

## **Growing Out of the Developmental State: East Asian Welfare Reform in the 1990s**

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## Introduction

Over the past ten years or so, Japan, South Korea and Taiwan have embarked on a new social policy trajectory. Known most for their high growth capacities (Wade, 1990), these East Asian developmental states have begun to shed their reputations as ‘welfare laggards’. From the implementation of universal health care to pensions to new social policy innovations in long term care for the elderly and in family care, the notion that East Asian developmentalism is singularly grounded in a ‘growth at all costs’ ethos seems less and less appropriate in the present context of industrial East Asia. Though far from the benchmark set by the classical welfare state, we contend the *direction of reform* in Japan, South Korea and Taiwan is nonetheless pointing decidedly towards the deepening of the welfare state. Indeed, social policies there are increasingly understood in universalist terms. They are inclusive. And social welfare is increasingly legitimated by the language of social rights and as such, the provision of social protection is seen to be the responsibility of the state, and less so of the family and individuals.

Recent developments in social policy reform in East Asia run counter to our intuitive expectations, and furthermore, to conventional theories of postwar welfare state development. For instance, the processes of welfare state deepening in Japan, [South Korea](#) and Taiwan have been initiated precisely at the time when welfare state retrenchment is the norm. To be sure, retrenchment talk has pervaded policy discussions in all three countries yet thus far has had little effect on social policy reforms decisions in any significantly adverse ways. Furthermore, East Asian welfare reform has come about in the absence of any strong and programmatic leftist political parties or strong labor union mobilization. The politics of welfare state formation there have not been driven by an institutionalized left, unlike in the European or Latin American experiences (Esping-Andersen, 1990). And finally, places such as Japan, South Korea and Taiwan have overcome the legacies of the East Asian developmental state model where re-distributive social policy was perpetually subordinated to higher priorities in stimulating industrial transformation, and where social welfare was understood by policy elites to be anathema to economic growth (Goodman et al., 1998). Then, welfare laggardism was seen as a necessary compromise in facilitating national economic productivity.

Our contention is that Japan, South Korea and Taiwan have begun to grow out of the postwar developmental state model, and more specifically, that the very conception of development has been refined in ways that have injected greater social content in government policy. Our argument is structured in three parts. First, we contend that growth with equity during the postwar period in Japan, Korea and Taiwan left an important and fortuitous legacy for current attempts to deepen the welfare state. The costs of social welfare reform – economically, politically and ideationally – have been minimized in these East Asian cases, unlike their developmental counterparts in, for instance, Latin America. Second, we argue that the dynamics of welfare state deepening in the region need to be understood as part of a larger structural change to the social [bases foundations](#) of East Asian societies. Demographic shifts, ~~and~~ changing norms surrounding the family [and gender relations](#) have created new pressures on the East Asian developmental states, and they have responded to these pressures by expanding the scope

of social safety nets and by including constituencies, such as women and the elderly, who had previously been excluded. Third, we unpack the political mechanisms through which such developmental legacies and social pressures have been translated into concrete policy measures. Here we focus on the politics of democratic reform in Japan, Korea and Taiwan, and specifically on the impact of political de-alignment and re-alignment on the politics of social policy agenda-setting. Simply put, we delineate the political logic of welfare state deepening in East Asia during a time when economic imperatives are seemingly dominant and supposedly hostile to the welfare state.

### **Growing Out of the Developmental State**

Explaining welfare reform during the 1990s in Japan, South Korea and Taiwan requires first an understanding of the East Asian developmental state. Ian Holliday ~~is right to say correctly points out~~ that limited social policy regimes in East Asia during the postwar period have been fundamentally “productivist” in orientation. In his ~~seminal 2000~~ [essay on East Asian welfare state regimes](#), Holliday contends that in the postwar developmental state model “social policy is strictly subordinate to the overriding policy objective of economic growth” ([Holliday, 2000: 708](#)). He further stresses that social policy has been de-linked from any conception of social rights and social citizenship. For instance, universal access to education in Japan, Korea and Taiwan was not understood to be a way of re-distributing wealth and equalizing opportunity for social class mobility, but rather as a means for human capital development – essentially an economic investment. Holliday therefore suggests that “minimal social rights” are “linked to productive activity” and that “state-market-family relationships” are “directed towards growth” (2000: 708). His is not a marginal view of East Asian social welfare (Kwon, 1999; Ku, 1997; Jones, 1993).

Given the imperatives of catch-up development in the immediate postwar period, the developmentally oriented states in Japan, Korea and Taiwan were by and large legitimated by their ability to promote rapid economic growth (Woo, 1991; Wade, 1990; Amsden, 1989). Development then was defined as aggregate growth and industrial modernization. Distributive considerations were secondary in this narrow conception of development. Indeed, there was little political contestation around the distributive implications of rapid growth; the rare instances of political mobilization tended to be dealt with swiftly and authoritatively by the state. The policymaking process in places such as Japan, Korea and Taiwan were driven by economic technocrats who were themselves politically insulated from outside social forces. Policy agendas were therefore set by the state and decisions made by state officials. The exclusion of social policy reform agendas from the developmental state agenda meant that social safety were provided by families and extended kinship ties, not the state. [In the case of Japan and Korea, employers and occupationally based mutual aid associations also formed a second layer of social safety nets, but such social protections were limited to those who were employed full time in core industries.](#)

Things have changed, however. Most importantly, the conceptualization of development has been refined in Japan, South Korea and Taiwan, and it has been refined in a way that

increasingly accommodates the idea of social welfare. ~~This is what we mean by~~ In a sense these countries are growing out of the developmental state, a transitional process that reflects a shift from earlier productivist oriented welfare to a more inclusive welfare-State. Furthermore, it is our contention that this re-constitutive process in East Asia began to take root only during the 1990s.

It is true that the Japanese welfare state originated in the 1960s and 1970s, when universal health insurance and pensions were first introduced (Campbell, 1992; Campbell and Ikegami, 1998). However, those initial reforms were established in a context where Keynesian notions of active state intervention, the prevailing conventional wisdom around the idea of embedded liberalism, and the legitimacy of the welfare state more generally still resonated among industrialized countries. Also, these early post-war Japanese reforms also constituted an integral part of the country's "catch-up" strategy. The impetus for the extension of universal health and pension were as much externally driven as they were the result of domestic pressures. The main external factor behind the conservative Liberal Democratic Party's (LDP) decision to push for welfare state expansion in the 1970s was to signal to the international community Japan's entry into the family of advanced industrial nations, and at the same time to demonstrate the government's success in steering economic development. Simply put, Japan's reforms then, when put into context, were not all that counter-intuitive. To be sure, even South Korea and Taiwan introduced limited social insurance programs, though their reach was selective and thus far from universal (Wong, forthcoming 2004: ch. 3). What is significant, however, and from our perspective very counter-intuitive, was the welfare deepening trajectory of the 1990s in Japan, and in Korea and Taiwan, a time when the welfare state was believed to be on the decline and increasingly scaled back in the interest of lean governments and unfettered markets. The reach of social policy in these three cases has become more inclusive and even more re-distributive.

