redistributive policies to foster long-term economic development, other nations have adopted inclusive and redistributive measures to achieve the same goal. Thus, the analysis in this chapter employs *redistribution* and *market efficiency* as two conceptual dimensions that measure the extent to which productivist welfare states vary institutionally.

First, redistribution is the process in which a common reserve of resources contributed by individuals is provided to the members according to agreed-upon rules (Ortiz 2001, p. 167). Because redistribution is a concept associated with income transfers, this study interprets it as portraying all the government's policy efforts to promote risk pooling in hopes for continued economic growth. In other words, redistribution in the productivist context is understood as strategic risk sharing with an aim to protect important human resources such as industrial workers. Redistributive measures are therefore conceived, not as a progressive development of social rights, but as a strategic choice based on economic considerations.

Second, market efficiency is a dimension to measure the extent to which governments stress an individual's responsibility for social security. In general, the intensification of market competition makes states – especially, developing economies that are relatively vulnerable to foreign capital – become more concerned with containing upward pressures on domestic costs generated by large public sectors and redistributive tax systems. Therefore, an increase in government spending on social protection is believed to distort labor markets, depress investment, and ultimately erode market competitiveness (Pfaller et al. 1991; Teeple 1995; Clayton and Pontusson 1998). This concern is particularly significant in those countries with a strong commitment to free trade and free markets, because economic globalization is often negatively associated with states' fiscal policy autonomy. With this notion in mind, this study uses the concept of market efficiency to refer to the extent of self-reliance embedded in the welfare system.

(2) Measurement of divergence

If productivist welfarism evolves along the two avenues of redistribution and market efficiency, what indicators can be used to measure the extent of institutional changes? Many studies use government spending as a "consistent" and "comparative" measure of welfare effort because data of government spending is easily available and useful for a clear comparison. However, the exclusive use of expenditure data as a proxy of welfare state development involves a critical problem. Since the government expenditure approach is implicitly predicated on the assumption that the resource of social protection is the government account only, it is likely to fail to grasp non-financial "functional equivalents" that reallocate and redistribute resources with a welfare-enhancing goal (Esping-Andersen 1990, p. 19; Kwon 1998, pp. 29–32; Ebbinghaus and Manow 2001, p. 10; Allan and Scruggs 2004, pp. 497–98; Wibble and Ahlquist 2011, p. 129).

Social protection is obviously not just a matter of determining spending amounts, but also an issue of how to design institutional arrangements. In reality, a number of less developed countries frequently use less resource-intensive methods for their social security systems (Rudra 2007, p. 386). In fact, Estevez-Abe (2008) challenges the orthodoxy of welfare state studies by uncovering the role of institutional configurations and the impact of functional equivalents such as active labor market policies. She argues that "we cannot understand the real scope and full nature of social protection in a country unless we look at the way different policy tools are combined" (*ibid*. p. 4). Skocpol (1987) further points to institutional aspects such as "the full arrays of programs," "the expansion of benefits and population coverage for each type of social protection program," and "the integration of such programs with universally available public assistance for low-income citizens." It is thus necessary to find indicators to evaluate both expenditures and institutional design.

What indicators, then, can be used to monitor institutional aspects of productivist welfarism? In general, social protection includes five broad areas: old age, health issues, unemployment, work injuries, and poverty. To deal with these socioeconomic contingencies, governments specify statutory bases of social security benefits, using one or more financial resources among (1) government's general revenues, (2) mandatory social security premiums contributed by employees and/or their employer, and (3) voluntary contributions to social security funds by employers and/or employees (Ramesh and Asher 2000, pp. 34–38). Because institutional platforms of social protection are largely dependent on the source of funds, this study intends to examine the types of financial channels for the five major social contingencies.

Table 2.2 shows that social protection institutions can be distinguished on the basis of who to fund and how to channel the funds. First, several programs financed entirely by the government take two forms: *public assistance* and *social allowance*. Second, schemes financed by mandatory contributions from employers and/or employees manifest in either *social insurance* or *individual savings* (also known as provident funds). Third, voluntary savings schemes funded by individual employers and/or employees are often backed by tax concessions. Among these three types, the analysis in this chapter examines only the first and second ones, because the main question of this research is centered on what institutional formats are designed and implemented by governments for productivist welfarism.

a. Government-financed schemes

Public assistance is a government-financed, means-tested program to relieve poverty and economic hardship of individuals and families who earn less than a specified income. It is financed entirely from general revenues, and in many cases, comes with a condition that recipients should participate in job training or self-support programs. Social allowance is another type of government-financed scheme that is offered to

Table 2.2 Types and functions of social protection schemes

	Government-financed Schemes		Compulsory Contributory Schemes		Voluntary Contributory Schemes	
Type	Public assistance	Social allowance	Social insurance	Individual savings (provident fund)	Private insurance	Contractual savings
Purpose	Poverty relief	Social compensation	Income maintenance (old age, unemployment, work injuries) and health	Income maintenance (old age, unemployment, work injuries) and health	Income maintenance (old age, unemployment, work injuries) and health	Income maintenance (old age, unemployment, work injuries) and health
Eligibility	Low-income households (means-tested)	Universal for all who meet criteria (old age, disability, pregnancy, etc.)	Contributors (non-means-tested)	Contributors (non-means-tested)	Contributors (non-means-tested)	Contributors (non-means-tested)
Funding	Tax revenue	Tax revenue	Insurance premiums (fixed) and tax revenue	Individual savings premiums (fixed)	Insurance premiums (unfixed)	Individual savings (unfixed)
Benefits	Flat rates	Flat rates	DB (contribution and earning-related)	DC (contribution and interest returns)	DC (contribution and interest returns)	DC (contribution and interest returns)
Role of government	Regulation, operation, funding	Regulation, operation, funding	Regulation, operation, partial funding	Regulation, operation	Tax concessions	Tax concessions
Risk prevention	High	High	High	Medium	Depending on premiums	Depending on savings
Risk pooling	Limited	Broad	Broad	No	Limited	No
Redistribution	High	High	High	No	No	No

Note: Adapted partly from Jacobs (1998, p. 12), Ramesh and Asher (2000, pp. 34–38), and Ku (2009, p. 145).

all who meet certain demographic, social, or health criteria, regardless of beneficiaries' income level. Both public assistance and social allowance are redistributive in nature since they are funded through tax revenues. However, public assistance is less comprehensive in terms of risk pooling, compared to social allowance programs that are mostly universal. Although these government-financed schemes are relatively simple to administer, it is unrealistic to use them as a primary social security scheme due to their expensive costs. Thus, most advanced industrialized countries use government-financed schemes as a supplementary method.

b. Compulsory contributory schemes

The second form of public social security institution includes contribution-based schemes such as state-run social insurance and individual savings (provident funds). Today, many countries actively engage in establishing, regulating, and operating either or both social insurance and individual savings programs as a means to cope with major social risks of old age, health issues, unemployment, and work injuries. Because contribution-based schemes rely mainly on financial resources of individual employees and their employers, the operation of programs does not require the government to take the initial financial responsibility. Due to their broad funding base and comprehensive population coverage, social insurance and individual savings are widely used as a basic institutional platform of social protection. Despite their common features, however, they reveal marked differences, one of which is that the former is a defined-benefits (DB) program, whereas the latter is a defined-contribution (DC) plan by nature (Holzman et al. 2000).

A DB plan specifies the form and level of benefits that the covered population is entitled to receive. Contributions are collectively pooled into a reserve and then paid to all the participating members who have contingent needs such as retirement, illness, and unemployment. Participation in risk pooling is mandatory for all workers involving diverse income classes; it is inherently redistributive, compensatory, and advantageous to the lower-income class (Van Ginneken 2003). Although social insurance benefits are provided to the working population over the lifecycle through the fund-pooling mechanism, the government is not entirely free from funding the program. Because insurance participants receive different amounts of benefits depending on their income level, deficits in social insurance funds are always possible and, in such a case, the government is expected to make up the deficits. Thus, the redistributive effect of compulsory social insurance is augmented when social insurance funds with deficits create pressure on the government to defend the pools. In fact, during the industrialization period, many East Asian NIEs often provided insurance benefits *selectively* to those who were employed in the formal sector and thereby would be able to contribute to the funds. Consequently, social protection programs have often reinforced socioeconomic inequalities, leaving the vulnerable section of the population outside the social security system. In short, social insurance in the productivist setting is a strategic means to protect key labor forces rather than a policy tool to promote social rights per se.

Second, individual savings schemes, which are essentially a DC plan, require employees and their employers to contribute a fixed portion of their wages to a savings account opened for each employee. The government centrally manages the accumulated savings of each account, and benefit levels are determined according to the total sum of the contributions and investment earnings in the account. When individuals retire or have other specific purposes such as housing, health care, and education, they receive only what they have accumulated in their account. Therefore, the scheme neither allows any deficits nor requires the government's financial responsibility. Also, due to its self-reliant nature, the defined-contribution system is believed to prevent the distortion of labor incentives. Furthermore, the savings account scheme is often used as a tool for economic policy objectives. By making it a compulsory system, the government can promote national savings. The large amount of long-term savings funds provides the government a resource for investment in development projects without inflationary consequences. Also, changes in the contribution rate can be used as an effective macroeconomic tool for inflating or deflating economic activities (Ramesh 2005, p. 1991). These advantages are a logical cornerstone of international economic organizations and mainstream economists who advocate the expansion of individual savings schemes (World Bank 1994). The downside, however, is that it provides few benefits to those who lack enough savings due to insufficient income. In other words, savings schemes have no positive effect in protecting those who are in real need.

c. Institutional selection

There is, of course, no single optimal approach that can address all types of social risks or one that is exactly appropriate for all countries. Because each scheme has its own strengths and weaknesses, most countries develop a social protection system with more than two schemes. The World Bank (1994) also suggests the adoption of a multi-tiered system consisting of (1) a state-financed component for redistributive income transfer, (2) a mandatory and fully funded defined-contribution component for savings, and (3) a voluntary and supplemental component for those who want to save more. East Asian productivist welfare states are no exception. They have sought a combination of several funding types in weaving a national social safety net. Thus, all of the East Asian states develop certain types of government-funded programs, though the level of benefits varies from state to state. Moreover, their efforts have unfolded in three directions: (1) national social insurance plans (*risk pooling*), (2) compulsory individual savings schemes (*self-help*), and (3) a combination of both (*dualist*). Japan, Korea, Taiwan, and the Philippines are examples of the first type (national social insurance), while Hong Kong, Singapore, and Malaysia are identified in the second category (compulsory individual savings). China, Thailand, and Indonesia pursue the third approach with some variation. Table 2.3 shows sets of institutional selection of social protection developed by East Asian productivist welfare states.

(3) Three models of productivist welfare capitalism

Redistribution (risk pooling) and market efficiency (self-help) are two dimensions that enable us to identify three subtypes of productivist welfare capitalism (Figure 2.2). The first type is called the *inclusive productivist welfare* (IPW), in which risk-pooling programs such

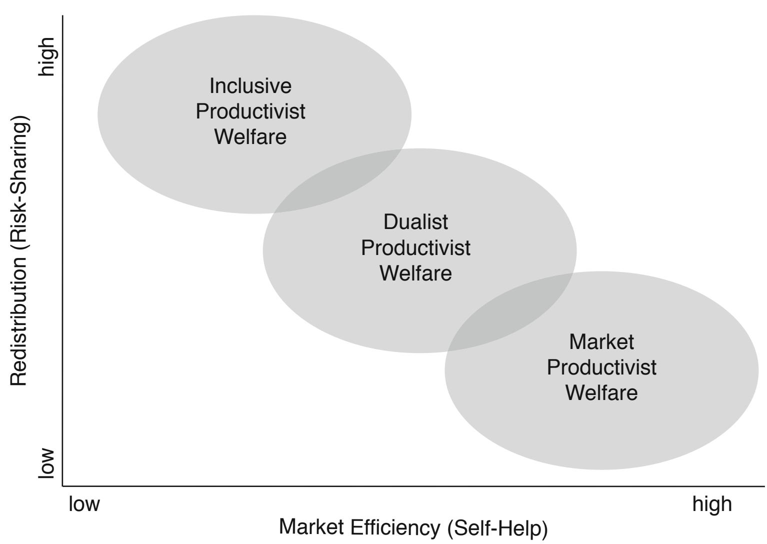

Figure 2.2 Three models of productivist welfare capitalism

Table 2.3 Institutional selection of social protection in East Asia

	Old Age	**Health**	**Unemployment**	**Work Injury**	**Poverty**
Japan	Social insurance and allowance	Social insurance	Social insurance	Social insurance	Public assistance
Korea	Social insurance and allowance	Social insurance	Social insurance	Social insurance	Public assistance
Taiwan	Social insurance and individual savings	Social insurance	Social insurance	Social insurance	Public assistance
Philippines	Social insurance	Social insurance	n/a	Social insurance	Public assistance
Vietnam	Social insurance	Social insurance	Social insurance	Social insurance	Public assistance
Thailand	Social insurance and individual savings	Social insurance and individual savings	Social insurance	Employer liability	Public assistance
China	Social insurance and individual savings	Social insurance and individual savings	Social insurance	Social insurance and employer liability	Public assistance
Indonesia	Individual savings and social insurance	Social insurance	n/a	Social insurance	Public assistance
Malaysia	Individual savings and social insurance	Individual savings	n/a	Social insurance	Public assistance
Hong Kong	Individual savings and allowance	Public assistance*	Public assistance*	Employer liability	Public assistance
Singapore	Individual savings	Individual savings	n/a	Employer liability	Public assistance

Note: *The Hong Kong government provides limited public assistance for uninsured citizens.

Source: SSA. 2013. *Social Security Programs throughout the World*.

as social insurance and public assistance are employed as a policy tool to create a socioeconomic environment conducive to economic growth. In Western capitalist societies, redistributive welfare programs are often understood as an outcome of political mobilization of leftist parties and trade unions to protect those who are placed in a vulnerable position in the economy (Korpi 1983, 1989; Katzenstein 1985). However, in the productivist welfare context, the primary goal of redistributive programs is the promotion of economic development, and such a doctrine comes into play mainly through risk pooling among those who are economically important and so entitled to participate in social insurance programs. This strategic approach was prominent particularly in Japan and Korea, where spectacular economic success was attributed to direct state interventions, such as economic development plans, total control over the banking system, state-led investment in heavy and chemical industries, and the powerful economic bureaucracy during the industrialization period. Because the protection of skilled labor is considered to be an important strategic task in this type of economy, the majority of risk-pooling and redistributive insurance benefits tends to go to middle-/upper-income groups rather than low-income households.

However, upon entering the post-industrial period, an economy becomes more diversified with the growth of the service sector and, consequently, the protection of unskilled labor emerges as a new policy agenda. In this new circumstance, productivist welfare states with redistributive strategies are placed under pressure to broaden the population coverage of social insurance and extend the benefits to those who would have otherwise remained outside the system. This "inclusive" move, however, does not necessarily indicate a fundamental shift toward the Scandinavian type of welfare capitalism, because the very purpose of IPW involves economic development. Nonetheless, it is true that the expansion of social insurance schemes of any sort tend to trigger an increase in government spending.

The second type of productivist welfare capitalism is referred to as the *market productivist welfare* (MPW) model, which focuses on the establishment of a social security system based on compulsory savings schemes. Just like its inclusive counterpart, the MPW model uses social policy as a tool for economic development. Whereas the market-oriented approach believes that risk sharing can yield positive impacts on economic growth, the advocators of MPW regard any redistributive schemes as harmful due to the inevitable increase in production costs. However, this does not mean that the market-oriented school downplays or denies the need for social protection. Recognizing the importance of a national program of social protection, policy makers build compulsory individual savings schemes in which benefits are linked entirely to contributions; therefore, the government has few financial responsibilities. In this sense, social protection is equivalent to the sum of compulsory individual savings designed to prevent economic vulnerability from social risks.

Due to its market-oriented nature, MPW is an attractive vehicle in East Asian economies with high dependence on trade and foreign capital. Needless to say, highly open economies like Singapore and Hong Kong are sensitive to the interest of global market forces, and hence one of the most important policy tasks is to create an economic environment conducive to foreign investment. For this reason, individual savings schemes are viewed as one of the most appealing and cost-effective social protection measures. However, a shortcoming of market-oriented productivist welfare is that it provides little protection to low-income households that cannot save sufficiently during their working years.

The last type is referred to as the *dualist productivist welfare* (DPW) model that adopts both *inclusive* and *market-oriented* measures simultaneously. Unlike those countries that center on either national social insurance or mandatory individual savings, the dualist model pursues a combination of both. One may think of Japan's social insurance programs because they have a multi-tiered structure encompassing both pooling and savings components (Tajika 2002). However, the contributory savings portion of them is not a mandatory program but a voluntary segment, which means that the government does not play a first-hand role in the operation of the savings component. Hence, the Japanese style of multi-tiered scheme is not labeled a *dualist* productivist welfare system.

The DPW approach is assumed to be an optimal strategy for developmental activities, particularly in countries with a large gap between manufacturing and agricultural sectors or between urban and rural areas. East Asian states with the dualist strategy tend to install market-oriented measures for less productive sectors in rural areas while implementing redistributive programs to protect industrial workers in urban areas. Thus, institutional fragmentation of social protection that generates the *formal vs. informal* and/or *urban vs. rural* divide is a salient feature of dualist welfarism. In short, formal-sector workers and urban residents are mostly entitled to participate in unified and relatively comprehensive social insurance programs; conversely, informal-sector workers and rural dwellers are typically provided with rudimentary individual savings plans or social insurance benefits with limited options at best.

C. Empirical test: cluster analysis

The previous section has explored three models of productivist welfarism – namely, inclusive productivist welfarism (IPW), market productivist welfarism (MPW), and dualist productivist welfarism (DPW) – focusing on the level of redistribution (risk pooling) and market efficiency (self-help). More specifically, the discussion has examined how social insurance and individual savings provide the institutional foundation for the three models. Is this imaginative three-model typology empirically reliable enough to convince us that the divergence is systematic and robust? The remainder of this chapter conducts cluster analysis, a method for classifying various groups into relatively homogeneous groups in order to test the presumed divergence of the productivist world.

(1) Variables

Since there is no single variable to measure the level of inclusiveness and market orientation of productivist welfare institutions, indices for IPW and MPW use multiple indicators. First, the IPW index is derived from two components: (1) the growth of social insurance programs and (2) government spending on social security and health (Figure 2.3). Both have important sociopolitical implications as to how the government institutionalizes who gets what and who pays how much (Hwang 2007, p. 133). The first component – the growth of social insurance programs – has two measurements: (1) the level of eligibility for insurance benefits and (2) the proportion of the insured population. If one merely examines whether a government provides social insurance benefits, that simple observation may yield a misleading conclusion. It is because there is a qualitative difference between social insurance programs that intend to cover the whole population and other social insurance schemes that intend to benefit only a selected group of the population (Smuthkalin 2006, p. 8). In other words, a comprehensive understanding of welfare programs requires something more than a simple "yes" or "no" observation.

In this regard, this analysis investigates the level of eligibility of insurance benefits and the proportion of the insured population instead of treating social insurance as a simple dummy variable. As seen in Figure 2.3, a value of "1" is given to a system that covers only government employees and, if the program is also institutionally designed to cover state-firm employees, it is given "2." A program covering a broader range of the population is given a "3." In this manner, a set of ordinal ranks is given from the least comprehensive ("1") to the most comprehensive

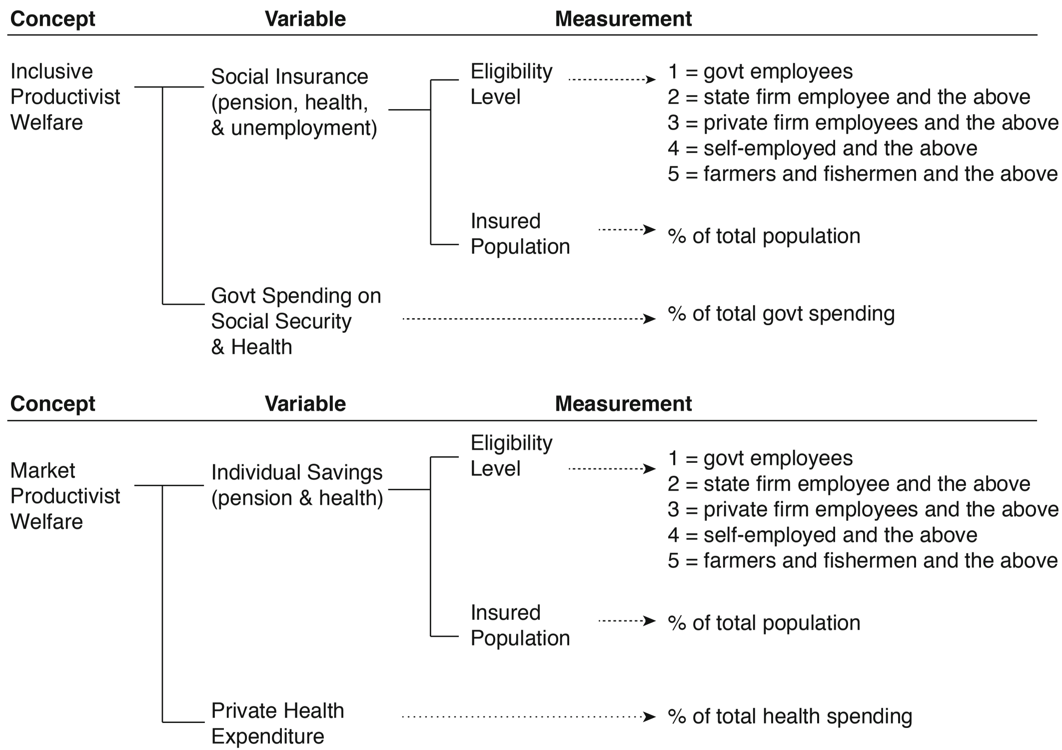

Figure 2.3 Variables to estimate IPW and MPW

("5"). While the eligibility level shows us how the program is institutionally designed, the population coverage rate demonstrates whether social insurance programs have been actually implemented and, if so, how effectively (Adam et al. 2002, p. 44).

In addition, the government-spending variable is included as the second component of the IPW index because redistributive programs such as public assistance, social allowance, and core welfare-related programs are normally funded through tax-based government revenue. For this, government spending is measured as a percent of the total government expenditure instead of a percent of GDP. Because this study aims to evaluate institutional aspects of the government's welfare efforts rather than just the size of spending, it is more relevant to see the relative weight of social welfare in the government budget (Kwon 1998, pp. 29–32; Rudra 2008, p. 92).

Similarly, the MPW index is deduced from two components: (1) the growth of individual savings schemes and (2) private health expenditure (Figure 2.3). The first component – individual savings schemes – refers to, as explained in the previous section, a system wherein all employers and employees are required to make financial contributions to employees' individual accounts for retirement benefits and medical expenses. Undoubtedly, savings-based schemes reflect the government's effort to alleviate social uncertainties based upon the self-help principle. To measure the significance of savings schemes, this study uses, once again, (1) the level of eligibility for participation in the program and (2) the population coverage rate. Plus, the MPW index includes the percentage of private health expenditure as the sum of outlays for health care by direct household out-of-pocket payments. Due to the self-help nature of private health care spending, it is reasonable to expect that productivist welfare states with strong market orientation entail a greater portion of private health spending.

(2) Analytical method and data

This analysis tests the three-model typology of productivist welfarism with cluster analysis, a multi-variate statistical method that groups similar cases that are internally homogeneous and different from other clusters. In this cluster analysis, productivist welfare states within a cluster are expected to be more similar to each other than to cases in other clusters regarding the level of inclusiveness (risk pooling) and market orientation (self-help). Cluster analysis is thus an effective method for the identification of subtypes of productivist welfarism. There are many different types of clustering methods, although all of them share the same basic principle. This study uses a hierarchical agglomerative method – more specifically, Ward's method – that searches for the N × N similarity matrix and sequentially merges the most similar cases from smaller clusters to larger ones. That is, this method starts out with each case forming a cluster of its own and then adds cases one by one to form clusters of similar cases until finally all cases come together within one group (Aldenderfer and Blashfield 1984). One of the great benefits of Ward's method is the tree diagram – also known as a dendrogram – which is widely used today for its visual illustration of the sequence of mergers of clusters. This visual display of statistical information will provide an approximate number of PWC subgroups.

The observations are made on 11 East Asian countries, with *country* and *half-decade* as the spatial and temporal units of analysis. They include Japan, Korea, Taiwan, Hong Kong, Singapore, Malaysia, Thailand, Indonesia, the Philippines, China, and Vietnam. Unlike most PWC studies that limit their analysis to Japan and the so-called "four Asian tigers," this analysis covers both Northeast and Southeast Asian countries, including both high-income and low-income countries. It also includes two transition economies of China and Vietnam. Obviously, there are many similarities among them, as the late developers in Southeast Asia follow a common path of economic strategies and social policies paved by the earlier generation of productivist welfare states (Gough 2004, p. 187). This extended application of the PWC thesis beyond Northeast Asian NIEs can reduce case selection bias while providing a more comprehensive picture of East Asian productivist welfare states.

This study uses half-decade as the temporal unit of analysis, with four time periods (1988–92, 1993–97, 1998–2002, and 2003–07). Many cluster-analysis studies target a particular single year or use the average of a certain single time interval, neglecting the possibility of temporal changes of cases. Such a static approach typically delivers a rather limited estimate of a given moment. The multi-point observation method, by contrast, can eliminate this shortcoming, showing not only how many clusters of productivist welfare states exist, but also whether and in which direction they have evolved over time. The four time periods are thus observed in the analysis, yet this study presents only the results of the first period (1988–92) and the last period (2003–07). Only these two periods are included since the differences in value between adjacent periods among those four are not tremendously significant in most cases and, consequently, the observations appear crowded around certain spots on the graph, making the dendrogram look cluttered. The simplified two-wave illustration is much easier to interpret the results of the analysis.

While most studies on advanced industrial societies benefit from the wealth of data, the relative paucity of reliable and comparable data on East Asian welfare states poses a strong challenge. Despite the limitations in scope and accuracy, however, the Asian Development Bank (ADB) provides the most useful and comparable array of social policy indicators. For this reason, ADB's data is used as a main source of information on public spending, supplemented by several databases of the International Monetary Fund (IMF), the World Bank, the International Labour Organization (ILO), and the World Health Organization (WHO). Regarding institutional forms and population coverage of social insurance and savings programs, data collected from various national data sources is used in this study.

(3) Analysis results and discussion

The results of the cluster analysis are presented in the following tables and figures. The first step of the analysis is to identify the number of clusters that persist across the region. Since cluster analysis has no likelihood-based goodness-of-fit index, this study uses a combination of a dendrogram (a visual illustration of possible clustering) and stopping rules, including the Calinski/Harabasz pseudo-F statistics and the Duda/Hart indices (Calinkski and Harabasz 1974; Everitt et al. 2001).

Figure 2.4 graphically depicts the clusters of productivist welfare states at various levels. The centering points of the dendrogram indicate clusters, and the vertical lines of the dissimilarity measure demonstrate the strength of the clustering. As hypothesized, this dendrogram displays three clusters of productivist welfare states – that is, inclusive (IPW), market (MPW), and dualist (DPW). The IPW cluster contains nine cases derived from a set of observations of Japan, Korea, Taiwan, the Philippines, and one observation of Thailand (1988–92). The MPW cluster comprises five cases involving Singapore, Malaysia, and one period of Hong Kong (2003–07). Lastly, the DPW cluster includes eight cases from China, Hong Kong (1988–92), Indonesia, Vietnam, and Thailand (2003–07).

As to the number of clusters, it should be noted that although I have presented a three-type cluster solution earlier, a two-group clustering is also a plausible candidate. However, the dendrogram does not provide any technical criteria for determining the most appropriate number of clusters; thus, we need another touchstone for the conclusion. For this reason, this study employs two stopping rules – the Calinski/Harabasz index and the Duda/Hart index – that are widely used as a technical method for statistical determination of the number of clusters (Duda

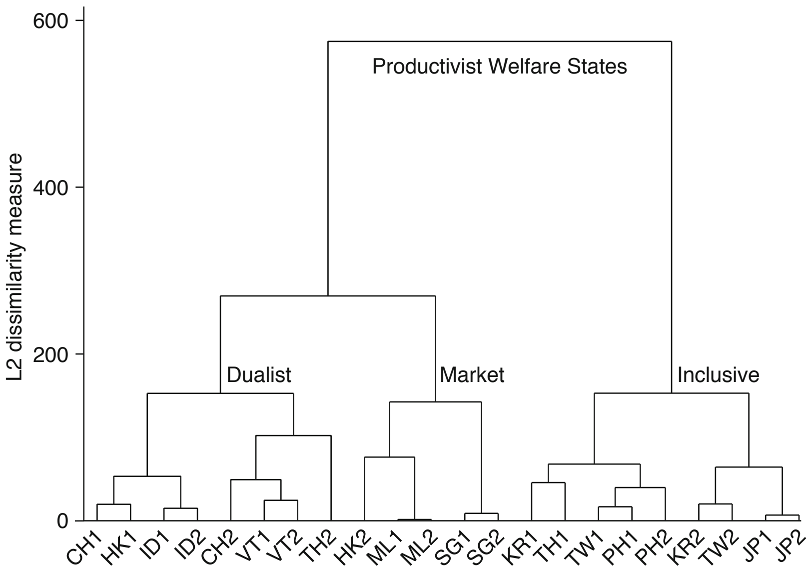

Figure 2.4 Dendrogram for cluster analysis

Note: CH (China), HK (Hong Kong), ID (Indonesia), JP (Japan), KR (Korea), ML (Malaysia), PH (Philippines), SG (Singapore), TW (Taiwan), TH (Thailand), and VT (Vietnam). The number "1" indicates the observation period of 1988–92, and the number "2" for 2003–07.

and Hart 1973; Milligan and Cooper 1985). In fact, Duda/Hart's pseudo-T-square is not a single index. It provides an additional indicator called Je(2)/Je(1) that is useful to identify an acceptable number of clusters. As a rule, one needs a combination of a "large" Calinski/Harabasz pseudo-F value, a "small" Duda/Hart pseudo-T-square value, and a "large" Je(2)/Je(1) index to obtain the most acceptable number of clusters.

Table 2.4 shows that when the number of clusters is three, the Calinski/Harabasz pseudo-F value is substantially the largest (20.21) and the pseudo-T-square value is as small as 8.41. Thus, these two values meet the requirements by and large. Although the Je(2)/Je(1) value (0.45) is somewhat less significant, the overall level of the indices of Duda/Hart can be concluded as acceptable. By contrast, the two-group clustering has a larger Je(2)/Je(1) value but with a much less significant Calinski/Harabasz value. In the case of the four-cluster model, the insignificance of pseudo-T-square is quite problematic. As such, neither two- nor four-cluster models overrule the three-group model as a convincing alternative. Therefore, it is reasonable to conclude that productivist welfare

Table 2.4 Stopping rules for cluster analysis

No. Clusters	Calinski/Harabasz Pseudo-F	Duda/Hart Je(2)/Je(1)	Duda/Hart Pseudo-T-squared
1	.	0.5202	18.45
2	17.15	0.5715	8.25
3	**20.21**	**0.4544**	**8.41**
4	19.00	0.4780	6.55
5	19.39	0.2675	8.22
6	19.78	0.2414	6.29

capitalism in East Asia is composed of three groups: inclusive, market, and dualist models.

The next question, then, is whether this divergence is fixed or changing. Scatter plots in Figure 2.5, which are derived from eight IPW indicators and five MPW indicators, illustrate that productivist welfare states have evolved markedly to either more inclusive, market-oriented, or dualist patterns over the last decades. They have become (1) more redistributive by expanding risk-pooling insurance schemes, (2) more market oriented with the self-help doctrine embedded in individual savings schemes, or (3) more dualist by embracing both.

Among the inclusive welfare states, Japan has long held its traditional stance of inclusive welfare programs. Despite its comparatively meager social spending and aversion to direct cash transfers, as evidenced in its strict means testing for public assistance, Japan has managed to achieve relatively egalitarian income distribution through a series of inclusive welfare programs. These include the National People's Pension Insurance, Employees' Pension Insurance, Seamen's Insurance, and mutual aid association schemes for government employees and private school teachers (Estevez-Abe 2008, pp. 20–30). Korea, Taiwan, and the Philippines have also undergone a marked shift toward a more comprehensive risk-sharing system over a relatively short span of time, witnessing substantial growth in welfare expenditure and social insurance programs (Aspalter 2002). Their remarkable achievement has led these nations to move upward along the IPW dimension as seen in Figure 2.5.

By contrast, the market-oriented states appear to have enhanced their self-help stance throughout the observed period from the 1980s to the 2000s. Singapore, Hong Kong, and Malaysia have developed savings programs – that is, the Central Provident Fund (CPF), the Mandatory

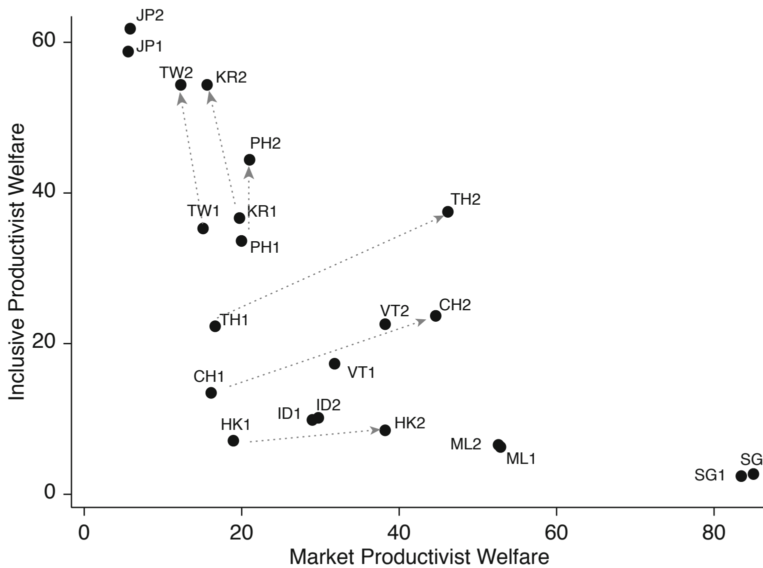

Figure 2.5 Variation in productivist welfare states

Provident Fund (MPF), and the Employees Provident Fund (EPF), respectively – as an institutional foundation of social security. These provident fund programs originated from a "survival instinct" that was prevalent among policy makers during the industrialization period (Tang 2000, p. 136). For example, when Hong Kong was handed over to China in 1997, the new administration signaled a new direction of social policy, advocating the principle of "limited state involvement," and the MPF was one of the policy outcomes (Chan 2003).

Meanwhile, China, Thailand, Indonesia, and Vietnam have pursued a dualist strategy embracing both inclusive and market-oriented measures. In China, the central leadership has made tremendous efforts to reweave a new social safety net in recent decades, presenting a new pension system consisting of multi-pillars, composed of an inclusive social pool and a market-oriented individual account (Salditt et al. 2008; Gao et al. 2013). However, those benefits are largely limited to formal sectors in urban areas. Although China's policy makers are increasingly aware that government spending and risk pooling can have multiple positive effects upon China's socioeconomic development, they are under strong pressure to reduce the overall costs of welfare provision. The overarching concerns about the growing marketization of the economy have thus led China to pursue dualist welfare programs rather than either entirely inclusive or market-oriented plans, resulting in a sharp institutional fragmentation of social security between formal sectors in urban areas and informal sectors in rural areas.

Thailand and Indonesia have taken similar steps, especially since 1997 when the devastating financial crisis hit the economies in the region severely. As a response to the crisis, the Thai government developed a social security system combining a social insurance plan for private-sector employees and a provident fund scheme for state enterprise employees. Indonesia has also expanded a provident fund system called Jamsostek since the late 1990s. Interestingly, the health component of Jamsostek is social insurance run by the government. Thus, the Indonesian government has been piloting a dualist strategy with both individual savings and social insurance schemes. However, nearly 90 percent of those in the labor force are outside of the system, even though Jamsostek is a mandatory scheme (Ramesh and Asher 2000, pp. 40–42). Due to the severe limitations of state capacity, Indonesia's MPW component, let alone the social insurance part of the program, has remained marginal.

D. Concluding remarks

Since the late 1950s, the typology of welfare regimes has been considered one of the most important issues in comparative political economy and welfare state studies. As Esping-Andersen (1990, p. 3) emphasized, identifying diversity is the foundation on which comparative empirical research can adequately unveil the fundamental properties that unite or divide modern welfare states. Without understanding the diversity of welfare types, it is impossible to address such questions as how and why welfare states differ from one another. As part of an effort to understand East Asian welfare states, Holliday (2000) offered a theoretical framework called "productivist welfare capitalism" (PWC). He argued that the social policy of East Asian NIEs was not intended for social protection via cash transfers, but rather for the imperatives of labor production, human capital formation, and sustainable economic growth under the orchestration of economic bureaucrats.

The PWC theory certainly provides important insight into the basic features of East Asian welfare states, but it hardly addresses institutional variations and temporal changes of productivist welfarism. Social insurance schemes and associated public spending are central to Japan, Korea, and Taiwan, whereas provident fund programs are essential to Singapore, Hong Kong, and Malaysia. In between these two types, China, Thailand,

and Indonesia pursue both social insurance and savings-based schemes to construct a social security system. Within the existing theoretical discourse, this presumed institutional divergence is difficult to fully understand. Also, due to the need for theoretical articulation and empirical foundation, this study has proposed three models – namely, inclusive productivist welfare (IPW), market productivist welfare (MPW), and dualist productivist welfare (DPW) – based on the levels of redistribution (risk pooling) and market orientation (self-help) of social security institutions. This three-model typology was tested with cluster analysis of data from 11 East Asian states, and the results demonstrated that institutional variation in productivist welfare is empirically robust.

