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East Asian Welfare Regimes in Transition: From Confucianism to Globalisation

edited by Alan WALKER and Chack-kie WONG, Bristol: The Policy Press, 2005, 235 pp., ISBN 1-86134-552-6 (paperback).

This is a timely contribution to the current debate about the role of the state and of welfare systems in economic growth and competitiveness in the context of globalization: a debate which is putting at loggerheads neo-liberal and social-democrat ideologies in determining the best path for the adjustment and survival of both advanced and 'emerging' economies. The exceptional growth rates achieved by the 'Asian tigers' have exacerbated this debate by shortcut explanatory arguments of these "success stories," often attributed to Confucianism, but with little in-depth analysis or understanding of the diversity of factors at play, the historical context in which welfare systems have been introduced in these countries, how they evolved and what objectives they served, beyond the obvious traditional ones of addressing poverty, health impairment and other social risks.

It is noteworthy that this book is authored by experts from the six countries covered, namely China, Hong Kong, Japan, Taiwan, South Korea and Singapore, and that it analyses both the common and the diverging features of these countries' political, cultural and welfare systems and the challenges they have to address. Besides the six case studies, the volume includes two analytical introductory chapters, and a concluding synthesis chapter, focusing on factors that facilitate the understanding of the development of welfare regimes in these countries, particularly the roles played respectively by the State and by Confucianism. Though the latter is acknowledged by the authors as influencing the socio-political approach to social protection, they contend that it is overwhelmingly used by governments to justify their restrictive social policies and as a means for political

legitimization of more or less authoritarian regimes.

Also of particular pertinence is the analysis of the current pressures for change of existing social arrangements, notably the financial crisis in 1997, globalization and demographic ageing. As indicated in the introduction, the western theory of the welfare-state is located at the interface of two sets of basically conflicting rights: *citizen rights*, which underlie the democratic institution of society, and *property rights*, which characterize the market economy.

The welfare-state is viewed by western welfare theorists as "functional to the very existence of capitalism because it legitimises the accumulation function of capital" (p. 4). While acknowledging the interdependence between the development of the welfare-state, capital accumulation and economic growth, the editors point out that, since democratic institutions in the western sense are either absent or rudimentary in East Asian countries, this functional institutional analysis cannot explain the emergence of welfare systems in these countries. They say that neither capitalism nor democracy are necessary conditions for constituting a welfare state or explaining its development. Indeed, they claim that the political and economic functions served by welfare states cannot explain the differences between societies and their welfare systems. The role of the state and of the family or community are central to understanding the East Asian context. However, while the western approach tends to consider that East Asian systems provide less social protection against poverty and the reduction of social inequalities, there are other welfare inputs provided by "non-state societal actors" that constitute additional social capital through

work, education, training and care that cater for human needs and provide social quality to an extent that would rank these countries' welfare systems higher in the development perspective than the quantitative assessment made by functionalist western analysts, which relate welfare outcomes to the size of public expenditure or levels of state-granted benefits or redistribution. This is why the authors prefer to use the term "welfare regime" rather than the common "welfare-state regime."

As to the importance of a Confucian model of the welfare-state in the region, the authors claim that despite the tendency among the few existing studies to homogenize the welfare institutions in the six countries, they actually vary in terms of their political, social and economic systems as much as in their levels of social and economic development and the development paths they adopted. China, for example, opted for restructuring its socialist employment system to accommodate the need for economic reform and the shift to a market economy. South Korea followed Japan in adopting some aspects of the Bismarckian welfare model without aggravating income inequalities, while the more market-oriented economies of Singapore and Hong-Kong leave a more residual role to social policy resulting in substantial income inequalities. Still, the authors acknowledge that these countries share a common cultural heritage in Confucianism, which includes family and community-based solidarity, paternalism, entrepreneurship, an emphasis on education and state coordination. However, these shared values are not unique to this region and therefore cannot explain their exceptional economic performance. Indeed, Western countries also share similar sets of values that contributed to their development, such as the Protestant work ethic, Victorian values or the British Labour Party's Third Way, etc.

