End of the Era of Productivist Welfare Capitalism? Diverging Welfare Regimes in East Asia*

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Abstract
The purpose of this paper is to examine the nature of recent transformations in East Asian welfare regimes, applying a ‘real-typical’ perspective, based on the ‘productivist welfare capitalism’ thesis of Ian Holliday (2000). Unlike Western welfare-state regimes in which the politics of austerity has dominated, the politics of welfare expansion has been noticeable in East Asian welfare regimes. This paper will analyse whether these changes have fundamentally dismantled the productivist feature where social policy is subordinate to economic objectives. While the trajectories are different depending on different political institutional contexts, this study shows that there are two strong signs that these states are moving out of their productivist nature and also that they are in the process of establishing their own welfare states. Japan seems to still be a productivist welfare-state regime struggling to accommodate rapid socio-economic changes, whereas Korea is a welfare state regime with strong liberal characteristics via modern welfare politics. Since the needs for social policy expansion in China correspond to economic and political needs, the productivist feature has been significantly weakened. However, this study argues that these transitory welfare regimes are in critical stages of formulating their new welfare regimes and that welfare politics based on contingent events could affect the future trajectories of these regimes.

Keywords
productivist welfare, social policy, East Asia, Korea, China, Japan

Introduction
The purpose of this paper is to examine the nature of recent transformations in East Asian welfare regimes, applying a ‘real-typical’ perspective (Aspalter, 2006, 2011), based on the ‘productivist welfare capitalism’ thesis of Ian Holliday (2000). Unlike Western welfare-state regimes in which the politics of austerity has dominated, the politics of welfare expansion has been noticeable in East Asian welfare regimes. Though detailed changes are significantly different

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across the welfare regimes, it is commonly found that new social policy initiatives have been introduced and existing programmes have been expanded in line with rapid socio-economic changes. While there are some important studies regarding this issue (H. Kwon, 2005; S. Kwon and Holliday, 2007; Kim, 2008; Aspalter, 2011), the question as to whether East Asian welfare regimes are productivist still remains. One of the important reasons is that few studies paid attention to the divergence of these welfare regimes in a comparative perspective and few questioned whether East Asian welfare regimes are welfare-state regimes or not. In this context, this paper will analyse whether current changes have fundamentally dismantled traditional productivist welfare capitalism.

After the introduction, the existing literature on East Asian welfare regimes will be reviewed, and three cases — Japan, South Korea, and China — will be analysed thereafter. As will be discussed, similar developmental and productivist features have been found in the three welfare regimes, whereas their socio-economic situations are highly different, which makes the comparison more interesting. A further assessment of recent changes in these welfare regimes will be undertaken. In this paper, it will be discussed whether explicit economic productivism is still a dominating principle and, if not, what the new regime characteristics in these regimes could be. This paper will argue that while both path-dependency and path-breaking are found in contemporary East Asian welfare regimes, their productivist nature has been generally weakened across these regimes. This trend is rather obvious in South Korea (hereafter, Korea), which has successfully transformed itself into a welfare-state regime, whereas it is less apparent in Japan and China. Social policy has started to be regarded as a productive tool in China, which has led to the expansion of social policy. The necessity of comprehensive social policy reforms has been raised in Japan, where rapid socio-economic transformations are seriously testing the strength of the productivist regime. Though the argument of this paper regarding weakening productivist features is not new, this study aims to contribute to the current debate by introducing the ‘global welfare regimes’ framework designed by Gough (2004b) and also by identifying the divergence of three key East Asian welfare regimes.

Productivist Welfare Capitalism

A series of studies on the nature of East Asian welfare regimes have been conducted since Midgley’s pioneer work (1986). In this study, he argues that the dynamics of industrialisation, one of the key Western welfare state theories, cannot explain East Asian welfare state developments. Rather, he maintains that
“the consequence of a variety of causal events,” including political legitimacy and economic factors (p. 225) produces the incremental changes of social policy making in these countries. Since then, two important arguments, ‘Confucianism’ and ‘developmentalism’, emerged for explaining East Asian welfare regimes. These studies commonly point out that these regimes can be epitomised as growth-oriented developmental states with Confucian societies.