The findings suggest some important implications for East Asian welfare studies. First, although East Asia's productivist welfare states share certain common features, their institutional development is not uniform. Any studies on East Asian welfare states should therefore be concerned about oversimplification when conducting comparative analysis (White and Goodman 1998, p. 19). The second implication involves the possibility of causal links between institutional variation in productivist welfare and changes in economic and political conditions. It is not a surprise that market-oriented welfare programs are often observed in "market-conforming" economies like Singapore wherein the roles and impact of foreign capital are conspicuous. By contrast, more inclusive programs are prevalent typically in countries with a "market-distorting" experience like South Korea, wherein state-led industrialization was achieved through a close connection between the state, local firms, and domestic banks. Also, inclusive welfare programs are more salient in democratic regimes. Yet no empirical studies have been conducted to explore this possible causality. The next chapter discusses the issue of what factors drive the institutional variation.

3

What Drives the Institutional Divergence of Productivist Welfare Capitalism?

In East Asia, the initial intention of social policy was not for rights-based social protection, but rather for the promotion of economic productivity. Social security and welfare policies were essentially subordinated to the imperatives of labor production; as such, the benefits were provided selectively to government employees and industrial workers, who were considered important for economic growth. The "economy-first" mind-set also led East Asian newly industrialized economies (NIEs) to spend more on human capital formation while being reluctant to expand public income transfers and social services. A set of hypotheses regarding the productivity orientation of East Asian welfare regimes resulted in an active scholarly discourse of productivist welfare capitalism (PWC). Although the PWC thesis is not widely recognized in the "mainstream" literature and some scholars question the validity of the concept and its operationalization (Hudson and Kühner 2009), we cannot overlook the fact that it offers a compelling theoretical framework to understand the key nature of social policy development in East Asia.

A careful examination, however, brings to light an important variation in PWC, especially in terms of institutional configurations of social welfare policies. As examined in Chapter 2, Japan, Korea, and Taiwan have developed compulsory social insurance schemes focused on risk pooling to cope with challenges arising from economic globalization and demographic changes, whereas Singapore, Hong Kong, and Malaysia have fostered mandatory individual savings schemes based on the self-help principle. Results of the cluster analysis in Chapter 2 confirm that this institutional variation is systematic and robust. Why, then, do some states enter the pathway to the inclusive risk-pooling system embedded in social insurance schemes, whereas others choose the market-oriented self-help doctrine entrenched in individual savings schemes? What factors promote the expansion of social insurance programs and government expenditures among productivist welfare states? What conditions drive the growth of individual savings schemes, making governments' financial burdens marginal?

A number of scholars who were concerned with the issue of welfare state development have competitively proposed rival theories since the early 1960s. However, there have been few systematic efforts to consider East Asian welfare states in those theoretical frameworks. The goal of this chapter is to tackle the general neglect of the East Asian context in comparative welfare studies by examining what is behind the birth and growth of institutional variation in productivist welfarism in East Asia. My argument rests upon the assumption that any institutional variation in social welfare policies is an outcome of changes in the economic and political circumstances that helped shape those institutions. Based on this notion, this chapter underlines two key independent variables – namely, economic openness and bottom-up political pressure.

The first argument is that various levels of exposure to international markets shape different types of social security institutions suitable for particular economic circumstances and development strategies. Although East Asian NIEs have pursued a seemingly similar type of state-led export strategy during the industrialization period, the extent and form of their reliance on foreign capital and trade were markedly different. Under the different economic conditions, globalization has brought different impacts on the economies and their welfare institutions. Indeed, individual savings–based welfare institutions have been more popular in "market-conforming" economies like Singapore, where redistributive measures are perceived as adverse to the attraction of foreign investment. By contrast, social insurance–based welfare policies are more prevalent in "market-distorting" economies like Korea, wherein the protection of skilled industrial workers from social contingencies was an important part of the state-led industrialization strategy.

The second argument is that the bottom-up political pressure that is prominent in democratic politics is a major factor nurturing institutional variation within the productivist world. In general, due to the need to secure a broad electoral base, politicians in democratic regimes are more responsive to bottom-up political pressures, resulting in the expansion of inclusive and redistributive social welfare programs. For example, the introduction of democratic electoral competition in Korea and Taiwan led the ruling parties to use social insurance and public assistance programs as a means of buying political support. Although such benefits were provided selectively during the industrialization period, they have been extended to virtually the entire population since the late 1980s when Korea and Taiwan underwent a democratic transition.

Chapter 3 is structured as follows. The next section assesses the respective strengths and limitations of existing theories to explain the institutional evolution of productivist welfare. The latter sections present the main arguments of this chapter, as well as the test results of cross-sectional time-series analysis. The last section summarizes the findings.

A. Theories of welfare state development

There are a number of theoretical explanations for the origin and development of the welfare state. Most of these theories can be categorized broadly into two domains, depending on whether the focus involves economic factors or political factors. Although each of these explanations contributes to our understanding of welfare state development, we know little about the underlying causal factors behind welfare state development in East Asia because the current theoretical discourses are mostly based on the experiences of Western industrial democracies. Despite the recent increase in the number of comparative welfare studies that deal with the developing world, East Asia is still among the least-studied regions. This section reviews a range of relevant theories in order to account for the divergence of the East Asian productivist welfare regime.

(1) Economic theories of the welfare state

Economic theories of the welfare state are based upon the functionalist assumption that economic conditions such as growth and openness are the basis of the welfare state. This strand includes three domains: the logic of industrialization, the logic of capitalism, and the varieties of welfare capitalism (VOWC). First, many of the early welfare state studies view industrialization as exerting pressure on governments to address increased welfare needs (Wilensky and Lebeaux 1958; Kerr et al. 1960; Cutright 1965; Aaron 1967; Pryor 1968: Wilensky 1975, 2002; Pampel and Williamson 1989). The main thrust of the industrialization theory is that the emergence of the welfare state is associated with changes such as the division of labor, massive migration from rural to urban areas, the rise of cyclical unemployment, and growth in an aged and urban population. Industrialization fosters these fundamental changes with the transformation of family/community life; likewise, the decreasing ability of traditional welfare providers (family members) to respond to increased welfare needs forces many vulnerable people to search for adequate welfare support. In other words, industrialization increases the pressure and demand for social protection, pushing the state to gradually embrace new tasks, including the relief of poverty, protection against the social risks of industrial society, and provision of social services (Van Kersbergen and Vis 2014, p. 35). As such, industrialization and subsequent demographic changes are understood as the main causes of the emergence of the welfare state.

Early empirical studies of developed countries demonstrated a positive correlation between the level of industrialization and aggregate social spending (Wilensky 1975). However, this correlation disappears if one repeats the analysis with both developed and less developed countries together in the sample (Mares and Carnes 2009, p. 96). Moreover, because the industrialization approach assumes that all advanced economies experience a similar transition from agrarian to industrial capitalism and converge to the same type of welfare provision, it cannot provide any hint as to why the industrialized East Asian countries like Japan, Korea, Taiwan, Singapore, and Hong Kong develop different forms of productivist welfare institutions.

Neo-Marxist and other radical theories also constitute a line of the industrialization approach, yet their major interests involve the contradiction between capital accumulation and political legitimization. According to neo-Marxist theorists, capitalist states expand social provisions as a means of political legitimization to create an environment conducive to profitable capital accumulation (O'Connor 1973; Gough 1979; Offe 1984). That is, the provision of welfare benefits in capitalist states is a useful method to assist the market by appeasing labor unrest while securing capital accumulation. Indeed, historical evidence confirms that social protection has often rescued the market by preventing market failures (Polanyi 1944). Paradoxically, however, the expansion of social welfare to bolster the legitimacy of capitalist systems often causes a fiscal crisis, which contradicts the capitalist ideals of small government and minimum production costs (O'Connor 1973). The prospects for the welfare state are bleak, as this contradiction poses a greater threat to the accumulation needs of capital. As such, the logic of capitalism provides further insight into the origin of welfare state development by revealing the contradiction firmly embedded in the capitalist paradigm. However, the neo-Marxist argument that all capitalist economies are destined to undergo a similar pattern of transition and eventually converge to the same type of welfare provision makes it difficult to notice any possible variation of the welfare state. Because of its undifferentiated conception of capitalism, the logic of capitalism fails to address the question of why East Asian capitalist economies have fostered different types of productivist welfarism.

One of the structural limitations inherent in the previous two functionalist approaches is evident in the way capitalist societies are viewed as fundamentally homogeneous and only superficially divided by the lines of locality and ethnicity. To overcome this limitation, a number of scholars have shifted their focus from convergence to the divergence of capitalism. The varieties-of-capitalism (VOC) theory, which was introduced by Hall and Soskice (2001) and now widely referred to in the literature, asserts that the resilience and specificity of capitalist institutions generate systematic differences in corporate governance, employment relations, vocational training and education, and inter-firm relations. In other words, capitalist economies with a particular type of coordination in one sphere of the economy tend to develop "complementary institutions" in other spheres. Based upon the notion of institutional complementarities, the VOC theory classifies capitalist economies into two ideal types – "liberal market economies" (LMEs) and "coordinated market economies" (CMEs). CMEs are characterized by the prevalence of non-market measures, collaboration, and credible commitments among firms, whereas LMEs are portrayed essentially as a system of market-oriented competitive relations, formal contracting, and supply-and-demand price signaling (Streeck and Yamamura 2001; Hancke 2009).

Noticing the useful aspect of the VOC thesis regarding the observable cross-national variations of capitalist institutions, recent studies have attempted to incorporate the central assumptions of VOC to understand how different types of production regimes generate different patterns of welfare state development (Ebbinghaus and Manow 2001; Swank 2002; Swenson 2002; Mares 2003; Iversen 2005). In fact, the causal link between specific economic systems and particular forms of social protection was not a popular topic until the late 1990s, mainly due to the belief that the welfare state is hardly compatible with the market. However, the welfare state is not always an institutional counter-principle of capitalism. Rather, economic strategies of firms and other actors are complementary to particular social policies and labor–market institutions (Haggard and Kaufman 2008, p. 2). Indeed, many studies demonstrate that there are "elective affinities" between capitalist models and welfare regimes – for example, corporate governance and the pension system (Jackson and Vitols 2001) and skill formation and employment protection (Estevez-Abe, Iversen, and Soskice 2001). As such, the so-called VOWC attributes the divergence of welfare state development to distinctive configurations of the financial system, corporate governance, labor relations, and employment relations (Mares and Carnes 2009, p. 101).

The findings in the VOWC literature have prompted another group of researchers to examine the relationship between development strategies and welfare policies in the developing world (Haggard and Kaufman 2008; Rudra 2008; Wibbels and Ahlquist 2011). Interestingly, all of these studies identify East Asia as a region wherein human capital formation (education and skill training) is the centerpiece of social policy. This is unquestionably an indicator of great progress in comparative political economy. However, despite the insightful contribution of this camp, the question of what causes the institutional variation in productivist welfare remains unanswered. As many economic studies have demonstrated, East Asian states are neither homogeneous nor uniform in terms of their industrial policy, the extent and form of reliance on foreign investment, or the state–society relationship (Hughes 1988; Patrick and Park 1994; Ramesh 1995; Kwong et al. 2001). Therefore, it is necessary to examine how different types of economic policies and different levels of economic openness have influenced the institutional variation of productivist welfarism in East Asia.

(2) Political theories of the welfare state

Rapid industrialization and subsequent demographic changes may explain the dramatic expansion of social welfare that occurred in Europe during the early post–World War II era. Economic globalization and the arrival of neoliberal initiatives are believed to have intensified the pressure for welfare retrenchment at the global level since the 1980s (Strange 1996; Mishra 1999; Scharpf 2000). However, all these economic theories of welfare expansion and retrenchment have limitations in explaining what differentiates welfare state development across countries in the face of pressures for welfare expansion or cutbacks. Although the economic theories provide valuable insights into the "wax and wane" of the welfare state, it is misleading to view the institutional linkages between economic factors and social protection as unconditional, because political factors also play a key role in determining the extent of welfare expansion and retrenchment. The need for an economic "pull" or intervention must be distinguished from the political "push" for expansion exerted by social political activists (Van Kersbergen and Vis 2014, p. 48).

This notion has led many scholars to explore the political conditions that affect social welfare institutions.

One of the most well-known political theories is the *power resources* approach that understands welfare state development via the historical strength of working-class forces articulated through labor unions and left-wing parties (Korpi 1983, 1989; Shalev 1983; Esping-Andersen 1990, 1996; O'Connor and Olsen 1998; Huber and Stephen 2001). Unequal economic relationships are believed to shape fundamental gaps between social classes with competing interests. In general, elections provide a set of opportunities for those classes to get benefits. Because working-class people typically vote for left-wing parties in general while upper-middle-class people vote for right-wing parties, government spending on social welfare and associated programs largely depends on the relative strength of the working class. Thus, class struggle is central to a theoretical understanding of cross-national variation in welfare expansion and is also empirically supported by a number of studies (Hewitt 1977; Castles 1982; Esping-Andersen 1985; Myles 1988; O'Connor 1988; Korpi 1989; Heidenheimer et al. 1990).

However, one of the shortcomings of the power resource theory is that indicators such as the size and density of labor unions and the percentage of left votes in national elections do not show the real strength of working classes because, in most countries, the unionized constituency of leftist parties is too small to gain control of the government (Segura-Ubiergo 2007, p. 9). Moreover, workers may not be strongly united with shared interests. Offe (1984) argues that it is more realistic to contend that strategic alliances encompassing the working class and the middle class are pivotal for the establishment, extension, and maintenance of comprehensive welfare states.

Along with much of the criticism directed toward the "old politics" of the power resources approach, recent works have formed a newer, more scholarly approach since the 1990s, labeling it as a new politics of the welfare state. The underlying premise of the so-called new politics theory is that a range of social policy options and strategies is determined, not by class struggle, but by the constitutional structure of a government (Immergut 1992; Pierson 1994, 1996, 2001; Swank 2002). Building upon two central assumptions of (1) the welfare state's enduring popularity and (2) its institutional inertia, the "new politics" theory emphasizes the impact of political institutions such as federalism, bicameralism, and a powerful presidential system on welfare state development (Starke 2006). This approach often employs the case of conservative governments in Great Britain and the United States to explain why attempts to cut back welfare programs have failed in Western democracies. Put differently, governments with a higher level of vertical and horizontal decentralization are less likely to bring meaningful changes to the existing system because of the larger number of veto players whose agreement is required for a change of the status quo (Tsebelis 2002).

However, a group of scholars disagreed with the new politics theory and have attempted to find empirical evidence showing that the old politics still matter. Yet statistical findings are rather inconclusive. Some find evidence of partisan effects on welfare expenditure in favor of the old politics theory (Garrett 1998), whereas others find evidence against it (Swank 2002). Mixed results have also been reported (Iversen and Cusack 2000; Huber and Stephens 2001; Kittel and Obinger 2003). Nevertheless, it is apparent that both "old" and "new" politics enrich our understanding of today's welfare growth and retrenchment.

But the problem is that these theoretical views do not exactly apply to the East Asian context. When East Asian productivist welfare states launched a set of social programs, there were neither significant left-wing parties nor organized labor union movements, let alone powerful civil society and interest groups. Unlike the assumption of the power resources theory, which is based on the historical experience of working-class coalitions in the Nordic countries, the implementation of East Asia's inclusive welfare programs was not due to the pressure from labor unions or any active role of left-wing parties. Prior to democratization, most class-based movements and cross-class alliances were violently repressed by the authoritarian state in East Asia. Even when labor acquired power during the democratization period (e.g., Korea and Taiwan), its interests were mostly limited to wage-related issues like minimum wage increases (Hwang 2006).

The new politics approach that emphasizes the constraining effects of veto players and institutional inertia is also unable to explain the divergence of East Asian productivist welfarism. According to Pierson (2001), past policy commitment often limits present options, creating a "lock-in" effect, regardless of the preference of the existing government. Thus, an important implication of this approach is that the broad underlying philosophy and institutions of productivist welfare capitalism continue to strongly influence the future policy trajectory, with its "sticky" productivist features. However, despite their long-standing principle that social policy is subordinated to the overriding policy objective of economic growth, East Asian NIEs have developed different pathways toward either social insurance–based institutions or compulsory savings–based systems as proved in Chapter 2. How can the new politics approach that focuses on *path-depending* effects explain East Asia's *path-departing* institutional divergence?

To address the limitations of the class-focused and institution-focused theories, another group of scholars "bring the state back in," viewing the paternalistic actions of state bureaucrats and the policy-making capabilities as the source of the origins and development of the welfare state (Heclo 1974; Evans et al. 1985; Evans 1998). In this theoretical framework, state bureaucrats are assumed to have clear objectives and motivations and possess technical knowledge relevant to the implementation of their policies. Historical evidence, particularly from East Asia's paternalistic-authoritarian states, shows that state bureaucrats who are autonomous or partially autonomous from social pressures often have their own interests in the establishment of specific welfare regimes as an integral part of state building. Obviously, the state-centered approach is useful and beneficial, particularly for the examination of authoritarian states with a strong paternalistic tradition. For example, Bismarck launched health insurance and pension programs in the 1870s to legitimize his rule while drawing workers away from the radical promises of the new social democratic movement (Flora and Heidenheimer 1981). East Asian NIEs also took similar steps, thus employing social policy as an integral part of state building, as seen in the case where civil servants and military personnel were key beneficiaries of publicly financed social security programs. Indeed, the ruling elite developed a number of social welfare programs to reinforce the bureaucracy and the military's loyalty to the regime, which was considered a prerequisite to rapid economic growth (Ramesh and Asher 2000, p. 9). The state-centered approach is certainly in line with the productivist theory; however, questions remain as to how some leaders in East Asia expanded inclusive social insurance programs, while other leaders developed market-oriented savings programs.

B. Causes of the divergence of productivist welfarism

What are the causal factors contributing to the *birth* and *growth* of a divergence between risk-pooling institutions and self-help institutions in the East Asian productivist world? The first argument of this study is that East Asian NIEs have nurtured different trajectories of the developmental paradigm, which in turn triggered institutional divergence of PWC. Especially, the extent to which they are exposed to foreign investment and trade is examined as a main factor lying behind the "birth" of variation. The second argument is that bottom-up political pressure derived from electoral competition and the strategic imperatives of political entrepreneurship facilitates the expansion of inclusive social security measures, thus widening the gap between the inclusive arrangement and the market-oriented pattern. That is, the *growth* of institutional variation is largely dependent on the degree of political pressure associated with democratic transition. Figure 3.1 illustrates the main arguments.

(1) Economic openness and the divergence

During the industrialization period, East Asian states possessed exceptional state capacity and autonomy with which they promoted export-led development (Woo-Cumings 1999). Although this is a valid generalization, one must not underestimate the existence of marked differences in the type of industry they promoted, the extent and form of foreign capital they relied on, and the level of bottom-up political pressure they encountered. In actuality, these differences have played an important role in shaping welfare systems in East Asia (Ramesh 1995, p. 234). Particularly, the pattern of foreign capital and trade is closely related to East Asia's industrialization strategies and corresponding

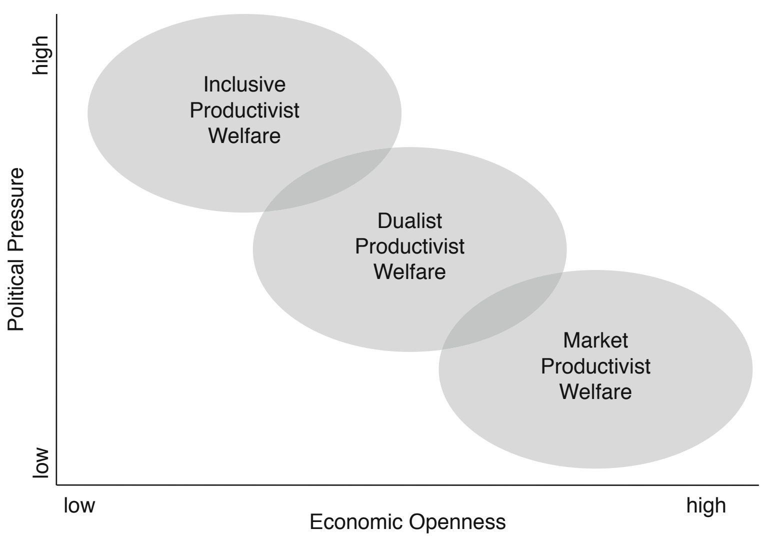

Figure 3.1 Economic openness, political pressure, and productivist welfare capitalism

social policies. Although there is no shortage of literature on East Asia's foreign capital flows and trade, few studies have examined the relationship between economic openness and social protection. This section therefore explores the causal link between economic globalization and welfare state development.

a. Foreign capital

During the period from the 1960s to the 1990s, East Asian NIEs achieved rapid industrialization, moving from labor-intensive to capital-intensive industries at a different pace. East Asia's economic success was due in part to high rates of savings and investment that enabled a rapid build-up of domestic capital stock. Capital accumulation was also facilitated by the export-oriented approach that turned East Asia into one of the most attractive places to invest. The early form of capital inflows was foreign aid, followed by export credit, bank loans, foreign direct investments, and portfolio investments as East Asia became more credit-worthy for commercial capital flows. Yet, the nature and magnitude of foreign capital in East Asian economies varied, being largely congruent with host countries' industrial policy and stage of development (Parry 1988, p. 97). Since industrial policy is essentially an effort by a government to alter the sectoral structure of production for accelerated growth, it tends to cause changes in the types of foreign capital acquisition (Noland and Pack 2003, p. 10; Wan 2008, p. 21).

Along with the emphasis on exports, the aim of industrial policy in Japan and Korea, for instance, was to build a vertically integrated economy in which some of the strategic industries could be sustained through a close connection with the state and banks without opening up the capital market to foreign investors. As epitomized by Johnson's (1982) classic study of Japan's Ministry of International Trade and Industry (MITI), industrial policy in East Asia had an entrepreneurial function that nurtured and disciplined business to achieve rapid growth (Amsden 1989; Wade 1990). For example, the Japanese government created the Japan Electronic Computer Corporation (JECC) to ease the cash flow problems of local computer producers. The government also sponsored collaborative research projects on semiconductors, which were an essential factor that made Japanese corporations competitive in the global market of information technology (Evans 1998, p. 76). In such a setting of close state–bank–industry ties, foreign capital remained peripheral and could play only a limited role in the economy under regulatory auspices (Haggard 1990, p. 197).

By contrast, Singapore and Hong Kong successfully built an entrepôt economy, wherein international capital was given better infrastructure with less state regulation. Although Singapore created the Economic Development Board (EDB), which was similar to Japan's MITI in many dimensions, its role was quite different from the Japanese counterpart because the EDB was basically in charge of attracting foreign investment rather than controlling domestic industries. To foreign investors, the EDB was a competent organization that provided "one-stop" service in the areas of construction, recruitment, immigration, employment relations, factory space, housing for employees, taxation, suppliers, and so on (Kwong et al. 2001, pp. 22–24). Hong Kong also set up a similar mechanism that was favorable to foreign investment for industrialization purposes. This market-friendly approach led Singapore and Hong Kong to emerge as a new center of international finance, commerce, and trade that "gets the fundamentals right" in the region, as exalted by the World Bank (1993).

Table 3.1 contrasts "market-distorting" and "market-conforming" economies regarding the size of foreign direct investment (FDI), based on two representative cases – Korea and Singapore. In Korea, foreign borrowing was an important source of funds for state-led industrialization, partly because interest rates on foreign borrowings were substantially lower than domestic market rates; more importantly, foreign borrowing was an effective way for the government to be able to maintain policy autonomy while getting capital from the outside (Wan 2008, p. 284). As a result, the average of Korea's borrowing was close to 5 percent of gross national product (GNP) from the late 1960s to the early 1980s under the government's tight control of the financial system (Patrick and Park 1994, p. 330).

Table 3.1 FDI inflow in East Asia (% of gross fixed capital formation)

	1985–95	**2001**	**2003**	**2005**	**2007**	**2009**	**2011**
Japan	.	0.6	0.7	0.3	2.1	1.4	–0.2
Korea	1.0	2.6	2.1	3.1	0.8	2.1	3.2
Taiwan	3.0	7.8	0.8	2.3	.	.	.
Philippines	7.4	7.0	3.7	7.5	15.5	9.2	6.7
China	6.0	10.5	8.6	9.2	6.8	5.8	6.5
Thailand	4.2	14.6	5.7	7.2	21.0	13.6	14.0
Indonesia	3.4	–9.4	–1.3	8.5	9.4	5.7	18.7
Vietnam	28.3	13.6	11.0	11.3	24.4	14.7	26.2
Malaysia	13.8	2.5	10.8	15.2	22.4	3.9	27.5
Singapore	32.9	55.5	46.5	78.9	102.1	41.8	115.8
Hong Kong	18.4	55.7	40.6	97.0	122.2	108.5	192.8

Source: Wan (2008, p. 206); UNCTAD (2013).

By contrast, Singapore has relied heavily on foreign investment since the industrialization period (Table 3.1). Between 1975 and 1990, FDI formed about 30 percent of total capital formation in Singapore, while it was only 1 percent in Korea. This ratio of foreign investment to gross fixed capital formation was certainly one of the highest among East Asian economies. Similarly, while net FDI formed about 12 percent of total foreign capital inflow in Korea during the same period, it formed 102 percent in Singapore. Throughout the 1980s and into the early 1990s, Singapore attracted over 10 percent of all FDI received by countries outside the Organization for Economic Co-operation and Development (OECD) (Perry et al. 1997, p. 15). Singapore had not only a higher level of FDI, but also a higher proportion of firms owned by foreigners. In Singapore, foreigners owned 72.6 percent of firms as of 1989, while only 50.4 percent were owned by foreigners in Korea (Yeung et al. 2001, p. 163). To be sure, foreign firms have played a much more significant role in Singapore, accounting for about 60 percent of employment and 90 percent of exports between 1978 and 1986 (Parry 1988, pp. 111–116).

b. Financial system

East Asian economies developed two broad patterns of economic strategies in spite of their similar goals of rapid industrialization. The distinctive approaches to foreign capital have, in turn, formed different types of financial systems. Indeed, East Asian NIEs intervened in domestic financial markets in different manners and to different extents (Stubbs 2005, p. 9). During the industrialization period, the governments of Japan and Korea established a closer alliance with local firms and banks, using their regulatory power to keep foreign capital screened. The financial system in these countries was essentially closed, insulated from foreign markets. Although Japan and Korea allowed some foreign banks to establish branches and finance foreign trade in order to take advantage of the lower U.S. interest rates that lasted until the 1970s, foreign financial institutions were only able to play a limited role with small market shares (Patrick and Park 1994, p. 330). In Hong Kong and Singapore, by contrast, the overall level of penetration by foreign capital was much higher, which in turn contributed to the creation of highly competitive financial markets.

Zysman (1983) labels these two contrasting patterns "bank credit–based" and "capital market–based" financial systems. The relative importance of banks and capital markets has been framed in comparative political economy in similar terms, such as "bank-oriented vs.

market-oriented" financial systems (Rybczynski 1984), "debt-based vs. equity-based" or "intermediated vs. securities-based" financial systems (Berglof 1997), and "insider vs. outsider" financial systems (Franks and Mayer 2001). The classical distinction between CMEs and LMEs is also in the same line of discussion. CMEs are characterized by the pre-eminence of non-market coordination ensuring the availability of long-term finance and corresponding economic institutions such as regulated labor markets, vocational training, and extensive coordination among firms. In such economies, credit-based financial providers (banks) play a leading role in mobilizing savings, allocating capital, overseeing the investment decisions of corporate managers, and providing risk management vehicles. By contrast, LMEs emphasize the limited role of the state and low levels of regulation and taxation. In the market-based financial system of LMEs, capital markets share center stage with banks, transferring society's savings to firms, exerting corporate control, and easing risk management (Berglof 1997). In general, bank-based systems are better able to provide stable, long-term *patient* capital to the corporate sector, which enables firms to make long-term commitments to employees. Market-based financial systems, by contrast, provide highly *liquid* capital that expects short-term profits and involves less secure employment policies (Jackson and Vitols 2001, p. 173).

In fact, the dichotomous "credit vs. market" typology fits well with East Asian cases. Undoubtedly, banks have played a significant role in the market-distorting economies where foreign capital was mostly constrained. For example, the Japanese government created a financial system in which banks and firms were interlocked with cross-shareholdings under the government's control. Unlike in the United States where banks maintain separation from firms, an industrial group system known as *keiretsu* was built around a main bank at the core in Japan (Hutchison et al. 2006). At the same time, the Japanese government virtually guaranteed banks' profits and promoted the separation of banks from international financial markets via controls on foreign ownership and the general underdevelopment of capital markets (Takahashi 2012). Indeed, between 1954 and 1984, Japanese non-financial sectors received most external funding through bank loans (45–63 percent) and trade credits (20–36 percent) rather than stocks (4–15 percent), bonds (2–5 percent), or FDI (Wan 2008, p. 284). This type of financial system was prevalent in other market-distorting economies, including Korea and Taiwan. In Taiwan, for example, state-owned banks dominated the financial system, mainly due to protection by the government that tightly controlled interest rates and restricted entry of new banks. Also, the government provided bank credit to favored state enterprises and exporting firms. As a result, bank loans increased to 70 percent of the total financing from money market, capital market, and domestic banks in 1977 and 60.7 percent in 1984 (*ibid.* p. 285).

Industrial policy supported by a bank-based financial system has been broken down in East Asia since the late 1980s, when the process of financial liberalization was accelerated with the rise of the neoliberal ideology. Nevertheless, the government's control on bank lending and episodic political intervention continued, coupled with the deregulation of non-bank financial institutions (Hamilton-Hart 2008, p. 46). In East Asia, the market-distorting economies thus had a profound and long-lasting legacy of bank-based financial systems (Park et al. 2005). This observation is empirically supported by Demirguc-Kunt and Levine (1999, 2001) who proposed the financial structure index (FSI) that aimed to quantify the level of market capitalization based on measures of size, activity, and efficiency of the financial system.

c. Trade

Trade is another area wherein differences between market-conforming and market-distorting economies can be observed. Certainly, strong export performance has been the hallmark of the East Asian economic miracle across the region. Throughout the whole process of industrialization, East Asian NIEs have almost created a cult of export. Starting with Japan, East Asian NIEs have relied heavily on exports, which were highly beneficial to economic growth. East Asian states achieved a 12 percent average annual growth rate in trade during the last quarter of the 20th century, which was more than twice as fast as the world average of 5 percent. Their share in world trade increased from 4 percent to 16 percent in the same period (World Bank 2000). However, it is also true that East Asian economies have been in sharp contrast regarding the amount of exports and imports measured as a percent of gross domestic product (GDP). Although Japan is a major trading nation, its exposure to international trade actually has not changed considerably, hovering around 30 percent in 2006–10. Trade in Korea and Taiwan also remained lower than 100 percent of GDP until 2000. By contrast, Hong Kong and Singapore have marked a tremendously high level of exposure to international trade, as seen in Table 3.2. The mean tariff rate, another indicator for trade liberalization, is near zero percent in Hong Kong and Singapore, whereas their market-distorting counterparts, including Japan, Korea, and Taiwan, have had tariff rates approaching 10 percent over the last decades. As such, their heavy dependence on trade and

Table 3.2 Trade in East Asia (export and import as % of GDP)

	1981–85	**1986–90**	**1991–95**	**1996–2000**	**2001–05**	**2006–10**
Japan	27.17	18.67	17.06	19.85	23.25	30.84
Korea	68.07	63.58	55.02	69.95	71.18	87.36
Taiwan	96.28	92.56	86.87	94.71	109.56	.
Philippines	48.38	55.21	70.20	104.13	102.48	78.96
Thailand	49.23	64.40	81.92	102.04	131.26	138.78
Indonesia	49.39	45.18	51.82	67.76	61.25	52.62
Vietnam	.	40.44	71.79	99.87	127.83	147.14
China	22.87	32.58	44.15	39.13	56.46	60.96
Malaysia	106.59	124.63	167.98	202.98	203.88	180.82
Singapore	355.85	350.54	335.14	344.03	399.96	400.22
Hong Kong	191.31	238.33	270.79	263.17	330.56	400.82

Source: Penn World Table 6.3 (2009); *World Development Indicators* (WB).

associated economic openness have led Hong Kong and Singapore to be more sensitive to the economic conditions of the global market. Furthermore, the governments simplified regulations and reduced their intervention in international economic transactions. The next logical question involves how the contrasting features of the two patterns are related to institutional variation of productivist welfarism in East Asia.

d. Economic openness–welfare nexus

In general, market-conforming economies liberalize their domestic markets so that foreign investors can play an active role, especially in capital markets. In this case, national policy autonomy is greatly influenced by global market environments and constrained by shareholders who search for short-term profits of businesses (Strange 1996; Scharpf 2000). When FDI and portfolio investment are substantial and trade is significant, both inside and outside pressures on the government are likely to constrain the range of available policy choices (Drezner 2001). Particularly, welfare spending channeled through the tax system is viewed as a factor that makes the economy less competitive in the global market due to the loss of price competitiveness (Rudra 2002). Thus, governments with liberal economic policies are more likely to utilize a variety of self-help measures for their social security system. Some other scholars, like Cameron (1978), Ruggie (1982), Katzenstein (1985), Rodrik (1997, 1998), Garrett (1998), and Hicks (1999) present an opposite view, arguing that economic globalization pushes the welfare state to provide more substantial social protection benefits as part of compensation for those who are negatively affected by global market competition.

However, the positive relationship between economic openness and welfare expansion is observed only in advanced OECD countries. Put differently, economic openness usually fosters a market-conforming system in non-Western areas that is "institutionally congruent" with individual savings–based social protection. The provident fund schemes of Singapore (Central Provident Fund [CPF]), Hong Kong (Mandatory Provident Fund [MPF]), and Malaysia (Employees Provident Fund [EPF]) are examples of this approach.

In contrast, market-distorting economies are not as vulnerable to the interests of market shareholders as their market-conforming counterparts because the governments protect domestic firms from foreign penetration by erecting trade barriers and controlling foreign capital. The firms usually rely on government-linked bank loans or government-guaranteed foreign borrowings as a main resource to fund their growth strategies. This approach is employed primarily for rapid industrialization via strong, guiding interventionist roles of the government in the market. This strategy requires the government to maintain policy autonomy against external pressure and to mobilize "patient" and "less liquid" capital for domestic industries without great concern over short-run fluctuations in the capital market (Ebbinghaus and Manow 2001; Burgoon 2001; Estevez-Abe et al. 2001; Iversen 2005). In this context, the government's main concern is how to articulate cooperative links between industries and banks and how to protect industrial workers from social contingencies. The provision of social insurance benefits for *core* industrial workers is thus one of the most stable and cost-effective methods to protect those skilled workforces (Goodman and Peng 1996, p. 207; Wibbles and Ahlquist 2011, pp. 127–28). Japan, Korea, and Taiwan demonstrate this pattern of industrialization and social security development.

(2) Political pressure and the divergence

The previous section explains why and how economic factors espouse a more inclusive (or market-oriented) social security system. Yet, one should remember that, although market-distorting economies adopted *inclusive* programs in the earlier years of industrialization, the benefits were far from being universal. The main beneficiaries of social insurance programs were a limited number of formal-sector workers who were considered central to economic growth. Interestingly, however, those benefits have often spilled over to other categories of the population over time, magnifying the institutional divergence between inclusive productivist welfare (IPW) and market-oriented productivist welfare

(MPW). If economic factors explain the *initiation* of the divergence, what conditions drive the *growth* of the divergence?

a. Democracy–welfare nexus

Non-democratic regimes sometimes adopt inclusive welfare measures (Rudra and Haggard 2005). While the majority of social policies were adopted by democracies in Europe and North America, more than 70 percent of countries in the developing world were autocracies at the time of adoption of those policies (Mares and Carnes 2009, p. 97). East Asia was not an exception. During the 1970s and 1980s, the authoritarian governments in Korea and Taiwan implemented a series of social security schemes as part of economic development strategies.

However, an *expansion* of such inclusive welfare programs requires more than just economic motivations. Democratic transition is one of the most conceivable political conditions that prompts policy makers to consider the expansion of inclusive welfare benefits. In democratic regimes, political pressure arising from the demand for social protection drives policy makers to allocate greater government revenue to social welfare (Kaufman and Segura-Ubiergo 2001; Adsera and Boix 2002). Unlike in authoritarian societies where citizens' political participation and opportunities to voice policy concerns are fundamentally limited, the dynamics of democratic electoral competition bring political leaders a greater incentive to be responsive to the needs of the people. In other words, while the costs of *adoption* of inclusive social security schemes for selected industrial workers are relatively modest for authoritarian leaders (Gallagher and Hanson 2009), the *extension* of population coverage and entitlement of those schemes requires a greater financial and political commitment than authoritarian leaders can make.

In this regard, it is fair to assume that significant growth of inclusive welfare programs rarely occurs in authoritarian productivist welfare states. The experiences of Japan, Korea, and Taiwan are good examples that demonstrate how and why political pressure in a democracy is crucial to the growth of inclusive welfare (Tang 2000, p. 60; Gough 2004, p. 201). Korea and Taiwan witnessed democratic contestation in the late 1980s, and the result was a significant shift towards state responsibility in social welfare in the 1990s. It is also reasonable to expect a similar pattern in Southeast Asia since the index of democratic governance confirms that most states with an inclusive productivist style of social insurance show a higher level of democratic rules, compared to those states with market-oriented savings schemes (Figure 3.2).

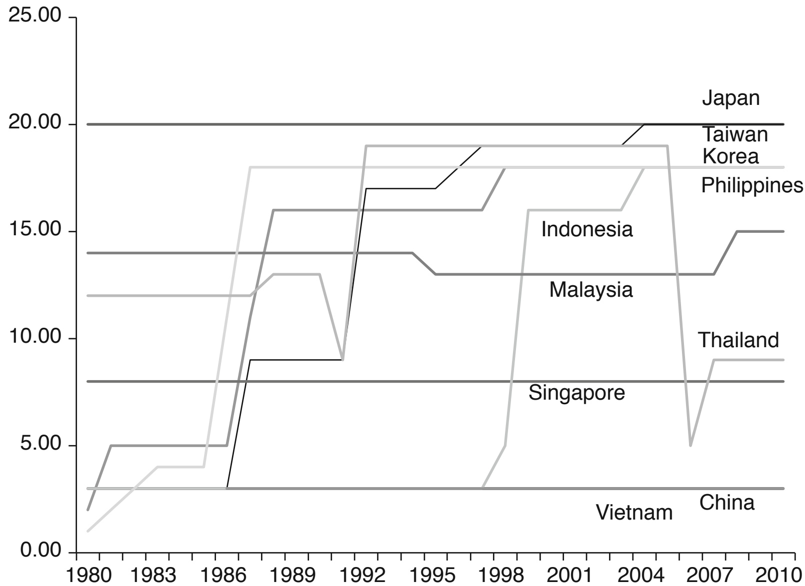

Figure 3.2 The level of democratic governance in East Asia
Source: Polity IV Database.

b. Changes in the policy context and in the state–society relationship

As explained earlier, it is logical to assume that democratic regimes encourage productivist welfare states to become more inclusive and redistributive. More specifically, democratic transition and a corresponding increase in bottom-up political pressure have influenced the variation of PWC by giving rise to (1) changes in the policy context that create the public sphere for citizens to participate in policy processes previously dominated by the state, and (2) changes in the state–society relationship that shift the nature of governance from control to accountability.