### ***1. Social Spending***

As illustrated on Table 1, there has been a significant increase in social security spending since the 1980s in Korea, and Taiwan and the 1990s in Japan. In Japan, a huge push toward welfare expansion in the early 1970s is accounted by a near doubling of social security spending between 1970 and 1980. However, the retrenchment efforts by the LDP in the 1980s curtailed further rise of social security expenditures during that decade. As a result, social security expenditures remained almost unchanged throughout the decade, despite the fact that proportion of people over the age of 65 increased from 9.1% to 12.0% during the period. Much of the cuts during this period were in areas of social welfare (Peng, 2002). In the 1990s, however, the expenditures rose again, and by 2000, social security expenditure as percentage of national income nearly doubled to 22%. Similar trends of rising social security expenditures are also evident in Korea and Taiwan as well. In Korea, social security expenditure rose sharply after 1998, in response to the economic crisis. In Taiwan, spending increased after 1980 when the state provision of pension and survivors' benefits were expanded, and again in 1990s, after the introduction of the National Health Insurance program in 1995.

**Table 1: Social Security Spending in Japan, Korea, and Taiwan**

	1960	1970	1980	1990	2000
Japan: (% of national income)	4.86	5.77	12.41	13.45	22.0
(% of GDP)	4.09	4.80	10.31	10.98	15.23
Korea (% of total gov. expenditure)			8.04	14.65	20.98
(% of GDP)	-	-	1.57	2.71	11.80
Taiwan (% of total gov. expenditure)	7.6*	9.6	11.1	17.1	27.8
(% of GNP)	1.59*	2.24	2.87	4.81	8.86

Sources: Japan figures: National Institute of Population and Social Security Research (Japan) *The Cost of Social Security in Japan, FY 2001*, For data on GDP, National Accounts – Japan Statistics; Korean figures: Ministry of Health and Welfare, MOHW Budget; Taiwan figures: 1965-1990, Council for Economic Planning and Development, Republic of China, *Taiwan Statistical Data Book, 1993*, for year 2000, Statistical Yearbook of the Republic of China 2003, Executive Yuen. (\* Figure is for 1965).

## 2. Political Contestation

Driven by the politics of democratic deepening, social welfare issues and social policy agendas have become an integral part of political contestation in Japan, South Korea and Taiwan. In this respect, the re-definition of the developmental state and the processes of growing out of the developmental state model have been embedded in the processes of political transformation in these three countries. The idea of democratic citizenship has also been transformed.

Japan has been democratic throughout the postwar period, though its political system was dominated by the Liberal Democratic Party until the early 1990s. The LDP did not hesitate to use social policy instruments in order to undermine opposition forces and to avert political crises throughout the 1960s and 1970s. But because the LDP controlled the policy agenda and its bureaucratic allies dominated the policy decision-making process, social policy reform in the past was not so much the result of political contestation as it was a strategic compensatory tool to maintain the ruling party's dominance (Calder, 1986). It was not until the 1980s, when the Japanese government began floating the idea of the 'Japanese welfare society' – essentially a not so veiled attempt to steer the social policy agenda in Japan towards retrenchment – that social welfare reform became a key domestic policy issue around which contending political actors, from both within and outside the LDP, mobilized support. This mainstreaming of social policy contestation became even more pronounced after the LDP lost power for the first time in 1993 and when the political arena was opened up (Pempel, 1997). Since that time, the politics of multi-party competition and coalition building in Japan have turned social policy reform into a highly contested, and increasingly winning, political issue upon which to build electoral platforms.

Democratic transitions in Taiwan and South Korea have drawn greater attention to social policy issues to both policymakers and citizens. Though the politics of democratic consolidation in Taiwan has centered primarily on issues of national identity, sovereignty and cross-strait relations (with China), social welfare policies and other 'new politics' issues have nonetheless become core features of electoral competition (Wong, 2003a). The same can be said of Korea's democratic transition. The student movement and

workers' mobilization during the late 1980s ensured that social policy debates remained central to Korea's emerging democracy (Koo, 2001). Long time dissidents and grassroots activists such as Kim Dae-Jung and Roh Moo-Hyun were elected to the presidency, in part, on what were seen to be distinctly social welfare policy agendas. In both places, social policy has increasingly become an important political cleavage and thus a point of political contestation among policy entrepreneurs. Such cleavages have become even more pronounced in light of the 1997 Asian financial crisis and the revelation that the East Asian developmental states, despite their abilities to promote rapid growth, were institutionally weak when it came to social protection.

### ***3. Inclusive Social Welfare***

That industrialization and economic development go hand in hand with the expansion of public spending and social policy innovation was empirically demonstrated long ago (Cameron, 1978). The advanced industrial countries of the west experienced this, just as Japan did also during the 1960s and 1970s. Even late industrializers such as South Korea and Taiwan experimented with social policy reform then, even though beneficiaries were limited to those employed in the 'productive' sectors of the formal labor market. What is interesting, from the vantage point of the 1990s, is that social welfare deepening took place in Japan, South Korea and Taiwan during a time when not only was the welfare state supposedly in decline, but in an era in which national economic growth had slowed considerably in these three countries. Despite poorer economic performance, particularly in the post financial crisis period, new social policies were implemented which targeted those groups which had been previously excluded (such as [children](#), the elderly, and women) and policies which took seriously the principles of inclusiveness and socio-economic equity. Simply put, reform during the 1990s in Japan, Korea and Taiwan captured the 'social' dimensions of social policy more than they had ever before.

Universal health insurance was implemented in both South Korea and Taiwan during the 1990s. Recent efforts by the Korean government to consolidate the health insurance financing schemes were intended explicitly to promote greater re-distribution across wage earners and age groups (Wong, forthcoming 2004). Furthermore, both the governments in Korea and Taiwan expanded social security measures, primarily with the extension of pension benefits to previously excluded workers and greater efforts to provide universal income support for the elderly. In South Korea, unemployment insurance was broadened to cover part-time workers, most of whom are women. Additionally, recent reforms to the Basic Livelihood Allowance Program, the Mother-Child Welfare scheme and current efforts to extend long-term elderly care expanded the scope – and purposes – of social welfare in South Korea (Lee and Park, 2003; Tchoe, 2003). In Taiwan, the government established the Commission on Gender Equality in Education as well as the Gender Equality Labor Law to ensure that women are empowered to enter or exit the formal labor market. These new social policy packages include child care provisions as well as income support for single mother families. In both Taiwan and South Korea, tougher laws have also been implemented to protect women from domestic violence and workplace harassment.