Jones (1993) argues that the influence of Confucianism has been the key factor differentiating East Asian welfare states from Western welfare states. Confucian benevolence (ren ậ) emphasizes the role of family and informal network in providing and delivering welfare. Self-reliance, mutual obligation, and support within the family and the society are also core virtues in Confucianism (Yao, 2000). In Confucianism, according to Mencius, a key Confucian thinker (approximately B.C. 340–245), “what the government should do is (1) ensure everyone has a job to maintain a living, (2) keep taxation low so that people can save their earnings, and (3) instil in people the virtue of caring for one’s family and relatives so that they can help each other out in times of sickness or economic deprivation” (J. Chan, 2003: 237–238). This accords well with Jones’ observation (1993: 214) when she defines Confucian welfare states as “conservative corporatism without (Western-style) worker participation; subsidiarity without equality; laissez faire without libertarianism; … welfare states — run in the style of a would-be traditional, Confucian, extended family.”

While it is difficult to deny that there remains the Confucian legacy in East Asia, however, the Confucian argument has been criticised. Firstly, there is no clear conceptualisation of ‘Confucian values’ (White and Goodman, 1998: 7–8), which could cause the arbitrary usage of this concept. In fact, there are varieties of Confucianism in East Asia (Walker and Wong, 2005), as well as different types of Confucianism ideas, e.g., philosophical, imperial and popular Confucianism (S. Chan, 2003: 312). Secondly, Esping-Andersen (1997) questions whether filial piety is a forced dependency for a lack of alternatives rather than a reflection of the Confucian culture of respect. While norms from Confucianism have been regarded as important moral ethics in these societies, Walker and Wong (2005) and Chau and Yu (2005) argue that Confucianism has been used as ‘political rhetoric’, when East Asian governments are highly reluctant to expand social policy. Finally, the cultural perspective explains the static picture well, whereas it has very limited explanatory power in explaining dynamic changes (Gough, 2004a). As a result, Confucianism might be still useful for understanding East Asian welfare regimes but it seems that they are not primary, but secondary causal determinants (Aspalter, 2008).

Another powerful explanation has been ‘welfare developmentalism’ based on the argument of the ‘developmental state’ (Johnson, 1982; Tang, 2000). The
'developmentalism' argument pays attention to the role of state and public bureaucrats in rapid economic development in East Asia. These growth-driven (quasi-)authoritative states tended to pursue capitalistic developments based on export-oriented strategies and openly declared a strong aversion to state welfare (Midgley, 1986; Deyo, 1992). The core characteristic of the developmental welfare states is that social policy is either developed or underdeveloped for promoting economic growth, which is strongly linked to political legitimisation of the authoritative states (Gough, 2004a; H. Kwon, 2005). Aspalter's (2006: 300) argument also supports this view by concluding that "social policy in East Asia is marked by its inherent support for the economic system.”

Holliday (2000) develops the ‘welfare developmentalism’ argument by proposing a new term, ‘productivist welfare capitalism’. In effect, the original idea of ‘developmentalism’ contains a highly complicated political economy including the relationship between the state, business, and international environments. Compared to the advanced discussion with regards to ‘the developmental states’, it seems that the argument of welfare developmentalism has been less elaborated. Moreover, the newly-emerging discussion on the developmental state illustrating the positive sides of state-driven developmentalism could add further confusion. In this regards, Holliday's term, ‘productivist’, is a narrowly focused and effective concept for understanding East Asian welfare regimes. In his account, the subordination of social policy to economic/industrial objectives is deemed as a key feature of productivist welfare regimes. In other words, with the weak notion of social rights, social benefits tend to reinforce productive elements, and the welfare mix is established as overriding growth objectives (Holliday, 2000: 709). In other words, instead of increasing the degree of decommodification, these governments explicitly adopted “the strategy of ‘commodification plus state regulation’ in welfare provision” (Aspalter, 2011: 741). Relatively high health and education spending with the underdeveloped income maintenance programmes has been pointed out as a key factor reflecting the ‘productivist’ feature in East Asian welfare regimes (Gough, 2004a).