So the authors turn to globalization to assess how it may have changed East

Asian welfare regimes. They underline the fact that these countries internationalized their economies at an early stage of development and adopted what are now termed "neo-liberal" economic policies well before these policies were promoted by the international financial institutions. During most of the two decades of the 1980s and 1990s, these countries boasted an economic boom associated with globalization, which legitimized the governments' policy options and welcomed globalization until the 1997 financial crisis. The latter brought about a reassessment of existing policies and painful adjustments, notably in the welfare systems. The different reform paths followed by these countries provide food for thought on how governments used the traditional Confucian precepts to minimize demands for social welfare, to transfer more responsibilities to individuals and society, and to mobilize the population in the development effort while providing trade-offs for such efforts, in some cases silencing opposition, decentralizing labour demands or even "integrating" the labour movement (South Korea and Singapore).

The authors consider that the cultural influence of Confucianism and its role in shaping social policies and welfare regimes have been overestimated. By contrast, they underline the crucial political role that they played in the industrialization process, though it was used in a flexible manner to suit local circumstances and political ideology. In Japan and South Korea, for example, it allowed authoritarian states to introduce interventionist measures that made possible a rapid industrialization and economic growth without having to worry about the social impact, which had to be cushioned by the family. In Hong Kong, Confucian norms were not powerful enough to stem popular protest, so government had to intervene with massive public investment in housing. They conclude that, despite the rhetoric surrounding the East Asian "tiger

economies,” none among them is a pure market system and the State has played (and continues to do so) a significant role by protecting industries, investing in infrastructure, housing, education, research and even public enterprises. Conservative social organization and cultural values, notably a strong family and discipline, ensured political stability and stimulated economic growth. In this sense, they say, Confucianism is a key component in the path that these states followed in setting up their welfare regimes. Confucianism in the welfare context has been used as a means of legitimizing restrictive social policies in response to internal and external challenges to these societies, including globalization. The Confucian values of self-reliance and strong family institutions underpin the common feature of low social expenditures in China and other East Asian welfare regimes. These shared values explain the aversion of political leaders to the concept of a welfare-state, to which they prefer “welfare society” where the family – particularly women, the community and employers – cater for the welfare needs. But these welfare regimes are evolving and adapting to changing circumstances, including globalization and the regional financial crisis. Some regimes have opted for funded social insurance schemes rather than universal coverage and tax-financed pay-as-you-go public pension schemes.

As regards globalization, the authors recall that colonial powers played an important role in the early development of political and institutional structures. Thus, for example, the Central Provident Fund, which lies at the heart of Singapore’s social policy, or public housing in Hong Kong, were introduced by the British colonial government. Moreover, colonial powers contributed to the internationalization of the East Asian economies long before those of more advanced economies, because, the authors claim, it did not threaten the

hegemony of the colonial powers. Hong Kong, South Korea and Singapore thus focused their development on export-led industrialization. And, I may add that over the past two decades, China has successfully followed a similar path, so much so that its exceptional performance is giving rise to protectionist attitudes in the European Union and the US, particularly with the flooding of their markets with Chinese textiles and clothing following the expiry in January 2005 of the Multi-fibre agreement which protected western countries against such massive cheap imports. This export-oriented growth, based on low-cost production, has its limits, and alternative policies are not easily available, as demonstrated by Singapore’s failed effort to move up from low-cost, low-wage manufacturing to high-tech, which required a policy re-orientation to promote the development of services (a case mentioned in this volume). Even specialization in high tech, such as the production of computer chips in South Korea and Taiwan, is vulnerable to fluctuations in global demand.