Democratic policy-making processes involve not only the state sector, but also various members of the society who may have different interests and thus intend to pursue individual goals other than collective interests set by the government (Brooks and Manza 2007, p. 25–33). Although a majority of citizens in East Asia still believes that economic growth should be the primary goal of the state, democratization brings about changes in attitudes toward the state's policy-making process (Dalton and Shin 2006). Wong's (2004) study of health policy in Korea and Taiwan provides a good example as to how the impact of democratization has altered agenda settings, interests, and idea formation, as well as actors and networks involved in policy-making processes. That is, the newly opened political spaces lead the government to reflect not only the voice of economic policy bureaucrats, but also the demands of social policy branches (Yang 2000). This is the most significant difference between authoritarian productivist states and democratized productivist states regarding the policy context (Ku 2009, p. 149).

In addition to the change in the policy context, democratization alters the vertical relationship between the state and the society by providing the people with more power. The traditional top-down power relationship is no longer a dominant form of governance in democratized productivist welfare states in East Asia. Instead, elections have become an important mechanism to determine the legitimacy of governance. To win and retain office, politicians should offer a stronger commitment to inclusive welfare measures in the political market (Segura-Ubiergo 2007, p. 38). Even conservative parties have an incentive to use social programs for wide electoral appeals (Haggard and Kaufman 2008). For example, the onset of democratization in Korea and Taiwan in the 1980s facilitated the process of political realignment, compelling ruling parties to expand the scope of social insurance coverage.

In Korea, where a voluntary health insurance system was introduced in 1963 and a compulsory system in 1976, the scope of coverage was limited to large-firm workers. However, the process of democratization and the subsequent introduction of national elections during the 1980s articulated a new course of social policy reform, pushing the government to expand social insurance coverage. As an example, the ruling party extended health insurance to farmers and workers in informal sectors in 1988 and 1989 to garner votes in presidential and legislative elections (Peng and Wong 2010, p. 662). It was also during this time that the government introduced the National Pension Scheme to appeal to the general public. In particular, it is fairly remarkable that despite the adverse effects of the 1997 economic crisis, Korea's Kim Dae-Jung government (1998–2002) made an impressive inclusive welfare drive that would have been unrealistic in non-democratic settings. The development of civil society and the proliferation of non-governmental organizations such as the People's Solidarity for Participatory Democracy, one of the most outspoken liberal organizations in Korea, placed political pressure upon the Kim government to enhance social security provisions to protect those who were unemployed or vulnerable in society (Moon and Yang 2002, p. 153).

The Taiwanese government reacted to democratization in a similar way. Initially, the authoritarian Nationalist government introduced a limited labor insurance program in 1953; however, the ruling party initiated reform discussions during the late 1980s when the democratization movement was under way and legislated a comprehensive national health insurance system in 1994 prior to the 1996 presidential election (Haggard and Kaufman 2008, pp. 225–29). This approach to understanding is applicable even to Japan, the most firmly established democracy in the region. During the 1990s, the end of the conservative Liberal Democratic Party (LDP)'s one-party dominant rule caused political realignments, creating openings for policy innovations and allowing new civil society groups to enter the policy-making process in Japan (Cheung 2009, p. 32; Peng and Wong 2010, p. 661). Thus, democratic progress and the political incentives of electoral competition in East Asia triggered the expansion and universalization of social insurance schemes that had been implemented as part of productivist efforts.

c. The rise of "critical citizens"

Without doubt, no democratic government is completely immune to the provision of social protection, though with varying degrees of commitment to the provision. Nevertheless, one should examine not only the role of the supply side (the state), but also the attitude of the demand side (citizens) in the political landscape. In general, democratic transition brings about changes in citizens' expectations of government, resulting in a marked increase in the number of "critical citizens" (also known as "dissatisfied democrats"), referring to individuals who support democracy but are not satisfied with their democratic regime (Burnell and Youngs 2010, pp. 101–02). The premise of this argument is that economic growth and democratization tend to produce a public that becomes less deferential to authority and more engaged in various protest actions with higher expectations of government. Particularly in times of economic crises or social changes, people feel insecure and are likely to challenge leaders and have more demanding standards for politics, which in turn make the position of governing elites more difficult (Inglehart 1997, p. 9). Indeed, it is widely observed that newly democratized regimes must appease a higher number of critical citizens who are dissatisfied with the performance of their representative government (Norris 1999; Newton 2006).

Recent longitudinal studies in Japan, Korea, and Taiwan support this assumption, showing a decline of political trust with respect to the performance of government and the economy over the past decades (Shin and Rose 1998; Tanaka 2001; Ahn and Kang 2002; Catterberg and Moreno 2006; Shyu 2010). Likewise, the levels of political trust and satisfaction are higher in many non-democratic states, including Singapore and China (Inglehart and Welzel 2005; Wang 2005). For example, the 1999–2000 World Value Survey (WVS) data, which assesses satisfaction with national politicians, shows that the least democratic nations reveal a strikingly higher level of regime support (Figure 3.3). By contrast, Japan, the oldest democracy in East Asia, has only 8 percent of the respondents who are satisfied with the government. Another study using the Gallup Millennium Survey also confirms that highly democratic countries like Japan, Korea, and Taiwan have low scores of political trust (Inoguchi and Carlson 2006). The East Asian Barometer and some other survey datasets commonly find that support for the government is lower in Japan, Korea, and Taiwan than in Singapore and China (Tang 2005; Wang et al. 2006; Wong et al. 2009).

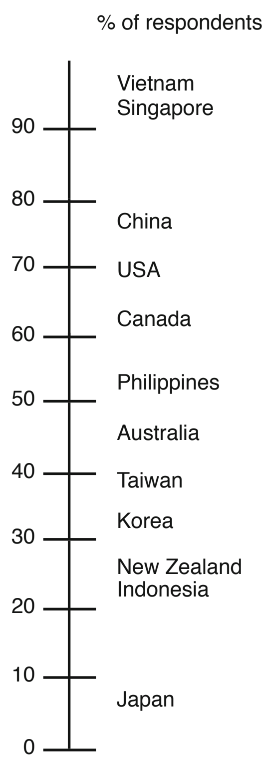

Figure 3.3 Satisfaction with the national government (% of respondents)
Source: World Value Survey 1999–2002 (Wang et al. 2006, p. 143).

Of course, a higher level of political trust is not necessarily a sign of true political support for the autocratic state. Perhaps it is a result of the hesitancy to express opposition publicly. However, these findings indicate that at least authoritarian regimes are less vulnerable to political pressure than their democratic counterparts. As such, democracies are more likely to use inclusive methods of social protection to appeal to the citizenry for political support. Policy makers in democratic Japan, Korea, and Taiwan, where support for government institutions is lower, tend to engage in the extension of coverage of inclusive social security programs. Conversely, in Singapore and Malaysia, where the vast majority of the population describes their semi-authoritarian governments as just, respectful, and responsive, there is less resistance and pressure as to the "commodification" of social welfare. In short, political attitudes of the people affect political dynamics in different respects, thus widening the gap between the inclusive pattern and the market-oriented approach of productivist welfarism.

What is noteworthy here is that in countries where the perception of the government is markedly fragmented across regions or sectors in the domestic society, both inclusive and market-oriented strategies of productivist welfarism can exist simultaneously in a fragmented manner. In China, for example, urban state–sector workers who lost their jobs and welfare benefits during state-owned enterprise (SOE) reform in the 1990s staged mass protests to highlight the broken promises of the Chinese Communist Party. As one of the methods to deal with growing dissatisfaction among urban workers, the Chinese government has developed inclusive measures such as the national pension program in urban areas. Unfortunately, those benefits have rarely been provided in rural areas where few workers and virtually none of the farmers are actively involved in job-related protests (Wright 2010). As such, the regional (or sectoral) fragmentation of political attitudes among the people can breed a dualist policy response.

C. Empirical test: cross-sectional time-series analysis

What causes the institutional divergence of productivist welfare capitalism? What leads productivist welfare states to be more inclusive or more market-oriented? As argued earlier, do the impacts of economic openness and bottom-up political pressure drive the variation? The remainder of this paper conducts cross-sectional time-series analysis to test two main hypotheses:

> *Hypothesis 1*: Economic openness has a negative impact on inclusive productivist welfare institutions, whereas it is positively related to

market-oriented productivist welfare institutions in East Asia, all else being equal.

Hypothesis 2: Productivist welfare states with a higher level of political pressure on policy makers tend to extend the benefits of inclusive programs to a broader range of the population.

(1) Variables

The goal of this research is to clarify the economic and political conditions for different trajectories of the social security institution of productivist welfarism. To this end, this analysis includes two dependent variables – namely, *inclusive productivist welfare* (IPW) and *market productivist welfare* (MPW). Once again, for these two variables, this analysis uses the IPW index and the MPW index presented in Chapter 2. The IPW index is derived from (1) the development of social insurance programs focusing on eligibility and population coverage and (2) government spending on social security and health. The MPW index is generated in a similar manner based on (1) the development of compulsory savings schemes in terms of the eligibility scope and population coverage rates of the programs and (2) the ratio of private health expenditures. See Chapter 2 for further information on the dependent variables and their measurements.

As for the independent variable, *economic openness* and *bottom-up political pressure* are presented as two key factors. First, economic openness, composed of trade liberalization and financial openness, is used as a variable to evaluate the effect of exposure to international markets on the divergence of productivist welfare institutions. Following conventional practices in most of the literature on globalization, trade liberalization is measured as total exports and imports as a percent of GDP. Since the volume of trade is affected by the size of the economy, the analysis includes country dummy variables and GDP information in order to control any possible misleading results. Regarding financial openness, gross private capital flows is measured as the absolute value of direct investment, portfolio investment, and other inflows and outflows that are recorded in the balance-of-payments accounts. This indicator is calculated as a ratio to GDP in U.S. dollars. Unlike my approach, however, some studies estimate financial openness based on Quinn's (1997) measure of capital account "regulation" (Avelino et al. 2005, p. 630). However, many of the regulation-based measures may not accurately reflect the degree of financial openness. Also, regulations do not reflect the market trend in a timely fashion because the actual movement of capital varies depending on the international economic environment. Hence, the actual amounts of capital flows are used for this analysis.

The second independent variable is bottom-up political pressure. Unfortunately, there is no indicator available to gauge the level of political pressure directly, so regime type is used as a proxy, predicated upon the assumption that the level of political pressure is generally higher in democratic regimes where electoral competition is open and significant. Indeed, as discussed in the previous section, many survey studies show that the degree of dissatisfaction with the national government and policies is much greater in democratic regimes. Therefore, regime type can be employed as an indicator to measure the level of political pressure. In this analysis, I use regime type as a dummy variable, coding 1 for democracy and 0 for the residual category of authoritarian regimes. To obtain data for this variable, I use Marshall and Jaggers' Polity IV. Since Polity IV provides a continuous measure ranging from –10 for "most authoritarian" to 10 for "most democratic," I transform the data, labeling countries with 5 and above as "democratic" and countries below 5 as "non-democratic." Table 3.3 presents descriptive statistics of the main variables.

Alongside the key variables of interest, this analysis contains several control variables that are widely used in comparative welfare studies. They are GDP (size of the economy), GDP growth rate (economic growth), urbanization, change in unemployment rate (economic shocks), population (country size), and percent of the population over 65 (demographic characteristic). Data for these variables is obtained from the Asian Development Bank's Key Indicators, the International Monetary Fund's (IMF's) Government Finance Statistics, the World Bank's World Development Indicators, and Polity IV, supplemented with various pieces of domestic statistical information. Appendix 1 provides a description of the variables, the sources of the data, and the measurement scale.

Table 3.3 Description of the main variables

	Obs	**Mean**	**Min**	**Max**	**Std. Dev.**
IPW	235	24.19	1.65	62.30	19.96
MPW	218	32.52	5.45	86.77	23.00
Trade Openness	302	121.97	16.11	456.94	106.22
Financial Openness	187	22.44	1.21	175.57	31.37
Democracy	319	0.40	0	1	0.49

(2) Analytical method and model specification

The analysis observes 11 East Asian states, including Japan, South Korea, Taiwan, the Philippines, China, Thailand, Indonesia, Vietnam, Hong Kong, Singapore, and Malaysia. With the sample period of 1980–2008, the data forms a cross-sectional time-series (CSTS) set in which each country-year represents a single observation. The full data matrix, accordingly, comprises a maximum of 319 observations (11 countries by 29 years). However, some countries in the sample have relatively weak statistical agencies; hence, limitations to the availability of the data are inevitable. Due to the problem of missing data, this analysis observes only about 180 cases. To overcome this kind of data availability problem, many studies often fill out missing data with the means of the relevant variables for each country for all available years (Wibbels and Ahlquist 2011). This type of treatment of missing data is widely used, especially in survey research, because it provides an advantage of making it possible to use all available data and thus estimating parameters on the maximum sample size (Howell 2007). However, in a CSTS dataset, this method can produce a bias in the parameter, making its validity and reliability questionable. Thus, I chose to include in the analysis the original 180 observations only, instead of filling out missing slots.

To test the hypotheses, I run a CSTS regression analysis that combines a comparison of countries and a time-series analysis. CSTS helps increase the number of observations and obtain more reliable estimators. Furthermore, since CSTS analysis does not rely on a single time point, it allows us to trace temporal patterns as well. Despite the great benefits of a pooled dataset, the spatial and temporal properties of CSTS make the use of ordinary least squares (OLS) problematic. That is, it can violate at least two of the basic assumptions of OLS estimation (Hicks 1994). One of them is that the cross-sectional structure of the data increases the chance of *heteroskedasticity* – that the variance in the error terms may be unequal across countries. And also there may be spatial processes that affect different panels simultaneously. This means that there is a possibility of substantial bias in any predictions of future development of productivist welfarism. The other potential problem is that the temporal structure of the data increases the chance of *autocorrelation* – that the errors are correlated to each other between different units at the same point in time. This means that an observation at any single point of time may not be truly independent. In theory, the presence of heteroskedasticity and autocorrelation does not bias the regression coefficients; however, it lowers the size of the standard errors and artificially increases the significance of the estimated coefficients (Gujarati 2004, p. 442). Therefore, in order to grasp a more complete picture of institutional divergence of PWC, these technical problems should be addressed.

Beck and Katz (1995) recommend two methods: (1) replacing the OLS standard errors with panel-corrected standard errors (PCSE) to fix the heteroskedasticity problem and (2) using OLS estimation with a lagged dependent variable to correct for the autocorrelation. In this analysis, I follow Beck and Katz's first suggestion to use PCSE to deal with the error term issue. The PCSE method is useful especially when, like this analysis, the number of time periods is larger than the number of cases. Regarding the autocorrelation issue, however, I chose a different method instead of Beck and Katz's second suggestion, since the use of a lagged variable is not really effective if variables do not vary over time substantially (Avelino et al. 2005, p. 629). Moreover, because the lagged dependent variable is usually the most significant explanatory factor, the high correlation between the dependent variable and its lagged variable makes almost all the other explanatory variables insignificant and even meaningless. In other words, if a lagged dependent variable is included in the analysis as an important explanatory factor, the role of other economic, political, demographic, and historical factors that are of important theoretical interest may be diminished. Achen (2000) demonstrates that a lagged dependent variable biases the substantive coefficients toward negligible values and artificially inflates the effect of the lagged dependent variable. As such, the use of a lagged dependent variable erodes the effect of the other independent variables, while it does not meaningfully contribute to the explanation.

Perhaps the best way to test the substantive theoretical propositions outlined earlier is to transform the data – which is called the Prais-Winsten estimation technique (Greene 1990). This method allows us to correct for the serial correlation while avoiding the pitfalls of using the lagged dependent variable. Plümper, Troeger, and Manow (2005) advocate the use of the Prais-Winsten transformation combined with PCSE as an estimation procedure. Reflecting the recent development of statistical techniques, this study tests the following baseline model:

$$\begin{aligned}\text{IPW}_{it} \text{ (and MPW}_{it}) = {} & \alpha_i + b_t + \beta_1 \text{ Trade}_{i,t-1} + \beta_2 \text{ Capital}_{i,t-1} \\ & + \beta_3 \text{ Democracy}_{i,t-1} + \beta_4 \text{ Trade}_{i,t-1}{*}\text{Democracy}_{i,t-1} \\ & + \beta_5 \text{ Capital}_{i,t-1}{*}\text{Democracy}_{i,t-1} \\ & + \Sigma\, (\beta_j \text{ Controls}_{i,t-1}) + e_{i,t}\end{aligned}$$

In this model, the terms α and b stand for *country* and *year* dummies, respectively. The β's are the parameter estimates, and *e* denotes the error term. The subscripts $_i$ and $_t$ indicate the country and year of observations, respectively. *IPW* and *MPW*, the two independent variables, represent the institutional development of inclusive productivist welfare and market productivist welfare. *Trade* and *capital* describe the level of exposure to world trade and capital markets. Lastly, *democracy* is an indicator to assess the presence of bottom-up political pressure. The model includes interaction terms between trade and democracy and between capital and democracy in order to examine whether the influence of economic openness depends on the level of political pressure. In this model, all of the independent variables and the control variables are lagged by one year because, as Rodrik (1997) asserts, it is theoretically reasonable to anticipate that economic and political changes take time to affect policy outcomes. In other words, any given year's economic and political conditions are expected to influence the policy outcomes of the following years due to the need for the period of policy adjustments.

(3) Analysis results

Do economic openness and bottom-up political pressure drive productivist welfare states to be more inclusive or more market oriented? The results presented in this section indicate that levels of inclusive welfarism and market-oriented welfarism are significantly affected by economic and political variables, but that the direction and intensity of the effects are somewhat mixed. The regressions yield four important findings: (1) the impact of economic openness – free trade and capital flows – is negatively associated with IPW; (2) democracy is always positively related to IPW, yet its interaction effect provides a somewhat mixed picture; (3) as the economy becomes increasingly integrated with global trade and capital markets, the level of MPW becomes higher; and (4) political pressure in democratic regimes does not significantly reduce MPW, and its interaction effect is also neither consistent nor statistically significant. In short, democracy and inclusive welfare institutions are mutually reinforcing, while the liberalization of the economy is positively associated with market-oriented institutions.

a. Inclusive productivist welfare

Table 3.4 presents the results of a set of regressions that look into the determinants of the institutional development of IPW in East Asia. Models (1) and (2) estimate the effects of economic liberalization and regime type

Table 3.4 Regression results for inclusive productivist welfare

	(1)		(2)		(3)		(4)	
	b	**PCSE**	***b***	**PCSE**	***b***	**PCSE**	***b***	**PCSE**
$Trade_{t-1}$	–.068***	.008	–.064***	.013	–.071***	.008	–.057***	.013
$Capital_{t-1}$	–.006	.010	–.036**	.018	–.001	.010	–.043**	.018
$Democracy_{t-1}$	3.766**	1.649	3.730**	1.642	23.499***	3.145	6.325	4.589
$Trade_{t-1}$*$Democracy_{t-1}$					–.191***	.021	–.033	.036
$Capital_{t-1}$*$Democracy_{t-1}$					.279**	.116	.200	.092
GDP_{t-1}			.006***	.001			.006***	.001
GDP per $capita_{t-1}$			–.001***	.000			–.001**	.000
GDP $Growth_{t-1}$			.054	.072			.067	.082
$Urbanization_{t-1}$			.088	.065			.059	.064
Δ $Unemployment_{t-1}$			–.086	.283			–.085	.314
$Inflation_{t-1}$			.051	.066			.022	.079
Δ Exchange $Rate_{t-1}$			.014	.013			.023	.017
Population $(65+)_{t-1}$			2.248***	.346			1.737***	.298
$Population_{t-1}$			–.013***	.002			–.012***	.002
Constant	29.756***	.826	13.628***	3.676	31.264***	2.299	16.035***	3.623
Observations	179		178		179		178	
Prob > Chi^2	.000		.000		.000		.000	
R^2	.274		.617		.795		.616	

Note: * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$.

on the development of IPW. As discussed in the previous section, many studies of international political economy predict that economic globalization has a negative relationship with welfare state development, whereas redistributive welfare programs are positively associated with democracy. Models (1) and (2) show that this traditional approach is parallel with the East Asian cases. Trade has a statistically significant negative influence on the expansion of insurance-based schemes, as well as government expenditures on welfare programs in East Asia. Also, financial liberalization is negatively related to redistributive programs. These findings indicate that economic liberalization hinders the development of inclusive productivist welfare in East Asia, all other conditions being equal.

However, the picture changes when the conditional effects of trade openness and financial openness are modeled with an interaction term between democracy and these openness variables. Many studies claim that since economic globalization brings about more uncertainty and volatility and, consequently, a stronger demand for social protection, democratic states facilitate an upward shift of welfare benefits (Rodrik 1997; Garrett 1998; Kittel and Obinger 2003). The coefficients for Model (3) and Model (4) show that this argument is true, but only partially so in East Asia.

Model (3)

$$\begin{aligned}IPW_{i,t} = {} & 31.26 - 0.07\ \text{trade}_{i,t-1} - 0.001\ \text{capital}_{i,t-1} + 23.50\ \text{democracy}_{i,t-1} \\ & - 0.191\ \text{trade}_{i,t-1}{*}\text{democracy}_{i,t-1} \\ & + 0.279\ \text{capital}_{i,t-1}{*}\text{democracy}_{i,t-1} + e_{i,t}\end{aligned}$$

if democracy (1): $IPW_{i,t} = 54.76 - 0.26\ \text{trade}_{i,t-1} + 0.28\ \text{capital}_{i,t-1} + e_{i,t}$

if non-democracy (0): $IPW_{i,t} = 31.26 - 0.07\ \text{trade}_{i,t-1} - 0.001\ \text{capital}_{i,t-1} + e_{i,t}$

Model (4)

$$\begin{aligned}IPW_{i,t} = {} & 16.04 - 0.06\ \text{trade}_{i,t-1} - 0.04\ \text{capital}_{i,t-1} + 6.33\ \text{democracy}_{i,t-1} \\ & - 0.03\ \text{trade}_{i,t-1}{*}\text{democracy}_{i,t-1} + 0.20\ \text{capital}_{i,t-1}{*}\text{democracy}_{i,t-1} \\ & + \Sigma(\beta_j\ \text{Controls}_{i,t-1}) + e_{i,t}\end{aligned}$$

if democracy (1): $IPW_{i,t} = 22.36 - 0.09\ \text{trade}_{i,t-1} + 0.16\ \text{capital}_{i,t-1} + \Sigma(\beta_j\ \text{Controls}_{i,t-1}) + e_{i,t}$

if non-democracy (0): $IPW_{i,t} = 16.04 - 0.06\ \text{trade}_{i,t-1} - 0.04\ \text{capital}_{i,t-1} + \Sigma(\beta_j\ \text{Controls}_{i,t-1}) + e_{i,t}$

Let us interpret the coefficients for Models (3) and (4), starting with the constants. The values of the intercept for trade openness and financial openness regressed on IPW for democracies and non-democracies are 54.76 and 31.26, respectively, in Model (3) and 22.36 and 16.04, respectively, in Model (4). This substantial gap between democracies and non-democracies signifies that the initial level of inclusive welfare is higher in democratic regimes than in their non-democratic counterparts, regardless of the independent variables on the right side of the equation. Somewhat surprisingly, the coefficient for trade openness among democratic regimes is smaller (–0.26) than that of the non-democracies (–0.07) in Model (3). This pattern is repeated again in Model (4), although the results are not statistically significant. This outcome suggests that trade liberalization has a significant reductive effect on inclusive productivist welfarism, particularly among democratic regimes that show a higher initial level of inclusiveness. In other words, democratic regimes usually develop social insurance programs and government-funded welfare programs for economic purposes, but once their economies experience a period of strong trade liberalization, they tend to retreat from the expansion of inclusive welfare programs. That is, the advance of economic globalization brings about the so-called "race-to-the-bottom" (RTB) effect in productivist welfare states (Rudra 2008).

However, the globalization effect reverses its sign when financial openness is the case. In Model (3), the coefficient for financial openness is 0.28 in democratic states and –0.001 in non-democratic regimes. Similarly, the coefficients in Model (4) are 0.16 for democracies and –0.04 for non-democracies, though their statistical significance is less than justified. This result exhibits a "compensation effect" in that democratic regimes tend to expand redistributive welfare benefits as their financial markets become more liberalized. By contrast, non-democratic states are prone to reduce inclusive benefits as financial openness increases. From these outcomes, we may conclude that trade openness causes a strong welfare-retrenchment effect, regardless of regime type, and that financial openness has a smaller and less significant but still negative impact on social protection only if the regime is non-democratic.

Figure 3.4, derived from Model (3), facilitates the interpretation of the previous results, graphically illustrating how democratic and non-democratic regimes develop inclusive welfare institutions at different degrees of economic openness. Ninety-five percent confidence intervals around the line in the figure indicate that when the upper and lower boundaries of the confidence interval are above or below the zero line, the effects are considered to be statistically significant. As seen in Figure 3.4, differences in inclusive welfare between democratic and non-democratic states decrease as the value of trade openness increases. This result is statistically significant at the 95 percent confidence level when the overall amount of trade, measured as a percent of GDP, is less than 150. Hence, although democratic regimes show a higher level of inclusive welfarism initially, the democracy effect reduces gradually as trade becomes more liberalized, up to 150 percent of GDP. On the contrary, the second figure shows that the democracy–welfare nexus is strengthened as capital markets become liberalized; however, this observation is valid only when private capital flows are approximately 10 to 20 percent of GDP. If capital inflows and outflows are greater than 20 percent of GDP and further liberalized (i.e., Hong Kong and Singapore), any "compensation" effects of democracy become insignificant and unreliable. Therefore, it is statistically justified to conclude that inclusive welfare benefits and economic globalization are inversely associated in East Asian productivist welfare states.

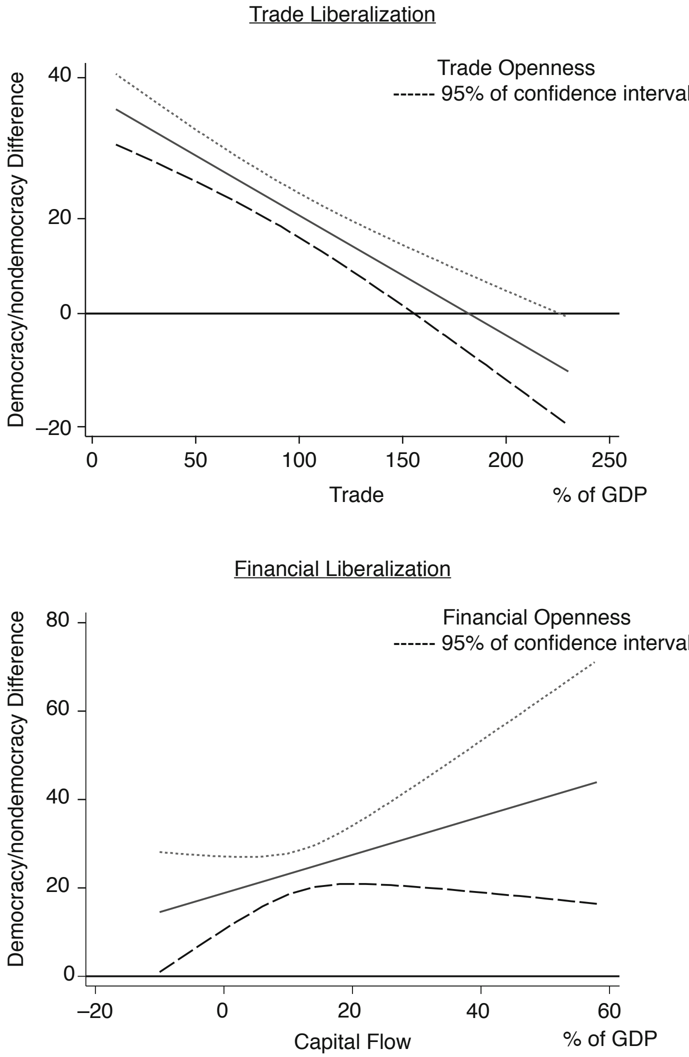

Figure 3.4 Marginal effect of democracy on IPW at different levels of economic openness

b. Market productivist welfare

We now turn to ask whether increasing exposure to international markets translates into market-oriented welfare, consistent with the theoretical expectations of this study. Table 3.5 provides strong evidence that trade

Table 3.5 Regression results for market productivist welfare

	(5)		(6)		(7)		(8)	
	b	**PCSE**	***b***	**PCSE**	***b***	**PCSE**	***b***	**PCSE**
$Trade_{t-1}$	$.189^{***}$	.019	$.227^{***}$	.016	$.168^{***}$	.019	$.237^{***}$	.021
$Capital_{t-1}$	$-.134^{**}$	.068	–.015	.038	$-.114^{*}$	.061	–.023	.041
$Democracy_{t-1}$	–.097	1.363	.138	1.472	-11.195^{***}	2.819	–1.208	3.448
$Trade_{t-1}$*$Democracy_{t-1}$					$.096^{***}$	.022	.011	.029
$Capital_{t-1}$*$Democracy_{t-1}$					.055	.094	.043	.087
GDP_{t-1}			$.014^{***}$	.003			$.014^{***}$	.003
GDP per $Capita_{t-1}$			$-.001^{***}$	.000			$-.002^{**}$	.000
GDP $Growth_{t-1}$			–.141	.089			–.111	.092
$Urbanization_{t-1}$			.082	.065			$.137^{*}$	.080
Δ $Unemployment_{t-1}$			–.310	.211			–.336	.233
$Inflation_{t-1}$			$-.148^{**}$	.073			$-.152^{**}$	.077
Δ Exchange $Rate_{t-1}$			–.016	.018			–.015	.020
Population $(65+)_{t-1}$			-3.749^{***}	.688			-1.483^{***}	.407
$Population_{t-1}$			.001	.004			–.001	.004
Constant	12.352^{***}	.826	29.262^{***}	5.184	14.805^{***}	2.507	14.196^{***}	3.748
Observations	179		178		179		178	
Prob > Chi^2	.000		.000		.000		.000	
R^2	.817		.833		.695		.785	

Note: * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$.

openness has a consistently positive effect on market-oriented institutions across model specifications, regardless of the control variables used in the analysis. The coefficients of trade openness are 0.19 and 0.23 in Model (5) and Model (6), respectively. These results are statistically significant and exactly as hypothesized. However, the second variable displays a different picture. All else being equal, an increase in financial openness is associated with a decrease of market productivist welfarism. The coefficients are –0.13 in Model (5) and –0.02 in Model (6). Although the inclusion of control variables eliminates statistical significance in Model (6), it is still notable that financial openness is negatively related to market productivist welfare. This finding gives us an empirical avenue for concluding that trade openness apparently plays a salient role in promoting market-oriented social security benefits, while financial openness discourages those benefits.

Then what about the impact of bottom-up political pressure? Table 3.5 shows that the magnitude of the democracy effect on MPW is neither strong nor consistent. The coefficients are –0.1 in Model (5) and 0.14 in Model (6). Since the causal directions are neither constant nor statistically significant, it can be concluded that democracy is not a critical factor that substantially influences the formation and development of market-oriented welfare institutions in East Asia.

Model (7)

$$\begin{aligned}\text{MPW}_{i,t} = {} & 14.81 + 0.17\ \text{trade}_{i,t-1} - 0.11\ \text{capital}_{i,t-1} - 11.20\ \text{democracy}_{i,t-1} \\ & + 0.10\ \text{trade}_{i,t-1}{*}\text{democracy}_{i,t-1} \\ & + 0.06\ \text{capital}_{i,t-1}{*}\text{democracy}_{i,t-1} + e_{i,t}\end{aligned}$$

if democracy (1): $\text{MPW}_{i,t} = 3.61 + 0.26\ \text{trade}_{i,t-1} - 0.06\ \text{capital}_{i,t-1} + e_{i,t}$

if non-democracy (0): $\text{MPW}_{i,t} = 14.81 + 0.17\ \text{trade}_{i,t-1} - 0.11\ \text{capital}_{i,t-1} + e_{i,t}$

Model (8)

$$\begin{aligned}\text{MPW}_{i,t} = {} & 14.20 + 0.24\ \text{trade}_{i,t-1} - 0.02\ \text{capital}_{i,t-1} - 1.21\ \text{democracy}_{i,t-1} \\ & + 0.01\ \text{trade}_{i,t-1}{*}\text{democracy}_{i,t-1} \\ & + 0.04\ \text{capital}_{i,t-1}{*}\text{democracy}_{i,t-1} \\ & + \Sigma(\beta_j\ \text{Controls}_{i,t-1}) + e_{i,t}\end{aligned}$$

if democracy (1): $\text{MPW}_{i,t} = 12.99 + 0.25\ \text{trade}_{i,t-1} + 0.02\ \text{capital}_{i,t-1} + \Sigma(\beta_j\ \text{Controls}_{i,t-1}) + e_{i,t}$

if non-democracy (0): $\text{MPW}_{i,t} = 14.20 + 0.24\ \text{trade}_{i,t-1} - 0.02\ \text{capital}_{i,t-1} + \Sigma(\beta_j\ \text{Controls}_{i,t-1}) + e_{i,t}$

The next question concerns the impact of an interaction term between regime type and economic openness. As for trade openness, the estimates indicate that when a country's overall trade increases, the level of MPW also increases, regardless of regime type. Model (7) shows that the coefficients are positive for both democratic and non-democratic regimes, 0.26 and 0.17, respectively. As such, popular political pressure that is usually stronger in democratic regimes and supposedly plays a meaningful role in reducing market-oriented social programs does not actually work that way in East Asia. Rather, democratic states with less significant MPW are likely to expand MPW measures to a slightly greater extent than their non-democratic counterparts as trade openness increases. This pattern, however, reverses in the case of financial openness (–0.06 in democracies and –0.11 in non-democracies), although its statistical significance is not strong. In short, the RTB approach appears more appropriate to explain the positive statistical relationship between trade and market-oriented welfare in both democratic and non-democratic productivist welfare states, while there is no robust interaction effect between regime type and financial openness. However, as seen in

Model (8), the inclusion of the control variables in this analysis takes away all these outcomes, and there is no firm ground to accept the previous statistical findings.

Figure 3.5 illustrates the previous findings graphically, showing how the marginal effect of regime type changes at different levels of trade openness and financial liberalization. In general, the level of

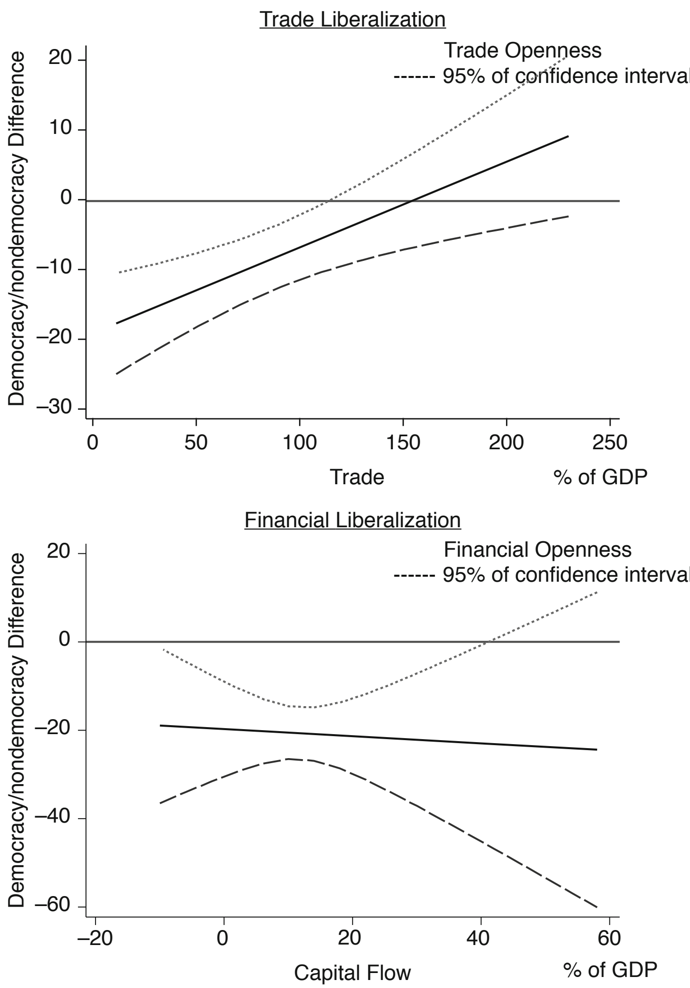

Figure 3.5 Marginal effect of democracy on MPW at different levels of economic openness

market-oriented welfarism in democracies is lower than that of non-democracies. However, the gap between democracies and non-democracies becomes narrower as the overall level of trade openness increases. In particular, democratic regimes with lower levels of trade openness tend to facilitate market-focused welfare programs as they engage in trade more actively. This trend is statistically significant when exports and imports range from 0 to 110 percent of GDP. Meanwhile, the interactive effect between regime type and financial openness is not statistically meaningful to merit further discussion.

D. Concluding remarks

Productivism is an essential feature unifying East Asian welfare states. Nevertheless, why have some of them entered the pathway of inclusive institutions (risk pooling through social insurance plans) while others have developed market-oriented institutions (self-help through individual savings schemes)? Under what conditions are inclusive productivist welfare (IPW) and market-oriented productivist welfare (MPW) abounding? The major literature that deals with welfare state development has largely neglected to examine the causal mechanism underlying the institutional divergence of productivist welfare capitalism (PWC). Chapter 3 has tackled this problem by analyzing the birth and growth of institutional variation in PWC, investigating two causal links that relate economic openness and bottom-up political pressure to institutional divergence.