Social welfare reform in Japan has followed a similar trajectory, though perhaps a little less dramatic given that many of Japan's social insurance programs (health, pensions, and employment insurance) had been introduced earlier on. In Japan, a steady expansion of pension rights to women began in the mid-1980s with the standardization of the national pension scheme in 1985. The pension reform ensured married women's rights to a national basic pension, the first tier of the pension scheme. The 1989 reform further enforced compulsory pension payments from all citizens over the age of 20, including students. Throughout the 1990s pension reforms continued, including the payment holidays for workers on parental leaves (1994), and by raising pension age from 60 to 65. The 1989 Gold Plan in public elderly care was replaced by the 1997 Long Term Care Insurance (LTCI) program, which has in turn shifted eligibility for elderly care from mean-tested scheme to one that is extended universally by social right. The government funds 50% of the LTCI benefits through the general tax revenue, a more generous financial system than the prevailing German model, which is solely funded by the insurance premium. The 1994 Angel Plan was implemented to provide social care and support for working families with dependent children. Through the expansion of public child care facilities and with the introduction in 1998 of a new income replacement program for parental leave, the Angel Plan has enabled families to better balance both domestic and workplace responsibilities (Peng, 2004). What is particularly significant about these recent social policy innovations in Japan is the fact that they have emerged from out of a larger social policy discourse that had earlier praised the principles of the Japanese welfare society and the imperatives of state withdrawal from social protection schemes. Furthermore, the LTCI program and the Angel Plan represent a significant departure from the neo-Bismarckian social insurance model in Japan, towards a new principle of inclusive social citizenship based on what are increasingly understood to be inalienable social rights.

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The processes of social welfare reform have been underpinned by a new developmental ethos that has come to replace or augment the East Asian developmental state's singular focus on rapid economic growth or what Holliday and others have referred to as the developmental state's productivist orientation. Recent social policy reforms have been universally inclusive, expanding the scope of social protection to constituencies who had been previously excluded. In some instances, recent social policy initiatives have been unequivocally re-distributive, both in their impact on social life and in the motivations behind such reforms. We have described this transformation as the processes by which Japan, South Korea and Taiwan are growing out of the developmental state. The rest of this paper examines these processes of change, paying particular analytical attention to why we are seeing this change now and what the precise mechanisms are which have facilitated this unanticipated transformation.

### Equity's Place

The postwar developmental state in East Asia was geared for rapid economic growth. It was, as Holliday and others have stressed, fundamentally productivist in its political and economic orientations (Holliday, 2000; Ku, 1997; Kwon, 1999). Indeed, an average of 8% annual growth in Japan, South Korea and Taiwan between the 1960s and 1980s can

in no way contradict this sort of characterization. They were, after all, miracle economies (World Bank, 1993).

What was even more miraculous, however, was the degree to which economic growth was accompanied by relative socio-economic equity in these three countries. In terms of income distribution, the gini coefficient in Japan consistently hovered around 0.30 between the mid 1960s through to 1980 (World Bank, 1993: 72-73). In Taiwan, the gini was 0.32 in 1964 and stayed around 0.30 right up to the late 1980s (Kuo et al., 1981: 45; CEPD, 1999). The gini indicator was higher in South Korea, ranging from a low of 0.35 in 1970 to 0.41 in 1985 (Kwon and Choi, 1997: 563), but moved towards increasing equality until the mid 1990s. By 1996, it had dropped to 0.28 (Song, 2003). Despite some variation among the three cases, as a group and when compared to their developmental counterparts in Latin America – where gini coefficients were consistently between 0.50 to 0.60 throughout the postwar period – it is clear that the distributions of income in Japan, South Korea and Taiwan were quite egalitarian (World Bank, 1993: 72-73).

### ***Growth and Equity***

Growth with relative equity in East Asia was no accident. It was, in many ways, by design of the postwar developmental state, an imperative that was politically and economically motivated on the part of the governing elite in Japan, Taiwan and South Korea. In the case of Japan, the ruling Liberal Democratic Party (LDP) had to be mindful of equity concerns early on as it was challenged by both the Japanese socialist and communist parties in the early 1950s. In South Korea, the rise of student and worker movements during the late 1950s and early 1960s forced the incoming Park Chung-Hee military regime to take seriously the distributive consequences of economic growth (Park, 1962: 20-21). In Taiwan, the authoritarian Kuomintang (KMT) regime, at one level, drew from the writings of party founder Sun Yat-Sen and his left-leaning principles of social, economic and political development (Hsu, 1994). More pressing for the KMT, however, were the ethnic divisions on the island. Ethnic conflict between the newly arrived Chinese mainlanders and local ethnic Taiwanese required that the KMT promote socio-economic equity as a way of ensuring against the concentration of wealth among the Taiwanese, whom, by around the early 1970s, were beginning to mobilize against the KMT regime (Wachman, 1994).

Growth with equity was not simply a political strategy. It was also a part of East Asia's industrial modernization strategy. Policymakers in Japan, Korea and Taiwan understood equity's place in the larger developmental project: socio-economic equity was to be promoted through macroeconomic policy and balanced industrial development, *though not through social policy*. Growth and prosperity were always the pillars of the developmental state's economic objectives. For instance, poverty alleviation was an important priority in Japan (Milly, 1999), though one that was embedded within the overriding imperatives of aggregate economic growth (Nakatani, 1997: 400). Debates about how to balance growth fundamentals and socio-economic equity were also evident in Taiwan and South Korea. In the end, growth-first policies were pursued by the three



developmentally oriented states and flattening income disparities was anticipated to be a by-product of macroeconomic developmental policy.

Land reform, a process in which the landlord class was effectively broken and arable lands re-distributed, jumpstarted agricultural development. It also promoted greater socio-economic equity and thus narrowed the gap between social classes (Adelman and Robinson, 1978; Kuo et al, 1981; Milly, 1999: 77-78). East Asia's development strategy was also predicated on a rapid transition from an agrarian economy to an industrial one, which in turn, was predicated on rapid accumulation of human capital through education and training. By the 1960s, Japan was well on its way to becoming a leader in electronics manufacturing and heavy industry, while South Korea and Taiwan were quickly catching up in light manufacturing.

To facilitate continual industrial upgrading, the developmental states in Japan, Korea and Taiwan quickly built up capacities for human capital development through, for instance, emphasis on universal education and the extension of accessible education. High educational attainment rates amongst the Japanese, Korean, and Taiwanese populations are evident. In Japan, high school enrollment rate was 95.9% in 2000, up from 94.2% in 1980 (Ministry of Education, Japan, 2001). Similarly, in Korea high school enrollment rate was 95.6% in 2000, increasing from 79.5% in 1985 (Republic of Korea Government, 2003). The educational enrollment rate in Taiwan for those between the ages of 6 and 21 was 93.2% in 2002, and the national literacy rate stood at 95.8% in 2001. The Taiwanese government's policy priority on education is also reflected in its public expenditures. In 2002, the government expenditure on education was 5.9% of GNP (Government of Taiwan, 2003).

Policymakers in Japan, South Korea and Taiwan also maintained a strategy of socio-economic equity through full employment. In Japan and South Korea, large diversified firms were nurtured by the developmental state. The 'income doubling plan' of 1960 in Japan (Kume, 1998: 97-98) and wage increases amidst the heavy and chemical industrial drive of 1972 in South Korea (Amsden, 1989; Woo, 1991) typified this macroeconomic strategy of economic prosperity and equity. Taiwan's industrial base, on the other hand, was built upon the proliferation of small and medium sized enterprises (SMEs). This industrialization strategy facilitated worker mobility and consequently narrowed the gap between social classes (Cheng, 1990). In all three cases, industrialization built up firms, which in turn provided employment opportunities for skilled and non-skilled workers alike. Indeed, gross inequality in Latin America is often attributed to the lack of industrial development and the absence of thorough land reform (reference here).