Among other features of the welfare approach in the various countries covered, one author notes that in China, people learned for decades not to rely on state for welfare, and economic reforms have left more people either outside the safety net or suffering from inadequate coverage. The author states that while the shift to a market economy offers people more freedom of movement, employment choice and life opportunities it exposes them to more risks and contingencies. He contends that the Chinese government perceived such employment and livelihood insecurity as the price to be paid for shifting to a market economy, and that to remain competitive, welfare and labour costs have to be kept low. He acknowledges, however, the significant role of the state as the protector of the livelihood of industrial workers in state-owned enterprises located in urban areas, who are

the primary target of the welfare system because of the risk of social protests by laid-off workers. On the other hand, he notes the legal enforcement of filial obligation of care for older adults, emphasizing the traditional family values of inter-generational support. Moreover, in the area of social assistance, "public monitoring" of the recipients creates a stigma that discourages reliance on the government. Access to social services and social security benefits is differentiated among occupational groups, economic sectors and geographical regions, resulting in the quasi exclusion of some groups such as peasants, low-income families, the unemployed, rural migrants, the sick and the disabled. This is aggravated by the significant and widening of urban-rural income disparities. As protests have been increasing, the author concludes that the government has to navigate cautiously in its welfare reforms to minimize the risk of social unrest.

Hong Kong's experience shows the essential role of State in the development of one of the most globalized market economies, where it had to facilitate economic development and secure a stable social and political environment. Indicative of this role was the government's intervention in the property and stock and future markets by massively buying shares and tightening discipline in the securities and futures market in the late 1990s. But the need for state intervention dates back to the 1970s. It developed a concept of "positive non-interventionism," the purpose of which, according to the author, is to safeguard the interests of big business, especially the property market and the banking system, given their influence on the stability of government finances. Indeed, the author argues, public deficits force the government to reduce public expenditure on welfare and to increase the efficiency of the civil service. The latter is done by reducing job security and increasing job requirements of

social workers, health professionals, school teachers and academics, in turn increasing dissatisfaction among the middle class, which may show the limits of the "big market small government" approach. While the middle class is vocal, the welfare rights and needs of other deprived groups will continue to be neglected, notably those of the unemployed, the sick and new immigrants.

South Korea's case study notes that the country has a long tradition of Confucianism, still present today, and it played an important role in the development of the welfare regime because it either backed or hindered changes conducive to the modernization of the welfare system, such as industrial development and political democratization. Confucian norms formed the basis of the modern authoritarian dictatorship that ruled the country until the 1990s. It underpinned the patriarchal social system and traditional familialism that characterized the early welfare regime. Anti-communist ideology played an important role in suppressing various political and economic conflicts and in maintaining domestic peace. It enabled business to freeze wages and gain competitiveness without serious labour unrest. The memory of the Korean War enabled the government to suppress civil society. But as the fruits of the successful economic growth were not evenly distributed, so by the mid-1980s the emergence of the radical labour movement was more in line with popular demands for democracy. In parallel, as a side effect of rapid industrialization, the influence of Confucianism started to decline while demands for political liberalization were growing, leading to a presidential election in 1987. The authoritarian regime considered welfare as residual and as a "regulatory ruling device." Following the election of a civilian government, the welfare reform was characterized by the crucial role of civil society, including the labour movement. Even though when Kim Dae

Jung took office, he had to cope with the economic and political crises, he managed to mitigate income disparities and promote social cohesion through successful welfare reforms in the late 1990s and in 2000. These reforms introduced a universal welfare system close to a welfare-state and considerably enlarged the coverage of social security. Thus, for instance, unemployment insurance and workers' compensation schemes were extended to workplaces with more than one employee, the national pension system was extended to all citizens, the fragmented administrative health insurance system was integrated into a national scheme (though the authors mention a serious public deficit problem caused by the dual structure of the system, a socialized insurance and a privatized medical service), and universal public assistance was recognized as a social right. Welfare expenditure was substantially increased at the end of the 1990s compared to the level of 1980 (five-fold for social security, and three-fold for public assistance and welfare services). These reforms required exceptionally high public expenditures at a time of economic crisis. The authors say this was possible because government managed to gain concessions from both business and labour. The labour movement and civil society thus played a significant role in this process, participating in the tripartite commission that formulated the welfare reforms.