Although these scholars tend to agree that there have been significant welfare developments in East Asian welfare regimes, they argue that the productivist feature still persists. Holliday (2005) and S. Kwon and Holliday (2007)

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1 Some scholars in developmental studies have started to use the term ‘developmental state’ beyond describing East Asian states, emphasizing “the crucial role of state institutions in producing developmental success” different from market-driven developmental strategies, but have argued that “successful construction of a developmental state must be a continually reflexive,” flexible, and creative process (Evans, 2010: 37).
maintain that East Asian welfare regimes are unlikely to move out of productivist welfare regimes in near future. According to them, a series of pension retrenchments, the limited benefit coverage of medical insurance, workfare-type public assistance and the increasing labour market flexibility are regarded as typical examples of productivist welfare regimes. Aspalter (2008, 2011) also agrees that East Asian welfare regimes, including China, Malaysia and Thailand, have successfully expanded their social policy, but there is a “clear focus on public investment in social affairs, particularly education and health” (2011: 785). Also, H. Kwon (2005) insists that these welfare regimes have been more inclusionary by extending their social policy, but also argues that the persistence of developmental features is found.

The ‘productivist’ argument greatly contributes to the understanding of East Asian welfare regimes, but it also has some important criticism. The first important criticism is about how different productivist elements are compared to elements in neo-liberal states. For instance, welfare retrenchment reforms, limited coverage of social security and healthcare and the emphasis on workfare are found not only in East Asian welfare regimes, but also in western welfare-state regimes (Kim, 2008). Examining the motives behind welfare expansion, Choi (2007) argues that the expansion in many cases was not necessarily for economic growth, but for protecting the socially weak or enhancing social solidarity. Thirdly, there has been little discussion or debate as to whether East Asian welfare regimes are welfare-state regimes. Some of key variables and features describing East Asian welfare regimes, such as a lack of state commitment to state welfare, the importance of family support, and the large size of those not covered by social insurance (e.g., Lee and Ku, 2007), demonstrate that East Asian welfare regimes have not reached welfare-state regimes yet. Without considering this question, the dynamics of East Asian welfare regimes cannot be fully understood.

In so doing, three aspects need to be carefully examined. The first two are for answering whether they are still productivist welfare regimes and the other is for identifying whether they are welfare-state regimes. The first aspect is whether welfare policy is sacrificed by outright economic productivism. The study will examine whether the benefits of welfare programmes were strongly associated with labour market status and whether highly limited and selected benefits and social services were given to those who were outside the labour market (Holliday, 2000; Aspalter, 2006). The second factor deals with who the key actors are, their motivations and intentions behind welfare reforms. This study will examine whether the state and bureaucrats are still dominant players in the preparation and implementation of policy reforms or whether other actors have become more actively involved in this process with different
motivations. It will also look at whether the role of the state in welfare provision remains as a regulator (H. Kwon, 1998) or has changed into a financier. Finally, this study will also ask whether East Asian welfare regimes are or heading towards being welfare states in which “the majority of its daily routine activities must be devoted to servicing the welfare needs of households” (Esping-Andersen, 1990: 20). Answers to these questions are expected to clarify the status of East Asian welfare regimes and also to reveal the diversity in this region.

Case Studies

Korea

The Korean productivist regime was strongly based on the ‘symbiosis’ relationship between the state and business during the developmental period; the authoritarian Korean government in the 1970s and 1980s promoted business activities with state-directed industrial policy (Woo-Cumings, 1999: 10–11). Under the context of favourable international political economic conditions, the Korean state with the developmental strategy recorded remarkable economic growth (Lee, 1999). In this context, the development-oriented government strictly followed the rule of productivism in which social goals were subordinate to economic growth. Economic growth was important for the government because it was also the source of political legitimisation for the authoritarian government. Governmental institutions governing economic policy dominated the welfare ministry even over social policy issues, e.g., pensions (Shin, 2003: 95). It is argued that the welfare ministry lagged behind the financial ministry in terms of its power and expertise (Kim and Choi, 2010).

Yet, several important socio-economic-political changes have transformed the Korean regime. First, democratisation around 1987 changed the political landscape from single party domination to party competition and brought the rise of civic and labour movements. Second, fast economic globalisation and de-agriculturalisation produced vulnerable groups, not the least of which were peasants and farmers, and an increasing number of irregular workers. They also destabilised the full-time employment labour market, which was a key element to sustain the productivist regime until the 1980s. Third, the economic crisis in 1997 provided an unprecedented experience of unemployment and poverty for Korea. Fourth, demographic and household transformations have been conspicuous (Choi, 2006). The total fertility rate dropped to close to 1 in the 2000s, the lowest in the Organisation for Economic Co-operation and Development (OECD), and the ageing ratio is expected to grow from 7% in
2000 to 20% in 2026. Lastly, the solidarity of the family, the backbone of the Korean welfare regime, has been significantly weakened. The co-residence rate of elderly parents and adult children has dropped from nearly 80% in the 1980s to less than 30% in 2008 (Ministry of Health and Welfare, 2009). These changes have significantly undermined the Korean welfare regime, which heavily relies on the ‘trickle-down’ effect through the family and the labour market.