Job creation in Japan and South Korea promoted equity, while in Taiwan, labor mobility among small firms helped dampen divisions between managers and workers. Interestingly, growth with equity was not driven by re-distributive social policy measures. On this score, the East Asian states did not differ too much from their Latin American counterparts. Some progressive taxation was implemented in Japan, though the re-distributive effect of this was mitigated, as it was in Taiwan and Korea, because of the high rate of income under-reporting, particularly among self-employed workers. As

indicated above, some social policy initiatives (health and pensions) were implemented earlier on in Japan, though then social safety nets were provided primarily at the enterprise level. Universal social policy was next to none throughout the postwar period in Taiwan and South Korea. Limited social insurance programs were implemented, though these schemes by and large benefited only those who were formally employed, and in the case of Korea, those working in large firms – essentially the labor aristocracy. To reiterate, then, growth with equity in Japan, South Korea and Taiwan, at least during the immediate postwar period, was more the result of poverty alleviation strategies through employment and macroeconomic policy, rather than explicitly re-distributive social policy.

### ***Legacies of Equitable Economic Development***

Evaluating the extent to which growth with equity in East Asia was driven by reasons of political expediency (co-opt the left, undermine opposition forces) and/or the result of macroeconomic fundamentals (wage growth through economic productivity) is not our main concern here. Rather, what matters most to us are the legacies of this particular pattern of economic development on subsequent patterns of social welfare reform in the region. It is our contention that the legacies of equitable economic growth impacted (i) the economics of social welfare reform, (ii) the dynamics of social class politics, and (iii) the normative place of social policy change in development. The legacies of growth with equity in the region have come to constitute the larger political context in which *current* social policy debates are played out, and in which social welfare deepening has become a principled priority.

Social welfare policy is fundamentally about the re-distribution of wealth, about creating winners and losers. As such, the relatively egalitarian distributions of income in Japan, South Korea, and Taiwan have made it easier for policymakers to consider re-distributive social policy in the first place. One who studies Asia is constantly reminded by our Latin American colleagues that a key structural factor favoring social welfare reform in industrial East Asian countries are their political economic histories of relative income equality.<sup>1</sup> Simply put, the *economic costs* of re-distribution across wage groups and disparate households and/or demographic communities are much lower when the amount to be re-distributed is also lower. In this respect, the economics of welfare deepening in East Asia have been much less constrained. For Latin American social policy reformers, on the other hand, the very high costs of re-distribution across very unequal income groups have limited their options.

Second, growth with equity in Japan, Korea and Taiwan has lowered the *political costs* associated with re-distributive social welfare reform. Again, the contrast with developments in Latin America is instructive. In Chile, Mexico and Brazil, social class politics are very divisive. Social policy reform – either deepening or retrenchment – is understood as a zero-sum game, economically and politically. One social class benefits at the expense of others. Because of this, class politics are played out in the formal political arena (Keck, 1992; Von Mettenheim, 1998). Class conflict is a deeply entrenched part of

<sup>1</sup> Thanks to Evelyne Huber for making this point on several occasions.

mainstream politics in Latin America. The Japanese, Koreans and Taiwanese, on the other hand, see themselves as being ‘classless’ societies. More precisely, they understand theirs to be middle class societies. This is not to say that class politics have been completely obscured in East Asia. Class-based movements erupted in Japan during the 1950s and again in the 1970s (Murakami, 1982). In South Korea, the *minjung* movement of the 1970s and 1980s reflected class cleavages, even though statistically, the distribution of income was still comparatively equal (Choi, 1993; Koo, 1993). Still, according to objective and subjective indicators, Japanese, Korean and Taiwanese society have been middle class societies since around the late 1970s. For instance, Japanese society was seen to be largely constituted by the ‘new middle mass’ during the 1980s (Murakami, 1982). Today, the overwhelming majority of Taiwanese and Koreans similarly identify themselves as being from the middle class (Hsiao, 1999). Class consciousness, as understood by sociologists, has been muted in East Asian politics (Gold, 1994: 50).

The political effect of ‘classlessness’ in East Asia has thus been the *de-radicalization* of both class politics and social welfare contestation. In the case of Japan, Murakami notes that the “people of the new middle mass do not see the issues around them in ideological terms of class conflict or of revolution” (1982: 45). Put another way, the relative absence of social class cleavages has meant that the political costs of initiating social welfare reform are much lower in East Asia. In contrast to their developmental counterparts in Latin America, welfare deepening in Japan, Korea and Taiwan is not regarded as wholly benefiting or privileging one class over another. Indeed, when 90% of one’s society considers itself to be of the middle class – as is the case in Japan (Imada, 1999: 371) – social policy reform tends not to be understood as a necessarily vicious, and thus politically costly, zero-sum game. The stakes between winners and losers, in this sense, have not been as high, economically and politically.

Third, growth with equity in Japan, South Korea and Taiwan has inculcated and strengthened the normative place of equity in the larger East Asian developmental project. As Milly points out, the legitimacy of equity as a socio-economic goal in Japan is as much about normative principles as it is about interest-based power politics (1999: ch. 7). This is important when it comes to policy agenda setting (Kingdon, 1995: 191). Even though equity was subordinated to rapid economic growth during postwar period in East Asia, the legacies of growth with equity, and the normative place of equity, have nonetheless acted as what we might call a *principled brake* or constraint on any notion of unfettered growth-at-all-costs. It is within this normative framework that social policy reform has been debated and how welfare state deepening has been facilitated in Japan, Taiwan and South Korea.

Given their shared experiences of relatively egalitarian growth throughout the postwar period, East Asians have come to expect some degree of socio-economic equity in the distribution of wealth and in the distribution of opportunity. No matter how much policymakers may ascribe to market-based economic principles (read: economic liberalization), people in Japan, Taiwan and Korea, including state-level policymakers, have been able to tolerate only so much socio-economic disparity. To put it crudely,

Taiwan is no Brazil when it comes to distributive politics, and the Taiwanese are quite aware of the political consequences of such differences. The same can be said of Korea and Japan. According to World Values Survey data from the late 1990s, out of 43 countries, Japanese and Korean respondents ranked 4<sup>th</sup> and 6<sup>th</sup> lowest in terms of tolerance for income inequality. Indeed, public opinion polls in Taiwan and Korea show how the majority of citizens there feel that income inequality needs to be narrowed and that social welfare reform should be made a policy priority (Academia Sinica, 1994; Ku, 1997; Shin and Rose, 1998). Public opinion polls in Japan also show that social welfare follows closely behind economic recovery as the top concern for people over the age of 20 (Mainichi Shimbun National Opinion Surveys, 1992-2000). The Prime Minister's Office's public opinion survey in 1994 also found that social welfare and elderly care issues outweigh all other issues, including economic growth (Japan-PMO, 1994). The overwhelming majority of bureaucrats and legislators in Korea and Taiwan believe that the welfare state is a fundamental characteristic of democracy and that social and economic inequality leads to political conflict (Wong, forthcoming 2004).