The first hypothesis presented in this chapter is that economic openness has a negative impact on inclusive welfare, whereas it is positively related to market-oriented welfare in East Asia, all else being equal. The second is that productivist welfare states with a higher level of political pressure on decision makers are more likely to expand inclusive welfare programs than those which are relatively less vulnerable to bottom-up political pressure. Based on these hypotheses, this chapter has examined whether there is a causal foundation of the “race-to-the-bottom” and “compensation” effects behind the development of productivist welfare states in East Asia. The results of the regression analysis demonstrate that, first, the impact of economic openness – particularly, trade openness – is strong enough to cause substantial reduction of inclusive welfare benefits. Second, the rise of democracy and associated political pressure give rise to the expansion of inclusive social insurance programs, yet its interaction effect is neither consistent nor statistically significant. That is, democracy matters, but with some limitations.

Overall, the findings in this chapter exhibit that democratic productivist welfare states are more likely to expand social insurance–based inclusive programs, and that economic globalization compels productivist welfare states to promote individual savings–based social security programs. To be sure, the empirical analysis of this research makes a meaningful contribution to the understanding of East Asian welfare regimes, thus providing us with a bird's-eye view that allows for general assessment of the relationship between causes and effects of productivist welfarism. However, it is apparent that quantification of the attributes of PWC and its divergence cannot cover all of the details of how productivist welfare states have evolved over time. This is particularly true in the case of dualist productivism that forms a two-fold pathway integrating inclusive welfare and market-oriented welfare simultaneously. For this reason, one cannot underestimate the value of qualitative case studies that has the potential to fill the gap caused by quantitative analyses. In this regard, Chapter 4 investigates three cases of IPW, MPW, and DPW with a focus on Korea, Singapore, and China, respectively, to provide further understanding of how these statistical results can be interpreted in particular settings.

4
Three Cases of Productivist Welfare Capitalism

The early generation of the East Asian developmental states, including Japan, Korea, Taiwan, Hong Kong, and Singapore, has been a favored topic of comparative political economy over the last decades. This is not a surprise if one considers the distinctiveness of their paths to economic growth. The distinctiveness has been termed the "developmental state," the essence of which is the foremost and single-minded priority of state policy in economic development (Woo-Cumings 1999). Within this developmental paradigm, a strong commitment to *protective* social welfare is regarded as inefficient and wasteful. This is why East Asian developmental states have espoused certain forms of institutional arrangements of productivist welfare capitalism (PWC) since the early stage of industrialization.

At first glance, the combination of productivism and social protection may look enigmatic because social protection is not what is logically expected in the productivist paradigm. As explained in the previous chapters, however, the primary goal of social protection in the productivist context is not the promotion of social rights per se, but rather the promotion of economic productivity. East Asia's social policy development is considered distinctive for this reason. Indeed, during the industrialization period, social welfare provisions such as pension, health care, unemployment, and education were largely subordinated to the imperatives of labor production, human capital accumulation, and rapid economic growth. In particular, this productivist strategy has been widely used as part of nation-building efforts since Japan established the prototype of productivism during the late-19th-century Meiji Restoration (Goodman and Peng 1996).

Yet, East Asia's pathways toward productivist welfarism are not uniform. As proved in Chapter 2, institutional features of the productivist approach have evolved toward more inclusive (risk pooling via social insurance) or more market-oriented (self-reliance via individual savings) directions. To explain the divergence of productivist institutions, Chapter 3 offers two major independent variables. The first factor is economic liberalization – the extent to which productivist welfare states are exposed to global trade and capital markets. The second variable relates to the extent of bottom-up political pressure embedded in democratic regimes in general. The statistical results largely support the hypotheses, indicating that economic openness is closely associated with market productivist welfare (MPW), while democracy tends to foster inclusive productivist welfare (IPW), although the interaction effect of democracy is not very strong statistically. The findings from the quantitative analyses exhibit a general trend of the institutional divergence of productivist welfarism. However, quantitative approaches are not sufficient to grasp a richer and more nuanced understanding of how economic and political factors have shaped different patterns of welfare development.

This chapter therefore explores three exemplary cases that provide a closer look at the impact of economic and political factors on the institutional divergence. The cases include Korea's inclusive approach (IPW), Singapore's market-oriented strategy (MPW), and China's dualist arrangement (dualist productivist welfare [DPW]). The first half of each case surveys the institutional features of social protection programs, particularly focusing on the old-age pension and health care schemes believed to be essential to the understanding of the pattern of risk pooling and self-reliance due to their massive political and economic impacts. The second half of each case examines how political and economic conditions have influenced the formation and evolution of productivist welfarism in Korea, Singapore, and China, respectively.

A. Korea: inclusive productivist welfare

Productivist welfare programs in Korea were developed in order to cultivate a workforce that was believed to further economic development. In the 1960s and 1970s, the authoritarian Korean government began to increase public support for education and chose to provide social security benefits for industrial workers as well as civil servants, military personnel, and public school teachers, who were viewed as critical for the regime's survival. The overriding concern, however, was not only how to protect strategic human resources for economic growth and regime stability, but also how to minimize the financial burden of the state. To address this problem, the government created a limited insurance-benefit system in which a significant portion of financial responsibilities would be transferred to companies and families. Firms, especially in big manufacturing industries, were willing to provide their workforce with company-sponsored social security benefits because the provision of social security benefits was compatible with the need of firms to protect skilled workers from social contingencies (Kwon and Lee 2011). As such, a combined contribution of firms and employees became the major funding source for inclusive productivist welfare in Korea. Based on this policy initiative, several compulsory social insurance programs were introduced as an institutional foundation, yet in a way not to cause significant expansion of public welfare spending by limiting the scope of beneficiaries.

However, it was demonstrated in 1997, when the Asian financial crisis severely shook the Korean economy, that the limited inclusive welfare programs were neither sufficient nor effective in keeping the general public from unprecedented socioeconomic hardship. As part of the efforts to overcome the crisis, the Korean government started to further extend existing inclusive welfare benefits to almost the entire population, including those who would have otherwise been left outside the social protection system. As a result, the population coverage rates of the national pension scheme, national health insurance, and unemployment insurance have increased remarkably since the late 1990s. Due to this substantial expansion of social insurance programs, Korea is often viewed as if it has been transformed into a social democratic type of welfare state (Kim 2002). But, in fact, the motivation of the inclusive welfare expansion was to minimize any possible adverse effects that might result from structural adjustment policies in the wake of the economic crisis (Kwon and Holliday 2007). Indeed, even after the remarkable extension of population coverage, the primary principle of social policy has remained in line with the promotion of economic growth (Haggard and Kaufman 2008, p. 250). That is, changes in economic circumstances, such as the rise of financial liberalization, have not fundamentally altered the essential character of Korea's productivist welfarism, but rather have propelled the expansion of inclusive welfare benefits as a buffer to absorb negative impacts of the foreseeable increase of labor market flexibility.

The following discussion in this section sheds light on the continuity and change of productivist welfarism in Korea, exploring associations with changes in economic and political circumstances. Particularly, it explains how "market-distorting" economic strategy created limited IPW in Korea, and that political pressure, coupled with the transition to democracy and periodic electoral competitions, has served as a main catalyst for the expansion of IPW.

(1) Development of Korea's Inclusive productivist welfare

a. Pension insurance system

The history of the public pension insurance system goes back nearly 50 years to 1960 when the Government Employees Pension (GEP) system was established. Soon after the adoption of the GEP, the Korean military regime set up two special pension schemes for military personnel in 1963 and then for private school teachers in 1975. Meanwhile, a national pension program for private-sector employees was proposed in 1972 by the Korea Development Institute (KDI), a government think tank of the Economic Planning Board (EPB), and was established with the goal of enhancing economic plans for industrialization. Considering social development as part of economic policy, the KDI began to engage with social policy-making in 1972 and proposed an idea that social policy would facilitate economic growth within the given economic policy paradigm. In the 1970s, the government made an important change in its grand economic strategy from export-led industrialization coupled with import substitution to the heavy chemical industry. As a result, it was required to mobilize a substantial amount of national resources and domestic capital. The KDI proposed a national pension as a means of capital mobilization to fund the heavy chemical industrialization drive of the Park Chung-Hee regime, which was deeply involved in designing social welfare programs centering on economic development (Yang 2000, p. 104; Hwang 2006, p. 57).

Although the government initially supported the proposal, the implementation of a national pension was suspended indefinitely because of the first oil shock in 1973 followed by the worldwide recession and high inflation. It was not until 1986 that the proposal was reintroduced to the government. The National Pension Act of 1986 was almost identical to its predecessor with only minor changes. One of those changes was that the 1986 proposal covered all workplaces that hired 10 or more employees, whereas the 1973 plan had aimed to limit the coverage to firms with more than 30 employees. The 1986 proposal seemed at first glance to be quite inclusive in terms of population coverage. In reality, however, it covered only 32 percent of the economically active and relatively well-off population. The newly proposed National Pension Scheme (NPS) was finally implemented in 1988, covering individuals working in firms with more than ten employees, which was about 4.4 million workers and 26.5 percent of the total employed population.

During the Roh Tae-Woo presidency (1988–92), the number increased to over 5 million, covering all firms with five or more employees. In 1995, President Kim Young-Sam (1993–97) extended the program to the self-employed in rural areas because pension coverage expansion was one of his presidential electoral pledges (Yang 2004, p. 197). As a result, the NPS grew once again, covering an additional 3 million people in the private sector, and over the years the coverage has been extended continually. In particular, the coverage of the NPS increased remarkably in 1999 as it was extended to all employees in the private sector and the urban self-employed, which was almost 86 percent of the entire employed workforce. This significant coverage extension was mainly due to the 1997 Asian financial crisis that had devastated the Korean economy. In the wake of the crisis, the Kim Dae-Jung administration (1998–2002) developed several social welfare programs, including the NPS, as compensation for neoliberal structural adjustments to overcome economic difficulties. Since then, the Korean government has been striving to raise the coverage rate to 100 percent, with an aim of opening a new era of universal pensions in which most workers and self-employed people are covered by a single, unified national pension scheme, excepting the government employees, military personnel, and private school teachers, who are covered by separate programs.

When the pension plan was introduced in 1986, one of the major purposes was the government's investment of the accumulated funds into the public sector and economic development programs. Indeed, the government had anticipated almost $5 billion in the fund for the first year of the NPS. With this motivation, the EPB formulated the Fiscal Investment and Financing Special Account Act that allowed government ministries such as the Ministry of Construction and Transportation to be able to use the NPS funds at lower interest rates. Despite questions about the accountability and sustainability of the plan, an arbitrary use of the fund was taken for granted from the very beginning. As a consequence, the use of the NPS fund in the public sector reached more than 70 percent in 1998 (Hwang 2006, p. 74). The discretionary operation of the NPS funds that were solely financed through the contributions of employees and employers became quite prevalent during the 1980s and 1990s. This is one of the examples of how the Korean government used social welfare programs as a policy tool for economic growth.

The problem, however, was not only the diversion of the fund. The NPS has often been criticized for its low-contribution and high-benefit structure that exacerbated the sustainability problem. The contribution rate of the NPS, shared evenly between employees and their employers, was initially 3 percent and remained at that level until 1992 and then increased to 6 percent during the period of 1993–98. Compared to the rates in other welfare states, 6 percent was deemed too low to sustain the system. Table 4.1 shows that the contribution rates of European welfare states, for example, were about 16 to 18 percent as of 1998 – three times larger than Korea's contribution rate. Moreover, the high benefit level made the financial sustainability more unlikely in Korea. As seen in the table, the average final income replacement rate was as high as 70 percent, and this full pension benefit was available on reaching just 60 years of age after 20 years of contribution. Given the policy principle of productivist welfarism, this generosity was unrealistic and implied that the Korean government was not serious about political accountability and financial sustainability when it introduced the NPS in 1988.

In fact, the KDI was already aware from the very beginning that the fund would be depleted by 2040 (Kwon 2002). Indeed, the financial sustainability problem and associated inherent structural weakness of the system became urgent; thus, the government had to decide whether to subsidize the pension fund, raise the level of contributions, decrease the benefit level, and raise the pensionable age. Because massive government subsidies would negatively affect its budget, the Kim Dae-Jung government (1998–2002) proposed to reform the NPS law to increase the retirement age to 65 and reduce the benefit level by 10 percent. Based upon the reform proposal, the Kim government adjusted the overall level of benefits down to 60 percent and increased the contribution rate to 9 percent in 1999 while continuing to extend coverage to a wider population.

Overall, the NPS underwent three stages: initiation (1973), implementation (1988), and reform (1998). At the initiation stage, the very design of the NPS was greatly influenced by economic bureaucrats who guided the policy paradigm of economic development. Social protection was simply subject to economic strategies, particularly the vested political interest of the military regime. The risk-pooling effect of the

Table 4.1 Levels of contribution and benefit of national pension schemes (as of 1998)

Country	Germany	France	Sweden	Japan	Korea
Contribution rate (%)	18.6	16.35	20.3	16.5	6
Income replacement rate (%)	60	50	60	69	70
Retirement age (male/female)	65/60	60/60	65/65	60/59	60/60

Source: Yang (2004, p. 197).

NPS was believed to bring several advantages to the regime politically and economically by providing a large sum of accumulated funds. This expectation was materialized when the NPS was implemented in 1988. Because political leaders believed that the NPS would not only promote the economy, but also help win the presidential election in 1988, the government launched an unrealistic structure of the NPS with low contributions and high benefits. But the sustainability problem arose when the 1997 financial crisis hit the Korean economy and, as a response, the Kim Dae-Jung government embarked on the first major reform of the NPS.

b. Health insurance system

The Park Chung-Hee regime enacted the Health Insurance Act in 1963 soon after the military coup d'état of 1961. In designing pilot programs, particular preference was given to a social insurance scheme that aimed to benefit industrial workers first. At the same time, those programs were designed in a way to enhance the development of the national economy without budget increases, which was believed most suitable to Korea. Based on this belief, a health insurance bill was passed, allowing only the voluntary participation of employees who worked in firms with over 300 employees. This voluntary system remained almost intact until 1976. The government revised the Health Insurance Act substantially in 1976, integrating the principle of mandatory participation and universality. In practice, however, the principle of mandatory participation was applied only to employees working in large firms with more than 500 workers. That is, the act provided privileged insurance benefits to large-firm workers while retaining the voluntary principle to workers in smaller firms and the self-employed (Hwang 2006, p. 88). Among the latter group of people, those who wanted to join the insurance program had to pay a higher rate of premiums. Because health insurance was seen as a means to protect large-firm workers who were expected to lead the national economy (mainly in heavy chemical industries), most non-members and voluntary members faced greater discrimination than the mandatory insurance members in the system. As such, national health insurance was primarily for workers in large corporations who could afford to pay the premiums.

Yet, health insurance was gradually extended in 1979, benefiting workers in firms with 300 or more employees. Later, it was further extended to cover workers who were employed in firms hiring 100 employees in 1981, 16 employees in 1983, and then much smaller workplaces hiring more than 5 workers in 1988. The government began to extend health insurance even to the self-employed in the early 1990s. The extension of health insurance benefits to the self-employed was a way to deal with the widening gap between the "insured employed" and the "uninsured self-employed." Because the health insurance system reimbursed care providers based on a regulated fee schedule, the providers charged higher fees to the uninsured. This unfair practice of regulated fees and unregulated fees caused discontent among the uninsured, which would significantly undermine political legitimacy of the authoritarian regime (Kwon, S. 2009, p. 65). Due to this political concern, the health insurance program underwent a series of extensions and finally became universal in 1989, benefiting the self-employed in rural and urban areas. As a consequence, almost 94 percent of the population had public health insurance in 1990 and up to 99 percent in 2008.

The adoption of compulsory health insurance and the inclusion of the self-employed in both rural and urban areas of Korea indicated that health insurance became nationwide and available to almost all. However, another problem was the absence of a unified national health insurance system in Korea. At each stage of the development of national health insurance system, numerous health insurance societies were created for three broad types of occupational and regional categories until 2001. The first type was for government employees and private school teachers and their dependents, which was administered by a single insurance society. The second type was for industrial workers and their dependents, which was managed by about 140 insurance societies. The last type was for the self-employed and workers in firms with fewer than five employees, and that was handled by about 230 insurance societies (*ibid*. p. 65). Although all these three types of health insurance societies were part of the National Federation of Medical Insurance regulated by the Ministry of Health and Welfare, each insurance society was financially independent, managing its members in autonomous ways with varying rates of contributions and benefits. For example, prior to the merger and unification of insurance societies in 2001, each of them set insurance premiums independently, ranging between 2 and 8 percent of the monthly wage. The average contribution rate was 5.6 percent for government employees and school teachers and 3.75 percent for industrial workers, with a range of 3 to 4.2 percent (Hwang 2006, p. 92). The increase in the number of insurance societies brought about arbitrary administrative practices of the societies and inequality issues among the insured. The regional fragmentation of health insurance also caused a similar problem of inequality and unfairness. Before the merge, the health care system had been divided into three regions, including 138 medium-sized regions, 8 large regions, and 1 nationwide region. In this regional system, all the patients had to see medical doctors in their local clinics, except for certain medical conditions. Without a referral from their local family doctor, individuals could not get medical treatment in other regions. While urban residents benefited from high-quality medical services even for primary care at relatively lower costs, rural residents had only primary medical treatment (Choi 1996, p. 79).

This underlying problem of inequality and unfairness emerged as a serious political issue for the first time when health insurance became universal in 1989. As regional insurance members increased noticeably in both rural and urban areas, inequality between rural and urban residents became an important issue in upcoming elections. Recognizing the political significance of the integration of Korea's health care system, the National Assembly passed a reform bill in 1989, calling for the merger of insurance regions and societies. However, President Roh (1988–92) vetoed the bill because the merger of the financial system for the National Health Insurance (NHI) would require a greater administrative role and substantial financial obligation of the government. As a semi-authoritarian regime, the Roh government could not overlook a sizeable increase in government social spending and any potential negative impacts of the integration on its "selectorate" and "winning coalition" – mostly the high- and middle-income groups – who were the main supporters of Roh's semi-authoritarian ruling party (Bueno de Mesquita et al. 2003). The unification of existing health insurance societies might also result in the loss of existing bureaucratic patterns that had bolstered the regime. Thus, the presidential veto was a strategic choice to minimize the government's financial burden while protecting those with vested interests within the semi-authoritarian regime. Indeed, the system of multiple insurance societies fit the purpose of limited IPW – that is, the government could provide risk-pooling benefits to high- and middle-income households and industrial workers of big businesses more effectively at a lower cost.

However, the limited IPW strategy could not continue due to the financial vulnerability of the funds. The overall balance of health insurance funding was relatively stable until 1996; in 1997 and after, however, the total health expenditure began to exceed the total revenue, causing a financial deficit. Since the financial structure of NHI was established based on the low-contribution structure, the program was financially vulnerable from the outset, just as the NPS was. The continued extension of medical benefits without a contribution rate increase imposed financial pressure on the government. Instead of increasing contribution rates, however, the government chose to raise the co-payment rate as high as 55 percent for outpatient care and 40 percent for inpatient care to solve the deficit problem. This approach simply made the patients responsible for a greater portion of the medical service fees and, as a consequence, the share of out-of-pocket payments in total health expenditure went as high as 63 percent (Shin 2003, p. 120). Although the share has decreased to 38 percent since the mid-1990s, it is still much higher than the Organization for Economic Co-operation and Development (OECD) average of about 20 percent.

Despite the adoption of a universal health insurance system, the high rates of co-payment and out-of-pocket expenses were a considerable barrier to effective medical services in Korea. Moreover, the economic crisis that hit the economy in 1997 worsened the vulnerability problem, making a huge number of people insolvent. The unemployment rate sharply increased, and real wages declined as much as 40 percent in the aftermath of the crisis. This unprecedented economic crisis revealed that the limited IPW system was too unsound to be a measure to protect the general public from social risks. The stabilization of the health care system required the increase in contribution rates, yet paying more contributions was neither economically feasible due to the deteriorating economy nor politically realistic. Under such conditions, the integration of fragmented health insurance societies was almost the only viable choice on the table because it could improve horizontal equity between various occupational categories while helping achieve greater redistribution from the rich to the poor. However, the unification would also demand a greater administrative and financial role of the government due to the shift of major decision making with regard to contributions and benefits from each insurance society to the central government.

The 1997 presidential election was a momentous event that helped the new president break down political barriers and propose a new policy direction on health insurance. When Kim Dae-Jung – a long-standing opposition leader advocating democracy and social solidarity – was elected as the new president in the midst of the economic crisis, he convened a committee to push ahead with the integration of health insurance societies and enacted a new law that would merge all the health funds into the NHI in 2000. Indeed, the 1997 economic crisis and the arrival of the Kim government gave rise to significant change in the nature of Korea's productivist welfarism, leading policy makers to shift their focus from the provision of limited and unequal social insurance benefits to the expansion of more comprehensive and realistic IPW schemes. However, the fundamental characteristic of productivist welfarism – that is, the subordination of social policy to economic objectives – has remained essentially unchanged even in the Kim Dae-Jung government. The unification of health insurance was only part of wider attempts to boost labor market flexibility after the economic crisis (Kwon and Holliday 2007). More specifically, one might ask what economic and political factors have driven Korea's productivist welfare programs from a limited inclusive path to a substantially inclusive direction. The next section examines political and economic contexts of the institutional development of Korea's inclusive productivist welfare.

(2) Political economy of Korea's inclusive productivist welfare

a. Economic contexts

Following General Park Chung-Hee's military coup in 1961, Korea became an authoritarian state with brutal repression of dissent. While strengthening its political power, the military government built a strong bureaucratic apparatus, such as the EPB, and started to intervene in the development process with the five-year economic development plans in 1962. Because the military junta viewed economic performance as the most important source of legitimacy, rapid economic growth rose to prominence on the policy agenda. In this circumstance, the functions of the EPB and other economic bureaucracies were focused on "the establishment of comprehensive plans for the development of the national economy and to manage and regulate the execution of the development plans" (Woo 2004, p. 36). Under the leading role of the EPB, Korea established growth targets with a special emphasis on (1) state-led industrialization via the protection of the domestic market and industries; (2) nurturing big industrial conglomerates such as Samsung, Hyundai, LG, and Daewoo; (3) providing privileges for export-oriented manufacturing companies; (4) controlling banks and supplying the necessary capital for industrialization through foreign loans; (5) promoting technological development in domestic industry; and (6) creating a high-quality and low-cost labor force by controlling labor movements tightly (Wade 1992, p. 312; Holliday and Wilding 2003, p. 28).

Particularly noteworthy in the Korean developmental state is its financial institutions and the way in which domestic and foreign capital were mobilized and allocated. Among all of the economic development strategies implemented by the military junta, the most durable and significant was the control over the banking system (Woo 1991). Soon after the coup, the military government nationalized all commercial banks by confiscating wealth that was allegedly accumulated illegally.

The nationalization of banks opened a way for the state's direct control over the banking system. For example, the Ministry of Finance removed the monetary policy authority from the central bank; thus, the head of the central bank was placed under control of the president (Shin 2003, p. 57). The government also established the Korean Development Bank to (1) increase its capital base by borrowing from abroad, (2) provide payment guarantees for foreign loans obtained by domestic firms, and (3) supply long-term loans to government and state-owned enterprises (Cho and Kim 1995, p. 31).

In order to mobilize domestic capital for investment in industries, the government raised the interest rate remarkably from 15 percent up to 30 percent in 1965. The increase of interest rates was to provide a strong incentive for domestic savings. As domestic capital was accumulated significantly, the government utilized the savings to provide financial benefits to leading export industries. The interest rate on export loans, for instance, was 6.1 percent during the period of 1966 to 1972, while the general loan interest rate was 23.2 percent, on average (Shin 2003, p. 58). Despite the economic strategy to mobilize domestic capital, however, the overall amount of domestic savings was not sufficient to meet the need for investment in industries (Amsden 1989, p. 74). So the government turned to foreign capital in the mid-1960s. Yet, unlike other East Asian newly industrialized economies (NIEs) – especially, Singapore and Hong Kong – that attempted to attract foreign direct investment (FDI), the Korean government focused on foreign borrowing to finance its investment plans.

Table 4.2 shows that foreign borrowing became the main source of foreign capital inflow in the mid-1960s. As the amount of foreign loans increased, the debt–asset ratio of most export-leading firms also became larger in Korea. Particularly, the credit-based financial system constructed by the government was a promising condition for the growth of heavy and chemical industries that required massive long-term investments. At the same time, the high rate of foreign loans, together with tight control over credit systems and FDI, strengthened the government's power to control foreign capital flows and monitor firms' economic activities. To be sure, the direct intervention through market-distorting development strategies is one of the most idiosyncratic characteristics that distinguishes the Korean development state from other "market-conforming" developmental states like Singapore and Hong Kong.

Korea's market-distorting approach also influenced the pattern of trade. Despite its strong support for exports, Korea's trade liberalization was not as significant as other East Asian economies. During the 1950s

Table 4.2 Foreign capital inflows in Korea (1961–79)

Year	Total (US$ million)	Foreign Aid (%)	Foreign Loan (%) Public Loan	Foreign Loan (%) Commercial Loan	FDI (%)
1961	208.1	99.4	0.6	.	.
1963	273.1	75.9	14.7	7.5	1.9
1965	186.7	72.0	2.7	22.3	3.0
1967	371.7	36.1	28.5	33.4	2.0
1969	744.2	13.9	28.7	55.2	2.2
1971	755.5	8.4	40.2	45.7	5.7
1973	891.3	3.9	41.3	38.6	16.0
1975	1,397.0	3.4	34.5	57.6	4.4
1977	1,980.4	0.4	30.7	63.6	5.2
1979	2,845.2	0.3	38.1	56.9	4.4

Source: International Financial Statistics (IMF).

and early 1960s, Korea adopted a protectionist import-substitution strategy and then shifted to export-oriented industrialization. Although the government was actively engaged in export-oriented strategies such as the establishment of export-free zones, it was still reluctant to liberalize imports. Korea's export-oriented strategy was largely parallel to the protectionist tactic. Indeed, compared to Hong Kong and Singapore, Korea's trade level has been lower and the tariff rates have remained significantly higher, even though Korea is one of the most important global economies (see Table 3.2).

The "guided capitalism" that the Korean government embarked on in 1962 continued to orchestrate the overall process of economic development in Korea. And the result was the dazzling speed of economic growth with rapid industrialization. For example, Korea was the 40th biggest exporter of manufactured goods to the United States in the early 1960s, but by 1986 it had become the 5th largest exporter. Also, during the periods of the first and second five-year economic development plans (1962–66 and 1967–71), Korea achieved impressive gross national product (GNP) growth rates of 8.5 percent and 11.4 percent, respectively, which were higher than the original goal of 7 percent (Shin 2003, p. 56). Without doubt, the Park regime made it clear that economic development should be the supreme goal, virtually equal to national security in importance.

In this developmentalist environment, comprehensive social welfare was simply a luxury. Instead of the adoption of general social welfare programs, the Korean government concentrated public resources on education, which was believed to be one of the most effective ways to promote skills and train labor for rapid industrialization. Based on this belief, the government spent much larger amounts of resources on education than any other social policy area, with strict control over curriculum and administration of schools. (Morris 1996). Since the policy of compulsory public education was implemented in the late 1950s, the government has centralized control in the Ministry of Education to ensure universal access to primary and secondary education. Also, the EPB produced five-year plans for education, calling for increased enrollment in vocational institutions (Ramesh 2004, p. 162). As such, education was central to Korea's productivist welfarism as a vehicle for transmitting hard-working values and group-oriented attitudes supportive of economic development (Kim 2000).

Despite the underlying "economy-first" doctrine, however, the military government passed a series of social welfare laws in the early stage of its military coup, including the Civil Servant Pension Law (1961), the Military Pension Law (1963), the Social Security Law (1963), the Industrial Accident Compensation Insurance Law (1963), and the Medical Insurance Law (1963). Since the economic situation in the late 1950s and early 1960s did not improve immediately, General Park, who was suffering from lack of political legitimacy, considered welfare programs as another important means to gain public support for his presidential election bid in 1963. Hence, the Korean military regime enacted many social welfare laws in a short period, arguing that "we will make our best efforts to improve the quality of ordinary people's living condition and establish the welfare society by the introduction of a social security system based on social insurance and social assistance programs that cover all of the Korean population" (Shin 2003, p. 62).

However, despite the initial declaration, only a few programs were put into effect, covering a small percentage of the population – mainly government employees, military personnel, and industrial workers in large firms who were expected to serve as the workforce to administer state policies and carry out economic development strategies (Kwon 1999, p. 51). Even though Park Chung-Hee had initially considered various social benefits, he basically viewed social welfare as a poor instrument to combat poverty, in the belief that a successful economy and job creation would be the most promising path to national welfare and were what poor nations really needed most (Song and Hong 2005, p. 180). Social welfare was certainly not a priority of the government and, as a consequence, the benefits were far from being comprehensive throughout the 1960s and 1970s. As such, social insurance programs that benefited only industrial workers and employees in large firms, government employees, and military personnel were a major pillar of Korea's inclusive welfare, along with education. In short, the Korean government launched contributory schemes as the institutional platform of its limited IPW due to the policy goal to promote and protect skilled labor without any substantial increases in the public financial burden.

The trend of Korea's financial system and social policy being tightly monitored by the government did not undergo fundamental changes until the early 1990s. The use of interest rates and credit targets were an effective policy tool to control the business sector. However, questions have been raised as to the effectiveness of the government-controlled financial system, and big business (*chaebol*) increasingly called for the removal of government control over the credit system. Moreover, the United States began to strongly press Korea to liberalize the financial sector in the late 1980s (Stubbs 2005). As a response to these pressures, the Kim Young-Sam government (1993–97) declared a globalization policy (*segyehwa*) that included the implementation of financial liberalization, with particular attention to the reduction of control over foreign borrowings. The rapid liberalization, however, produced serious problems because major reform on the market-distorting banking system and "crony" corporate governance did not occur (Kang 2002). That is, the Kim government liberalized the financial system without establishing any effective supervisory mechanism, and firms were no longer required to obtain permission from the government for foreign borrowings. As a result, the overall amount of foreign debt accumulated by the private sector skyrocketed from $44 billion in 1993 to $120 billion in 1997 (Shin 2003, p. 173). What made the situation even worse was that the proportion of short-term debt as a percentage of total foreign debt rose from 43.7 percent to 58.3 percent during the same period. The inappropriate liberalization and improper management of the banking system and financial institutions under the flag of "globalization" (*segyehwa*) eventually resulted in an unprecedented economic crisis in 1997 (Haggard 2000; Hamilton-Hart 2008).

The devastating impact of the 1997 financial crisis was beyond imagination, especially with respect to the sweeping increase in the unemployment rate. As seen in Figure 4.1, the financial crisis transformed the Korean society from an economy with a stable labor market into an insecure and vulnerable economy associated with social instability. The unemployment rate prior to the crisis was merely 2.6 percent, but it soared to 8.7 percent in 1999. Facing this crushing economic crisis, the

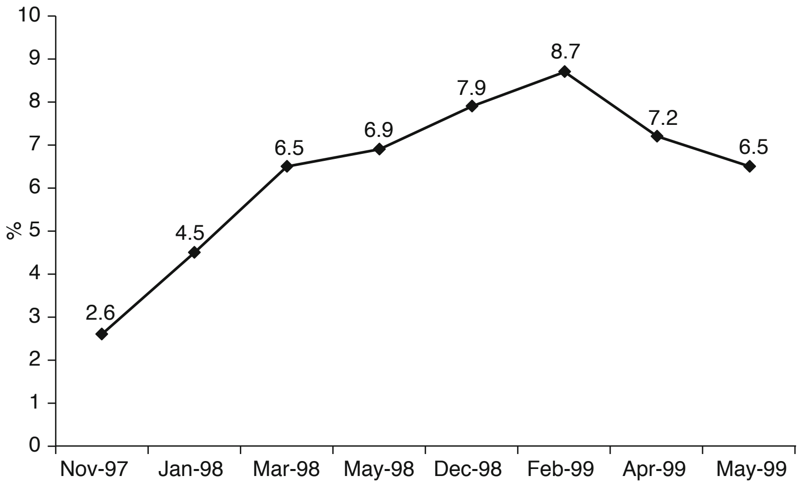

Figure 4.1 Unemployment rates after the 1997 financial crisis in Korea
Source: Shin (2003, p. 180).

newly elected President Kim Dae-Jung implemented a series of social security reforms, including the integration of the health insurance societies into a unified system and the extension of NPS benefits to the self-employed. The government also expanded the Unemployment Insurance Scheme and the Industrial Accident Compensation Insurance Plan to all workplaces.

In sum, Korea launched social insurance–based programs as part of the market-distorting development strategy, benefiting a limited number of workers during the 1960s, 1970s, and 1980s. However, the limited IPW coverage was extended over time to almost all Korean citizens as a policy measure to deal with tremendous changes in economic circumstances. Particularly, the development of Korea's inclusive productivism was an outcome, coupled with the government's efforts to alleviate societal insecurities after the 1997 economic crisis. In addition to this economic background, however, political events have affected Korea's productivist welfare institutions.

b. Political contexts

Soon after the military coup of 1961 and a transition period of military rule, Park Chung-Hee held presidential elections in 1963, 1967, and 1971 to stay in power as a "legitimate" president. Despite some electoral competition, however, Korea was under tight political control with pervasive abuses of executive power. Due to its harsh repression of labor union activities and restrictions on opposition political parties, the Park government was met with poor popular support even though the economy was booming. As a consequence, the authoritarian government barely managed to secure a majority of votes in the presidential elections. The wish to elevate its political legitimacy and popularity appeared in the 1963 New Year message, in which Park declared, "We must realize the establishment of a welfare state with the strong power of execution ... We are going to introduce Medical Insurance and Industrial Accident Compensation Insurance" (Shin 2003, p. 63). This message was spoken just before the 1963 presidential election to signify that the Park regime was hoping to gain public support through what it considered would be popular measures and to ultimately help win elections.

Although the initial intention of the social insurance programs that Park initiated in the 1970s was to protect civil servants, military personnel, and skilled workers of large firms as part of industrialization strategies, it is true that electoral competition and political pressures served as another catalyst for the gradual expansion of those welfare programs (Ramesh 2004, p. 12). For example, when Kim Dae-Jung, a leading opposition leader, nearly defeated Park in 1971, the government hurried to introduce the NHI as a winning strategy to marginalize any political opponents of the regime. At the same time, the controlling government proposed an ambitious national pension scheme in 1972 to secure popular support for its rule while mobilizing savings for its heavy industry drive (Haggard and Kaufman 2008, p. 136). As seen in Figure 4.2, electoral competition has been intensifying over time since the 1963 presidential election. As such, successive presidents had to focus on social security, which contributed significantly to the expansion of social welfare, although all of them adhered to the productivist welfare principle.

General Chun Doo-Hwan, who seized political power after Park was assassinated in 1979, did little to change the authoritarian rule of the Park regime during his own presidency (1980–87). Although his authoritarian ruling party won all presidential and general elections during the 1980s, Chun and his party received less than 40 percent of the votes. The Chun regime could win elections continually only because of a repetitive split in votes among the opposition parties (Lee 1997, p. 6). The small margin of victory in the elections was a wake-up call for the ruling party, making them more seriously consider social security programs to obtain political support, just as Park had attempted. However, as corruption surrounding President Chun became intolerable for the people, millions

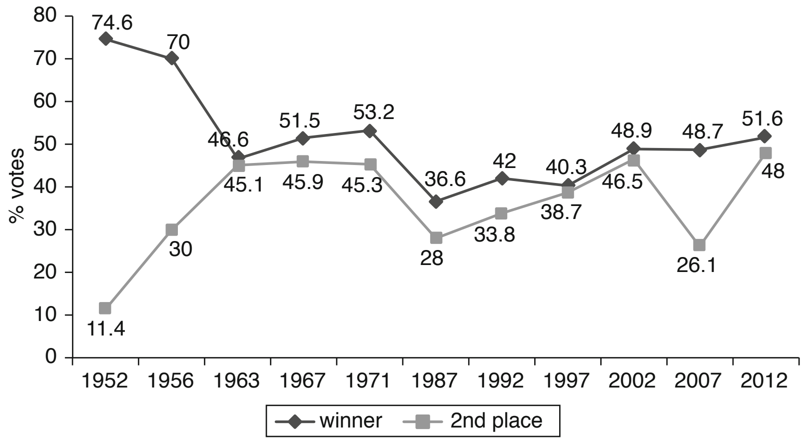

Figure 4.2 Candidate competition in presidential elections in Korea
Source: National Election Commission of Korea.

of Koreans participated in nationwide protests against the dictatorship of Chun, thus calling for democracy. Particularly, the year of 1987 witnessed the largest and most extensive protests. Chun's response to the movements, however, was harsh and ruthless, bringing about the deaths of several college students and workers (Kim 2003). In addition to heightened political competition resulting from the emerging democratic movement, political challenge against the authoritarian government came from the rise of massive labor disputes in the late 1980s (Mo 1996). In fact, organized labor in Korea had remained repressed and virtually lethargic for a long time, so the Chun government often ignored calls for basic labor rights and working conditions. However, while the average number of labor disputes was only 165 from 1975 to 1986, the number dramatically increased to 3,749 on the eve of democratic breakthrough in 1987 (Korea Statistical Information Service).