Singapore's example is relatively better known, particularly its rapid growth path over the past four decades, which has led it from a third-world port station to a first-world industrial and service sector city-State, boasting high living standards and social indicators on par with advanced western economies. It is governed by a regime that combines, according to the author, Westminster democracy and social repression, free market and social provision close to socialist in nature. Its approach to welfare was influenced by the heritage of colonial

rule, which created an outward-looking market economy. Its materialistic minded population and a self-reliant immigrant community were not used to demanding state welfare provision, and received none. The Government considers that the best form of welfare is a system that enables all citizens to earn their living and be able to look after themselves. But this does not preclude it from promoting the social conditions and values necessary for wealth creation, and economic growth, among which is welfare. These conditions include investment in infrastructure, education and training, public housing, and a residual social security and health for the most vulnerable. So, despite its market orientation and emphasis on self-help, public welfare is highly developed in Singapore. It has provided widespread social services, eradicated absolute poverty and established a social value system, which, however, bred its own weaknesses. These include demographic ageing, smaller families and inter-ethnic marriages, which run counter to the assumption of family and ethnic community self-help. Moreover, the highly educated population is becoming more critical of the existing political system and its material benefits no longer suffice. The privileged economic status of Singapore has recently come under strain with the fast catching-up of other neighbouring countries, eroding the advantage of low-cost manufacturing. This did not prevent the government during the recession that followed the 1997 financial crisis from offering very generous welfare coverage and relief measures, besides making special efforts to encourage economic diversification and local capital development, and investing more in education and focusing on a more creative approach in school curricula in order to prepare the younger generation to better cope with the global economy. The government also encouraged the private sector to be more involved in welfare provision, especially in funding training.

The authors conclude by pointing out factors that underpin the East Asian welfare regimes. These include, besides the already mentioned role of Confucianism, the fact that these are rapidly developing societies, influencing the pace of welfare reforms and the challenges – such as migration – to which welfare has to respond, and yet this aspect is hardly discussed in the literature on welfare in the region. Second, neo-liberalism has been the dominant force in social policy development, imposing the primacy of economic development over social welfare; this coincides with the residual character of welfare that corresponds to the Confucian approach. Thirdly, in all countries, authoritarian state power has been used to force the pace of industrialization and to use ideology to legitimate its repressive policies. The financial crisis, an obvious feature of recent globalization, has transformed social policy because economic growth has declined, stifling the funding source for public

welfare spending, while unemployment has increased, impacting on individual and family incomes, the other source of welfare. In Hong Kong, globalization reinforced the market orientation and anti-welfarism of the ruling elites. In Japan, it reduced job security, but in the face of declining family responsibility, the government increased private welfare provision.

To sum up, this volume fills a gap in comparative social policy research. It is an informative and well-documented book about past and present developments in East Asian countries usually not found together in one volume. It is a useful reference for policy makers, social partners (employers' organizations and trade unions) and other civil society actors.

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Pension Power: Unions, Pension Funds and Social Investment in Canada,

by Isla CARMICHAEL, Toronto: University of Toronto Press, 2005, 225 pp., ISBN 0-8020-3647-3.

This volume provides an analysis of the power of unions to implement “radical change in the role that the labour movement in Canada plays in the economy” through the control of pension funds and social investment policy. Social investment is defined as: “collaborative action taken by unions and pension funds, leading to various types of collateral investment, which implicitly or explicitly challenge conventional corporate behaviour, and through use of social accounting techniques, provide a verifiable contribution to the social and economic benefit of the community” (p. 160). Pension power, therefore, is a part of the renewal of unions in Canada after the demise of the fordist collective agreement. This theme is discussed in many other western countries as well,

and is generally referred to by the term “Working Capital.” The objective is both to change existing investment practices on the part of financial managers and to develop financial innovations for the benefit of workers.

Pension management issues are highly important for industrial relations. Pension “activists” are proponents of economic democracy and of the social responsibility of capital owners. However, the present trend in pension reforms and the macroeconomic context are not favourable to the socialization of investment (an idea already promoted by the “New Liberals,” such as John Maynard Keynes at the beginning of the twentieth century). New public management, lean management, and