The implications of this normative and political context are not trivial, particularly in terms of how these polities have dealt with the forces of economic globalization. For instance, when the IMF intervened to bail out the Korean economy during the 1997 financial crisis, most expected that the nascent Korean welfare state would be forced to undergo retrenchment. Instead, President Kim Dae-Jung used this window of opportunity to in fact deepen welfare reform in the face of growing inequality, joblessness, and labor unrest. Reforms were consequently initiated in the areas of health care, income security, employment insurance and job re-training. Though Taiwan was not as severely afflicted by the 1997 financial crisis, policymakers and social policy activists there quickly learned that social protection for the vulnerable could be preempted through social welfare reform. In both places, the welfare state was understood *not to be* anathema to current global economic realities, but rather, seen as an important buffer to the socio-economic vagaries of globalization (Wong, forthcoming 2004). Likewise in Japan, when the economic bubble burst in the early 1990s, and when new economic cleavages began to emerge in Japanese society (Pempel, 1997: 355), the government responded with new social welfare policies, focusing specifically on active labor market measures, family policy, and long term care for the elderly (Campbell, 2002; Peng, 2004).

The key point here is that the current politics of social policy reform in East Asia needs to be situated in its specific normative context which bears the markings of experiences of years past. People in East Asia, quite simply, have come to expect some degree of socio-economic equity. And given that past practices in promoting growth with equity through full employment and trickle-down policies have now become less viable options given current economic realities, policymakers in Japan, Korea and Taiwan – themselves beholden to the norms of socio-economic equity – have increasingly turned to inclusive and re-distributive social policy.

## Social and Demographic Changes

While the normative context of growth with equity has provided the normative context for more inclusive social policy, the actual content of social policy reforms in Japan, Korea and Taiwan has been closely informed by changes in demographic structure, as well as in family and gender relations. First, all three countries have experienced population ageing and fertility decline (Tables 2 and 3). Although both Korea and Taiwan are demographically younger compared to Japan and other OECD countries,<sup>2</sup> the pace of ageing in these two countries will be much faster than in Japan over the next few decades.

By 2035, the proportion of elderly population in Korea and Taiwan will be estimated to be much closer to Japan, at around 25% (Korean National Statistics Office, 2003; Director-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan, 2004). This is largely accounted for by the increase in life longevity rates and in the rapid decline in fertility.

**Table 2: Ageing Population (% population over 65), 1980-2020**

	1980	2000	2020
Japan	9.1	18.5 (2002)	25
Korea	6.2	7.2	14.5
Taiwan	6.2 (1990)	9.4	17.0

**Table 3: Total Average Fertility Rate in Japan and Korea, 1960-2000**

	1960-1965	1985-1990	1995-2000	2003
Japan	2.02	1.66	1.41	1.32
Korea	5.63	1.60	1.51	1.17
Taiwan	N/A	2.52 (1980) 1.81 (1990)	1.68 (2000)	1.34 (2002)

Sources: Japan Institute of Labor (2003); Korean National Statistics Office (2003) *Future Household Projection*; Director-General of Budget, Accounting, and Statistics, Executive Yuan, Taiwan (2004) *The Statistical Yearbook of Republic of China*.

Thus, while Japan is ahead of all OECD countries in terms of the demographic aging, both Korea and Taiwan will soon experience a similarly rapid aging process in a much more compressed time frame. The combination of the demographic ageing and the maturing of existing social security systems in these countries will inevitably create pressures on the social safety net. This is already evident in the case for Japan.

Second, the proportion of three or more generation households in all the three countries has declined over the last few decades. At the same time, the number of single person households has increased, suggesting an erosion of the 'traditional' living arrangements, wherein elderly people live with and are cared for by their adult children and their families. In Japan the proportion of households that are three generations or more has declined from 16.2% to 10.6% between 1980 and 2000, at the same time, the proportion of single person households in Japan increased from 18.1% to 24.1%. Like Japan, in

<sup>2</sup> The current OECD average is approximately 12%.

Korea the proportion of three or more generation households also dropped from 17.0% to 8.4%, while single person households rose from 4.8% to 15.5% (Japan Ministry of Health, Welfare, and Labour, 2001; Korean National Statistics Office, 2003). The changes in household structures has been even more rapid in Taiwan. The proportion of three or more generation households declined from 25.1% of all households to 16.4% between 1990 and 2000, while single person households increased from 12.2% to 18.9% during the same period (Yang and Yi, 2000).

Changes in marriage and gender relations are also evident. Divorce rates and the proportion of single mother families have increased in the three countries. In Japan, the divorce rate doubled between 1980 and 2000 (12.2% to 21.0%), in Korea, it increased by approximately six-fold (5.9% to 35.9%), and in Taiwan the rate rose from 14.0% to 23.8%. The main cause of increasing incidences of divorce in Japan is attributed to changes in public attitudes towards marriage and divorce, particularly among younger people, as well as attitudes reflecting the burden of familial care in the case of divorce among older couples (Gender Equality Commission, 2002; Retherford, Ogawa and Matsukura, 2001). Studies in Korea suggest that most divorces are caused by family breakdown during times of economic hardship. Indeed, the rate of divorce jumped after 1997 (Lee and Park, 2003). The increase in the number and proportion of single mother families in Japan (4% of all the households in 1980 to 6% in 2000) and Korea (3.9% to 5.6% between 1980 and 2000) also closely parallel the increases in divorce rate. While no data is available for Taiwan, it can be assumed that the proportion of single mother families would have increased in Taiwan given similarities in current attitudes regarding gender roles and family norms. Finally, the employment rate among married women in all the three countries has risen, indicating again a shift in attitudes about gender relations in the household and the labor market.

**Table 4: Divorce Rates in Japan, Korea and Taiwan, 1960-2000**

	1980	2000
Japan	12.2	21.0
Korea	5.9	35.9
Taiwan	14.0	23.8

Sources: Japan Ministry of Health, Welfare, and Labour (2001) *White Paper on Health, Welfare, and Labour*; Korean National Statistics Office (2003) *Future Household Projection*; Taiwan Director-General of Budget, Accounting, and Statistics, Executive Yuen, Taiwan (2004) *The Statistical Yearbook of Republic of China*.

**Table 5: Women's Economic Activity Rate in Japan, Korea and Taiwan, 1960-2000**

	1960	1980	2000
<b>Japan</b>			
women	45.8 (1975)	47.6	48.2
Married women	45.2 (1975)	49.2	52
<b>Korea</b>			
women	37.0 (1963)	42.8	48.3
Married women	36.9 (1963)	40.0	47.9
<b>Taiwan</b>			
Women	N/A	39.2	45.7
Married women	N/A	44.4 (1993)	47.0 (1997)

Sources: Nihon Fujin Dantai Rengokai (1999) *Fujin Hakusho 1998*; KWDI (2003) *Statistical Chart on Women*.