In this context, the Kim Dae Jung government, inaugurated in 1997, declared ‘productive welfare’ as one of the governing principles together with democracy and market capitalism. The Roh Moo Hyun government, inaugurated in 2003, largely inherited the idea from the previous government and later explicitly pursued a social investment state in which investment in human capital and social services were key ingredients. Further, the slogan of the new conservative government, inaugurated in 2007, is ‘positive welfare’, the meaning of which is not very different from the previous two governments. It is somewhat ironic that there has been strong ‘productive’ rhetoric in this embryonic welfare state without strong protective elements, which might be proof of an ‘economy-first’ productivist regime. However, it is interesting to note that, in contrast to the rhetoric, the main development in social expenditure has been found in health, pensions and incapacity-related benefits. For example, spending on the active labour market was nearly zero until the economic crisis in 1997 and slightly increased to 0.13 in 2007.²

In this context, it is questionable whether the nature of the Korean regime still remains productivist. Most of all, there have been many notable welfare developments, the universalisation of key social insurance programmes (including pensions, unemployment, industrial injuries and health insurance), the introduction of modern public assistance in 2000, and the expansion of social service including childcare programmes and long-term care insurance in 2008. It is also argued that recent developments have been motivated and implemented by civic movements and pro-welfare politicians whose motivations were not confined to productivism. While bureaucrats play important roles, the power of welfare ministries has strengthened compared to economic ministries, e.g., the handover of pension fund management from the Ministry of Finance to the Ministry of Health and Welfare during the Kim government. In recent years, as political parties have been keen to develop welfare programmes, the role of the state as a financier in welfare provision has significantly increased, e.g., various care programmes and free meals to school children. The political debate on welfare has been transformed from ‘pro-welfare versus anti-welfare’ into ‘universal versus selective welfare’.

Therefore, it is doubtful whether the productivist legacy can be viewed as a dominant feature.

Japan

After its defeat in the Second World War, the developmental state of Japan emerged with strong control of private financial sectors. In this period, the government could tightly regulate the financial market and channelled funds into strategic industries (Pempel, 1999; Kuwayama, 2000). Instead of relying on natural selection in the market, the Japanese government established its unique industrial policy, which transferred economic resources from efficient sectors, mostly export-oriented manufacturing sectors, to inefficient sectors, mostly sheltered-sectors, via governmental policies (Steinmo, 2010). This policy generated the labour policy aiming at the full employment labour market including the self-employed, functionally equivalent to comprehensive social policy in European welfare states. Essentially, the foundation of the Japanese productivist regime heavily depended on the high-performing national champions in the international market, export-oriented conglomerates, and male-breadwinner families.

Welfare programmes were regarded as an economic tool and also a political tool. On the one hand, the state had massive public funding from the postal saving system and pension funds, which occupied more than half of all Japanese saving. This funding was exploited by the LDP and the government in the process of social and economic development (Park, 2004). On the other hand, the Liberal Democratic Party (LDP) often used ‘welfare’ to block socialists’ influences in Japanese society (Takahashi, 1997: 79). In particular, the opposition parties took governorships in several large prefectures and cities from the late 1960s, e.g., socialist Governor Minobe Ryokichi in Tokyo prefecture in 1967 (Ibid.: 100–101). It became more obvious in the early 1970s when more non-LDP local governments, so called self-governing progressive bodies, dominated in large industrial cities and prefectures in the context of increasing social problems derived from industrialisation and urbanisation. This situation seemed to have a direct effect on the ‘First Year of Welfare’ in 1973, when the LDP declared a shift in focus from economic development to welfare.