Facing the unprecedented rise of protests and labor strikes, the Chun regime could no longer simply repress the citizens and workers of Korea. To deal with the political resistance to his rule, Chun publicly promised a series of sociopolitical reforms, including the expansion of social welfare programs, as a winning strategy. He announced in 1986 that he would extend medical coverage to rural residents and the urban self-employed. The Chun government also announced its intention to launch a national pension scheme and enact a minimum wage law. When the protest of 1987 forced the adoption of a direct presidential election system, Roh Tae-Woo – the chairman of the ruling party – integrated these social policy initiatives into his presidential election pledges. Roh Tae-Woo won the 1987 presidential election, mainly due to the opposition parties' failure to establish a united front. Afterwards, opposition parties took over the majority in the National Assembly the following year in the 1988 general election and played a key part in criticizing the Roh government and its connection to the authoritarian rule of the past Chun government. As a response to political challenges in the midst of democratic transition, the Roh government swiftly implemented the National Pension Act in 1988. For the government, the implementation and further expansion of the NPS within the productivist boundary proved highly attractive as a key to the questions of political legitimacy and capital accumulation (Hwang 2007, p. 140). This political environment led the Roh government to create a "low-contribution and high-benefit" structure for the national pension, downplaying the long-term financial sustainability of the NPS. Thus, prior to the 1997 financial crisis, the Korean productivist welfare state continued to expand its inclusive programs (1) with the consideration of economic effects of social insurance and (2) as a countermeasure to electoral competition and political challenges. Indeed, the 1987 democratic transition and the aftermath served as a significant watershed in the history of Korea's social policy (Kim and Kim 2005). Nonetheless, the overall scope and comprehensiveness of social insurance programs were still limited and essentially productivist in nature.

Another landmark event that ushered in a new era of social policy in Korea was the 1997 presidential election that brought Kim Dae-Jung to office in the midst of the Asian financial crisis. Kim's victory was more than a mere case of power shifting. It was a signal of Korea's transition from an almost uninterrupted authoritarian/conservative one-party rule to a new form of pluralist democracy. Literally, the financial crisis of 1997 and Kim's presidential election swiftly turned Korea toward full-scale reform in almost all areas. When a sudden disruption of the economy revealed Korea's inadequate level of social protection under the existing productivist welfare system, the Kim government was expected to adopt more *protective* welfare policies. However, strong pressure from the International Monetary Fund (IMF) for further market opening and structural adjustment policies, coupled with market-oriented social security, trapped the Kim government in a dilemma between redistributive welfare and market-oriented social security, especially because labor and human rights advocacy groups constituted a major part of Kim's power base (Haggard and Kaufman 2008, p. 249). While responding to the conditions of the IMF relief package by facilitating corporate restructuring and the increase of labor market flexibility, the Kim Dae-Jung government also attempted to proactively embrace civic movement groups and labor unions. Obviously, it was a major challenge for the center-left Kim government to carry out right-wing and left-wing social/economic policies simultaneously. To ensure both a smooth implementation of labor market reform and the protection of workers who were adversely affected by the financial crisis, the Kim government formed the Tripartite Commission comprising representatives of government, business, and labor. Recognizing the new role and influence of the general public in the era of democratic transition in Korea, the Kim government used the political inclusion of labor and civil society as a buffer to pave the way for neoliberal adjustment policies (Yang 2004, p. 199). Civic organizations and labor unions also began to participate in social policy-making through the Tripartite Commission. As such, the expansion of social protection programs, including the NPS, the NHI, and the Minimum Living Standard Guarantee, during the late 1990s was a strategic compromise among several actors to compensate for the controversial neoliberal structural adjustment of Korean society. In this sense, the underlying social policy drive of the new democratic regime was a harbinger of the shift from a limited form of inclusive productivist welfare to a more comprehensive IPW system (Moon and Yang 2002).

Another explanatory factor for the enlargement of inclusive welfare programs involves the changes in public attitudes toward social policy as democratic politics became the norm in Korean society. According to surveys conducted by Shin and Rose in 1997 and 1998, there was a huge change in value orientation of Korean people regarding who is responsible for social security provision. Prior to the financial crisis, 51 percent of the respondents thought that individuals should be responsible for their own welfare. Since the social security system was fully funded by employers and employees with little financial commitment of the government, the mass public believed that social protection should be individuals' responsibilities (Shin 2003, p. 191). However, this stance changed dramatically soon after a substantial portion of the population lost jobs and went bankrupt in the wake of the economic crisis. In 1998, only 17 percent of the respondents supported the same view, whereas 83 percent answered that the government should bear a greater responsibility. This survey illustrates how the economic recession and the following increase in labor market flexibility transformed the perception of social protection and spawned "critical citizens" and "dissatisfied democrats" (Shin and Rose 1998; Norris 1999).

As examined so far, the birth and growth of Korea's inclusive productivism was an outcome of economic strategies and political circumstances. For its market-distorting strategy of economic development, the Park Chung-Hee regime adopted a series of limited IPW measures, maintaining a state-dominated alliance with business while repressing labor. The institutional backbone of social protection was social insurance that aimed to protect government employees, military personnel, and large-firm workers. However, electoral competition and the subsequent arrival of democratic rule forced the political leadership to realize the importance of social insurance programs as a political instrument. More importantly, the 1997 economic crisis accelerated the expansion of inclusive welfare programs, generating immense political pressure among "critical citizens" seeking more comprehensive social security benefits. All these experiences in Korea are quite different from those of other East Asian productivist welfare states. Singapore, for example, has been greatly influenced by foreign capital, and its political environment enhances the market-oriented political attitudes of the people. To highlight the similarities and differences between inclusive productivism and market productivism, the next section takes a closer look at the evolution of Singapore's market-oriented approach and shows how the economic structure and political conditions have strengthened the ruling party and its market-oriented productivist welfare.

B. Singapore: market productivist welfare

Singapore's highly austere and market-oriented social protection system provides neither a meaningful redistributive mechanism nor adequate benefits to offset social risks. The free-market doctrine deeply entrenched in Singaporean society dominates the social policy area. A United Nations (UN) report describes the nature of Singapore's MPW succinctly: "Every Singaporean is imbued with the sense that rewards can only be brought about through hard work, based on the principles of meritocracy and self-reliance. We do not believe in social handouts" (Wijeysingha 2005, p. 197). That is, market efficiency is a guiding principle for the full continuum of social policy contexts in Singapore.

In Singapore, mandatory old-age pension is funded by private contributions. Health care is publicly provided, but citizens are responsible for a significant portion of the costs. The Medifund Scheme that started in 1993 targets the poor and indigent residents, yet the benefits are only for those who pass extremely stringent means tests. About 90 percent of the citizens live in housing administered by the public sector. However, this high rate does not involve any substantial government spending. The Singapore government provides stringently means-tested income supports and other welfare services with extremely low benefits (Ramesh 2004, p. 10). Primary and secondary education, considered a necessary condition for economic growth, is the only program almost entirely provided and funded by the government. As such, Singapore's productivist welfarism is characterized by a virtual absence of tax-financed social welfare and, unlike Korea's inclusive measures, there is no redistributive risk pooling even among industrial workers who are considered strategically important for economic growth.

At the apex of Singapore's MPW lies the Central Provident Fund (CPF), a compulsory individual savings scheme that is based on a nearly pure defined-contribution principle. The People's Action Party (PAP) that has governed Singapore over the past 50 years developed the productivist ideology, coupled with the authoritarian rule and free-market doctrine. Reflecting the productivist thrust, the PAP designed the CPF as a government-managed savings scheme to deal with basic social risks. The scheme was believed to encourage self-reliance by leading people to rely on their own resources to meet their retirement and other social protection needs. The CPF is composed of contributions from employers and employees to serve a variety of objectives in old-age pension, health care, housing, and overall economic management (Low and Aw 2004). What makes Singapore distinctive from other types of productivist welfarism in East Asia is its heavy reliance on the market-oriented CPF system that involves few redistributive/risk-pooling elements.

This section discusses the development of Singapore's market productivism. The first half seeks to trace the features and problems of the CPF, focusing on how the CPF operates as the institutional centerpiece of Singapore's social security system. The second half examines economic and political conditions under which the PAP has constructed the CPF system, combining a developmental ideology with the pursuit of free-market and authoritarian rule. The central argument of the following discussion is that the distinctiveness of Singapore's market productivist welfare is largely derived from its high reliance on foreign capital and a high level of policy autonomy.

(1) Development of Singapore's market productivist welfare

a. *Institutional framework of the CPF*

The most striking feature of Singapore's MPW is its nearly exclusive reliance on the CPF, which is a mandatory and publicly managed defined-contribution system (CPF Board 2005). The CPF is a compulsory savings arrangement in which employers and employees contribute a portion of the wages to the employees' individual account. When the CPF was established in 1953 and came into effect in 1955, it was initially intended to accumulate funds for retirement only, but since the 1960s, the Singapore government has vastly expanded the scope of the CPF to cover old-age pension along with other social security needs and economic objectives. Currently, the CPF deals with old-age pension, housing, health care, investment, and loans for financing tertiary education. The house-purchase goal is a unique feature of the CPF because, in Singapore, the CPF substitutes for the absence of a housing mortgage market. At present, CPF members are permitted to use their account balances to make down payments on public housing constructed by the government's Housing and Development Board (HDB).

Under the CPF system, employees receive what they saved during their working life. Therefore, the CPF does not cause any financial deficits for which the government is responsible. Because self-reliance is its central principle, the CPF does not provide any programs such as public assistance for the poor and the unemployed. Consequently, the general public cannot get help from the CPF even when they lose their jobs. Of course, the government has social protection programs such as Interim Financial Assistance and the Rent & Utilities Assistance Scheme for those who are in financial hardship. However, these basic benefits are provided on a very stringent means-tested basis (Ku 2003, p. 137). The number of people who received these types of public assistance was merely 2,867 in 1988, 2,070 in 1998, and 2,772 in 2007, forming less than 0.1 percent of the total population (MCYS 2007). These statistics indicate that Singapore's social security and welfare system is highly dependent on employment and the market, and the CPF is the institutional bedrock of "commoditized" social policy.

Participation in the CPF is compulsory for the employed, except for foreign workers and part-time workers. The self-employed are required to participate in the medical component of the CPF scheme and may participate in the overall scheme on a voluntary basis, though only a small percent have chosen to do so (Asher and Rajan 2002, p. 238). The CPF contribution rates of both employees and employers have varied over time for various age groups depending on economic circumstances. At the time of its introduction in 1955, the rate was 5 percent each for employers and employees, forming a total of 10 percent of the wages. Later, the CPF contribution rate increased to 25 percent each for employers and employees. After a series of ups and downs, the rate was set at 20 percent for employees in 1994, while the rate for employers has been between 10 and 20 percent. Account holders can withdraw their accumulated savings when they become 55 years old. After withdrawal at 55 years, the members can spend or invest their CPF funds as they wish or continue to contribute to their accounts if they remain employed; however, their contribution rates become much lower than that of younger generations. As of 2013, the CPF has a membership of 3.51 million, with 1.85 million making regular contributions, which forms over 90 percent of the resident labor force (CPF 2013).

To reflect the multi-purpose function, members' CPF accounts are divided into three subcategories: Ordinary, Special, and Medisave. First, the Ordinary account is the main component of the CPF. For those below the age of 55, about 60–75 percent (depending on age) of the total savings goes into the Ordinary account. The Special account holds 10–20 percent, and the remaining 15–20 percent goes to the Medisave account. The Ordinary account savings earn interest at a rate offered by local commercial banks for a one-year fixed deposit, subject to the minimum rate of 2.5 percent per year. Funds in the other two accounts receive an additional 1.5 percent interest in addition to the Ordinary account interest. The Special and Medisave accounts were designed with higher interest rates to ensure sufficient savings for retirement and medical services (Ramesh 2004, p. 52).

Funds in the Ordinary account are basically used for housing, tertiary education, and mortgage insurance. Regarding the housing issue, in 1968 the Singapore government allowed CPF members to use their funds for the purchase of an HDB apartment. In 1981, the scheme was extended to the purchase of private residential units. The Ordinary fund is also used for tertiary education. In Singapore, the government subsidizes tertiary education, yet students are still required to pay a considerable portion of tuition and fees. To finance their education, students may draw upon the savings of their parents. Also, CPF members can withdraw a portion of their Ordinary funds for investment in approved stocks and commodities. The Special account was set up in 1977 to supplement the Ordinary account and currently holds 10 to 20 percent of the savings. It is intended to provide for retirement exclusively. Members can withdraw their funds at the age of 55, except for a minimum sum that should be left in the account to prevent the members from wasting away their money in the early years of retirement. The savings are released in installments from the age of 62 onwards until they are exhausted. Lastly, the Medisave account, which was created in 1984, consists of the remaining 15 to 20 percent of the savings, reserved for the cost of health care of CPF members and their immediate families. Since 1992, the contribution rate has been determined by the age of the CPF member. The contributions continue until a ceiling is reached, which is currently \$43,500. Once this is reached, contributions are no longer necessary unless the Medisave account is drawn upon for medical treatment and so falls below the ceiling. Any excessive contribution is transferred to the Special account if the member is below 55 years old. While the self-employed may enroll in the previous two accounts on a voluntary basis, the Medisave program is mandatory for both salaried employees and the self-employed (Jones 2005; CPF 2013).

b. Assessment of the CPF

Despite its near-universal coverage and high contribution rates, it is questionable whether the CPF can provide adequate protection against social contingencies. First, the low level of interest returns that CPF account holders earn on their funds is one of the major concerns (Ramesh 2004, p. 74). Withdrawal of accumulated savings of the CPF is available only upon reaching the legal retirement age or meeting other conditions. In particular, the funds in one's Special account are not normally available for withdrawal for decades, so they are largely vulnerable to inflation. In other words, inflation can eat away the value of the accumulated savings. Thus, in order to provide effective social protection, investment returns of the funds should be consistently higher than inflation rates. However, high return rates require the CPF funds to be invested in risky financial products, which, in turn, needs a prudential regulatory system and highly efficient capital market. Failing to meet such conditions means that the CPF cannot be a major social security institution. In reality, however, the CPF Board has invested the accumulated funds in relatively "safe" products, like government bonds, over the last decades. As a consequence, the CPF often produced returns that lagged trends in real wages (Williamson et al. 2012, p. 85). For example, during the period of 1983–2000, the CPF provided average annual returns of merely 1.8 percent, which was much lower than the inflation rate. In 2008, the return rate was about 2.5 to 4 percent, while the inflation rate was 6.5 percent (CPF Board 2010). Due to the low return rates, the CPF seems inadequate as a basic social security institution for retirement and other social security services. To deal with the relatively low return rates, the Singapore government has gradually liberalized the CPF, allowing account holders to determine at their discretion how to invest their savings (though there are still limitations on the available options). This liberalization of the CPF has increased the overall level of "commodification" of social welfare, thus transferring responsibility for fund management from the government to individual members (Asher 2004).

The second problem is that, despite the high contribution rates of up to 40 percent by employers and employees, replacement rates are relatively low due to modest return rates, as well as a high rate of pre-retirement withdrawal for housing, health care, education, and so on. For the 1997–2011 period, withdrawals averaged 75 percent of the contributors. The early withdrawal of the fund for retirement clearly results in a considerable decrease in the replacement rate. Several studies report that estimated replacement rates of the CPF for retirement range from 25 to 35 percent of the last-paid salary (McCarthy et al. 2002; Lin 2012). These rates do not meet the minimum for maintaining one's standard of living. It is projected that about 60–70 percent of the workers in the 50- to 55-year-old age group have insufficient resources in their CPF accounts (Lim 2001, p. 374). This fundamental problem of low replacement rates is also associated with the absence of redistributive risk-pooling mechanisms – an inherent problem of any individual savings scheme. To be sure, low-income households have little in their CPF accounts to use for their retirement or other social security purposes.

The third problem is the fluctuation of contribution rates. Since the late 1960s, the Singapore government has frequently adjusted the contribution rates in order to reduce the overall costs of the business sector. The motivation of the frequent adjustment was mostly to win regional and global competition, especially with labor-rich countries like Malaysia, Thailand, and China (Jones 2005, p. 94). The concern about cost competitiveness prompted Singapore not only to develop comparative advantages in knowledge, expertise, and infrastructure, but also to keep business operating costs as low as possible. Because one of the determinants of higher business costs in Singapore was the higher level of wages, the Singapore government often attempted to moderate wage costs of business by reducing the CPF contribution of employers. For example, during the recession of 1985, the employers' contribution rate decreased from 25 percent to 10 percent. After the 1997 Asian financial crisis, the rate was cut once again from 20 percent to 10 percent. Since 2003, the employers' contribution rate has been determined at 13 and 16 percent levels, while the employees' rate has remained at 20 percent. With regard to the contribution-rate adjustment, former Prime Minister Goh Chok Tong said, "[W]e will not have any formula to decide what the actual CPF rate should be at any point in time ... We will look at the prevailing economic conditions, and assess accordingly ... We will only adjust it from time to time when conditions have changed significantly" (*ibid*. p. 95). As seen in this statement, the adjustment was often recognized as a means to keep Singapore competitive in the global market. However, the downside is that it can undermine the financial stability of the CPF.

One final problem is the relatively high rate of private health expenditures. In Singapore, one's Medisave or out-of-pocket payments have been the main sources of health expenditures. Medisave is a compulsory saving account that was introduced in 1984 as part of the CPF to reduce the government's involvement in financing. It is an official health care institution managed by the government. However, it does not comprise a significant portion of the total national health spending. By the early 2000s, it accounted for only 10 percent of total health spending (Ramesh 2004, p. 101; Haggard and Kaufman 2008, p. 244). Because Medisave was originally intended to accumulate funds to cover expensive inpatient care, the funds in Medisave were not able to be used for outpatient care, except in some special cases. Also, there were limits on the amount available for withdrawal. As a result, people had to spend a substantial amount of out-of-pocket money for outpatient care although funds in their Medisave account were personal savings. As seen in Figure 4.3, the private financial burden of Singaporean households has increased continuously over the years and marked the highest level above 60 percent throughout the 2000s. While households sustained a considerable share of total health spending, the Singapore government funded only (1) subsidies to public hospitals and outpatient clinics, (2) capital expenditures of the Ministry of Health, and (3) the costs of providing medical care to state employees. Likewise, the government has focused on the regulation of public hospital fees and charges for treatments (Holliday and Wilding 2003, p. 90).

(2) Political economy of Singapore's market productivist welfare

The social policy framework of Singapore is the result of colonial history and geographical settlement that produced a unique set of socio-economic conditions for the post-war state-building process. As a tiny and resource-poor nation, Singapore was placed in a global context that called for keen political and economic competition for survival. In such an environment, a statist approach might be the most appropriate and feasible strategy. Indeed, the Singapore government chose to set forth a series of economic policies in accordance with its imperatives for survival. Under strong pressures for rapid industrialization, social policy was accepted on the basis of its relationship to the primary goal of economic growth. The government established a social policy strategy

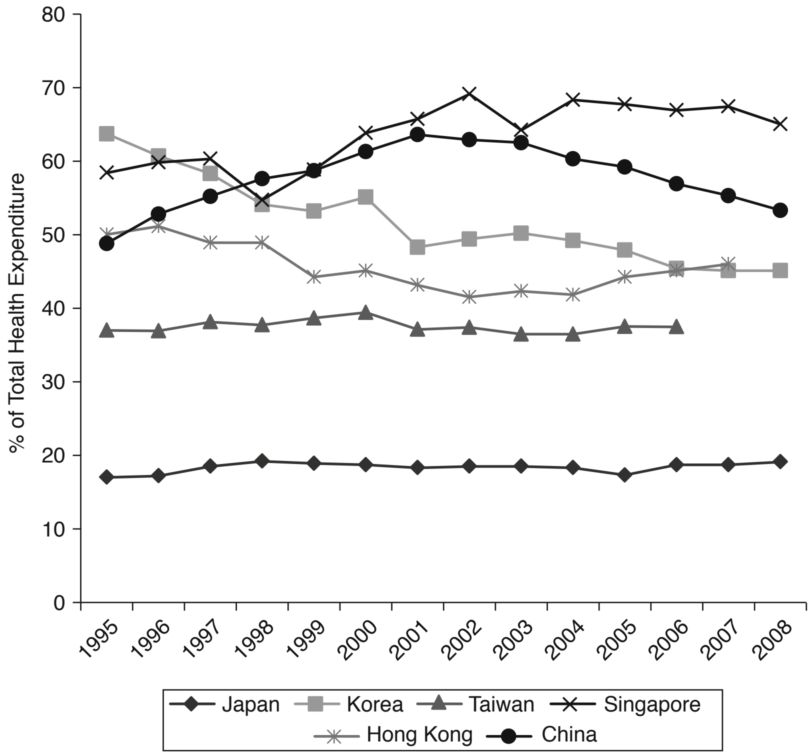

Figure 4.3 Private health expenditure in East Asia
Source: *WHOSIS* (WHO); *2008 Statistics of General Health* (Health Department, ROC)

as an instrument to assist economic development involving skilled labor training and capital accumulation. More specifically, the goals of social policy involved reduction of severe unemployment, the expansion of primary health facilities and schools, and urban regeneration and slum clearance (Wijeysingha 2005, p. 197). For this purpose, the PAP established the CPF in 1955, a compulsory savings scheme that calls for individuals' responsibility for social protection.

The Singapore government had trust in the CPF for some important features of the scheme. First, since the funds would be accumulated from the savings of the CPF members, the government did not need to appropriate tax revenue. This self-reliant structure was expected to prevent an unnecessary drain on the government budget and instead allow a significant portion of government expenditures to be channeled into other economic and infrastructure projects. It was also expected to enable taxation to remain at a lower level, which would be a great incentive to foreign investors (Jones 2005, p. 78). Second, the CPF was expected to encourage the self-help orientation of the people by providing incentives to improve oneself via education, skill acquisition, hard work, and career development. This orientation was in line with the general attitude at that time to be "fairer and sounder to have each generation pay for itself and each person save for his/her own pension fund" (Lee 2000, p. 105).

As such, the need for rapid economic growth via market-conforming economic policies provided a backdrop for the development of the CPF, forming the crux of MPW in Singapore. At the same time, Singapore's long-lasting authoritarian political system and policy autonomy have facilitated expansion of the CPF. The policy trajectory of self-reliance would not have been possible without a relatively high level of political support among the mass public for the paternalistic regime and its role as trustee in public policy.

a. Economic contexts

Singapore became a trading post of the English East India Company in 1819 and later a British colony. Under British colonial rule, Singapore thrived as a major entrepôt port in Southeast Asia. Thus, the driving force behind the building of Singapore from the very beginning was commerce. However, when Singapore became independent from Britain in 1959 and then from Malaysia in 1965, its future was uncertain. In addition, political struggles between the PAP leadership and the left-wing faction drove Singapore into further instability and turbulence. Moreover, when the British planned to close its military base in Singapore in 1968, confidence in the national economy was shaken considerably because the British military base accounted for about 20 percent of Singapore's GDP and employment. Indeed, for years after independence, social infrastructure and housing conditions deteriorated, and the nation was plagued with widespread unemployment and industrial unrest (Tang 2000, p. 39). To deal with the political and economic challenges, the PAP embarked on the import-substitution industrialization and then the export-oriented industrialization strategy from 1965 onwards, attempting to attract foreign investments by providing tax incentives and developing infrastructure. For a resource-poor state like Singapore, there were few options other than being actively integrated into the world economy by internationalizing its economic system. As a newly independent state with few comparative advantages, Singapore was desperate for foreign capital and firms (Kwong et al. 2001, p. 5).

Economic openness and foreign exposures were initiated as part of the "developmental state" that highlighted the strong political and economic leadership and a tight control over labor. Unlike Korea where a local capitalist class (*chaebol*) emerged with real economic and political power to protect its interests, the PAP in Singapore disregarded not only the working class, but also the demands of the local capitalist forces (Tremewan 1994, p. 34). The PAP's control over workers and its offer of tax incentives to foreign investors were very successful in attracting foreign investment. Certainly, the salient feature of the development strategy in Singapore was the role played by foreign capital and firms, particularly in the manufacturing and financial service sectors. Singapore's political stability, generous tax concessions, good infrastructure, and educated and submissive workforce transformed Singapore into a favored site for investment; as a result, the scale of foreign capital inflows became tremendously large. Over the past decades, the ratio of FDI to GDP has been up by 20 percent, much higher than all other East Asian economies, except for Hong Kong.

Singapore's capital stock has also increased 33-fold since 1960, doubling, on average, once every six years. This rapid increase of capital accumulation resulted in a 10-fold growth in the capital–labor ratio during 1960–92. Although many observers assumed that the heavy hand of state-centered developmentalism would make East Asian finance unsound and fragile, Singapore proved the naysayers wrong. Singapore has been successful in creating a strong financial sector since the early 1960s. In fact, between 1980 and 1991, foreign investment represented 25 percent of fixed capital formation and over 60 percent of investment in manufacturing (van Elkan 1995, p. 5). Business-friendly regulatory climates, low taxes, skilled labor force, no barriers to entry and repatriation of capital, and stable politics transformed Singapore into a highly efficient, world-class financial center. Singapore is now the fourth largest foreign exchange trade center in the world, following only London, New York, and Tokyo (Wan 2008, p. 287).

Another notable factor is Singapore's high exposure to international trade. The overall size of trade as shares of GDP has increased sharply 300–400 percent since the 1960s. This growth rate was extraordinarily high, even compared to other remarkable economies in the region (see Table 3.2). Although Korea and Taiwan are major trading nations that export and import more than OECD countries, their international trade is far below the scale of Singapore's trade measured as a share of

GDP. Particularly, foreign firms have played a significant role in trade in Singapore. Foreign firms produced over 70 percent of manufacturing output as early as the 1970s, accounting for 58 percent of employment and 92 percent of exports in 1978; by 1988, foreign firms accounted for 59.5 percent of employment and 86 percent of exports (Ramesh 1995, p. 235).

Singapore's extremely high degree of dependence on foreign capital and trade, however, restricted government capacity to spend on non-economic and non-productive areas, which is of great relevance to the development of its social policy. That is, a market-based meritocracy consolidated a materialist value system, which in turn reinforced market-oriented productivist welfarism emphasizing self-reliance. In Singapore, the role of the government mainly focused on the conditions for capital accumulation, the reproduction of labor, and the promotion of trade. Public expenditure on social policy was considered only when there would be a positive impact on human capital development such as education and primary health care. Productivist welfarism was implemented in Korea and Singapore in a similar manner as part of social/economic policies; however, Singapore was more vulnerable to the interests of foreign investors and therefore had to cultivate its productive welfare model in a more market-oriented way. In this regard, a compulsory savings scheme was exactly what the PAP was looking for in its quest.

First, the function of the CPF was to institutionalize workers' self-help and prevent their reliance on the state or corporations for future retirement, housing, or medical care expenditures. Parallel to the value of self-reliance, the PAP implemented social and economic policies based on a marked anti-welfare principle, without concern regarding funding sources for the national social security system. The emphasis on self-reliance was an imperative component to ensure that foreign capital remained in Singapore.

Second, the CPF was designed to consolidate the local capital accumulation process. Under the mandatory savings scheme, all employees should contribute about 20 percent of their salary into their CPF account. Because the money in the account was not available for withdrawal prior to retirement without government approval, the CPF was able to generate tremendous national savings. In 1970, there were 0.6 million contributors who saved more than \$0.8 billion. By 1980, 1.5 million workers had total savings of \$9.6 billion and, by 1990, \$40.6 billion was accumulated by 2.2 million workers. As of 2000, 2.9 million workers saved \$90.3 billion (Kwong et al. 2001, p. 36). Workers' long-term savings in the CPF accounts provided a huge amount of cheap capital, and the government borrowed from the savings as a form of internal debt to finance infrastructural development. Because the account holders did not have a choice over how to invest their savings, the government could utilize the resources as intended for economic development. In sum, the CPF has been used as an effective instrument for domestic capital accumulation.

Third, the CPF contributions by the employers were a kind of hidden wage for the employees. The adjustment of statutory contribution rates, therefore, could greatly affect not only the amount of savings, but also the overall level of labor costs. This implies that the government could use the CPF as a tool for expansionary or contractionary fiscal policy, depending on the economic situation (Tang 2000, p. 46). Indeed, the PAP did not hesitate to lower the contribution rate in order to reduce labor costs during the 1985 economic recession and the 1997 Asian financial crisis, with the belief that the decrease in the employers' contribution would help the Singapore economy remain competitive in the global market. Due to this economic effect, the Confederation of Industries even asked the government to cut the rate further from 20 percent to 5 percent in 1998 (*Asiaweek*, 11/13/1998).

As such, Singapore's market-conforming system and economic openness have greatly influenced the formation of market productivist welfarism, developing the CPF in accordance with the self-reliance principle in both economic and social areas. Yet, it is also necessary to look at political conditions under which the Singapore government fostered the expansion of the CPF. The next section deals with this issue.

b. Political contexts

After the end of World War II, Singapore went through a period of competitive politics, thus striving for full self-governance. While the Communists and left-wing forces had developed strong ties with labor unions and young intellectual Chinese Singaporeans, the liberal-nationalist PAP did not have such bases at the grassroots level (Quah et al. 1985). To cope with political challenges from the strong unions and left-wing parties, Lee Kuan Yew, the leader of the PAP, initially adopted a redistributive social policy. However, when the PAP swept into power by earning a sizable electoral majority – 47 percent of the vote and three quarters of all seats – in the 1959 parliamentary election, it began to reverse its initial policy, repressing labor union activities and combining one-party authoritarian rule with a single-minded pursuit of "developmental liberalism" (Haggard and Cheng 1987, p. 102). As the political influence of the PAP became more salient, the labor-centered redistributive initiative was abolished, and the policy focus shifted to a new course of growth strategies – that is, the attraction of foreign capital, the increased role of the government in industrial finance, and control of the labor unions. In particular, its tight control over labor shaped the political landscape and fostered market-oriented productivist welfarism in Singapore.

The PAP consolidated its one-party dominance and introduced repressive labor laws to extend incentives to foreign capital. It also attempted to eliminate the labor movement by forming its own unions in 1961. Furthermore, the 1968 Employment Act and Industrial Relations Act eliminated many labor rights and protections, giving employers significant discretionary power over most aspects of labor relations. All these regulations aimed to secure policy autonomy and suppress labor resistance to the low-wage policy. The PAP firmly believed that its control on labor would be a great inducement to foreign investors (Tremewan 1994, p. 33).

Thus, the PAP has maintained control in the political terrain over the last five decades since the seizure of political power in 1959. During this period, the government placed strong limits on opposition parties, labor unions, and non-governmental organizations' (NGOs') activities. Even though there were some democratic procedures, such as periodic elections and due parliamentary processes, Singapore has obviously been a semi-authoritarian state. Elections and electoral rules were used simply as political tools for securing the hegemony and constitutional legitimacy of the ruling PAP. The PAP government has constructed a solid political platform, securing 54 percent of the total votes in 1959 and then winning the following 12 general elections in a row. In Singapore, there has been no meaningful political challenge to the PAP that won about two thirds of the vote and 95 percent of all seats (Norris 2008, p. 95). Electoral dominance has provided the PAP with a political vehicle to limit government commitments to social welfare programs while facilitating economic liberalism (Hwee 2002). Indeed, Singapore has shown a significant degree of institutional continuity with its early stage of market productivist welfarism – that is, strong support for education and vocational training, minimal public expenditure on redistributive social policies, and the absence of risk pooling (Haggard and Kaufman 2008, p. 243).

To understand the political dynamics of Singapore's MPW, it is equally important to see the demand side of the political market, which involves people's attitudes toward the PAP. Interestingly, Singaporeans largely support the PAP's authoritarian anti-welfare governance. The improved quality of life and remarkable economic growth in Singapore seem to have consolidated political legitimacy of the PAP, engendering a broad ideological consensus between the PAP and the electorate. Economic success, among other factors, was substantial enough to convince the electorate that any political opposition would be self-defeating and therefore unnecessary. This has prevented the rise of a pro-democratic mind-set, let alone any active movements. As a consequence, the PAP has been able to rule Singapore for decades without sizeable oppositional forces while enjoying high levels of electoral mandate in successive general elections.

Several survey results confirm this pattern. According to the Asian Barometer Survey that was conducted in 2006, Singaporeans were generally in favor of a democratic political system ("very good" 35.6 percent and "fairly good" 55.3 percent) and did not tolerate a dictatorship ("bad" 79.7 percent) or military form of governance ("bad" 72.9 percent). Despite a general consensus among the citizens on the preference of democracy, however, Singaporeans were actually open minded toward "a system that decisions are made by experts according to what the experts think is best for the country." This conservative political orientation suggests that Singaporeans support the incumbent government as long as the leadership can effectively manage domestic affairs, although some non-democratic features may exist.

This political attitude appears more salient if compared with the Korean case. The World Value Surveys (WVS) – developed by Inglehart and many social scientists (Inglehart and Welzel 2005) to assess the sociocultural, moral, and political values – asked respondents whether they think greater respect for authority would be a good thing or not. The results displayed in Figure 4.4 show that, while 56 percent of Korean respondents thought greater respect for authority would be bad, only 7 percent of Singaporean respondents believed so. Fifty-two percent of Singaporean respondents answered that respect for authority would be a good thing, whereas fewer than 20 percent of Korean respondents replied it would be good. As to general perception of inequalities, the WVS asked, "Generally speaking, would you say that this country is run by a few big interests looking out [for] themselves, or that it is run for the benefits of all the people?" As expected from the high level of political conservatism, more than 70 percent of the Singaporean people expressed a positive view of their society. By contrast, fewer than 12 percent of the Korean people believed the society is fair, and nearly 90 percent of Korean respondents answered that the country is run by

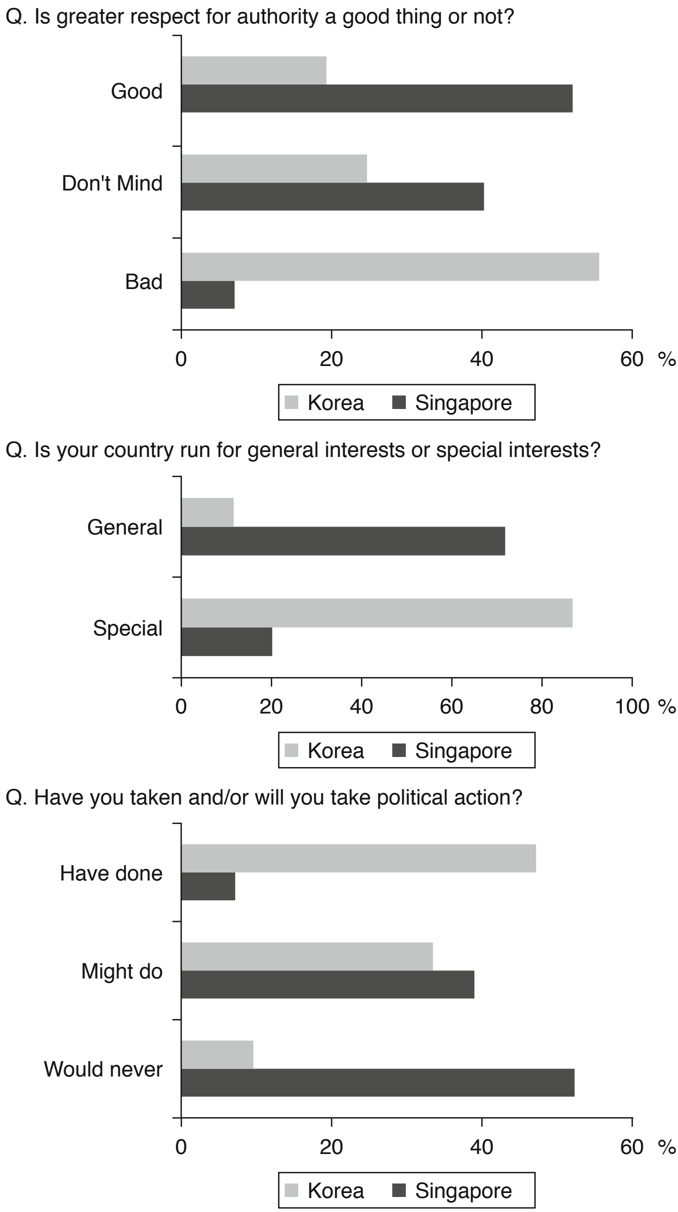

Figure 4.4 Political attitudes in Korea and Singapore

Source: The World Value Survey (Wave 4: 2000–04).

a few big interests. The WVS also asked respondents if they had actually taken political action, such as signing a petition or attending lawful demonstrations, and whether they might do or would never do such actions under any circumstances. In Korea, roughly half of respondents had participated in political action, and 34 percent answered they would do so. However, more than 90 percent of Singaporeans had never participated in political protests and, somewhat surprisingly, more than half of them said that they would never join in such events. Lastly, while 60 percent of Singaporean respondents answered that they would choose "a society where taxes are low and individuals take responsibility for themselves," 19 percent of the respondents chose "a society with extensive social welfare but high taxes."

The Asian Barometer Survey reveals similar results (Table 4.3). To the same question, Singaporeans appeared less passionate in their involvement in political action. Signing a petition was one event that a third of the respondents (31.7 percent) might consider participating in, while only a small number (5.1 percent) had ever actually signed petitions. Also, a majority of the people responded that they would neither join in boycotts (82.5 percent) nor attend demonstrations (77.6 percent). Indeed, a very small number of the respondents (0.3 to 0.6 percent) had such experiences. Singaporeans consistently ranked lowest, compared to Korea (10.7 to 29.9 percent) and Japan (2.1 to 43.5 percent).

These survey results demonstrate the extent to which the PAP was able to maintain the ideological legitimation of its authoritarian liberalism. When Singapore became independent from Britain, social infrastructure was undeveloped and housing conditions were poor. The economy was plagued with widespread unemployment and social unrest. In such circumstances, it was not difficult to draw a consensus among the mass public on the desperate need for foreign capital for economic development. The Singapore government has remained dictatorial, both in parliament and in government, as seen in the lack of effective checks and balances from opposition parties and the strong control of the press and news media. Nevertheless, a "survival instinct" that was widespread among the mass public shaped the adaptive political attitudes of the people, which in turn paved the way for authoritarian rule with anti-redistributive social policies. In this environment, the PAP successfully depoliticized non-government labor unions by removing egalitarian discourse of labor activism (Norris 2008, p. 97). In other words, because the general public already recognized the importance of being integrated into the world capitalist order and pursuing market-oriented policies, the PAP did not face strong political resistance to the market productivist welfare system. In short, the high level of political trust in their authoritarian regime enabled the PAP to develop social security institutions such as the CPF in accordance with market productivist welfarism.

Thus far, this book has examined the economic and political conditions for the development of inclusive welfare institutions in Korea and market-oriented welfare programs in Singapore. Unlike these two cases, China developed a dualist pattern of productivist welfarism, combining both risk-pooling and individual savings schemes. Whereas Korea and Singapore have pursued a nationwide unitary social security system in more inclusive and more market-oriented ways, the Chinese leadership has cultivated a decentralization strategy coupled with different social security programs for different regions/sectors in a fragmented manner. The dualist characteristic that has influenced the formation of China's productivist welfare will be discussed in the next section.