The implications of changing family and gender relations on social policy are not trivial. First, the demographic ageing and fertility decline continue to exert pressures on the social security system, particularly as the systems mature and begin to pay out. Second, demographic ageing and declining fertility rates, in the absence of policy alternatives such as those encouraging inward immigration, exerts pressure on these countries in dealing with long term labour shortages and possible population decline.<sup>3</sup> In the case of Japan, it is projected that its population will decline to half the current size by the end of this century, thus forcing policy makers to advocate pro-natalist policies. Third, changes in household structures and married women's employment rate have resulted in increasing demand for social care for the elderly and children. This issue has been further compounded in the case of Japan and Korea by the fact that increasing women's labour market participation is considered a more desirable option than increasing immigration rates. Finally, the increase in the number of single mother families and rising poverty rates among them has led to ambivalent responses in these countries. In Korea and Taiwan, there has been an expansion of gender-based income maintenance policies (Lee and Park, 2003; Sung, 2002; Taiwan Women Web, 2004), while in Japan, recent policy reforms have led to increased emphasis on linking single mothers to employment (Ezawa and Fujiwara, 2003).

Given the social and demographic changes in Japan, Korea and Taiwan, and given the normative place of socio-economic equity, it makes sense that increased attention has been paid to inclusive and redistributive social policies. Indeed, as illustrated in Table 1, social security spending as a percentage of GDP rose sharply during the 1990s in all three countries. In Japan, social security expenditures as a proportion of GDP nearly doubled between 1990 and 2000, a significant difference compared to the 1980s when such spending remained unchanged for the whole of the decade. In Korea, the increase in social security expenditure was even more impressive: it quadrupled in a decade, with much of the increase taking place after 1997. Similarly in Taiwan, social security expenditure as a percentage of GDP also rose steadily throughout the 1980s and 1990s.

Not surprisingly, there has been a significant increase in the provision of social welfare support and social care in these countries. In Japan, *social welfare* expenditure doubled between 1990 and 2000, most of which was accounted for in the expansion in social care provisions such as long-term elderly care and childcare. The expenditures for elderly care rose from ¥0.57 trillion to ¥3.57 trillion between 1990 and 2000, while expenditures for the support of families and children, which include services such as public child care, after school programs, family support programs, increased from ¥1.6 trillion to ¥2.74 trillion during the same period (NIPPSR, 2002). In Korea, social welfare expansion was even more striking. The government expenditure for the employment insurance program increased from 4.7 million won in 1996 to 306,172 million won in 1999 (Korea Ministry of Labour, 2000). The expenditure for childcare grew from 41,876 million won to 436,903 million won between 1991 and 2002. Government outlays for elderly welfare rose from 37,861 million won in 1990 to 407,767 million won in 2001 (Lee and Park, 2003).

<sup>3</sup> In 2000, foreigners represented only 0.2% of total workforce in Japan and 0.6% in Korea. Similarly, in 2001, foreigners made up 1.4% and 0.5% of total population in Japan and Korea, respectively (Milly, 2004).

### **Political Entrepreneurship**

Thus far, we have provided both the historical and structural backdrops against which to better understand current efforts in social welfare deepening in Japan, Korea and Taiwan. This next section elaborates on what we think to be the current political dynamics of social welfare policymaking in the three cases. Our main contention here is that political change in Japan, Korea and Taiwan during the late 1980s and into the 1990s has facilitated new opportunities for social welfare policy agenda-setting. Specifically, we contend that strategic interaction between political elites from above and civil society mobilization from below has put social policy reform and welfare state deepening into the political mainstream in Japan, Korea and Taiwan.

### ***Political (De-)Re-alignment***

Prior to the late 1980s, when Korea and Taiwan began democratizing, and prior to the early 1990s, when the LDP lost power for the first time in 38 years, opportunities for social policy debate were rare. There were few openings for such deliberation. This is not to say, however, that social policy reform was non-existent. The LDP in Japan initiated considerable welfare reform, though the process was piecemeal and tended to be reactive to political crises of the state (Calder, 1986). The LDP positioned itself strategically to be a catch-all party. As such, it was hardly programmatic when it came to social welfare reform (Pempel, 1997: 346).<sup>4</sup> Authoritarian regimes in Taiwan and Korea similarly legislated *some* social policy reform, though the scope of these reforms was limited, and the pattern of policy change far from systematic. The absence of democratic institutions in Taiwan and South Korea precluded wider bases of social policy decision-making. Rather, like Japan, the developmental states in Taiwan and South Korea initiated social policy change only in times of political crisis. Similar to the LDP, the ruling KMT in Taiwan and the Park regime in Korea positioned themselves to be catch-all regimes, without any discernible programmatic bases, yet adept at co-opting groups and ideas when needed (Ku, 1997; Kwon, 1999; Wong, forthcoming 2004).

In short, social policy change in Japan, Korea and Taiwan, then, was state-led. It was, as we have argued, subordinated to the growth objectives of the developmental state. Opportunities to steer social welfare agendas from outside the developmental state apparatus were rare, as in the case of Japan, and non-existent, such as in authoritarian Taiwan and Korea. The political space was simply not there.

Such opportunities did emerge during the late 1980s and early 1990s, however. Briefly, we contend that democratic transition in Taiwan and South Korea and the defeat of the LDP in Japan during the early 1990s resulted in political *de-alignment*, a process that

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<sup>4</sup> The only other moment of opportunity for extensive social policy change in Japan was in the late 1960s and the early 70s, when grassroots social protest movements led by intellectuals, students, and social activists gave significant challenge to the LDP, and the realignment began to occur at the local government level as communist and socialist party sponsored politicians began to replace LDP politicians. This moment of opportunity was however short cut by the oil crisis in 1974, which in turn, led to the “crisis of welfare states” in the west.



created the *political space* for the emergence of new political actors and a new competitive dynamic. Opposition parties were formed in Taiwan and Korea. In Japan, the party system was re-constructed, with several new splinter parties emerging from out of the ailing LDP. The subsequent process of party *re-alignment* in all three cases opened up the *issue space* in which new policy agendas and ideas, including those relating to social welfare reform, could come to the fore. Let us look at the empirics.

Though martial law in Taiwan was not lifted until 1987, the opposition Democratic Progressive Party (DPP) was formed, illegally, the year before. Born out of the pro-independence Tangwai movement of the 1970s, the DPP was able to mobilize its grassroots bases quite effectively. The KMT continued to hold onto power, winning legislative elections in 1992 and the presidential elections in 1996. Yet, its support base slowly diminished during the early to mid 1990s as the DPP emerged as a possible contender. The DPP challenge was not insignificant, even back then. Similarly in South Korea, the incumbent authoritarian party, the Democratic Justice Party (DJP), was forced to confront opposition challengers soon after President Roh Tae-Woo announced direct presidential and full legislative elections during the summer of 1987. Grassroots leaders Kim Young-Sam and Kim Dae-Jung formed two opposition parties in May of that year. Though they failed to contend for the presidency in 1987, essentially splitting the opposition vote, their combined vote total for the spring legislative elections in 1988 was higher (43%) than the incumbent DJP's vote share (34%). In both Taiwan and South Korea, the initiation of democratic reform forced a partisan de-alignment as new parties were not only formed, but they contended early on.