However, the attempt to move out of ‘the productivist’ feature did not last long. After the oil crisis in 1973–1974, as the number of progressive local governments decreased in line with the settling down of social problems, the LDP

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3 This policy is in stark contrast to the Swedish ‘Ren-Meidner plan’, which exposed businesses to the natural selection by the market and simultaneously supported workers using comprehensive social policy programmes including strong active labour market policies (Steinmo, 2010).
started to convert its pro-welfare stance. It is possible that these changing political configurations, i.e., strengthening conservative politics and faltering progressive forces, influenced the emergence of the ‘JSWS’ (Japanese-Style Welfare Society) discourse, which has been supported by conservative politicians and business leaders. While keiretsu, Japanese conglomerates, enlarged their influence on the government from the late 1970s, the JSWS discourse based on a society of self-help and mutual help with only a moderate degree of state intervention obtained wide support from the LDP and business. In 1981, the government established the Provisional Commission for Administrative Reform to “reconstruct government finance without tax increase,” which was chaired by a famous business leader, Mr. Doko (Koike, 2000: 3). Under this influence where business strongly demanded ‘small government’ with deregulation, privatisation and decentralisation, downsizing welfare reforms seemed to be unavoidable.

This idea and the JSWS discourse were finally concretised in the 1985 reform. As Shinkawa (2003) argues, blame avoidance politics was exercised in the course of the 1985 pension reform in which the LDP introduced downsizing measures. Since then, there have been a series of important pension retrenchment reforms in 1994, 1999 and 2004 together with corporate pension reforms in 2000 together with rapid socio-economic changes. Without doubt, income replacement of public pensions was significantly cut and Takegawa (2006) interprets this process as the road to recommodification. What is interesting is how the turbulent political sphere with coalition politics and labour unions has acquiesced and maintained silence, whereas the vigorous business association has imposed pressure on the political sphere (McLellan, 2004: 11; Takegawa, 2005: 73), calling for further reforms. It is almost certain that the key pillars of the Japanese productivism, stable economic growth and male-breadwinner model, was considerably undermined. Moreover, it seems that the demise of the left-wing Japan Socialist Party and the rise of another right-wing Democratic Party of Japan (DPJ) as the main opposition also helped beget the situation. Resistance against the reforms has been only found at the individual

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4 While export-oriented businesses’ discontent on the government policies increased as they became more independent from the government, the 1985 pension reform reflected the traditional government policy in that the budget deficit problem in the National Pension covering non-employees was solved by integrating it into Employees Pension Insurance, i.e., resource transfers from efficient sectors to inefficient sectors without much governmental commitment (personal conversation with Sungwon Kim, Professor at Tokyo Economics University, 8 October 2011, in Kyoto).

5 Suzuki et al. (2010: 513) argue that traditional company-centrism where private corporations guaranteed life-long employment and developmentalism were “fundamentally destroyed by globalization and neoliberal policies.”
level, i.e., refusing to pay contributions to public pensions, which has been a serious policy issue in Japan.

Unlike pensions, there has been an important expansion in social services. In particular, childcare policy has been expanded and long-term care insurance (LTCI) was introduced in 1999 (Peng, 2000). However, it is still difficult to tell whether these initiatives are non-productivist. The main reason for the invention of the LTCI in Japan was cost containment rather than increased service quality (Ikegami and Campbell, 2002) and the increasing proportion of dual-earner families greatly contributed to the expansion of childcare policy, which is a functional reason. This account is supported by the lack of welfare politics behind this debate and the role of the state as a key driver. However, together with the introduction of the DPJ government in 2009, after the economic crisis political actors started to speak out and to propose various welfare programmes, including universal childcare allowances, more generous public assistance, and active labour market policies (Kim, 2011), in order to tackle an increasingly unstable labour market, low fertility rate and increasing poverty and inequality (Hanami, 2004; Kim, 2011). While it is clear that the DPJ is struggling to overcome the deeply embedded ‘productivist’ path in Japan, the Japanese welfare regime is at a critical juncture.