C. China: dualist productivist welfare

Since 1978, China has undergone fundamental economic reform, gradually transforming itself from a socialist economy to a market economy. The socialist welfare system, which was an integral part of the socialist economy, has also experienced dramatic changes. Those changes coincided with China's rapid economic integration into the international market. This, in turn, has affected social policy reform, thereby shaping the Chinese version of productivism. The new trajectory of China's social policy has stressed two points: the first was to "support market-oriented economic reform through the enhancement of productivity," and the second was to "stabilize the society via the mitigation of social tensions" (Ministry of Labour and Social Security 1999, p. 4). As seen in this declaration, increased exposure to international markets has led the Chinese government to reduce a substantial portion of workers' welfare benefits that had been taken for granted in Mao Zedong's socialist China. In this regard, it may be reasonable to consider China as a typical example of the "race-to-the-bottom" (RTB) effect. Certainly, the retrenchment of socialist welfare benefits is partially the result of China's integration into the world economy (Leung 2003, p. 77).

However, it is not that simple to define the nature of China's welfare transformation due to its dualistic structure (Besharov and Baehler 2013). First, China has developed a mixed productivist welfare system, integrating risk-pooling social funds and individual savings simultaneously for pension and health care. The Chinese leadership believed that a multi-pillar structure based on a combination of two different types would be an effective way to weave a social safety net at a lower cost. Second, the multi-pillar system of pension and health programs was implemented in urban and rural areas in different manners, exacerbating the urban–rural division. Since the disintegration of the collective economy in the early 1980s, rural residents have witnessed a collapse in socialist welfare arrangements and have had no specific system to meet their welfare needs. Because of the reduction of government financial support and the limitation of local funds, rural residents have undergone de facto privatization of welfare services. By contrast, the newly designed multi-pillar model was utilized mostly in urban areas, requiring contributions from both employers and employees who were eligible for pension, medical, and unemployment benefits. Because the primary goal of China's social security reform was to protect urban workers who were considered strategically important for economic growth and political stability, the urban–rural gap was not a surprise.

Thus, the combination of social insurance and individual savings, along with the urban–rural division, characterize China's dualist productivist welfare (DPW). In many dimensions, this approach is distinguished from the unified systems of Korea's IPW and Singapore's MPW. Why, then, does the Chinese government pursue the dualist social security system in spite of its remarkable market reform? This section first describes the institutional features of China's DPW and then analyzes China's decentralization strategy of economic reform, the traditional commitment of the Chinese Communist Party (CCP) to industrial workers in state-owned enterprises (SOEs) in urban areas, the threat of labor unrest by laid-off workers, and different political attitudes between urban and rural residents.

(1) Development of China's dualist productivist welfare

a. Welfare reform in the post-reform era

Prior to 1978, the Chinese welfare system developed in a socialist context with the following features (Shou 2010, p. 97). First, the socialist system provided comprehensive welfare benefits, including health care, education, housing, elderly care, child care, etc., based on noncontributory labor insurance. Ideological orientation and political control reinforced the generosity of welfare benefits while forming rigid labor market institutions.

Second, the cornerstone of the socialist economy in urban China was SOEs wherein economic production was integrated with social protection. Each individual enterprise paid for its employees' various welfare services, and the government bore full responsibility for the enterprises' finances. In rural areas, People's Communes, in which farmers collectively owned farmland, were the basis of economic production and social protection. Due to the interconnected structure of production and social security, public enterprises in urban areas and collective organizations in rural areas carried tremendous financial burdens.

Third, the Chinese welfare regime was known as egalitarian, but it was in fact highly stratified in spite of the socialist claim of universal coverage (Whyte 2010). During the pre-reform era, comprehensive welfare provisions such as pensions and free medical care were provided unequally in favor of large SOEs that concentrated on heavy industries. While SOEs were at the top in terms of benefit levels, other urban residents had much less, and farmers were at the bottom. Individuals' welfare benefits thus depended on their job status and residential location.

All these features contributed to the intensification of the government's financial problems, generating a dramatic increase in the overall number of welfare beneficiaries. However, with the introduction of market-oriented economic reform in 1978, the socialist welfare system came under severe criticism. Specifically, the main target of criticism was the so-called "iron rice bowl" (*tie fan wan*) that had once institutionalized "jobs for life" and "cradle to grave" support. Reformers believed that it crippled economic productivity and hindered work incentives. Particularly, policy makers expressed their deep concerns about SOEs' ever-mounting welfare burdens and escalating losses. Although one third of SOEs were losing money and 20 percent of their employees were redundant, 97 percent of the SOE workforce was "fixed" workers remaining in their work unit for life on the eve of the economic reform era (Lee 2005, p. 6; Leung 2005, p. 51).

Employment guarantees were finally removed in 1986 when the government introduced a market-oriented labor contract system and the Enterprise Bankruptcy Law in urban areas. Since then, the decline in the proportion of SOEs in the economy became evident while private and foreign-owned firms mushroomed. In the 1990s, the government made a decisive push to privatize unprofitable small and medium-sized SOEs (Naughton 2007). As the government downsized many SOEs and launched contract-based employment, layoffs became commonplace. Also, SOEs began to bear full responsibility for their own profits and losses. Under this new circumstance, China's welfare system underwent dramatic changes from the work-unit-responsibility system sponsored by the state to a contribution-based insurance system. Those changes rested on two basic principles (Guan 2005, p. 238). The first was to increase economic efficiency and market competitiveness by reducing overall welfare expenditures. The second principle was to maintain sociopolitical stability by providing an effective safety net for workers. Based upon these seemingly contradictory principles, the general trend of social welfare reform moved toward a dualist system, combining diversified funding sources and welfare responsibilities. That is, instead of the traditional government-sponsored pension and health insurance programs, the Chinese government adopted a risk-pooling system to transfer the financial burden of social security to individual firms and their employees (Smuthkalin 2006, p. 203).

In sum, Chinese policy makers have deliberately changed the social welfare system over time to achieve the goals described earlier. Prior to economic reform, each individual enterprise paid employees' benefits of pensions, medical treatment, etc., and the government took full responsibility for the enterprises' finances. During the initial period of economic reform in the 1980s, the government stopped financing social welfare, while individual enterprises still had to pay. To deal with the funding issue, the focus of reform shifted once again to the creation of a pooling system in the late 1980s and early 1990s.

b. Pension insurance

When Deng Xiaoping launched economic reforms in 1978, the State Council issued a new pension regulation, entitled *Provisional Regulations for Retirement and Early Retirement of Workers* (Document No. 104), which called for enterprises to bear financial responsibility individually. The problem, however, was the inequality of the pension burden between new firms in relatively prosperous regions with a young workforce and old firms where the ratio of pensioners to active workers reached 1:1. To solve this disparity problem, the State Council issued Document No. 77 in 1986, establishing a pooling system across SOEs on a limited basis at the municipal level. The pool was financed with a predetermined rate of contribution from enterprises, and these enterprises were responsible for distributing the pension benefits. If the pension expense of an enterprise was less than the contributions, the difference was remitted to the pool. If pension expenses were higher, the pool would cover the difference. Thus, the concept of redistribution of income via risk pooling was the initial idea of the pension system reform (Leckie and Pai 2005, p. 28).

In 1991, the State Council issued another regulation (Document No. 33), calling for expansion of the pooling system and the establishment of three pillars in the pension system, which consisted of (1) a mandatory social insurance pillar (defined benefit [DB]) to provide a basic benefit from pooled funds, (2) a mandatory individual savings pillar (defined contribution [DC]), and (3) voluntary individual savings to supplement the mandatory pillars. As shown in Figure 4.5, the multi-pillar pooling system had three important features. First, employers and employees shared the financial responsibility together. Second, in the new system, the contributions from employers and employees went into two separate accounts, namely, the social pooling fund and the individual account. The first tier (social fund) operated on a pay-as-you-go (PAYG) basis that was financed by employers (20 percent of the employee's wages). The second tier (individual savings) was managed as fully funded individual accounts. This tier was originally financed with contributions of 7 percent from enterprises and 4 percent from individual employees. Later in 2006, it began to be funded solely through employee contributions of 8 percent of wages. Third, eligibility for pension was largely limited to urban workers, which intensified rural–urban divisions. Although the new system aimed to cover all urban residents in a single plan, this goal was never achieved because of the increase in informal employment in the private sector in urban China.

Since the government adopted the multi-pillar system of social pooling and individual accounts in 1991, the dualist approach has been further

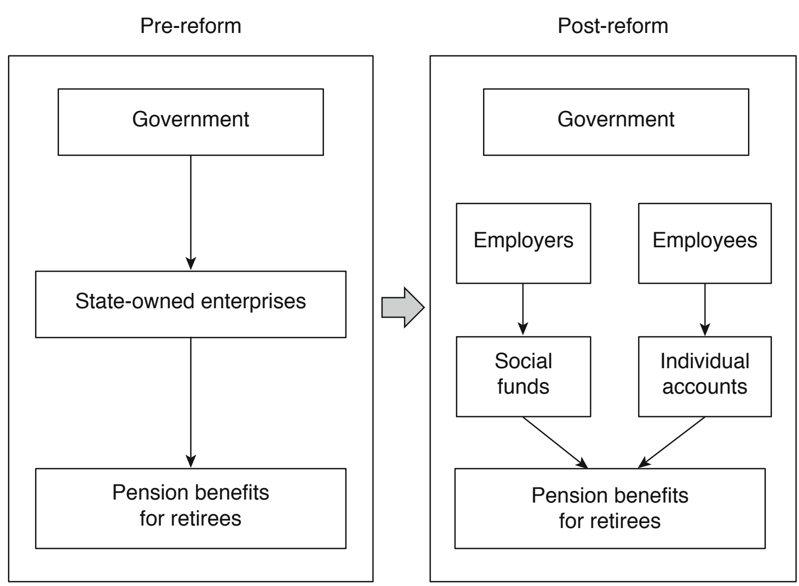

Figure 4.5 Pension insurance system in China

amended several times, reflecting local conditions. From 1991 to 1995, the pension system was run by "corrupt and rent-seeking" local governments, so the central government's efforts to standardize and rationalize pensions were easily thwarted at the local level (Frazier 2010a, p. 2). In order to solve the policy distortion problem, the central government issued the State Council Document No. 6 in 1995, clarifying the objectives of the reform regarding the expansion of coverage, the establishment of a multi-level system, and the consolidation of pension administration. However, although the new policy regulation envisioned the unification of local pension programs at the national level, it did not work as intended. Because the decentralization strategy was the centerpiece of China's economic reform, the increasing authority and discretionary power of local governments was a necessary condition for rapid industrialization (Gallagher 2002). In this circumstance, local governments had strong incentives to pursue their own local interests, not only in the economic policy area, but also in the social policy domain. Indeed, individual localities interpreted the center's new regulations as a signal that the central leadership would allow local governments more leeway and flexibility to expand the pension system. In fact, pensions were viewed as the most money-making source of social insurance revenue for local governments. Thus, local officials were greatly interested in collecting contributions from local enterprises and actually used many arbitrary means to accumulate funds. In such a scenario, compliance with centralized unification efforts was secondary at best (Frazier 2010a, p. 9).

Because local governments at the city and county levels operated as many as 3,400 separate pension funds by the late 1990s, the central leadership believed that, without further actions, the lack of standardized pension system would cause greater discrepancies across the country. In 1997, the central government released a new regulation, the State Council's Document No. 26, with an aim to replace all pilot programs and local plans in each province and establish a nationwide multi-pillar pension system (Leckie and Pai 2005, p. 30). Due to the center's strong policy commitment, the number of urban workers covered by national pension insurance increased to 218.9 million workers in 2008. This size was equal to 72.5 percent of the urban workforce, a significant rise from only 57.1 million insured workers in 1989 (Table 4.3).

However, unlike in urban areas, there were few pension provisions in rural areas. Even though a rural pension regulation clearly stipulated three sources of financing, including (1) the insured individuals' contribution, (2) the local communities' subsidies, and (3) the local government's favorable policies such as tax exemption, essentially the rural

Table 4.3 Population coverage of pension insurance in China

Year	Contributors (millions) [1]	Recipients (millions) [2]	Total Participants (millions) [1]+[2]	Coverage (= Total Participants)		
				% of Total Population	% of Urban Population	% of Urban Workers
1989	48.2	8.9	57.1	5.1	19.3	33.5
1991	56.5	10.9	67.4	5.8	21.6	32.4
1993	80.1	18.4	98.5	8.3	29.7	43.9
1995	87.4	22.4	109.8	9.1	31.2	45.9
1997	86.7	25.3	112.0	9.1	28.4	41.7
1999	95.0	29.8	124.9	9.9	28.5	42.4
2001	108.0	33.8	141.8	11.1	29.5	45.1
2003	116.5	38.6	155.1	12.0	29.6	45.4
2005	131.2	43.7	174.9	13.4	31.1	48.0
2007	151.8	49.5	201.3	15.2	33.9	68.6
2008	165.9	53.0	218.9	16.5	36.1	72.5

Source: National Bureau of Statistics (2009) *Chinese Statistical Yearbook.*

pension system was an individual responsibility scheme (Shi 2006). The lack of a proper redistribution mechanism caused rural pension systems to fail to produce meaningful progress (Salditt et al. 2008, p. 57). As a consequence, the coverage rate in rural areas declined significantly from 75 million (15.4 percent of total rural labor) in 1997 to 54 million (11 percent) in 2004. Because of the limited scope of the rural pension system, the overall pension coverage rate in China remained as low as 16.5 percent in 2008 (Table 4.3).

c. Health insurance

During the pre-reform period, near-universal insurance coverage was provided by the cooperative medical system in rural areas and the labor insurance system in urban areas. The People's Communes in rural areas organized health care centers, paid village doctors for primary care services, and provided prescription drugs. When China reformed the rural economy in the early 1980s by introducing the Household Responsibility System, the commune system disappeared and, consequently, the socialist health care system collapsed. This reform process eventually left the majority of farmers uninsured. In urban areas, health care that had been financed by state/collective enterprises underwent radical changes as well. Above all, economic reform and decentralization gave rise to a drastic reduction in government revenue, which in turn reduced the capacity of the government to fund health care. As a result, government subsidies for public hospitals fell to 10 percent of total revenues of those hospitals by the early 1990s (Yip and Hsiao 2008, p. 462).

In order to deal with the rising costs of medical services in the reform era, the State Council organized a multi-ministry committee in 1988 and launched experimental health care system reforms. With guidance and support from the central government, pilot programs began in two cities, the city of Zhejiang in Jiangsu Province and the city of Jiujiang in Jiangxi Province. The so-called "two-jiang" model was a contribution-based health insurance system, combining the Korean style of social risk pooling and the Singapore style of compulsory savings. In this dualist model, employers and employees shared the contribution. The former contributed 10 percent, while the latter placed 1 percent of their total payroll into the health insurance fund.

After nearly ten years of trial and error, the State Council issued new guidelines in 1996, extending the dualist "two-jiang" model to 57 cities in 27 provinces, autonomous regions, and provincially ranked municipalities across the country. Next, the government made another decision in 1998 that required all provinces to implement a basic health insurance scheme following the dualist model by 1999 (Gu 2003, p. 8). The 1998 health insurance system required all employers and employees in urban areas to join a contributory program without exception. The basic structure of the two accounts – social risk-pooling funds and individual accounts – was the same, but contribution rates were changed. Employers have been required to pay 6 percent of total payroll since 1998, while employees were expected to contribute 2 percent of their monthly salary (World Bank 1997). Interestingly, the social pooling funds were available only for major illness that required inpatient services, whereas employees had to spend the funds in their individual account for outpatient services and minor illnesses (Figure 4.6).

Although the health insurance system shared similar features with the pension system, there were several fundamental differences. First, the administrative level at which health insurance would be implemented was different from that of pension insurance. While health insurance was fragmented into many small local programs at a lower level, pension insurance was more systematically organized and supervised at a higher level. Thus, more local health insurance funds existed than pension funds, leaving China's health care system highly fragmented. Indeed, most health insurance funds were formed at the level of city (*chengshi*) or even county (*xian*), depending on the decisions of local authorities (Smuthkalin 2006, p. 205). Due to this decentralized administrative

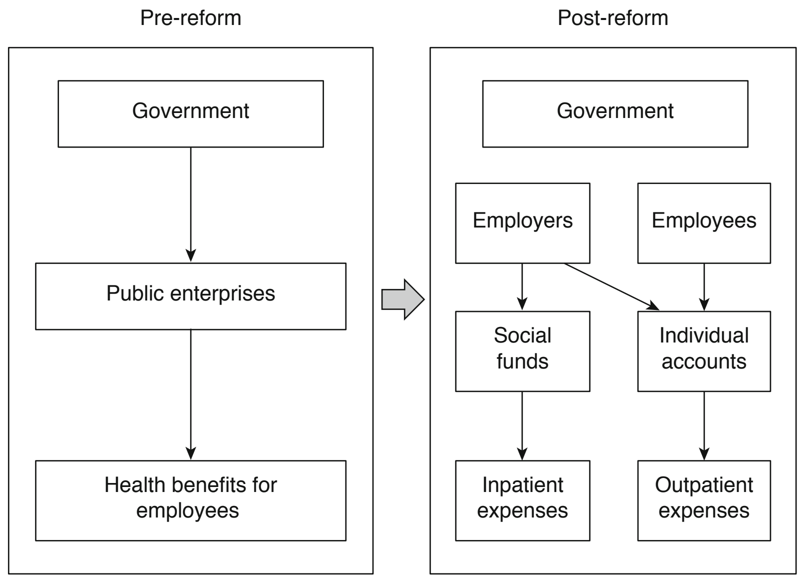

Figure 4.6 Health insurance system in China

structure, a nationwide unitary health care system was hard to achieve. Therefore, it was not a surprise that, by 2008, the coverage rate of the new health insurance scheme remained merely 18.8 percent of the population, far from universal coverage (China Labor Statistical Yearbook 2009).

The situation of health care benefits in rural areas was worse because the central government did not pay much attention to rural health development. During the reform period, the rural cooperative health care systems were disbanded and replaced by private health care centers in most villages, which led to the rapid increase of private health expenditures from 20 percent in 1978 to 42 percent in 1993 and even to 53 percent in 2008 (World Bank 1997, p. 19). The central government responded immediately, calling for the development of community-based schemes to fund and organize health care for the rural sector. Particularly, the government emphasized that each community should organize its own collective financing for basic health care; moreover, funding would be drawn from multiple sources, including local government, collectives, and individuals (Cheung 2001, p. 83). Nevertheless, most provincial and county governments did not comply with the center's directive because the voluntary community-financed schemes required rural households – that were already suffering from heavy tax burdens – to make substantial contributions to the fund. It is indeed an important task to reintroduce a rural health insurance scheme in order to protect rural residents. The central government, however, has continued to simply issue guidelines without allocating funds for local implementation of the new system in rural areas.

(2) Political economy of China's dualist productivist welfare

China has developed a complex "dualist" design of its productivist welfare system. The institutional platform includes both IPW and MPW features. Then, why did the central government introduce and foster the dualist form of productivist welfarism? The following discussion examines how economic and political factors have influenced the Chinese government's decision to utilize the dualist and fragmented pattern of PWC.

a. Economic contexts

In the late 1970s and early 1980s, China's open-door policy began to establish experimental special economic zones (SEZs) in coastal regions, encouraging local governments to create an economic environment attractive to foreign capital. To a labor-abundant and capital-scarce country like China, the attraction of foreign capital was seen as vital for successful economic reform and growth. Because cheap labor was the most appealing factor of comparative advantage, both the central and local governments had a strong interest in keeping labor costs and tax rates low in order to attract more foreign firms and capital. To this end, the Chinese government lowered taxes on joint ventures and foreign-owned firms while reducing social expenditures and loosening labor standards. Due to the government's open-door policy and its efforts to attract foreign capital, China became one of the world's most important destinations of FDI. Foreign capital has poured into China since 1992, and annual inflows have been over 40 billion dollars since 1996, accounting for one third of total FDI inflows of developing countries (Naughton 2007, p. 401). FDI inflows were not only the largest of all developing countries, but also stable and robust in spite of the instability of Asian economies in 1997. During the 1980s, FDI was less than 1 percent of GDP, but it increased sharply to more than 6 percent in 1993 and 1994. Although inflows fluctuated between 2 and 5 percent in the 2000s, this figure clearly illustrates that China has been very successful in attracting foreign capital.

FDI in China involved three distinctive characteristics (*ibid*.). First, the principal factor that enabled China to access global capital was neither portfolio capital nor foreign loans, but FDI. Second, a large portion of FDI went to manufacturing sectors instead of service sectors. Third, investment from Hong Kong and Taiwan was quantitatively most important. Each of these three aspects reflects that China has played a dominant role as a manufacturing center in the region. Indeed, many firms of Hong Kong and Taiwan moved much of their manufacturing to the mainland, employing approximately 10 million workers in China (Wan 2008, p. 209). In addition to job creation, FDI brought management experience, marketing channels, and technology. Thus, the influence of foreign capital in China was so enormous that the Chinese government often rewrote the existing rules and laws of labor relations and associated welfare programs in favor of foreign investors.

Another important economic change in China was liberalization of the trade system. Before 1979, trade barely exceeded 10 percent of GDP. However, in 1978, China began to take modest but groundbreaking steps in southern provinces, opening up a new course of trade relations. Since then, trade liberalization has become an integral part of economic reform, and China has successfully converted its system from an isolated socialist economy to a "socialist market economy with Chinese characteristics." As a result, China's total exports and imports have increased considerably, amounting to more than 70 percent of GDP in the 2000s.

Looking back, China's strategy was a correct choice. However, given the political and economic risks that the transition to a new capitalist system might cause, the central leadership could not be entirely committed to a full-fledged open-door policy at the beginning. So, the Chinese government established SEZs in Guandong Province and Fujian Province in 1979 and gradually proliferated SEZs of various kinds during the 1980s and 1990s. The central government used SEZs to test domestic economic reforms, allowing local officials to implement policies in a way that maximized positive outcomes of economic reform.

In this process, local governments could obtain considerable policy autonomy from central decision makers (Frazier 2010a, p. 21). Particularly, the decentralization strategy gave rise to significant changes in fiscal arrangements between the central and local units. Local governments at various levels (city, county, and province) were given greater incentives and responsibilities from the center regarding their rights to revenue from local economic activities (Shirk 1993). This fiscal and administrative decentralization created fragmented and overlapping regulatory authorities in several policy areas, providing local governments with strong incentives to attract foreign capital into their region even beyond the statutory concessions (Lieberthal 2004; Naughton 2007, p. 411).

Economic liberalization thus made important contributions to the widening economic opportunities among regions, local governments, and local firms that were competing for FDI inflows for their local benefits. Such competition for foreign capital in turn facilitated the fragmentation of national governance, making it hard for the central leadership to monitor local officials effectively (Gallagher 2002). More importantly, the fragmented and decentralized system allowed foreign investors to pit localities against each other in search of favorable measurements in taxation, land use, foreign currency exchange, and labor relations (Zhang 2008). In other words, the decentralization strategy of economic reform gave local governments greater discretionary power that might be used to distort the center's economic and social policies.

The diffusion of authority and its impact on local interests became more prominent when the central government introduced a labor contract system and bankruptcy laws in 1986. Before the economic reform, each work unit – state-owned enterprises in urban areas and People's Communes in rural areas – functioned as a "self-sufficient welfare society" that provided individuals' employment, old-age income security, housing, food, education, health care, and so forth. Even after the economic reform was launched, the welfare burdens of work units were still increasing as the number of retirees rose. For example, pension payments of SOEs skyrocketed from 5 billion yuan in 1980 to 39.6 billion yuan in 1990, rising to 242 billion yuan in 1999 as the number of retirees increased from 3 million in 1978 to 16.4 million in 1985 and to 37.2 million in 1999 (Leung 2003, p. 77). To deal with this problem, the Chinese government set out labor contracts and bankruptcy laws, with the purpose of alleviating the tremendous financial pressure caused by the socialist legacy of employment and welfare benefits. More fundamentally, the reduction of labor/production costs was one of the necessary conditions for foreign capital inflows, so the Ministry of Labor and Personnel started the labor contract experiment in 13 provinces and later expanded it to all provinces. The creation of flexible labor markets was a great incentive to local officials and factory managers because they could exercise their discretionary power arbitrarily in the labor market to attract more foreign investment (Lee 2005, p. 6).

Certainly, the removal of the formerly rigid labor market rules resulted in the increase of foreign investment. However, it also produced massive layoffs of workers. By 2001, there were 7.69 million "laid-off" workers and 6.19 million "unemployed" workers. A "laid-off" worker is one who began working before the labor contract system was adopted in 1986 and was unemployed because of his or her firm's problems in business.

An "unemployed" worker is one whose firm officially declared bankruptcy. Many workers lost their jobs when firms collapsed without going through the official bankruptcy procedure; thus, these individuals could not be registered as unemployed workers. Hence, the true unemployment rate was generally three to four times higher than official rates (*ibid*. p. 13). Although the Chinese government restructured the existing employment system and eliminated socialist welfare benefits to enhance market efficiency, it had to offer a new social safety net in a way to prevent any negative impact that might be caused by economic reforms. In this context, establishing a new social security system was a critical and necessary goal in order to achieve market efficiency and social stability simultaneously.

Multi-pillar insurance was the kind of social security arrangement the Chinese government was seeking. First, because risk sharing was normally financed by joint contributions from employers and employees, the central government was able to transfer welfare responsibilities to local governments. Local officials could in turn reallocate the burdens to firms and employees, strengthening the commodification of major social services. The individual savings component enhanced the market-oriented nature of the new social security system. Second, a social insurance system, as opposed to a work-based lifetime welfare system, could propel labor mobility because the new system was no longer tied to specific workplaces (Wong 2001, p. 43). Third, a contribution-based system was highly favorable to local governments that were experiencing serious revenue shortfalls caused by the center's decentralization of fiscal responsibility. Because the establishment of social insurance programs meant that a large amount of money could flow into the local governments, social insurance was a highly preferred method at the local level.

Indeed, local governments used pensions and other social insurance funds for local economic projects that would otherwise have been funded by tax revenue. For example, it was reported in 2006 that the Shanghai government had implemented its own pension funds for more than ten years to make an estimated 33 billion yuan ($4.2 billion) in loans to local developers (Frazier 2010a, p. 90). Table 4.4 demonstrates how important the pension insurance revenue was to local governments. In 2005, the average pension insurance revenue of local governments amounted to 509 billion yuan, exceeding all the other tax revenues. It is not unreasonable, therefore, to think from this statistic that local governments often relied more on social insurance funds than on other taxes in order to cover public expenditures.

Table 4.4 Fiscal revenues of local government

Category (2005)	Amount (billions of yuan)	% of Total Fiscal Revenues
Pension insurance revenue	509.3	34.2
Business tax	410.3	27.6
Value-added tax	264.4	17.8
Enterprise tax	174.6	11.7
Administrative fees	107.4	7.2
Personal income tax	83.8	5.6

Source: Frazier (2010a, p. 92).

Certainly, local governments viewed social security reform as a strategic route to raise fund reserves, whereas the central government aimed to expand a uniform, multi-tiered insurance system to cover as many workers as possible in urban areas. This different motivation between the center and localities generated not only difficulties in policy implementation, but also a critical dilemma on the part of the central government. In general, the expansion of social insurance schemes requires a sophisticated monitoring system to collect the contributions. However, it is actually impossible to construct such a monitoring system without giving up central control to local agents, especially in a country with the huge geographic size and diversity of China. Because local authorities were able to more effectively monitor and regulate thousands of local insurance agencies' collection of revenues from firms and individuals, expansion of the social security system was largely dependent on local governments that were "ready" to distort the center's policy intention.

To resolve this dilemma, the central government embarked on a series of pension and health insurance reforms, establishing a national system in hope of regaining control of the fragmented funding pools, management organizations, and different contribution rates and benefits (Leung 2003, p. 84). However, China's social insurance system is still largely decentralized and segmented. Access to benefits is not uniform across occupational groups, economic sectors, geographical regions, and residential status. Rural areas in particular have been largely isolated, even in the new system of economic reform, and liberalization has focused on urban China (Cheung 2001, p. 80).

In short, China's economic liberalization and massive FDI inflows made the traditional work unit–based socialist welfare system inadequate and inefficient. At the same time, market-oriented reform generated a wide array of social problems such as massive unemployment, income insecurity, and increased health care costs. Facing these challenges, the central government has been trying to reweave a new social security system in hope of achieving both market liberalization and social stability. Its new dualist contributory schemes are believed to be compatible with the two conflicting goals.

b. Political contexts

As examined earlier, economic liberalization and reform policies have driven the Chinese government to develop a dualist combination of risk sharing and individual savings for old-age pension and health care. Yet, China's dynamic political background has also influenced the development of dualist welfare institutions in China. Noteworthy among others are the rise of labor disputes and the fragmented political attitudes between urban and rural residents toward the government's social policy.

The rise of a new social security system in China has occurred simultaneously with new forms of political demands and attitudes of the people toward government. Although capitalism has become increasingly common practice in China, along with the adoption of a labor contract system, the Chinese government could not entirely commodify labor–management relations, partly due to the "socialist contract" in which the CCP had promised to provide basic welfare benefits in exchange for loyalty and services (Smuthkalin 2006, p. 209). However, in its decentralization strategy, the central government could not effectively monitor how local government and firms carried out the socialist contract without a critical violation of the retired workers' right of pension and health care benefits. Consequently, urban workers who lost their jobs and benefits were generally treated unfairly in the midst of the SOE reforms in the 1990s, and they used various forms of protest to vent their anger over the broken promises of the CCP (Hurst and O'Brien 2002). The increase of labor disputes was seen by the central leadership as a major threat to social and political stability. The number of labor conflicts increased remarkably in urban areas throughout the 1990s and 2000s, and the number of workers involved in those disputes increased from 221,115 in 1997 to 801,042 in 2003, almost quadrupling in six years. Forms of conflict included legal proceedings (such as mediation, arbitration, and lawsuits) and informal means (such as everyday workplace resistance, petitions, work stoppages, strikes, and public protests) (Lee 2000, p. 41).

According to several survey-based studies, social insurance was one of the leading causes of conflict, comprising over 25 percent of the total number of cases. It was reported that the number of labor disputes involving social insurance and welfare rose by 34 percent in 2004 (Chen 2003; Tang 2005; Kim 2010). According to an online survey with nearly 400,000 responses conducted in 2009 by the Sociology Institute of the Chinese Academy of Social Sciences and *Guangming Daily*, a majority of Chinese people believed that social security is one of the most serious problems in China. When the respondents were asked to rank the three social problems to which they paid the most attention, social security (58.1 percent) was second behind corruption (66.8 percent) and ahead of income inequality (57.7 percent) (Frazier 2010b, p. 265).

However, one should remember that such disputes were neither an expression of resistance against social security reform per se nor a desire for the return to the socialist mode of equal redistribution. Although a majority of respondents (72 percent) in the 2004 National China Survey on Inequality and Distributive Justice felt that the income gaps and inequalities were increasing in China, only 40 percent of them viewed local income gaps seriously. Other inequality-related questions in the same survey also showed that a majority of the respondents disagreed with an egalitarian distribution of income or benefits (Whyte 2010, p. 131). These responses suggest that Chinese citizens have been striving for social justice, but not in a way that sets limits on the income and wealth of the rich or redistributes wealth from the rich to the poor. Rather, the Chinese people have been more concerned about the widespread rent seeking and corruption of local bureaucrats at lower levels of government. In other words, the workers' anger was rather an expression of grievances against local officials and SOE managers for their inability, corruption, and failure to provide urban workers with job security and social welfare benefits (Frazier 2010a, p. 28).

In response to the rise in protests, the central government initially allowed local authorities to use funds from the newly established personal savings accounts of current workers to pay pension and health care benefits for retired SOE workers. Local governments also spent more on pension and health benefits for approximately 50 million retired factory workers and 12 million civil servants than they did on education, local construction, public security, or any other budgetary categories. They spent about 404 billion yuan ($49 billion) on pension benefits in 2005 and 490 billion yuan ($59.5 billion) in 2006 (Frazier 2011, p. 64). This approach might work in the short run, but it could not be a long-term policy due to funding problems. Hence, the central leadership decided to provide subsidies to provinces and cities that had chronic shortfalls in social insurance revenues. Yet, the provision of subsidies might undermine the initial social policy thrust to avoid the people's reliance on state support for social security. For this reason, the central government shifted its policy focus to the unification of local social insurance programs to encourage urban workers to share risks and funds while saving individual financial assets for social security. The center believed that the expansion of unified social security programs would promote transparency and efficiency of the overall social safety system.

The center's prompt policy response was effective in gaining political support from the mass public. In a 1995–99 survey of Beijing residents, nearly half of the respondents expressed "strong support" for the CCP-led regime (Chen and Zhong 1997). Similarly, in a survey conducted in six cities in 1999, Tang (2005) found that 45 percent of the respondents did not want a regime change, and that 30 percent did not care about the nature of the regime as long as their lives would be improved. The results of the 2004 Beijing Area Study showed that, when respondents were asked about their degree of trust with regard to pension administration, a majority (84.5 percent) answered that they somewhat or very much trusted the central government to administer pensions. A similar number of respondents (85.2 percent) also viewed local governments positively. This pattern of positive responses has been found in almost all nationwide surveys conducted over the last few decades (Wright 2010, p. 14). Given the increasing income gaps, labor disputes, and the 1989 Tiananmen Square protests, the remarkably high level of popular support is somewhat surprising. Perhaps the regime support was derived from the belief of the majority of the general public that the nation is on track for marketization reform. Basically, Chinese people have been supporting the CCP, although they sometimes reveal their dissatisfaction toward the government.

This deep-seated conservative political attitude among Chinese citizens indicates that, despite a marked upsurge in labor unrest, public pressure for systemic political change has been virtually non-existent. Given the pro-government nature of the general population, it is not unreasonable to predict that public support for the CCP regime will remain high, as long as the central government enacts some measures to deal with social problems and ensure economic growth. In this sense, a multi-tiered social insurance system was an effective strategy for China's dualist goal. First, the new social security system was used as a "safety valve" through which the government could allow limited labor unrest and discontent in urban areas. Second, by incorporating a social fund component with an individual savings component into one scheme, the government could pursue two seemingly conflicting goals – risk sharing and self-reliance – simultaneously. As such, the rise of labor unrest and the people's support for the CCP have provided a political background that shaped China's dualist approach to productivist welfarism, although policy implementation has often been hampered at the local level.

In addition, significant differences in political attitudes between urban and rural residents are alleged to have contributed to the regional fragmentation of China's dualist welfare system. In general, disadvantaged groups like farmers and migrant workers may be more likely to express their discontent and protest rigorously for fair compensation. In China, farmers' socioeconomic status has declined sharply throughout the reform era and, therefore, Chinese peasants were more likely to be a threat to the political stability of the CCP (Bernstein and Lu 2000). For example, the urban–rural income gap grew from 2.1:1 in 1990 to 3.3:1 in 2007 (*Chinese Statistical Yearbook* 2009). Surprisingly, however, Chinese farmers continued to show a higher level of regime support. Despite a long history of rebelliousness stemming from material disparities, Chinese peasants have shown remarkably little proclivity toward challenging existing state-led welfare reform. Although farmers have often demonstrated great contempt for local officials, they still express significant trust in the central government (Wright 2010). Even when they engage in protest, they often appeal to national leaders to enforce what in their view would be benevolent and well-intentioned laws and regulations. According to O'Brien and Li's (2006) survey, 78 percent of rural respondents agreed that "the Center is willing to listen to peasants who tell the truth and welcome our complaints." Also, 87 percent of them agreed that "the Center supports peasants in defending their lawful rights and interests." Obviously, their trust in the government is a myth because the state-led social security reform has primarily focused on the protection of urban residents. Of course, the Ministry of Labour and Social Security (MLSS) established a division to take care of rural pension programs. However, the bureaucrats were less attentive to the needs of rural residents and even discarded most rural programs (Smuthkalin 2006, p. 215).

According to Wright (2010), the distinctive political attitudes of farmers are understandable because market reforms have opened new opportunities to them. However, most peasants in China have remained near the bottom regarding social status and income level. To be sure, they are no longer bound to the soil nor prevented from diverting their assets away from field cultivation onto other, more rewarding economic activities. By contrast, many urban residents and factory workers still remember that they had received various privileges and benefits in the pre-reform era, and today they lament the loss of those benefits. From this point of view, one can understand why urban residents have expressed stronger preferences for social welfare programs than their rural counterparts who have been at the bottom of Chinese society.

The relatively submissive attitude of China's farmers has allowed the central government to avoid critical political challenges in rural areas, even when the central policy makers exclude the vast majority of peasants from the newly designed social protection benefits. Clearly, the government has concentrated on the new pension and health insurance programs mostly for urban residents who believed that the most fundamental promises such as wages, job security, and pension benefits for current retirees should be kept. As such, differences in political attitudes between urban and rural residents have come into play, emboldening the Chinese government to build a dualist structure of productivist welfarism with sectoral divisions as well as discriminatory practices.

5
Conclusion

During the initial years of the Cold War period, the primary concern among political leaders in many East Asian countries was how to build a nation from the ground up to strengthen their political position. While the perceived dire threat from the newly established communist regimes heightened the concern for state building in the capitalist bloc, the presence of communist forces also helped East Asian military dictatorships legitimize their authoritarian rule and shape the prevailing pattern of East Asian capitalism. In Korea, for example, the military regime under Park Chung-Hee began to intervene in virtually all spheres of the economy and society in the 1960s. The state, with a highly centralized apex with absolute powers of legislation and execution, set rapid industrialization as the central task to develop a strong economic base for confronting communist North Korea (Kohli 2004). The authoritarian regime established in Taiwan after the 1949 Chinese Civil War was very much in the same position as Korea. During the 1950s and well into the 1960s, the Cold War played a central role in the development of the political institutions and economic structure. The authoritarian Kuomintang regime dictated almost all aspects of the society, as well as the economy, from the allocation of capital to the regulation of trade (Stubb 2005, pp. 99–103). The Cold War also provided a similar backdrop to the development of political and economic institutions in Japan. Here political turmoil arose in the 1950s and lasted until the early 1960s over the debate on the best policy trajectory to follow. In Singapore, the fight against communism and massive unemployment under the leadership of Lee Kuan Yew was the dominant national priority that affected political development in crucial ways. Unlike its Asian neighbors, Hong Kong had little concern for nation building during the same period, but social stability was one of the key policy agenda items, as witnessed in the 1966–67 riots (Holliday and Wilding 2003, p. 162).