The process of de-alignment in Japan was slightly different, though the political consequences were similar. Mired in scandals and the weight of Japan's sluggish economic performance in the early 1990s, the LDP was defeated in legislative elections in 1993. For the first time, and albeit for only a short time, the LDP was in the opposition. Discontent within the party erupted and longstanding factional splits were cemented by the creation of new splinter parties. The Japan New Party was created in 1992 by LDP defectors, and it later joined the New Frontier Party coalition in 1994. The Shinseitō ('renewal') party and the Sakigake ('harbinger') party were also formed by LDP defectors vowing to democratize Japanese politics through political and electoral reforms (see for example the case of Ichiro Ozawa's defection from the LDP). Several former LDP politicians ran as independents (Jain, 1993). According to Mayumi Itoh, over 20 new parties were formed after 1993 (1999: 732). Electoral reform in 1994 exacerbated the de-alignment process, even though the reforms were originally intended to facilitate a stable two-party system in Japan.<sup>5</sup> Small parties continued to proliferate. The Japanese Socialist Party renamed itself the Social Democratic Party, signaling the moderation on the left wing. This in turn gave life to the Japanese Communist Party (Kohno, 1997; Seligman, 1997). More and more independent candidates were also declared.

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<sup>5</sup> The 1994 electoral reform comprised new single-member (as opposed to the previous double-member) electoral districts, which make up 300 of the 500 lower house, in addition to a proportional representation (PR) component for the remaining 200 Diet seats (Seligman, 1997).

Not unlike the experiences of Taiwan and South Korea, the dawning of the new post-LDP hegemonic era in Japan resulted in a process of political de-alignment. This created a new competitive dynamism, or what we call political space, rarely experienced in Japan, and never before in Taiwan and South Korea. The incumbent parties' hold on to power was no longer a foregone conclusion. Opportunities for new patterns of policymaking, and the emergence of new social welfare agendas more specifically, emerged in this charged political setting. Simply put, de-alignment opened up the political systems.

Political de-alignment was a process fraught with uncertainty and chaos, to be sure. In chaos, however, actors adjust. They strategically re-align themselves, forge new identities, cultivate new bases of political support and ultimately scramble for new issues with which to gain electoral advantage. This re-alignment process has been ongoing in Japan, Taiwan and South Korea since the mid 1990s.

The scramble for winning issues and new political cleavages more generally among political entrepreneurs shaped the politics of democratic consolidation in Taiwan and South Korea. During the immediate post-transition period in Taiwan, the principal cleavage in electoral competition was over the resolution of the independence versus reunification with China issue. Yet, given that the majority of voters in Taiwan sought to maintain the status quo (neither independence nor reunification), this particular cleavage was irreconcilable in the short term. It soon became clear that this single cleavage structure was stagnant. New issues were needed to energize political competition (Lin et al., 1996; Niou and Ordeshook, 1992). Political entrepreneurs in Taiwan recognized this and thus re-aligned themselves in order to capture new bases of electoral support (Wong, 2003a). Similarly in South Korea, single cleavage competition – which in Korea's case was based on personal/regional affiliations – was also seen to be stagnant. As in Taiwan, new issues and thus new bases of competition needed to be mobilized in South Korea. It was through this process of political re-alignment that the idea of social welfare quickly gained prominence. Welfare proved to be a winning issue. Moreover, social policy reform was particularly attractive in this process of re-alignment because it effectively cross-cut the existing regional or ethnic cleavages dominant in Korea's and Taiwan's democratic politics (Wong, forthcoming 2004).

The Japanese case is a bit more complex, though the logic of de/re-alignment is not inconsistent with the foregoing analysis of Taiwan and Korea. In Japan, the proliferation of new political parties and the fractionalization of the party system similarly created new opportunities for political actors to re-define themselves, and in the course of this re-alignment, to gain new bases of political support. Parties needed to differentiate themselves from each other. The LDP, for instance, could no longer position itself as a catch-all party, a strategy that had served it well when its competitors were weak and its hold on power was consequently uncontested. Put simply, the LDP could no longer be everything for everyone. It was expected, therefore, that competition in Japanese politics would become more issue-oriented.

With a significant portion of the electorate not affiliated with any political party, political entrepreneurship became a premium. According to T.J. Pempel, “the system [wa]s ripe for the emergence of political entrepreneurs able to mobilize voters around their increasingly divergent interests” (Pempel, 1997: 360). The changing socio-economic profile of Japanese voters – increased mobility, tightened labor markets, growing income disparity, and demographic pressures – compelled parties and their leaderships to adjust their strategies and their target constituencies. For instance, the declining relevance of the rice coalition in the countryside forced the LDP to diversify its core voters. Other parties were forced to adjust too. The Japanese Socialist Party moved towards the center, hoping to capture a broader base of electoral support (Seligman, 1997: 416). This of course made room for the new socialist party and the rejuvenated Japanese Communist Party. Small splinter parties also came to play increasingly important roles in policy processes, provided that they could present themselves to be amenable partners in coalition governments (Shinoda, 1998).

Whereas political re-alignment in democratizing Taiwan and South Korea resulted in new patterns of political entrepreneurship centered, to some degree, around issues of social welfare, the direct impact of the re-alignment process on social policy agenda-setting has been less clear-cut in Japan. Whether Japanese electoral politics have become more issue-oriented remains a point of analytic contention. Whether social policy agendas have emerged center stage in Japanese politics, as they have in Taiwan and South Korea, is not at all clear. What we can conclude, however, is that through the process of re-alignment and coalition building, the Japanese political system and the political entrepreneurs who animate Japanese politics, have both been forced to be more *receptive* to new policy agendas, which does not preclude ideas about social welfare reform. Simply put, the opportunities for entrepreneurial agenda-setting were present in Japan, especially in the years after the LDP shake-up.

### ***Societal Mobilization***

To say that the politics of social welfare deepening in East Asia has solely been the product of top-down political entrepreneurship is to overstate our case a bit. Democratic transition in Taiwan and South Korea and political de-alignment in Japan have certainly created new incentives for political actors to diversify their issue domains, and therefore, their bases of electoral support. As alluded to above, the opening up of political and issue space has made politics in Japan, Korea and Taiwan more receptive to new ideas. Still, the ‘energy’ behind such new politics, or the source of these new ideas and policy agendas have come, in large part, from the bottom-up – from out of a rejuvenated civil society. In this respect, the dynamics of political entrepreneurship in social welfare reform have involved both top-down and bottom-up interaction.