China

Compared to Korea and Japan, China has some critical differences in its political economy given the characteristics of the socialist and communist regime. Indeed, the Chinese welfare system is characterised as a socialist system with workplace-based welfare in state-owned enterprises, residence-based welfare in urban neighbourhood organisations and locality-based welfare in rural areas (Leung and Nann, 1995). Yet, one could question the uniqueness of the Chinese regime, particularly since around 1980 (Cho, 2009). During the last three decades, the Chinese regime has shared many common aspects with East Asian developmental states; politically authoritarian rule, state-led economic development with an enthusiastic export-oriented strategy, the strategic role of bureaucrats in economic and finance planning, and stern oppression of liberal and progressive civic movements. Based on these seemingly developmental features, China achieved remarkable economic growth, around 10% on

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6 After examining political developments in China during the last three decades, Cho (2009: 97–98) concludes that “China has followed in the footsteps of the East Asian developmental states,” including “single-minded pursuit of economic growth under an authoritarian political system.”
average, between 1978 and 1999, and has continued its growth regardless of recent international economic crises or recession (World Bank, 2008).

Since 1978, the welfare system inherited from the previous socialist regime was regarded as an obstacle to promoting productivity and the government vehemently pursued the privatisation of state enterprises under the slogan of ‘small government and big society’ (Leung, 2005). The liberal reforms have brought employment stability in the traditional socialist market to an end and transformed traditional social policies into more market friendly policies, such as pension (1997), health (1998), unemployment (1999) and work injury insurance (2004) (Won, 2010). Workers, once co-owners of a cooperative, have changed to the status of employees and faced increasing co-payments for social insurance schemes. In the case of pensions, as the government introduced the defined-contribution scheme as an important pillar of pension system, individuals needed to pay higher premiums, whereas the benefit level was reduced. Individual and family responsibility was emphasized and the delivery of social services was largely decentralised. As a result, the Chinese welfare regime has changed from a collective socialist regime based on ‘low wage and high welfare’ to a growth-oriented productivist regime based on individual responsibility, i.e., ‘Confucian rhetoric’.

However, this explicit productivist re-ordering has been challenged in many respects. Massive migration from rural to urban areas, an increasingly unstable labour market with many atypical workers, wage and welfare inequality, rapid ageing with a ‘one-child policy’, and social and political unrest have been pointed out as important threats to China. In addition, the bird flu and severe acute respiratory syndrome (SARS) also significantly tested the Chinese health system. Essentially, the government has changed its stance from a growth-dominated economy to a balanced and equitable society. For example, the government has significantly weakened the resident permit (hukou) system, which discriminated against non-residents, and also strengthened the healthcare system (De Hann, 2010). In the case of public assistance, the coverage of the minimum income guarantee scheme introduced in 1999 has been rapidly extended from 4 million people in 2001 to 22 million in 2003 (Leung, 2005). It is acknowledged that these measures have evidently reflected the government’s reform orientation towards a more universalistic and equitable society.

Despite these initiatives, the government has realised that the trickle-down principle from the economy does not work properly and social problems have been even more visible. Ho and Ho (2010) argue that consumption risk-sharing and smoothing have deteriorated and undermined welfare in China and, thus, stabilisation policies are desirable. Although the international economic crisis in 2007 was not an important threat to the Chinese state, various policy
initiatives were introduced: building public housing for the poor, expanding health and education for rural areas, and extending tax exemptions for low income earners (C. Lee, 2009). The orientation of policy reforms was clearly stated in Chinese Premier Wen Jiabao’s opening speech at the 11th National People’s Congress (NPC): “We will not only make the pie of social wealth bigger by developing the economy, but also distribute it well” (The Guardian, 5 March 2010). In particular, the government announced an 18% increase in the social welfare budget in order to strengthen the social security system, to reform the health insurance and to improve the education system (China Daily, 5 March 2010).

These changes are evidently different from the developmental policy direction during the last 30 years, but some could question whether the changes mean a deviation from the productivist nature of the Chinese welfare regime. De Haan (2010: 768–769) implies that there has not been a fundamental shift from the productivist nature in that the new social policy initiatives were intended to pacify social unrests and to secure political legitimisation. Also, under the volatile international economy, the Chinese government explicitly acknowledged that social policies and redistribution are important for maintaining consumption smoothing and securing adequate internal demands, which are key ingredients for sustainable economic growth in China (Xinhua, 27 June 2011). In addition, strong political leadership with state bureaucrats as a control tower shows that the productivist concern is still strongly embedded inside the Chinese welfare regime. Yet, it is also true that social benefits have become less linked to labour market status, and more attention has been given to the so-called ‘less or unproductive population’. In this regard, the productivist feature has been gradually weakened in this welfare regime.