Thus, East Asian countries embedded in a similar political context commonly shared a strong demand for state building and rapid economic growth. For their political and economic goals, political elites in these regimes intervened actively in the economic development process with a priority on the exports of labor-intensive manufacturers throughout the industrialization period. This approach led governments and business sectors together to strongly resist any social welfare expansion – except public health and education – that would have ultimately increased labor costs. As such, social policy in East Asia was not intended for social protection or income redistribution itself, but rather for the promotion of economic productivity. Scholars like Holliday (2000) theorized this pattern as "productivist welfare capitalism" (PWC) predicated on the claim that East Asia's social policy is not independent, but rather strictly subordinate to the overriding policy objective of economic growth.

It is not hard to discover the essential attributes of PWC in East Asia. Taiwan pursued a social insurance model as early as 1950, with particular attention to the development of labor insurance that aimed to provide protection against a range of social risks, including old age, illness, disability, death, injury, and so on. However, the benefit was limited to the military and workers in state enterprises and large firms who were considered imperative for state building and economic development. At the same time, the provision of primary health care and education was remarkably extensive because these were conducive to human capital formation. In Korea, the military government introduced pension, medical, and various benefits for civil servants, the military, and teachers in 1963. The government also launched significant measures such as industrial accident insurance and a pilot health care scheme in 1964 for private-sector workers. However, as in Taiwan, the government played a regulatory role without being financially responsible. The social insurance programs were limited in scope to large firms that would be able to materialize state-led economic development. Social welfare benefits were thus used to incorporate "productive" groups and bind them to the regime. Singapore was also motivated by the same policy considerations; however, the focus of social policy was mainly on public housing and the Central Provident Fund (CPF) due to its crowded urban setting. Public housing was not only for the provision of shelters to the people, but also for the provision of basic services through the inclusion of schools and clinics in government apartment complexes. In this manner, housing came into play as a centerpiece of Singapore's policy efforts to improve public health and education, along with the CPF that was established in 1955 to minimize the government's financial responsibility for social protection (Haggard and Kaufman 2008, p. 123). The instrumentality of social policy for economic development is not new to Japan either. In fact, Japan developed welfare programs even before the Pacific War for the formation of the nation-state (Kasza 2006). The post-war Japanese government also continued to use welfare as a method to squeeze money from society for economic development projects without resorting to taxes. The government promoted public programs in pension and health care, for example, to socialize capital by means of state control over welfare funds (Estevez-Abe 2008).

As such, the distinctive feature of productivist welfarism emerged in Japan first and became more salient in the so-called "little tigers" briefly described earlier, but they were not the only states to practice productivist welfare. Latecomers in Southeast Asia also followed the path toward PWC in the 1980s as they appeared on the world stage as an economic powerhouse (Ramesh and Asher 2000). Most of the Southeast Asian governments placed a high priority on health, education, and compulsory savings schemes in order to exploit any positive economic effects of social welfare. They embarked on various types of approaches to increase the role of the private sector in financing health care. They also paid particular attention to education, hence allocating a relatively large amount of government expenditures to primary education and, to a lesser extent, secondary education. Following Singapore and Malaysia, who adopted a provident fund program more than half a century ago, Indonesia and Thailand have vigorously developed their own version of mandatory savings plans, with a belief that savings programs would offer the potential for realizing higher economic growth. Thus, social policy has been widely used in both Northeast and Southeast Asia as an instrument to promote economic development and hence primarily favored civil servants, military personnel, and the workers in key private-sector enterprises who were expected to make contributions to society.

However, it is also true that, despite their similar traits, East Asian productivist welfare states have displayed significant variation in terms of institutional structure of social security programs. Particularly, funding is a notable factor that identifies three strains of productivist institutions. In Japan, Korea, and Taiwan, social insurance schemes and social assistance programs have been central to the welfare state, whereas compulsory savings plans have been essential components of the social security system in Singapore, Malaysia, and Hong Kong. Meanwhile, China and Thailand have developed a system that combines both social insurance and compulsory individual savings supplemented by modest and means-tested public assistance programs. These different methods of funding are important to understand because they not only lay the institutional foundation of social policy, but also generate path-dependence effects on the future development of welfare programs. If the institutional variation emerging from different funding methods is sufficiently rigid and robust so as to identify sub-models, what are the characteristics of each of them? And what driving forces are behind the institutional divergence of PWC? With a particular attention to funding methods and the associated features and effects, this book has discussed how and why productivist welfare states evolved into three patterns of PWC, including inclusive productivist welfare (IPW), market productivist welfare (MPW), and dualist productivist welfare (DPW).

First, the inclusive model (IPW) highlights the feature of "risk sharing" that is often used in social insurance schemes. By providing inclusive social insurance benefits to a limited segment of the workforce that is considered critical for economic development, the governments construct a social security system that protects important human resources while avoiding their financial responsibility for the provision of welfare benefits. Examples of this approach include Japan, Korea, and Taiwan, where national pension and health insurance schemes have played a significant role in the industrialization period and aftermath.

Second, the market-oriented model (MPW) is designed to create a social security system based on the "self-reliance" principle. Compulsory individual savings schemes like Singapore's Central Provident Fund (CPF), Malaysia's Employees Provident Fund (EPF), Hong Kong's Mandatory Provident Fund (MPF), and Indonesia's Jamsostek exemplify this approach. Since social security benefits are squarely linked to individuals' savings, there is neither risk pooling among different social classes nor a deficit in the system. The governments are therefore virtually free from their fiscal obligation to fund social protection programs. This model is often believed to be the best way to promote market efficiency because of its propensity to create a business-friendly socioeconomic environment.

Last, the dualist approach that pursues both risk-pooling and self-help principles is found in the middle between inclusive and market-oriented models. In general, dualist strategies show two patterns of implementation: one is a multi-tiered social insurance program consisting of social funds and individual savings accounts, and the other is a regional/sectoral split of the program. Governments with a dualist strategy implement social policy across the country in different manners, generally discriminating against the rural population. In other words, welfare programs usually benefit productive urban workers while leaving less productive rural residents dependent on individual savings or family support. Dualism thus exacerbates the segmentation and disparity in social insurance coverage across regions and sectors of the society. In this regard, China's experience offers a relevant case that deserves our attention. The Chinese government's efforts to replace the centrally planned economy with a market-based economy in the 1980s resulted in a drastic shift of social policy from state-funded provision to cost-sharing by employees and employers. But the problem of skyrocketing private health care costs and the destabilizing effects of massive layoffs posed increasing pressure on policy makers to recalibrate their privatization strategy and embark on a series of audacious reforms in the 1990s, including a national pension plan and standardized unemployment insurance. Although the social insurance reforms were initiated at the national level, the actual policy implementation was delegated to local governments and, consequently, China's welfare system has become fragmented and regionally disparate. Also, because the expansion of cost-sharing social insurance coverage was mainly for urban residents' benefit, China's productivist approach has resulted in a wider urban–rural gap in social benefit provisions (Chen and Gallagher 2013; Gao et al. 2013).

The next question is, then, whether this three-model typology is empirically robust and, if so, what drives the cross-national variation. Why do some productivist welfare states enter a more inclusive mode of productivist welfare while others follow a more market-oriented pathway? The cluster analysis in Chapter 2 confirms that the institutional variation of productivist welfarism is systematic and empirically supported. Also, Chapter 3 explicates that the degree of exposure to and reliance on international markets influences the formation of different economic structures and social security institutions. Indeed, the extent and form of reliance on trade and foreign capital vary markedly among East Asian countries in spite of their seemingly similar ideological perspectives. Singapore and Hong Kong have been actively engaged in "market-conforming" developmental strategies by opening their financial markets and allowing foreign firms to take advantage of highly liberalized markets in their economies. By contrast, Japan, Korea, and Taiwan pursued "market-distorting" developmental strategies, tightly controlling financial markets and domestic firms under their guidance. The different extents of economic openness created unique conditions for different policy options of productivist welfarism. In this sense, it is not a surprise that the "market-conforming" economies adopted a market-oriented institution that was a major magnet for the attraction of foreign investment, whereas market-distorting economies developed a more inclusive welfare system in order to protect key domestic industries and bind skilled workers to the regime. Statistical analyses on 11 East Asian nations in Chapter 3 confirm the argument that the degree of economic openness and the corresponding strategies are closely associated with the institutional divergence of productivist welfare.

Another important causal factor is the impact of political pressure. In general, the need to secure a broad electoral base imposes pressure on politicians in democratic regimes, making them more responsive to the demands of social protection for the citizens. This is why, as many empirical studies reveal, democratic regimes are likely to have a stronger commitment to social protection. For example, when democratic electoral competition was introduced in Korea and Taiwan, political pressure from grassroots organizations intensified, leading the ruling parties to be more attentive to the use of social insurance and public assistance programs for electoral campaigns and/or political legitimacy. As democratic governance became mature, the provision of inclusive welfare benefits was no longer limited to select categories of the people. It has been extended to virtually the whole population. The expansion of social insurance programs was evident in countries with IPW, where democracy came into play in the late 1980s and where the devastating financial crisis hit the economy in the late 1990s (Wong 2004).

Three case studies in Chapter 4 provide illustrative pictures of the institutional divergence of productivist welfare capitalism. As described in the chapter, the development of Korea's inclusive approach was an outcome of economic strategies and political circumstances. During the 1960s and 1970s, the authoritarian Korean regime launched a series of inclusive social insurance programs to facilitate its market-distorting strategy of economic development. The primary purpose of social insurance programs was to protect government employees, military personnel, and large-firm workers via social funds and risk pooling. Since then, Korea has developed its institutional bedrock of productivist welfarism based on social insurance and public assistance. Yet, the most salient watershed moments of Korea's welfare development were the 1987 democratization movement and the 1997 economic crisis that accelerated the expansion of population coverage of social insurance programs. These historical moments transformed Korea into a more prominent state that upholds inclusive welfare benefits within the productivist perspective. Particularly, immense political pressure from the increasing number of "critical citizens" and "dissatisfied democrats" has led to support for a more comprehensive social security system and insurance benefits.

Chapter 4 also examines Singapore as a case that has developed a market-oriented welfare regime in East Asia. Singapore's social policy has neither a meaningful pooling mechanism nor adequate benefits due to its high level of "commodification" and "marketization" of social security. Central to Singapore's approach has been the CPF, a compulsory individual savings scheme that is essentially a defined-contribution system. The initiation of the CPF was the result of the colonial history and the geographical settlement that produced unique socioeconomic conditions for the state-building process in the 1950s and 1960s. As a tiny, resource-poor nation, Singapore had to find a way to survive in a global context of intense political and economic competition. The imperatives for survival led policy makers to focus on reducing unemployment, expanding primary health facilities and schools, and achieving urban regeneration and slum clearance. Protective functions of social welfare of any sort, other than the economic goals, were simply considered unfit in the Singapore context. Indeed, its drastic liberalization of trade and financial markets determined economic conditions for "market-conforming" PWC. Furthermore, after the People's Action Party (PAP) seized power, it has maintained the ideological legitimization of its authoritarian liberalism by consolidating the self-reliance principle via tight control of the government and society, as well as a series of repressive labor laws.

The last case examined in Chapter 4 is China's dualism that is quite unique in the productivist world. Its dualist approach is distinguished in many aspects from the Korean and Singapore cases because the impetus for new welfare institutions arose from the failure of state socialism. The first feature is that China's welfare reforms mandate the combination of pooled funds and individual savings for social insurance programs such as pensions and health care. Because the government focused on the transfer of financial responsibility for welfare benefits from public enterprises to general taxes and individuals, the mixture of risk pooling and individual savings has been used as a strategy to promote market-oriented social policy while preventing possible negative effects of marketization reform. China's dualism is certainly designed to reduce the government's financial and administrative responsibility and encourage the beneficiaries to bear the costs of the welfare provision. The second notable characteristic of Chinese productivist welfarism is the sharp chasm between urban and rural residents. Although urban China underwent welfare cutbacks in the 1980s from the comprehensive coverage and generous provision that characterized the pre-reform communist system, the government has also enhanced social security for the urban poor by establishing public assistance programs such as the Minimum Livelihood Guarantee in the 1990s. The problem, however, is that the rural population has been neglected and excluded from most of the programs and substantial benefits. Pension and health care reforms were basically designed to protect industrial workers for industrialization, sustainable economic growth, and social stability. While the central government set forth regulations calling for local governments to participate in national pension and health insurance programs, those insurance benefits were only available to rural residents when their village provided such coverage voluntarily. Thus, despite some policy efforts to address its inadequacy, the rural welfare system has always remained minimal in provision and marginal in coverage, benefiting only about 1.5 percent of rural residents throughout the pre- and post-reform period (Gao et al. 2013). In short, the dualist approach of productivist welfarism is in line with China's incentive to marketize its traditional socialist services and the need to appease urban industrial workers who lamented the loss of the privileged welfare benefits they had enjoyed before the economic reform.

Given the institutional variation that each chapter of this book has scrutinized, can we claim that productivist welfare capitalism is still a principal model of the East Asian welfare regime? What if the institutional divergence becomes too great over time and so the concept of productivist welfarism is no longer resilient enough to conceptually bind East Asian states altogether? Can it be still valid and useful to use the productivist welfare perspective as an analytical tool to find the similarities and differences of East Asian welfare states? All in all, what would productivist welfare states look like in the future? In fact, the productivist welfare perspective has rested on a few unique experiences of East Asian economies – that is, among others, state-led economic development, a young population, and the initial condition of limited social protest and pressure (Holliday and Wilding 2003, p. 174). However, some of the critical challenges East Asian countries face are also related to these factors because the region has appeared less secure since the 1997 Asian financial crisis in terms of development strategy, demographic changes, and political consistency. What is uncertain is how the three models of productivist welfarism can cope with the problems generated by economic liberalization, inequality, unemployment, demographic transition, and social instability. What impacts will these problems have on the social fabric of inclusive, market-oriented, and dualist groups of productivist welfare capitalism in East Asia?

One of the most significant challenges to the future development of PWC is the acceleration of economic globalization. For much of the second half of the 20th century, most of the East Asian economies experienced rapid economic growth under favorable internal and external business and political environments (Stubbs 2005). However, any optimistic views of the future have disappeared suddenly after the 1997 financial crisis that hit the region with full force. The crisis was followed by wide-ranging socioeconomic reforms. Particularly, the liberalization of trade and financial markets has placed greater pressure on the market-distorting economies, thus exposing state-protected domestic industries to increased global competition. The wave of economic globalization has prompted not only fundamental shifts in development strategies, but also drastic changes in the structural foundations of existing productivist welfare approaches. Because productivism was established based on the assumption of full – and often lifelong – employment, the end of a generation of high and sustainable economic growth brought a shock to all relevant actors. Actually, unemployment in East Asia was consistently lower than in any other part of the world during the industrialization period. Employment was indeed central to PWC, not only in terms of the income it provided, but also in terms of the eligibility of welfare benefits given through social insurance schemes in Japan, Korea, and Taiwan and through membership of provident funds in Hong Kong, Singapore, and Malaysia. Changes in the labor market and employment relations can, therefore, be an important driver for the facilitation of either more inclusive social provisions to protect the people from the consequences of globalization or further market-friendly reforms of social security to ride on the wave of globalization. This observation is important, particularly for those with relatively higher unemployment rates. Japan, for instance, has experienced the rise of unemployment from 3.2 percent in 1995 to 5 percent in 2010. Korea and Taiwan have been in a similar position, with the rate rising from 2.1 percent to 3.7 percent and from 1.8 percent to 5.2 percent, respectively, during the same time period. China and Hong Kong have also undergone substantial increases in size, from 2.9 percent in 1995 to 4.1 percent in 2010 and from 3.2 percent to 4.3 percent, respectively. Furthermore, due to the influence of deindustrialization and the ups and downs of economic cycles, the labor markets have become more flexible with the increasing number of irregular or part-time jobs (Choi 2013, p. 217). If unemployment and job insecurity continue to threaten and undermine the financial foundation of the existing welfare programs, all three types of productivist welfare states will need to shift their policy emphasis from active labor market to social protection and poverty alleviation, which requires the expansion of the inclusive components of productivist welfare (Holliday and Wilding 2003, p. 175).

Equally important for the future development of PWC is the size of ageing populations, which has become increasingly conspicuous in East Asia since the 1990s. Indeed, rapid changes in the demographic structure pose a sharp challenge to both inclusive and market-oriented patterns of social policy. According to a United Nations (UN) dataset, Asia's average proportion of those aged 65 years or over in the total population is 11 percent as of 2012, but will increase to 20 percent in 2050. In Japan, the percentage of the elderly population is anticipated to increase from 23.1 percent in 2010 to 37.7 percent in 2050. An even worse case is Korea, where the projected proportion of the elderly population increases from 11 percent in 2010 to 38.2 percent in 2050. Certainly, most of the East Asian countries have rapidly growing numbers of ageing populations. As elderly people become more dependent on a smaller working-age population, any sort of risk-pooling or social insurance programs will be unsustainable and inadequate to address social security problems unless the government increases insurance premium rates in response to changing conditions. How much further social insurance programs can be expanded while retaining financial sustainability is a key question in Japan, Korea, Taiwan, and China. Similarly, there is a concern about the compulsory individual savings programs of Hong Kong, Singapore, Malaysia, and Indonesia, especially regarding their ability to generate an adequate income in old age. None of the productivist welfare states in East Asia has a solid social security scheme that can provide a secure and adequate income to the ageing population. In short, the current demographic landscape creates a "silver tsunami," thus increasing pressure on East Asian governments to go beyond the existing economy-first mind-set in order to prepare for the relevant policies, services, and infrastructure in a timely manner (Mehta 2013).

Economic liberalization, job insecurity, and demographic changes provide a good reason for the enhancement of inclusive social protection measures. But at the same time, they create counter pressures showing why the expansion of simple risk pooling cannot be a fundamental solution for overcoming such challenges as the slowdown of economic growth, anti-welfare business environments, a growing intergenerational imbalance, and so on. Therefore, productivist welfare states with a stronger commitment to social protection would not only strengthen their social insurance schemes, but also initiate a more radical and direct role of the government in financing welfare programs.

In contrast, those with an anti-welfare stance would further privatize their social security system to take full advantage of global business opportunities, thus widening its gap with the inclusive group of productivist welfarism. However, this divergence is not automatic. It requires a mediator to activate the impacts of new challenges. As witnessed in the cases of Korea and Taiwan, democratization was a crucial factor that sparked inclusive welfare provisions. Indeed, it was not a coincidence that a series of major welfare reforms were initiated in Korea and Taiwan after the democratic transition was made in the late 1980s (Wong 2004). Democratic values such as rights of access to services, services as a right of citizenship, and equal opportunities have a great potential for the development of social welfare, sometimes even up to driving the regime nearly out of its productivist tradition. To be sure, competitive democratic politics offer opportunities for newly empowered citizen groups to call for welfare demands that the government cannot ignore. Therefore, democratic regimes under the pressure of globalization, unemployment, and a larger number of elderly people would not necessarily experience the market-oriented "race to the bottom." Rather, the rising challenges to East Asia's productivist welfare states will be mediated by domestic politics.

This book has, thus far, offered a theoretical lens and three cases through which to understand the development of productivist welfare capitalism and its institutional variation in East Asia. Although the productivist thesis proposed by Holliday (2000) is useful in understanding the key features of East Asian welfare states, his explanation needs further research to clarify the empirical realities of what has actually been happening in East Asia over the last several decades. While some critics point out that it is misleading to think in terms of one homogenous and overarching East Asian model (White and Goodman 1998, p. 14), it is a reasonable and productive concept for improving the theoretical discussion of productivist welfarism to obtain a more refined explanation. In this sense, this book presents a stepping-stone for more meaningful and constructive future research by identifying three broad patterns that have emerged within the productivist world. Particularly, the statistical analyses and the three case studies in this book can serve as a resource for drawing important inferences regarding welfare state development in the region. This is because Holliday's groundbreaking classification has been rarely followed by the systematic empirical examination necessary to prove the existence and divergence of productivist regimes (Lee and Ku 2007, p. 200). Although Ku and Finer (2007, p. 129) pessimistically expected that "there seems little likelihood of a cross-national longitudinal data set being developed in the near future," this book has put forward an analytical framework and the associated indicators derived from theoretical perspectives before empirically testing them with cross-national longitudinal data. The findings in the chapters are quite robust and noteworthy. In addition, as Skocpol (1987) suggested, the statistical analysis includes not only public assistance for low-income households, but also, more importantly, institutional features such as the expansion of benefits and population coverage for major social security programs. A comprehensive understanding of welfare capitalism demands a careful examination of both expenditure-based variables and institutional features. This approach helps illustrate how productivist welfare institutions have evolved into what they are today. Despite its theoretical and empirical significance, however, the argument of this book cannot be regarded as sufficient in all aspects, especially given the fact that it is still too early to precisely assess and predict any possible impacts of newly rising challenges, including globalization, labor-market flexibility, rising inequality, and ageing populations, on the East Asian society. It is therefore important to continue to develop a framework of analysis and explore the relationship between economic globalization, democracy, and social policy-making.

Appendix

Appendix 1 Variables of the Analysis Used in Chapter 3

Variables	**Description**	**Sources**
IPW MPW	See Chapter 2 See Chapter 2	ADB, *Key Indicators* (various years); IMF, *Government Finance Statistics*; SSA, *Social Security Programs through the World: Asia and the Pacific* (2002, 2004, 2006); ISSA (http://www.issa.int); OECD (http://www.oecd.org/dataoecd/63/22/2637055.pdf); Statistical Yearbook of Japan; Statistical Yearbook of Taiwan; 2008 Statistics of General Health of Taiwan (Dept. of Health); Bureau of Labor Insurance of Taiwan (http://www.bli.gov.tw/en/default.aspx); National Pension Statistical Yearbook of Korea; National Health Insurance Statistical Yearbook of Korea; Civil Service Bureau of Hong Kong (http://www.csb.gov.hk/english/admin/retirement/184.html); Food & Health Bureau of Hong Kong (http://www.fhb.gov.hk/statistics/en/statistics/health_Expenditure.htm#table2); CPF Annual Report of Singapore; Annual Report of Social Security System of the Philippines (http://www.sss.gov.ph); Social Security Statistics of Thailand; NSO, Health and Welfare Survey of Thailand; Statistical Yearbook of China (2009, Table 22–40); Labor Statistical Yearbook of China (2007, Table 10–7); World Bank (http://info.worldbank.org/etools/docs/library/238727/Session%203.1_Vietnam_2paper.pdf); ILO (2007) Social Health Insurance in Vietnam; Jamsostek Annual Report of Indonesia; EPE Annual Report of Malaysia
Trade	Total trade (exports and imports) as a percent of GDP in current prices	Penn World Table 6.3 (2009); World Development Indicators (WB)
Capital flows	Gross private capital flows measured as the absolute values of direct, portfolio, and other investment inflows and outflows that are recorded in the balance-of-payments financial account, calculated as a ratio to GDP in US$	World Development Indicators (WB)

Continued

Appendix 1 Continued

Variables	**Description**	**Sources**
Democracy	Scale –0 to 10 (countries rating 5 and above labeled "democratic" and countries rating 4 and below labeled "non-democratic")	Polity IV data (Marshall and Jaggers) http://www.systemicpeace.org/polity/polity4.htm
GDP	GDP (constant 2000 US$)	World Development Indicators; Statistical Yearbook (Taiwan)
GDP per capita	GDP per capita (constant 2000 US$)	World Development Indicators; Statistical Yearbook (Taiwan)
Growth	Annual percent growth rate of GDP	World Development Indicators; Statistical Yearbook (Taiwan)
Urbanization	Urban population as a percent of total	World Development Indicators; Key Indicators (ADB)
Change in unemployment	Change in unemployment rate measured as a percent of total labor force	World Development Indicators; KILM 5th Edition (ILO); CIA World Factbook (Vietnam 2005–2008)
Inflation	Annual percent of inflation measured by the consumer price index	World Development Indicators; Statistical Yearbook (Taiwan); Statistical Yearbook of China (1978–83)
Change in exchange rate	Change in exchange rate to US$ (annual average)	Penn World Table 7 (2011)
Population (65+)	% of population (ages 65 and above)	World Development Indicators; Statistical Yearbook (Taiwan)
Population	Total population	World Development Indicators; Statistical Yearbook (Taiwan)

References

Books and Articles

Aaron, Henry J. 1967. "Social Security: International Comparisons." In *Studies in the Economics of Income Maintenance*, ed. Otto Eckstein. Washington D.C.: Brookings Institute.

Achen, Christopher H. 2000. "Why Lagged Dependent Variables Can Suppress the Explanatory Power of Other Independent Variables." Political Methodology Working Paper (http://polmeth.wustl.edu/papers/00/achen00.pdf).

Adam, Erfried, Michael von Hauff, and Marei John, eds. 2002. *Social Protection in Southeast & East Asia*. Singapore: Friedrich-Ebert-Stiftung.

Adsera, Alicia, and Carles Boix. 2002. "Trade, Democracy, and the Size of the Public Sector: The Political Underpinning of Openness." *International Organization* 56 (2): 229–62.

Ahn, Chung-Si, and Won-Taek Kang. 2002. "Trust and Confidence in Government in Transitional Democracies: South Korea in Comparative Perspective." *Journal of Korean Politics* 11: 3–40.

Aldenderfer, Mark S., and Roger K. Blashfield. 1984. *Cluster Analysis*. Beverly Hills, CA: Sage Publications.

Allan, James P. and Lyle Scruggs. 2004. "Political Partisanship and Welfare State Reform in Advanced Industrial Societies." *American Journal of Political Science* 48 (3): 496–512.

Amsden, Alice H. 1989. *Asia's Next Giant: South Korea and Late Industrialization*. London: Oxford University Press.

Arts, Wil, and John Gelissen. 2002. "Three Worlds of Welfare Capitalism or More? A State-of-the-Art Report." *Journal of European Social Policy* 12 (2): 137–58.

Asher, Mukul G. 2004. "Retirement Financing Dilemma Facing Singapore." Paper presented at International Conference on Pensions in Asia. Hitotsubashi University (Tokyo, Japan). Jan. 23–24.

——., and Revathi Rajan. 2002. "Social Protection in Singapore." In *Social Protection in Southeast & East Asia*, ed. Erfried Adam. Singapore: Friedrich Ebert Stiftung. Pp. 231–68.

Asiaweek. 1998. "Dawn the Crisis, Full Speed Ahead." November 13 (http://www-cgi.cnn.com/ASIANOW/asiaweek/98/1113/nat4–2.html.)

Aspalter, Christian. 2002. *Democratization and Welfare State Development in Taiwan*. Aldershot, UK: Ashgate.

——. 2006. "The East Asian Welfare Model." *International Journal of Social Welfare* 15: 290–301.

Avelino, George, David S. Brown, and Wendy Hunter. 2005. "The Effects of Capital Mobility, Trade Openness, and Democracy on Social Spending in Latin America, 1980–1999." *American Journal of Political Science* 49 (3): 625–41.

Beck, Nathaniel, and Jonathan N. Katz. 1995. "What to Do (and Not to Do) with Time-Series Cross-Section Data." *American Political Science Review* 89 (3): 634–47.

Berglof, Erik. 1997. "A Note on the Typology of Financial System." In *Comparative Corporate Governance: Essays and Materials*, eds. Klaus J. Hopt and Eddy Wymeersch. New York: Walter de Gruyter.

Bernstein, Thomas P., and Xiaobo Lu. 2000. "Taxation without Representation: Peasants, the Central and the Local States in Reform China." *The China Quarterly* 163: 742–63.

Besharov, Douglas J., and Karen Baehler. 2013. *Chinese Social Policy in a Time of Transition*. New York: Oxford University Press.

Brooks, Clem, and Jeff Manza. 2007. *Why Welfare States Persist: The Importance of Public Opinion in Democracies*. Chicago: The University of Chicago Press.

Bueno de Mesquita, Bruce, Alastair Smith, Randolph M. Siverson, and James D. Morrow. 2003. *The Logic of Political Survival*. Cambridge: The MIT Press.

Burgoon, Brian. 2001. "Globalization and Welfare Compensation: Disentangling the Ties That Bind." *International Organization* 55 (3): 509–51.

Burnell, Peter, and Richard Youngs, eds. 2010. *New Challenges to Democratization*. New York: Routledge.

Calinkski, T., and J. Harabasz. 1974. "A Dendrite Method for Cluster Analysis." *Communications in Statistics* 3 (1): 1–27.

Cameron, David R. 1978. "The Expansion of the Public Economy: A Comparative Analysis." *American Political Science Review* 72 (4): 1243–61.

Castles, Francis G., ed. 1982. *The Impact of Parties*. Beverly Hills, CA: Sage.

Catterberg, Gabriela, and Alejandro Moreno. 2006. "The Individual Bases of Political Trust: Trends in New and Established Democracies." *International Journal of Public Opinion Research* 18 (1): 31–48.

Cerny, Philip G., and Mark Evans. 1999, "New Labour, Globalization, and the Competition State." Working Paper Series No. 70, Center for European Studies, Harvard University (http://www.people.fas.harvard.edu/~ces/publications/docs/pdfs/evans.pdf).

Chan, Chak Kwan. 2003. "Protecting the Ageing Poor or Strengthening the Market Economy: The Case of the Hong Kong Mandatory Provident Fund." *International Journal of Social Welfare* 12 (2): 123–31.

Chen, Feng. 2003. "Between the State and Labor: The Conflict of Chinese Trade Unions' Double Identity in Market Reform." *China Quarterly* 176: 1006–28.

Chen, Jie, and Yang Zhong. 1997. "The Level and Sources of Popular Support for China's Current Political Regime." *Communist and Post-Communist Studies* 30 (1): 45–64.

Chen, Juan, and Mary E. Gallagher. 2013. "Urban Social Insurance Provision: Regional and Workplace Variations." In *Chinese Social Policy in a Time of Transition*, eds. Douglas J. Besharov and Karen Baehler. New York: Oxford University Press. Pp. 86–100.

Cheung, Anthony B. L. 2001. "Health Policy Reform." In *The Market in Chinese Social Policy*, eds. Linda Wong and Norman Flynn. New York: Palgrave Macmillan. Pp. 63–87.

——. 2009. "Interpreting East Asian Social Policy Development: Paradigm Shifts or Policy 'Steadiness'?" In *Changing Governance and Public Policy in East Asia*, eds. Ka Ho Mok and Ray Forrest. New York: Routledge. Pp. 25–48.

Cho, Yoon-Je, and Joon-Kyung Kim. 1995. "Credit Policies and the Industrialization of Korea." World Bank Discussion Paper No. 286. Washington D.C.: World Bank.

Choi, Seong-Du. 1996. "Uncontrollable Factors of Policy Design in the Health Care Delivery System of Korea." *Korean Journal of Public Administration* (*hanguk haengjeong hakhoibo*) 30 (1): 79–91.

Choi, Young Jun. 2012. "End of the Era of Productivist Welfare Capitalism? Diverging Welfare Regimes in East Asia." *Asian Journal of Social Science* 40 (3): 275–94.

——. 2013. "Developmentalism and Productivism in East Asian Welfare Regimes." In *Handbook On East Asian Social Policy*, ed. Misa Izuhara. Northampton, MA: Edward Elgar Publishing. Pp. 207–25.

Chow, Nelson W. S. 1987. "Western and Chinese Ideas of Social Welfare." *International Social Work* 30 (1): 31–41.

——. 2005. "Welfare Developmentalism in Singapore and Malaysia." In *Transforming the Developmental Welfare State in East Asia*, ed. Huck-ju Kwon. New York: Palgrave Macmillan. Pp. 98–117.

Clayton, Richard, and Jonas Pontusson. 1998. "Welfare-State Retrenchment Revisited: Entitlement Cuts, Public Sector Restructuring, and Inegalitarian Trends in Advanced Capitalist Societies." *World Politics* 51 (1): 67–98.

——.2005. *General Information: Schemes & Services*. Singapore: Central Provident Fund Board.

——. 2010. *Saving for Retirement*. Singapore: Central Provident Fund Board

——. 2013. *Annual Report 2013*. Singapore: Central Provident Fund Board.

Cumings, Bruce. 1984. "The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles and Political Consequences." *International Organization* 38 (1): 1–40.

Cutright, Phillip. 1965. "Political Structure, Economic Development, and National Social Security Programs." *American Journal of Sociology* 70 (5): 537–50.

Dalton, Russell J., and Do-Chull Shin, eds. 2006. *Citizens, Democracy, and Markets Around the Pacific Rim: Congruence Theory and Political Culture*. New York: Oxford University Press.

Demirguc-Kunt, Asli, and Ross Levine. 1999. "Bank-Based and Market-Based Financial Systems: Cross-Country Comparisons." World Bank Policy Working Paper No. 2143.

——., eds. 2001. *Financial Structure and Economic Growth: A Cross-Country Comparison of Banks, Markets, and Development*. Cambridge, MA: MIT Press.

Deyo, Frederic C. 1989. *Beneath the Miracle: Labor Subordination in the New Asian Industrialism*. Berkeley and Los Angeles, CA: University of California Press.

——. 1992. "Political Economy of Social Policy Formation: East Asia's Newly Industrialized Countries." In *States and Development in the Asian Pacific Rim*, eds. Richard P. Appelbaum and Jeffrey Henderson. Newbury Park: Sage Publications. Pp. 289–306.

Dixon, John, and Hung-Shik Kim, eds. 1985. *Social Welfare in Asia*. London: Croom Helm.

Drezner, Daniel W. 2001. "Globalization and Policy Convergence." *International Studies Review* 3 (1): 53–78.

Duda, Richard C., and Peter E. Hart. 1973. *Pattern Recognition and Scene Analysis*. New York: Wiley.

Ebbinghaus, Bernhard, and Philip Manow, eds. 2001. *Comparing Welfare Capitalism: Social Policy and Political Economy in Europe, Japan and the USA*. New York: Routledge.

Esping-Andersen, Gøsta. 1985. *Politics against Markets: The Social Democratic Road to Power*. Princeton, NJ: Princeton University Press.

——. 1990. *The Three Worlds of Welfare Capitalism*. Cambridge: Polity.

——., ed. 1996. *Welfare States in Transition: National Adaptations in Global Economies*. Thousand Oaks, CA: Sage.

Estevez-Abe, Margarita. 2008. *Welfare and Capitalism in Postwar Japan*. New York: Cambridge University Press.

——., Torben Iversen, and David Soskice. 2001. "Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State." In *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, eds. Peter A. Hall and David Soskice. New York: Oxford University Press. Pp. 145–83.

Evans, Peter B. 1998. "Transferable Lessons? Re-examining the Institutional Prerequisites of East Asian Economic Policies." *Journal of Development Studies* 34 (6): 66–86.

——., Dietrich Rueschemeyer, and Theda Skocpol. 1985. *Bringing the State Back In*. New York: Cambridge University Press.

Everitt, Brian, Sabine Landau, and Morven Leese. 2001. *Cluster Analysis*. New York: Oxford University Press.

Flora, Peter, and Arnold J. Heidenheimer, eds. 1981. *The Development of Welfare States in Europe and America*. New Brunswick, NJ: Transaction Books.

Franks, Julian, and Colin Mayer. 2001. "The Ownership and Control of German Corporations." *Review of Financial Studies* 14: 943–77.

Frazier, Mark W. 2010a. *Social Insecurity: Pensions and the Politics of Uneven Development in China*. Ithaca, NY: Cornell University Press.

——. 2010b. "Population Responses to China's Emerging Welfare State." In *Chinese Politics: State, Society, and the Market*, eds. Peter Hays Gries and Stanley Rosen. New York: Routledge. Pp. 258–74.

——. 2011. "Social Policy and Public Opinion in an Age of Insecurity." In *From Iron Rice Bowl to Informalization: Markets, Workers, and the State in a Changing China*, eds. Sarosh Kuruvilla, Ching-Kwan Lee, and Mary Gallagher. Ithaca, NY: Cornell University Press. Pp. 61–79.

Gallagher, Mary. 2002. "Reform and Openness: Why China's Economic Reforms Have Delayed Democracy." *World Politics* 54: 338–72.

——., and Jonathan K. Hanson. 2009. "Coalitions, Carrots, and Sticks: Economic Inequality and Authoritarian States." *Political Science & Politics* 42 (4): 667–72.

Gao, Qin, Sui Yang, and Shi Li. 2013. "The Chinese Welfare State in Transition: 1988–2007." *Journal of Social Policy* 42 (4): 743–62.

——., Martin Evans, and Irwin Garfinkel. 2013. "Social Benefits and Income Inequality in Post-Socialist China and Vietnam." In *Chinese Social Policy in a Time of Transition*, eds. Douglas J. Besharov and Karen Baehler. New York: Oxford University Press. Pp. 48–67.

Garrett, Geoffrey. 1998. *Partisan Politics in the Global Economy*. New York: Cambridge University Press.

——., and Deborah Mitchell. 2001. "Globalization, Government Spending and Taxation in the OECD." *European Journal of Political Research* 39 (2): 145–77.

Goodman, Roger, and Ito Peng. 1996. "The East Asian Welfare States: Peripatetic Learning, Adaptive Change and Nation Building." In *Welfare States in Transition: National Adaptations in Global Economies*, ed. Gøsta Esping-Anderson. Thousand Oaks, CA: Sage Publications. Pp. 192–224.