Prior to the 1990s, civil society mobilization in Japan was sparse. What little civic activism there was tended to be local and usually in reaction to some specific grievance (Broadbent, 1998; Kuroda, 1972; Reed, 1986). Non-governmental mobilization then was neither national in scope nor very pro-active. By the 1990s, however, things had changed. Riding the wave of voluntarism and increased social activism after the 1995 Hanshin-

Awaji earthquake, the Japanese government passed a revised non-profit organization (NPO) bill in 1998, easing the restrictions on group formation and eliminating bureaucratic intervention in their operations. By year end 2001, over 5,500 new organizations had been formed (Schwartz, 2002: 209). Robert Pekkanen suggests that there has been a “shift in the state-society power balance” in terms of how public interest issues are dealt with (2000: 112). This power shift was also evident in democratizing Taiwan and South Korea. As a result of democratic transition – the lifting of martial law in Taiwan and institutional reform in both Taiwan and Korea – associational life and the formation of non-governmental organizations were legalized. Groups formerly operating underground quickly entered into the formal political arena. The number of non-governmental organizations exploded thereafter in Taiwan and Korea (Chu, 1992; Dalton and Cotton, 1996).

Civil society groups have become important social policy advocates in East Asia. During the time of political de-alignment and re-alignment in the mid 1990s, societal organizations became a key source of new policy innovations, especially in social welfare reform. Societal groups also effectively mobilized their grassroots bases as a way of gaining electoral voice, particularly as traditional vote-mobilizing networks (*koenkai*) and old-style pork barrel politics became less useful in Japan and in democratizing Taiwan and South Korea (Christensen, 1998; Wong, forthcoming 2004). Finally, social movement groups quickly accumulated valuable policy expertise, thus facilitating their access into bureaucratic and legislative policymaking networks; ones from which they had previously been shut out. The following three cases drawn from Japan, Korea and Taiwan highlight civil society’s changing role in social policymaking.

### *Three Cases*

1. In the case of long term care insurance (LTCI) reform in Japan, citizens’ groups such as the Women’s Committee for the Improvement of Aged Society (WCIAS) were key players throughout the reform process during the 1990s. The WCIAS was a member of both the Ministry of Health and Welfare’s policy advisory body and the specific research task force in charge of the LTCI reform. According to ministry bureaucrats, the WCIAS was instrumental in shaping the reform outcome, advocating for long term care as a right of citizenship and demanding changes be made to the compensation scheme. The outcome of the reform bill was initially threatened by conservative factions in the LDP. In response, the WCIAS partnered with the Sawayaka Welfare Association and subsequently launched a national political campaign, the ‘Ten-Thousand Citizens Committee for Long Term Care Insurance’. The organizations lobbied politicians and industry organizations. They effectively ran a media campaign, gaining even more support from the citizenry. In the end, the grassroots coalition allied itself with the opposition Democratic Party. With the coalition’s backing, the opposition was able to pass the reform bill, winning the legislative support of some LDP defectors and independents along the way (Peng, 2004).

2. In 1998, over 200 social movement groups joined together in Taiwan to make the ‘National Health Insurance Coalition’ (NHIC). The grassroots alliance was formed in

response to KMT efforts initiated in 1997 to privatize Taiwan's universal health insurance system. The NHIC comprised different groups, ranging from women's organizations to the independent labor movement, from professional medical associations to organizations representing children and the aged. The movement coalition effectively cut across class lines as well as other social cleavages. Drawing on not only its grassroots networks, the NHIC also enlisted the assistance of outside health policy experts (including one high ranking health bureaucrat) to draft the coalition's manifesto. The NHIC, like the WCIAS in Japan, comprised what we might call 'expert-activists'. The NHIC petition, which offered arguments against the privatization reform proposal and articulated tenable policy alternatives, was then circulated to all legislators and Ministry of Health bureaucrats. Politicians and bureaucrats were swayed. Many health officials balked at the KMT's privatization plan and several KMT legislators voted against the party leadership's proposal. As a result, the privatization reform failed to pass in the legislature (Wong, 2003b).

3. In 1999, the Korean government legislated the health insurance integration reform, a measure that would administratively and financially consolidate what were then hundreds of decentralized regional and enterprise-based medical insurance schemes. The goal of the reform was to maximize risk pooling among different patient groups as well as to facilitate greater re-distribution across disparate income households. As in Taiwan and Japan, civil society mobilization and bottom-up policy advocacy were critical in steering the reform agenda and ultimately in determining the legislative outcome.

Under pressure from Korea's emergent 'civic groups' – notably the Citizens' Coalition for Economic Justice (CCEJ), People's Solidarity for Participatory Democracy (PSPD) and Health Solidarity (HS) – presidential candidate Kim Dae-Jung promised to integrate the medical insurance system as early as 1997. The reform idea initially faced tremendous opposition from big business and conservative politicians. However, broad-based grassroots mobilization compelled the Kim Dae-Jung administration, and even opposition legislators, to pass the reform. Health Solidarity took the lead in this process. It forged a cross-class alliance with the middle class based CCEJ, the PSPD and was even able to bring into the coalition the usually isolationist Korean Confederation of Trade Unions (KCTU). Health Solidarity, like the NHI Coalition in Taiwan, enlisted outside policy experts to advise the coalition's core constituent groups. Positioned as expert-activists, social movement leaders were thus invited to be a part of the executive's policymaking process, gaining membership on to several deliberative committees in the Ministry of Health and Welfare, the National Health Insurance Corporation, as well as the ruling party's social policymaking division. Though financial consolidation of the medical insurance funds was initially delayed, the integration reforms were completed in the summer of 2003 (Wong, forthcoming 2004).

### **Conclusion: A New Political Economy of East Asian Welfare**

This paper offered structural and political explanation to the social policy expansions in East Asian welfare states of Japan, Korea, and Taiwan since the end of the 1980s. We argue that while the productivist welfare regime approach to social policy development in

East Asia has contributed useful insights to comparative welfare state debates, its explanations are no longer adequate given the changes that have been taking place over the last decade or so. Instead, we offer explanations based on a combination of structural and political factors. We argue that welfare state expansion observed in Japan, Korea, and Taiwan was strongly informed by social and demographic shifts, such as demographic ageing combined with low fertility, and changes in family structures and gender relations. In addition, these reforms reflected a prevailing normative understanding of equitable economic development, a principle that became entrenched during the postwar period.

While these social and demographic factors created pressures on and motivations for welfare state deepening, the mechanisms for social policy change was facilitated by significant shifts in domestic politics. Why, at a time of economic contraction and when international trends were pointing to fiscal conservatism, did these three East Asian countries choose the route of welfare state expansion? We contend that welfare state expansion was possible because of new domestic political dynamics. The process of political de-alignment in Japan after the collapse of the LDP hegemony in 1993 and the on-going political re-alignment process in Korea and Taiwan since the mid-1990s created new political incentives for welfare state expansion. These processes encouraged new patterns of political entrepreneurship centered on social welfare issues, and created openings for emergent civil society groups to participate in social policymaking process.

In presenting our analysis, we eschewed the urge to explain social policy development in East Asia based on a fixed regime template. Rather, we sought for more careful examinations of interactions between structural and political factors that may shape policy changes. In doing so, we also shifted our attention from explaining East Asian welfare states through regime typology to explaining welfare state policy changes in East Asia by mapping out the process of change.

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