Moving to Post-productivist Welfare Regimes?

According to the three case studies on Japan, Korea and China, it was found that there have been fundamental transformations in their socio-economic structures. The transformations, such as economic instability, rapid ageing, increasing poverty and unstable labour markets, generated two very contradictory
demands: welfare demands for the disadvantaged and productivist demands for economic competitiveness. The former demands call for transforming the productivist orientation, whereas the latter demands ask to stick to economic productivism, possibly with different strategies. How to coordinate them is crucial for the future direction of the welfare regimes; however, different policy responses have been noticeable instead of simple convergence. Cracks have begun to appear in the solid productivist welfare capitalism but with different forms.

The earliest productivist regime but the most advanced welfare state in East Asia, Japan, has been suffering from rapid socio-economic changes and its labour market and welfare system, once regarded as highly productive, show an inability to adapt and cope with the changes. While efficient sectors have strongly demanded to relieve their financial burden for the Japanese society in terms of corporate welfare and tax, the growth-oriented welfare regime has been significantly challenged by deteriorating human welfare in recent years. As a result, welfare spending has been ever increasing, whereas the government has not been successful in managing the rising budget deficit since the consumption tax has been hugely unpopular. Since the 1980s, particularly during the era of Prime Minister Junichiro Koizumi, liberal market-oriented reforms with 'smaller government' have been implemented, but they failed to save Japan both from economic slump and aggravating social conditions (Steinmo, 2010). The internal contradiction in the Japanese productivist regime has become intense, which could entail the qualitative change of the Japanese regime.

In Korea, it is apparent that the typical productivist regime in the 1970–1980s has been transformed into the welfare-state regime by strengthening social security and increasing welfare expenditure via modern welfare politics. Far from complete, there have been a series of welfare reforms and political disputes over each policy, but there has been a broad consensus on the development of the welfare system beyond political ideology. This paper argued that the productivist nature has become much weaker than before in line with intensifying welfare politics. Its legacy and the hasty expansion of social policy have resulted in a market-reliant welfare policy stressing individual responsibility, which is similar to liberal welfare-state regimes.

The Chinese regime certainly offers an interesting case study. Developmental strategies pursued since 1978 have brought enormous economic success, just as in Japan and Korea, but they have also brought negative effects, particularly regarding social aspects, in a much more compressed manner. In order to nullify unproductive features of old socialist social policies, the government attempted to radically reform old social security programmes during the 1980s
and the 1990s, but it did an about-turn over social security again in the 2000s, strengthening social security and reducing inequalities prevalent in the society. Interesting enough, however, the overarching goals of the regime have not changed much: political stability and economic growth. Yet, the government realised that social policy could be a useful tool for achieving both ends. In this regard, the Chinese social policy reforms are different from their Korean counterpart in many respects.

The overall changes in the three countries are summarised in Figure 1. The figure was constructed based on two standards: productivist or not, and welfare state or not. Firstly, the productivist nature of welfare regimes is assessed by the dominance of economic objectives over social objectives (Holliday, 2000). Secondly, the figure divides welfare regimes into two-meta regimes, informal welfare regimes and welfare-state regimes, proposed by Gough (2004b). The conditions for being a welfare state regime are debatable, but this research will adopt the three modified sets of criteria suggested by Pierson (1998: 103). These are: (1) Whether a set of key social protection schemes have been introduced, (2) whether these schemes actually generate social expenditure (around 5% of GDP), and (3) whether the state accepts responsibility for removing poverty.

According to these two standards, once classified as productivist informal regimes, they have seemingly adopted different paths forward. Japan was the first country to move up from an informal security regime. Japan became a welfare-state regime around the early 1970s (Takegawa, 2009), whereas it failed to move out of the productivist regime. Policy expansion reforms with
non-productivist welfare politics were pushed forward until 1973, but since then, strong economy-friendly policy reforms and politics have been largely dominant and unchallenged by other political actors until very recently. In that sense, it is difficult to argue that Japan is growing out of the productivist regime. Yet, the new DPJ government has attempted to restructure the landscape of the welfare system in Japan, but some are already doubtful about whether the DPJ can bring fundamental change.