Gough, Ian. 1979. *The Political Economy of the Welfare State*. London: Macmillan.
——. 2001. "Globalization and Regional Welfare Regimes." *Global Social Policy* 1 (2): 163–89.
——. 2004. "East Asia: The Limits of Productivist Regimes." In *Insecurity and Welfare Regimes in Asia, Africa, and Latin America: Social Policy in Development Context*, eds. Ian Gough and Geof Wood. New York: Cambridge University Press. Pp. 169–201.
Greene, William H. 1990. *Econometric Analysis*, 2nd ed. New York: Macmillan Publishing Co.
Gu, Xin. 2003. "Health Care in China: No Longer Free." *EAI Background Brief* No. 147. National University of Singapore.
Guan, Xinping. 2005. "China's Social Policy: Reform and Development in the Context of Marketization and Globalization." In *Transforming the Developmental Welfare State in East Asia*, ed. Huck-ju Kwon. New York: Palgrave Macmillan. Pp. 231–56.
Gujarati, Damodar N. 2004. *Basic Econometrics*. New York: McGraw-Hill.
Haggard, Stephan. 1990. *Pathways from the Periphery: Politics of Growth in the Newly Industrializing Countries*. Ithaca, NY: Cornell University Press.
——. 2000. *The Political Economy of the Asian Financial Crisis*. Washington, D.C.: Institute for International Economics.
——., and Tun-Jen Cheng. 1987. "State and Foreign Capital in the East Asian NICs." In *The Political Economy of the New Asian Industrialism*, ed. Frederic C. Deyo. Ithaca, NY: Cornell University Press. Pp. 84–135.
——., and Robert R. Kaufman. 2008. *Development, Democracy, and Welfare States: Latin American, East Asia, and Eastern Europe*. Princeton, NJ: Princeton University Press.
Hall, Peter A., and David Soskice, eds. 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. New York: Oxford University Press.
Hamilton-Hart, Natasha. 2008. "Banking Systems a Decade after the Crisis." In *Crisis as Catalyst: Asia's Dynamic Political Economy*, eds. Andrew MacIntyre, T. J. Pempel, and John Ravenhill. Ithaca, NY: Cornell University Press. Pp. 43–69.
Hancke, Bob, ed. 2009. *Debating Varieties of Capitalism: A Reader*. New York: Oxford University Press.
Heclo, Hugh. 1974. *Modern Social Politics in Britain and Sweden: From Relief to Income Maintenance*. New Haven, CT: Yale University Press.
Heidenheimer, Arnold. J., Hugh Heclo, and Carolyn T. Adams. 1990. *Comparative Public Policy: The Politics of Social Choice in America, Europe and Japan*. New York: St. Martin's Press.
Hewitt, Christopher. 1977. "The Effect of Political Democracy and Social Democracy on Equality in Industrial Societies." *American Sociological Review* 42: 450–64.
Hicks, Alexander M. 1994. "Introducing to Pooling." In *The Comparative Political Economy of the Welfare State*, eds. Thomas Janoski and Alexander M. Hicks. New York: Cambridge University Press. Pp. 169–88.
——. 1999. Social Democracy and Welfare Capitalism. Ithaca, NY: Cornell University Press.
Holliday, Ian. 2000. "Productivist Welfare Capitalism: Social Policy in East Asia." *Political Studies* 48 (4): 706–23.

——. 2005. "East Asian Social Policy in the Wake of the Financial Crisis: Farewell to Productivism?" *Policy & Politics* 33 (1): 145–62.
——., and Paul Wilding, eds. 2003. *Welfare Capitalism in East Asia: Social Policy in the Tiger Economies*. New York: Palgrave Macmillan.
Holzman, Robert, Ian W. Mac Arthur, and Yvonne Sin. 2000. "Pension Systems in East Asia and the Pacific: Challenges and Opportunities." Social Protection Discussion Paper Series No. 14, The World Bank.
Howell, David. 2007. "The Treatment of Missing Data." In *The SAGE Handbook of Social Science Methodology*, eds. William Outhwaite and Stephen Turner. New York: Sage Publications. Pp. 208–24.
Huber, Evelyne. 1996. "Options for Social Policy in Latin America: Neoliberal versus Social Democratic Models." In *Welfare States in Transition: National Adaptations in Global Economies*, ed. Gøsta Esping-Andersen. Thousand Oaks, CA: Sage Publications. Pp. 141–91.
——., and John D. Stephens. 2001. *Development and Crisis of the Welfare State: Parties and Policies in Global Markets*. Chicago, IL: University of Chicago Press.
Hudson, John, and Stefan Kühner. 2009. "Towards Productive Welfare? A Comparative Analysis of 23 Countries." *Journal of European Social Policy* 19 (1): 34–46.
——., and Nan Yang. 2014. "Productive Welfare, the East Asian 'Model' and Beyond: Placing Welfare Types in Greater China into Context." *Social Policy & Society* 13 (2): 301–15.
Hughes, Helen, ed. 1988. *Achieving Industrialization in East Asia*. New York: Cambridge University Press.
Huntington, Samuel P. 1968. *Political Order in Changing Societies*. New Haven, CT: Yale University Press.
Hurst, William, and Kevin O'Brien. 2002. "China's Contentious Pensioners." *The China Quarterly* 170: 344–60.
Hutchison, Michael M., Takatoshi Ito, and Frank Westermann. 2006. "The Great Japanese Stagnation: Lessons for Industrial Countries." In *Japan's Great Stagnation: Financial and Monetary Policy Lessons for Advanced Economies*, eds. Michael M. Hutchison and Frank Westermann. Cambridge, MA: MIT Press. Pp. 1–32.
Hwang, Gyu-Jin. 2006. *Pathways to State Welfare in Korea: Interests, Ideas, and Institutions*. Burlington, VT: Ashgate.
——. 2007. "The Rules of the Game: The Politics of National Pensions in Korea." *Social Policy & Administration* 41 (2): 132–47.
Hwee, Yeo-Lay. 2002. "Electoral Politics in Singapore." In *Electoral Politics in Southeast and East Asia*, eds. Aurel Croissant, Gabriel Bruns, and John Marei. Singapore: Friedrich-Ebert-Stiftung. Pp. 203–32.
Immergut, Ellen M. 1992. *Health Politics: Interests and Institutions in Western Europe*. New York: Cambridge University Press.
Inglehart, Ronald. 1997. *Modernization and Postmodernization: Cultural, Economic, and Political Change in 43 Societies*. Princeton, New Jersey: Princeton University Press.
——., and Christian Welzel. 2005. *Modernization, Cultural Change, and Democracy: The Human Development Sequence*. New York: Cambridge University Press.
Inoguchi, Takashi, and Matthew Carlson, eds. 2006. *Governance and Democracy in Asia*. Melbourne, Australia: Trans Pacific Press.

International Labor Organization. 1984. *Into the Twenty-First Century: The Development of Social Security*. Geneva: ILO.

Iversen, Torben. 2005. *Capitalism, Democracy, and Welfare*. New York: Cambridge University Press.

——., and Thomas R. Cusack. 2000. "The Causes of Welfare State Expansion: Deindustrialization or Globalization?" *World Politics* 52 (3): 313–49.

Jackson, Gregory, and Siguart Vitols. 2001. "Between Financial Commitment, Market Liquidity and Corporate Governance." In *Comparing Welfare Capitalism: Social Policy and Political Economy in Europe, Japan and the USA*, eds. Bernhard Ebbinghaus and Philip Manow. New York: Routledge. Pp. 171–89.

Jacobs, Didier. 1998. "Social Welfare Systems in East Asia: A Comparative Analysis including Private Welfare." CASE Paper 10, Center for Analysis of Social Exclusion at the London School of Economics.

Janoski, Thomas, and Alexander M. Hicks. 1994. *The Comparative Political Economy of the Welfare State*. New York: Cambridge University Press.

Jessop, Bob. 2000. "From the KWNS to the SWPR." In *Rethinking Social Policy*, eds. Gail Lewis, Sharon Gewirtz, and John Clarke, Thousand Oaks, CA: Sage Publications. Pp. 171–84.

Johnson, Chalmers. 1982. *MITI and the Japanese Economic Miracle: The Growth of Industrial Policy, 1925–1975*. Stanford, CA: Stanford University Press.

——. 1987. "Political Institutions and Economic Performance: The Government–Business Relationship in Japan, South Korea, and Taiwan." In *The Political Economy of the New Asian Industrialism*, ed. Frederic C. Deyo. Ithaca, NY: Cornell University Press. Pp. 136–64.

Jones, Catherine. 1990. "Hong Kong, Singapore, South Korea and Taiwan: Oikonomic Welfare States." *Government and Opposition* 25 (4): 446–62.

——. 1993. "Pacific Challenges: Confucian Welfare State." In *New Perspectives on the Welfare State in Europe*, ed. Catherine Jones. New York: Routledge. Pp. 198–217.

Jones, David S. 2005. "The Central Provident Fund Scheme in Singapore: Challenges and Reform." *Asian Journal of Political Science* 13 (2): 75–102.

Kamimura, Yasuhiro. 2006. "Welfare States in East Asia: Similar Conditions, Different Past, and Divided Future." In *Managing Development: Globalization, Economic Restructuring and Social Policy*, ed. Junji Nakagawa. New York: Routledge. Pp. 306–32.

Kang, David C. 2002. *Crony Capitalism: Corruption and Development in South Korea and the Philippines*. New York: Cambridge University Press.

——. 2006. *One World of Welfare: Japan in Comparative Perspective*. Ithaca, NY: Cornell University Press.

Katzenstein, Peter J. 1985. *Small States in World Markets: Industrial Policy in Europe*. Ithaca, NY: Cornell University Press.

Kaufman, Rober R., and Alex Segura-Ubiergo. 2001. "Globalization, Domestic Politics, and Social Spending in Latin America: A Time-Series Cross-Section Analysis, 1973–97." *World Politics* 53 (4): 553–87.

Kay, Cristobal. 2002. "Why East Asia Overtook Latin America: Agrarian Reform, Industrialization, and Development." *Third World Quarterly* 23 (6): 1073–1102.

Kerr, Clark, et al. 1960. *Industrialism and Industrial Man: The Problems of Labor and Management in Economic Growth*. Cambridge, MA: Harvard University Press.

Kim, Mason M. S. 2010. "Corporatism vs. Marketization: An Empirical Test of the Control Effect of Corporatist Labor Unions in China" (In Chinese). In *Social Class in Transitional China*, eds. Yang Su, Shizheng Feng, and Chunping Han. Beijing: Social Science Academic Press. Pp. 84–107.

Kim, Mi-Jung. 2002. "Korea's FDI Policy after the Currency Crisis." In *The Post-Financial Crisis Challenges for Asian Industrialization*, eds. Richard Hooley and Jang-Hee Yoo. Oxford, UK: Elsevier Science Ltd. Pp. 401–23.

Kim, Samuel S., ed. 2003. *Korea's Democratization*. New York: Cambridge University Press.

Kim, Yeon-Myung, ed. 2002. *A Debate over the Nature of the Korean Welfare State 1* (Korean). Seoul: Ingan-kwa-Pokchi.

——. 2008. "Beyond East Asian Welfare Productivism in South Korea." *Policy and Politics* 36 (1): 109–25.

——., and Kyo-Seong Kim. 2005. "Pension Reform in Korea: Conflict between Social Solidarity and Long-term Financial Sustainability." In *Ageing and Pension Reform around the World*, eds. Giuliano Bonoli and Toshimitsu Shinkawa. Northampton, MA: Edward Elgar Publishing. Pp. 208–29.

Kim, Young-Hwa. 2000. "Concurrent Development of Education Policy and Industrialization Strategies in Korea (1945–1995): A Historical Perspective." *Journal of Education and Work* 13 (1): 95–118.

Kittel, Bernhard, and Herbert Obinger. 2003. "Political Parties, Institutions, and the Dynamics of Social Expenditure in Times of Austerity." *Journal of European Public Policy*. 10 (1): 20–45.

Kohli, Atul. 2004. *State-Directed Development: Political Power and Industrialization in the Global Periphery*. Cambridge: Cambridge University Press.

Korpi, Walter. 1983. *The Democratic Class Struggle*. London: Routledge & Kegan Paul.

——. 1989. "Power, Politics and State Autonomy in the Development of Social Citizenship: Social Rights during Sickness in Eighteen OECD Countries since 1930." *American Sociological Review* 54 (3): 309–28.

Ku, Yeun-Wen. 1997. *Welfare Capitalism in Taiwan: State, Economy and Social Policy*. New York: St. Martin's Press.

——. 2003. "Social Security." In *Welfare Capitalism in East Asia: Social Policy in the Tiger Economies*, eds. Ian Holliday and Paul Wilding. New York: Palgrave Macmillan. Pp. 128–60.

——. 2009. "Comparative Welfare Policy Instruments in East Asia." In *Changing Governance and Public Policy in East Asia*, eds. Ka-Ho Mok and Forest Ray. New York: Taylor & Francis. Pp. 140–58.

——., and Catherine Jones Finer. 2007. "Developments in East Asian Welfare Studies." *Social Policy & Administration* 41 (2): 115–31.

Kuhnle, Stein. 2002. "Productive Welfare in Korea: Moving towards a European Welfare State Type?" ECPR Joint Sessions of Workshops: The Welfare State – Pros and Cons. Torino, Italy, March 22–27.

Kwon, Huck-Ju. 1998. "Democracy and the Politics of Social Welfare: A Comparative Analysis of Welfare Systems in East Asia." In *The East Asian Welfare Model: Welfare Orientalism and the State*, eds. Roger Goodman, Gordon White, and Huck-ju Kwon. New York: Routledge. Pp. 27–74.

——. 1999. *The Welfare State in Korea: The Politics of Legitimation*. New York: St. Martin's Press.

——. 2002. "Welfare Reform and Future Challenges in the Republic of Korea: Beyond the Developmental Welfare State?" *International Social Security Review* 55 (4): 23–38.

——., ed. 2005. *Transforming the Developmental Welfare State in East Asia*. New York: Palgrave Macmillan.

——. 2009. "The Reform of the Developmental Welfare State in East Asia." *International Journal of Social Welfare* 18 (1): S12–S21.

——., and Jooha Lee. 2011. "Workfare in South Korea: Delivering Unemployment Benefits in the Developmental Welfare State." In *Welfare Reform in East Asia: Toward Workfare*, eds. Chak Kwan Chan and Kinglun Ngok. New York: Routledge. Pp. 115–30.

Kwon, Soonman. 2009. "Thirty Years of National Health Insurance in South Korea: Lessons for Achieving Universal Health Care Coverage." *Health Policy and Planning* 24: 63–71.

——., and Ian Holliday. 2007. "The Korean Welfare State: A Paradox of Expansion in an Era of Globalization and Economic Crisis." *International Journal of Social Welfare* 16 (3): 242–48.

Kwong, Kai-Sun, Chau Leung-Chuen, Francis T. Lui, and Larry D. Qiu. 2001. *Industrial Development in Singapore, Taiwan, and South Korea*. River Edge, NJ: World Scientific.

Leckie, Stuart, and Yashue Pai. 2005. *Pension Funds in China: A New Look*. Hong Kong: ISI Publications.

Lee, Ching Kwan. 2005. "Livelihood Struggles and Market Reform: (Un)making Chinese Labor after State Socialism." Occasional Paper No. 2. UN Research Institute for Social Development.

Lee, Kuan Yew. 2000. *From Third World to First: the Singapore Story, 1965–2000*. New York: Harper Collins.

Lee, Sung-Kyun. 1997. "A Comparative Study of Welfare Programs for Old Age Income Security in Korea and Taiwan." Ph.D. Dissertation. The University of Wisconsin, Madison.

Lee, Yih-Jiunn, and Yeun-Wen Ku. 2007. "East Asian Welfare Regimes: Testing the Hypothesis of the Developmental Welfare State." *Social Policy & Administration* 41 (2): 197–212.

Leung, Joe C. B. 2003. "Social Security Reforms in China: Issues and Prospects." *International Journal of Social Welfare* 12 (2): 73–85.

——. 2005. "Social Welfare in China." In *East Asian Welfare Regimes in Transition: From Confucianism to Globalization*, eds. Alan Walker and Chack-kie Wong. Bristol, UK: The Policy Press. Pp. 49–71.

Lieberthal, Kenneth. 2004. *Governing China: From Reform to Revolution*, 2nd ed. New York: WW Norton.

Lim, Kim-Lian. 2001. "Implications of Singapore's CPF Scheme on Consumption Choices and Retirement." *Pacific Economic Review* 6 (3): 361–82.

Lin, Hung-Yang. 2012. "The Retirement Provisions in China, Hong Kong, Singapore, and Taiwan: Perspectives on Policy Inputs and Social Outputs." *Asian Social Work and Policy Review* 6 (3): 163–91.

Lin, Ka, and Raymond KH Chan. 2013. "Repositioning Three Models of Social Policy with Reference to East Asian Welfare Systems." *International Social Work*. DOI: 10.1177/0020872813503857.

Low, Linda, and Tar Choon Aw. 2004. *Social Insecurity in the New Millennium: The Central Provident Fund in Singapore*. Singapore: Marshall Cavendish Academic.

Mares, Isabela. 2003. *The Politics of Social Risk: Business and Welfare State Development*. New York: Cambridge University Press.

——., and Matthew E. Carnes. 2009. "Social Policy in Developing Countries." *Annual Review of Political Science* 12: 93–113.

McCarthy, David, Olivia S. Mitchell, and John Piggott. 2002. "Asset Rich and Cash Poor: Retirement Provision and Housing Policy in Singapore." *Journal of Pensions Economics & Finance* 1 (3): 197–222.

MCYS. 2007. *Social Statistics in Brief*. Singapore: Ministry of Community Development, Youth and Sports.

Mehta, Kalyani K. 2013. "The Shaping of Social Policies in Relation to Demographic Ageing in East Asia." In *Handbook on East Asian Social Policy*, ed. Misa Izuhara. Northampton, MA: Edward Elgar.

Midgley, James. 1986. "Industrialization and Welfare: The Case of the Four Little Tigers." *Social Policy & Administration* 20 (3): 225–38.

——., and Kwong-leung Tang. 2001. "Social Policy, Economic Growth and Developmental Welfare." *International Journal of Social Welfare* 10: 244–52.

Milligan, Glenn W., and Martha C. Cooper. 1985. "An Examination of Procedures for Determining the Number of Clusters in a Data Set." *Psychometrika* 50 (2): 159–79.

Ministry of Labour and Social Security. 1999. "Overall Development Direction for Labor and Social Security Tasks in 1998–2002." In *China Labor Human Resources Development* (Zhongguo Renli Ziyuan Kaifa), Vol. 7. Pp. 4–7.

Mishra, Ramesh. 1999. *Globalization and the Welfare State*. Northampton, MA: Edward Elgar.

Mo, Jongryn. 1996. "Political Learning and Democratic Consolidation: Korean Industrial Relations, 1987–1992." *Comparative Political Studies* 29 (3): 290–311.

Moon, Chung-In, and Jae-Jin Yang. 2002. "Globalization, Social Inequality, and Democratic Governance in South Korea." In *Democratic Governance and Social Inequality*, eds. Joseph S. Tulchin with Amelia Brown. Boulder, CO: Lynne Rienner Publishers. Pp. 131–61.

Morris, Paul. 1996. "Asia's Four Little Tigers: A Comparison of the Role of Education in Their Development." *Comparative Education* 32 (1): 95–110.

Myles, John. 1988. "Decline or Impasses? The Current State of the Welfare State." *Studies in Political Economy* 26 (1): 73–107.

Naughton, Barry. 2007. *The Chinese Economy: Transitions and Growth*. Cambridge, MA: The MIT Press.

Newton, Kenneth. 2006. "Political Support: Social Capital, Civil Society and Political and Economic Performance." *Political Studies* 54 (4): 846–64.

Noland, Marcus, and Howard Pack. 2003. *Industrial Policy in an Era of Globalization: Lessons from Asia*. Washington, D.C.: Institute for International Economics.

Norris, Pippa, ed. 1999. *Critical Citizens: Global Support for Democratic Government*. New York: Oxford University Press.

——. 2008. *Driving Democracy: Do Power-Sharing Institutions Work?* New York: Cambridge University Press.

O'Brien, Kevin J. and Lianjiang Li. 2006. *Rightful Resistance in Rural China*. New York: Cambridge University Press.

O'Connor, James. 1973. *The Fiscal Crisis of the State*. New York: St. Martin's Press.

O'Connor, Julia S. 1988. "Convergence or Divergence? Change in Welfare Effort in OECD Countries 1960–1980." *European Journal of Political Research* 16: 277–99.

——., and Gregg M. Olsen, eds. 1998. *Power Resources Theory and the Welfare State: A Critical Approach*. Toronto: University of Toronto Press.

Offe, Claus. 1984. *Contradictions of the Welfare State*, ed. John B. Keane. Cambridge, MA: MIT Press.

Ortiz, Isabel, ed. 2001. *Social Protection in Asia and the Pacific*. Manila, Philippines: Asian Development Bank.

Overbye, Einar. 2010. "Disciplinary Perspectives." In *Oxford Handbook of Welfare States*, eds. Francis G. Castles, Stephen Leibfried, Jane Lewis, Herbert Obinger, and Christopher Pierson. New York: Oxford University Press. Pp. 152–66.

Pampel, Fred, and John Williamson. 1989. *Age, Class, Politics, and the Welfare State*. New York: Cambridge University Press.

Park, Yung-Chul, Won-Ho Song, and Yun-Jong Wang. 2005. "Finance and Economic Development in East Asia." In *A New Financial Market Structure for East Asia,* eds. Yung-Chul Park, Takatoshi Ito, and Yun-Jong Wang. Northampton, MA: Edward Elgar. Pp. 19–45.

Parry, Thomas G. 1988. "The Role of Foreign Capital in East Asian Industrialization, Growth, and Development." In *Achieving Industrialization in East Asia*, ed. Helen Hughes. New York: Cambridge University Press. Pp. 95–128.

Patrick, Hugh T., and Yung-Chul Park. 1994. *The Financial Development of Japan, Korea, and Taiwan: Growth, Repression, and Liberalization*. New York: Oxford University Press.

Peng, Ito, and Joseph Wong. 2008. "Institutions and Institutional Purpose: Continuity and Change in East Asian Social Policy." *Politics & Society* 36 (1): 61–88.

——. 2010. "East Asia." In *Oxford Handbook of Welfare States*, eds. Francis G. Castles, Stephen Leibfried, Jane Lewis, Herbert Obinger, and Christopher Pierson. New York: Oxford University Press. Pp. 656–70.

Perry, Martin, Lily Kong, and Brenda Yeoh. 1997. *Singapore: A Developmental City State*. London: John Wiley.

Peters, B. Guy. 1998. *Comparative Politics: Theory and Methods*. New York: New York University Press.

Pfaller, Alfred, Ian Gough, and Goran Therborn, eds. 1991. *Can the Welfare State Compete? A Comparative Study of Five Advanced Capitalist Countries*. London: Macmillan.

Pierson, Christopher. 2004. "Late Industrializers and the Development of the Welfare State." Social Policy and Development Programme Paper No. 16.

——. 2007. *Beyond the Welfare State: The New Political Economy of Welfare*. 3rd ed. University Park, PA: The Pennsylvania State University Press.

Pierson, Paul. 1994. *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment*. New York: Cambridge University Press.

——. 1996. "The New Politics of the Welfare State." *World Politics* 48 (2): 143–79.

——. 2001. *The New Politics of the Welfare State*. New York: Oxford University Press.

Plümper, Thomas, Vera E. Troeger, and Philip Manow. 2005. "Panel Data Analysis in Comparative Politics: Linking Method to Theory." *European Journal of Political Research* 44 (2): 327–54.

Polanyi, Karl. 1944. *The Great Transformation*. Boston, MA: Beacon.

Pryor, Frederic L. 1968. *Public Expenditures in Communist and Capitalist Nations*. Homewood, IL: R.D.Irwin.

Przeworski, Adam, and Henry Teune. 1970. *The Logic of Comparative Social Inquiry*. New York: Wiley-Interscience.

Quah, Jon S., Heng-Chee Chan, and Chee-Meow Seah. 1985. *The Government and Politics of Singapore*. New York: Oxford University Press.

Quinn, Dennis. 1997. "The Correlations of Change in International Financial Regulations." *American Political Science Review* 91 (3): 531–51.

Ramesh, M. 1995. "Social Security in South Korea and Singapore: Explaining the Differences." *Social Policy & Administration* 29 (3): 228–40.

——. 2003. "Globalization and Social Security Expansion in East Asia." In *States in the Global Economy: Bringing Domestic Institutions Back In*, ed. Linda Weiss. New York: Cambridge University Press. Pp. 83–98.

——. 2004. *Social Policy in East and Southeast Asia: Education, Health, Housing, and Income Maintenance*. New York: Routledge Curzon.

——. 2005. "One and a Half Cheers for Provident Funds in Malaysia and Singapore." In *Transforming the Developmental Welfare State in East Asia*, ed. Huck-ju Kwon. New York: Palgrave Macmillan.

——., and Mukul G. Asher. 2000. *Welfare Capitalism in Southeast Asia: Social Security, Health, and Education Policies*. New York: St. Martin's Press, Inc.

Rieger, Elmar, and Stephen Leibfried. 2003. *Limits to Globalization: Welfare States and the World Economy,* trans. Benjamin W. Veghte. Cambridge: Polity Press.

Rodrik, Dani. 1997. *Has Globalization Gone Too Far?* Washington D.C.: Institute for International Economic.

——. 1998. "Why Do More Open Economies Have Bigger Government?" *Journal of Political Economy* 106 (5): 997–1032.

Rudra, Nita. 2002. "Globalization and the Decline of the Welfare State in Less-Developed Countries." *International Organization* 56 (2): 411–45.

——. 2007. "Welfare State in Developing Countries: Unique or Universal?" *Journal of Politics* 69 (2): 378–96.

——. 2008. *Globalization and the Race to the Bottom in Developing Countries: Who Really Gets Hurt?* New York: Cambridge University Press.

——., and Stephan Haggard. 2005. "Globalization, Democracy, and Effective Welfare Spending in the Developing World." *Comparative Political Studies* 38 (9): 1015–49.

Ruggie, John G. 1982. "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order." *International Organization* 36 (2): 195–231.

Rybczynski, Tad M. 1984. "Industrial Finance Systems in Europe, United States and Japan." *Journal of Economic Behavior and Organization* 5: 275–86.

Salditt, Felix, Peter Whiteford, and Willem Adema. 2008. "Pension Reform in China." *International Social Security Review* 61 (3): 47–70.

Scharpf, Fritz W. 2000. "Economic Changes, Vulnerabilities, and Institutional Capabilities." In *Welfare and Work in the Open Economy* (Vol. I), eds. Fritz W. Scharpf and Vivien A. Schmidt. New York: Oxford University Press. Pp. 21–124.

Schmidt, Volker H. 2005. "Varieties of Social Policy: East Asian Welfare Capitalism in Comparative Perspective." Working Paper No. 177. National Singapore University.

Segura-Ubiergo, Alex. 2007. *The Political Economy of the Welfare State in Latin America: Globalization, Democracy, and Development*. New York: Cambridge University Press.

Shalev, Michael. 1983. "The Social Democratic Model and Beyond: Two Generations of Comparative Research on the Welfare State." *Comparative Social Research* 6: 315–51.

Shi, Shih-Jiunn. 2006. "Left to Market and Family – Again? Ideas and the Development of the Rural Pension Policy in China." *Social Policy & Administration* 40 (7): 791–806.

Shin, Doh Chull, and Richard Rose. 1998. "Responding to Economic Crisis: The 1998 New Korea Barometer Survey." Studies in Public Policy 311. Center for the Study of Public Policy (University of Strathclyde).

Shin, Dong-Myeon. 2003. *Social and Economic Polities in Korea: Ideas, Networks, and Linkages*. New York: Routledge.

Shin, Eui-Hang. 2003. "The Role of NGOs in Political Elections in South Korea: The Case of the Citizens' Alliance for the 2000 General Election." *Asian Survey* 43 (4): 697–715.

Shirk, Susan L. 1993. *The Political Logic of Economic Reform in China*. Berkeley, CA: University of California Press.

Shou, Huisheng. 2010. "Race to the Bottom or Move to the Middle? Globalization and Welfare Regime Transformation in the Developing World." Ph.D. Dissertation. University of Illinois at Urbana-Champaign.

Shyu, Huo-yan. 2010. "Trust in Institutions and the Democratic Consolidation in Taiwan." In *Taiwan's Politics in the 21st Century: Changes and Challenges*, ed. Wei-Chin Lee. Singapore: World Scientific Publishing. Pp. 69–100.

Skocpol, Theda. 1987. "America's Incomplete Welfare State: The Limits of New Deal Reforms and the Origins of the Present Crisis." In *Stagnation and Renewal in Social Policy: The Rise and Fall of Policy Regimes*, eds. Martin Rein, Gøsta Esping-Andersen, and Lee Rainwater. New York: M.E. Sharpe. Pp. 35–58.

Smuthkalin, Worawut. 2006. "Political Regime and Welfare State Development in East Asia: How State Leaders Matter to Social Policy Expansion in Taiwan, Thailand, and China." Ph.D. Dissertation. Stanford University.

Social Security Administration (SSA). 2013. *Social Security Programs Throughout the World: Asia and the Pacific, 2012*. Washington D.C.: Social Security Administration.

Song, Ho-Keun, and Kyung-Zoon Hong. 2005. "Globalization and Social Policy in South Korea." In *Globalization and the Future of the Welfare State*, eds. Miguel Glatzer and Dietrich Rueschemeyer. Pittsburgh, PA: University of Pittsburgh Press. Pp. 179–202.

Strange, Susan. 1996. *The Retreat of the State: The Diffusion of Power in the World Economy*. New York: Cambridge University Press.

Starke, Peter. 2006. "The Politics of Welfare State Retrenchment: A Literature Review." *Social Policy & Administration* 40 (1): 104–20.

Streeck, Wolfgang, and Kozo Yamamura. 2001. *The Origins of Nonliberal Capitalism: Germany and Japan in Comparison*. Ithaca, NY: Cornell University Press.

Stubbs, Richard. 2005. *Rethinking Asia's Economic Miracle*. New York: Palgrave Macmillan.

Swank, Duane. 2002. *Global Capital, Political Institutions, and Policy Change in Developed Welfare States*. New York: Cambridge University Press.

Swenson, Peter. 2002. *Capitalist against Market: The Making of Labor Markets and Welfare State in the United States and Sweden*. Oxford, UK

Tajika, Eiji. 2002. "The Public Pension System in Japan: The Consequences of Rapid Expansion." WBI Working Paper. Washington D.C.: The World Bank.

Takahashi, Wataru. 2012. "The Japanese Financial Sector's Transition from High Growth to the Lost Decades." In *East Asian Capitalism: Diversity, Continuity, and Change*, eds. Andrew Walter and Xiaoke Zhang. New York: Oxford University Press. Pp. 201–22.

Tanaka, Aji. 2001. "Does Social Capital Generate System Support in Japan? An Empirical Analysis of Political System Support." Paper prepared for the Annual Meeting of the American Political Science Association, August 30–September 2.

Tang, Kwong-Leung. 2000. *Social Welfare Development in East Asia*. New York: Palgrave.

Tang, Wenfang. 2005. *Public Opinion and Political Change in China*. Stanford, CA: Stanford University Press.

Teeple, Gary. 1995. *Globalization and the Decline of Social Reform*. Toronto: Garamond Press.

Tremewan, Christopher. 1994. *The Political Economy of Social Control in Singapore*. New York: St. Martin's Press.

Tsebelis, George. 2002. *Veto Players: How Political Institutions Work*. Princeton, NJ: Princeton University Press.

UNCTAD. 2013. *World Investment Report 2013*. New York: United Nations Publication.

Van Elkan, Rachel. 1995. "Accounting for Growth in Singapore." In *Singapore: A Case Study in Rapid Development*, ed. Kenneth Bercuson. Washington D.C.: IMF.

Van Ginneken, Wouter. 2003. "Extending Social Security: Policies for Developing Countries." ESS Paper No. 13. Social Security Policy and Development Branch. International Labor Office.

Van Kersbergen, Kees, and Barbara Vis. 2014. *Comparative Welfare State Politics: Development, Opportunities, and Reform*. New York: Cambridge University Press.

Wade, Robert. 1990. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. Princeton, NJ: Princeton University Press.

——. 1992. "East Asia's Economic Success: Conflicting Perspectives, Partial Insights, Shaky Evidence." *World Politics* 44 (2): 270–320.

Wan, Ming. 2008. *The Political Economy of East Asia: Striving for Wealth and Power*. Washington D.C.: CQ Press.

Wang, Zhengxu. 2005. "Before the Emergence of Critical Citizens: Economic Development and Political Trust in China." *International Review of Sociology* 15 (1): 155–71.

——., Russell J. Dalton, and Doh Chull Shin. 2006. "Political Trust, Political Performance, and Support for Democracy." In *Citizens, Democracy, and Markets around the Pacific Rim: Congruence Theory and Political Culture*, eds. Russell J. Dalton and Doh Chull Shin. New York: Oxford University Press. Pp. 135–55.

——., and Roger Goodman. 1998. "Welfare Orientalism and the Search for an East Asian Welfare Model." In *The East Asian Welfare Model: Welfare Orientalism*

and the State, eds. Roger Goodman, Gordon White, & Huck-ju Kwon. New York: Routledge. Pp. 3–24.
Whyte, Martin K. 2010. "Do Chinese Citizens Want the Government to Do More to Promote Equality?" In *Chinese Politics: State, Society, and the Market*, eds. Peter Hays Gries and Stanley Rosen. New York: Routledge. Pp. 129–59.
Wibbels, Erik, and John S. Ahlquist. 2011. "Development, Trade, and Social Insurance." *International Studies Quarterly* 55 (1): 125–49.
Wijeysingha, Vincent. 2005. "The Welfare Regime in Singapore." In *East Asian Welfare Regimes in Transition: From Confucianism to Globalization*, eds. Alan Walker and Chack-kie Wong. Bristol, UK: The Policy Press. Pp. 187–211.
Wilding, Paul. 2008. "Is the East Asian Welfare Model Still Productive?" *Journal of Asian Public Policy* 1 (1): 18–31.
Wilensky, Harold L. 1975. *The Welfare State and Equality*. Berkeley, CA: University of California Press.
——. 2002. *Rich Democracies: Political Economy, Public Policy, and Performance*. Berkeley, CA: University of California Press.
——., and Charles N. Lebeaux. 1958. *Industrial Society and Social Welfare; The Impact of Industrialization on the Supply and Organization of Social Welfare Services in the United States*. New York: Russell Sage Foundation.
Williamson, John B., Meghan Price, and Ce Shen. 2012. "Pension Policy in China, Singapore, and South Korea: An Assessment of the Potential Value of the Notion Defined Contribution Model." *Journal of Aging Studies* 26 (1): 79–89.
Wong, Joseph. 2004. *Healthy Democracies: Welfare Politics in Taiwan and South Korea*. Ithaca, NY: Cornell University Press.
Wong, Linda. 2001. "Welfare Policy Reform." In *The Market in Chinese Social Policy*, eds. Linda Wong and Norman Flynn. New York: Palgrave. Pp. 38–62.
Wong, Timoty Ka-Ying, Hsin-Huang Michael Hsiao, and Po-San Wan. 2009. "Comparing Political Trust in Hong Kong and Taiwan: Levels, Determinants, and Implications." *Japanese Journal of Political Science* 10 (2): 147–74.
Woo, Jung-En. 1991. *Race to the Swift: State and Finance in Korean Industrialization*. New York: Columbia University Press.
Woo, Myungshook. 2004. *The Politics of Social Welfare Policy in South Korea*. New York: University Press of America, Inc.
Woo-Cumings, Meredith. 1999. *The Developmental State*. Ithaca, NY: Cornell University Press.
World Bank. 1993. *The East Asian Miracle: Economic Growth and Public Policy*. New York: Oxford University Press.
——. 1994. *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth*. New York: Oxford University Press.
——. 1997. *Financing Health Care: Issues and Options for China*. Washington D.C.: World Bank.
——. 2000. *East Asia: Recovery and Beyond*. Washington D.C.: World Bank.
Wright, Teresa. 2010. "Tenuous Tolerance in China's Countryside." In *Chinese Politics: State, Society, and the Market*, eds. Peter Hays Gries and Stanley Rosen. New York: Routledge. Pp. 109–128.
Yang, Jae-Jin. 2000. "The 1999 Pension Reform and a New Social Contract in South Korea." Ph.D. Dissertation. The State University of New Jersey, Rutgers.
——. 2004. "Democratic Governance and Bureaucratic Politics: A Case of Pension Reform in Korea." *Policy & Politics* 32 (2): 193–206.

Yip, Winnie, and William C. Hsiao. 2008. "The Chinese Health System at a Crossroads." *Health Affairs* 27 (2): 460–68.
Yeung, Henry Wai-chung, Jessie Poon, and Martin Perry. 2001. "Towards a Regional Strategy: The Role of Regional Headquarters of Foreign Firms in Singapore" *Urban Studies* 38 (1): 157–83.
Zhang, Kevin H. 2008. "What Attracts Foreign Multinational Corporations to China?" *Contemporary Economic Policy* 19 (3): 336–46.
Zysman, John. 1983. *Governments, Markets, and Growth: Financial Systems and the Politics of Industrial Change*. Ithaca, NY: Cornell University Press.

Statistical Resources

Asian Development Bank. *Key Indicators*.
Asian Barometer Survey 2006 (http://www.asianbarometer.org).
China Statistics Press. *China Labor Statistical Yearbook*.
Directorate-General of Budget, Accounting, and Statistics. *Statistical Yearbook of Taiwan*.
General Statistical Office. *Statistical Yearbook of Vietnam*.
International Monetary Fund. *Government Finance Statistics*.
Korea Statistical Information Service (http://kosis.kr).
National Bureau of Statistics. *Statistical Yearbook of China*.
National Election Commission of Korea (http://www.nec.go.kr).
National Health Insurance Corporation. *National Health Insurance Statistical Yearbook 2010*.
National Statistical Office. *Korean Social Indicators 2011*.
Organization for Economic Co-operation and Development. *OECD Health Data*. (http://www.oecd.org/health/healthpoliciesanddata)
Organization for Economic Co-operation and Development. *Stat Extracts*.
Statistics Bureau, MIAC. *Japan Statistical Yearbook*.
United Nations Conference on Trade and Development, *World Investment Directory 2009*.
World Bank. *World Development Indicators*.
World Health Organization. *WHOSIS*.
World Value Survey (Wave 4: 2000–2004).

Index