Around 2000, the Korean welfare regime began to fundamentally change from a productivist informal regime to a welfare-state regime. In many policies, there is much evidence that these reforms were not driven by the motive of economic growth, but the dominance of state bureaucrats, particularly economic ministries, was also significantly weakened around this time. In addition, Korea’s social expenditure reached 5% in 2000 and 7% in 2007,10 and it has, at least legally, accepted state responsibility to guarantee a minimum livelihood to all by overhauling the old public assistance programme. Then, what are the features of the post-productivist regime in Korea? In short, the strict means-testing in public assistance, the low level of decommodification, the importance of (quasi-)market provisions in social service and health, and the proliferation of private insurance imply that the Korean welfare regime is moving towards the liberal welfare state regime (Choi, 2011).

In China, the strong productivist orientation was maintained during the 1980s and 1990s, but this explicit economic productivism faded out in line with a rise in social problems. Consequently, the Chinese state has agreed to the necessity of welfare programmes and rapidly expanded them. Yet, arguably the government has not brought fundamental changes to the Chinese welfare regime since new social policy initiatives including the slogan of ‘harmonious society’ still serve political and economic needs. It is true that these motivations are also found in the origins of Western welfare states, such as Bismarck’s motive behind the introduction of social insurance in Germany and the invention of Keynesian welfare states aiming to secure internal demands and consumption smoothing. According to the ‘welfare state’ criteria, however, the Chinese regime has not become a welfare-state regime. Though the government has tried to extend the minimum guarantee scheme further, there is a large poor population not covered by the scheme. Yet, it should be noted that regime transformation is still in progress, rather than heading towards the final stage of crystallisation. In other words, historical contingencies could change its path in an unexpected manner.

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Then, how could one explain the divergence of the regime changes in the three countries? While this question is beyond this research scope, a few tips could be proposed here. Historical institutional perspectives offer useful tips. Institutional inertia produced by veto points and path-dependent mechanisms is a crucial factor. Since an institution generates increasing returns and positive feedback with embedded interests, as time goes by, it is increasingly difficult to change direction (Pierson, 2000). In other words, an institution with a longer history and larger population base tends to resist external pressures, whereas one with a shorter history and smaller population base is likely to change in response to them. In terms of veto points, according to Mahoney and Thelen (2010), an institution is unlikely to change when there are strong veto possibilities. Based on these theoretical observations, social policy institutions in Korea and China have responded flexibly to internal and external pressures because institutional inertia is relatively weak due to the shorter history of social security. In addition, since veto possibilities are low in China, the ‘about-turn’ reforms, ‘displacement’ or ‘conversion’, were possible. It also explains the process of gradual reforms and possible policy drifts resulting from the inability to change existing, but increasingly ineffective, policies in response to socio-economic changes in Japan.

Conclusion

The developmental strategies of these East Asian economies have been highly successful since they have elevated the overall living standard and also removed the large number of those in absolute poverty. The ‘East Asian miracle’ (World Bank, 1993) has provided strong belief in the ‘trickle-down effect’ to these regimes. However, the success of explicit productivism has caused many social problems and has weakened the belief in economic trickle-down. For example, the main driving force behind policy reforms has been the low fertility rate and rapid ageing in Japan and Korea, which has been driven by the productivist legacies, such as strong emphasis on self-reliance, high household education spending in the context of the ‘winner-takes-all society’, and lack of protection for female workers. Also, the unstable labour market and its negative effects largely result from the economy-first orientation of these states. These socio-economic changes are important threats not only because they generate enormous social demands, but also because they could nullify the effectiveness of existing social security, e.g., an increasing number of non-contributors in contributory social insurance schemes. As a result, there have been considerable policy changes in these countries.
While the trajectories are different based on different political institutional contexts, this study shows that there are two strong signs that these states are moving or trying to move out of their productivist nature and also that they are in the process of establishing their own welfare states in coping with these problems. Japan seems to be still a productivist welfare-state regime struggling to accommodate rapid socio-economic changes, whereas Korea, it can be argued, shifted to a welfare-state regime with strong liberal characteristics around the year 2000 via modern welfare politics. Since the needs for social policy expansion in China correspond to economic and political needs, the productivist feature has been significantly weakened. However, instead of staying where they are, this study argues that these transitory welfare regimes are in the critical stages of formulating their new welfare regimes and that welfare politics based on contingent events could affect the future trajectories of these regimes.

References


