Globalisation and regional welfare regimes: The East Asian case

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This paper contributes to the ongoing debate about the impact of globalisation on welfare systems across the world. Its argument is that economic globalisation alters the global balance of forces compared with the ‘Golden Age’ of welfare capitalism, but that its impact on policies and outcomes is decisively mediated by national and regional ‘welfare regimes’. This argument has been developed in relation to the advanced capitalist countries of the North, most notably by Scharpf (2000), but is rarely applied to the South. This paper does so through a case study of five economically successful countries in East Asia: Korea, Malaysia, Thailand, the Philippines and Indonesia. It depicts and analyses their welfare regimes using a new conceptual framework developed at the University of Bath. It then considers the impact of the Asian financial crisis, as an example of the new risks faced by exposed countries in the global economy. The conclusion is that, despite common, sudden and decisive macro-economic problems, the social policy reactions have differed across the five countries, in part reflecting variations in their welfare regimes.

GLOBALISATION

‘Globalisation’ is frequently alleged to constrain and undermine national welfare states where they exist, to stall their development elsewhere, to encourage ‘social dumping’ and to generate a ‘race to the bottom’. The effects are claimed to operate via lower tax levels, labour standards, social expenditure ratios, coverage of social programmes, and income redistribution. Yet evidence to back this up is remarkable by its absence, judging by a sample of recent empirical work.¹

It is not unusual for a taken-for-granted truth to lack evidential support. The lack here suggests problems in defining and operationalising one or more of the following: the independent variable, the dependent variable, the causal links between the two, the relevant time period, and the impact of other factors in the policy environment. To sketch each in turn:

‘Globalisation’ is a protean term. A recent survey ranges over increasing global connectedness in governance, trade, finance, production, migration, communication, culture and crime (Held et al 1999). The focus of this paper is economic globalisation, but even then we must at least distinguish between trade, direct investment, the international integration of production, and the globalisation of financial markets. These four elements have appeared in roughly this order in the last two centuries of capitalist development, with trade taking off in the second half of the 19th century, serious transnational integration of production following the Second World War and expanding in the 1960s, and global financial deregulation and integration not seriously underway until the 1980s. Each has different potential impacts on the ‘welfare state’, suggested in Figure 1. The period from the mid-1980s has seen further global integration on all fronts, with further tariff reductions, an escalation of FDI and a notable integration of financial markets.

One feature of the present period noted by several commentators is the enhanced power of capital compared with that of nation states and other actors in civil society such as trade unions. Farnsworth and I argue that this reflects its greater structural power - the ability of business and finance to influence policy without applying direct pressure on government through their agents. This is based on ‘exit’ rather than ‘voice’, though in practice the two are intertwined (Gough and Farnsworth 2000). Greater economic openness has enhanced the exit options of capital invested in many fields of activity, and, ceteris paribus, has made governments, unions and other actors more responsive to capital’s demands. However, there

are two important caveats. First, this is not something new. In a capitalist society, the owners of the means of production always exert structural power of a qualitatively different kind to other actors by virtue of their majority control over investment and thus future prosperity. Second, this structural power is a variable, not a constant. It varies according to national (and supra-national) institutions and ideologies. Thus, among the G7 countries, we find that the structural power of capital grew most in the 1980s and 1990s in Britain, where restrictions on capital mobility were decisively removed, investment was privatised, and labour was unemployed, deregulated and then recommodified. Yet this was not the case - at all or to the same extent - in the other G7 countries. The influence of Britain’s institutions and its place in the world economy, and of the neo-liberal ideology of the Thatcher government were also decisive.\(^2\)

Globalisation, as defined here, excludes global economic governance. The ideas and leverage of the US Treasury, the Federal Reserve, the IMF, the World Bank, and now the WTO are of immense importance throughout the developing and transitional world and indeed the OECD world. High US interest rates from 1980 onwards and the subsequent injunctions and impositions of the IMF and other IFIs on the developing world clearly had a deleterious and often catastrophic impact on many countries during the ‘lost decade’ of the 1980s, and on the transition process of countries like Russia in the 1990s. If this is ‘economic globalisation’ then its impact on the social fabric of much of the world has been powerful and negative. But my focus here is on the automatic, non-intentional effects of the processes of economic globalisation on the social capacities and outcomes of different nation states.\(^3\)

Second, ‘social policy’, ‘social welfare’ and the ‘welfare state’ are similarly slippery terms. Developed social policies may harm social welfare (as in Apartheid South Africa), high spending ratios may signal anti-welfare states (when spent on the military and elites), welfare states may not be a necessary or sufficient condition for improved social welfare. This makes it difficult to track ‘improvements’ and ‘retrenchments’. It may be desirable for pension replacement levels to be cut if they go to the privileged, or if the elderly are more prosperous than average, or if generous rates impede the development of alternative social programmes to meet new risk structures. Of course, many social programmes contribute to meeting basic human needs and other desirable outcomes. But not all do, and there are functional alternatives to the classic welfare states of Europe. The welfare state remains contradictory.

Third, the causal link between globalisation and welfare systems is difficult to establish. The positive correlation between social expenditure ratios and openness to trade appears to be stronger now than when first identified by Cameron (Rodrik 1998). A recent study of four world regions found practically no evidence of trends towards social dumping in Southern Europe, Central Europe, East Asia and the southern cone of Latin America (Alber and Standing 2000). Others claim the picture is different when specific measures of social programmes or indicators of welfare outcomes are used, but then the causal links are more tenuous and the measurement problems are greater.

Fourth, the issue of time periods and lags may rescue the pessimistic analysis: it is possible that the full impact of economic globalisation is yet to be witnessed, let alone measured. This

\(^2\) The impressive cross-national research project directed by Scharpf and Schmidt also shows that the effect of international openness on social policy is decisively mediated by countries’ different welfare regimes. See Schmidt 2000.

\(^3\) There is evidence that this Washington consensus is now eroding, though the building of adequate alternatives at the supra-national level will be a long, conflictual and uncertain process.
is especially true of ‘strategic retrenchment’ where measures are put in place to systematically slow down or reduce social measures over the medium to long term. Subsidising private capitalised pensions may raise budgetary costs in the short term but reduce them in the longer term by a) encouraging exit from the public system, thus reducing claims, and b) undermining political support for future public pensions. These dynamic effects on welfare-concerned political coalitions are of great concern.

Lastly, the wider environment may counteract any globalisation influences there are. Pierson (1998) has documented the major domestic shifts which are profoundly modifying the social policy environments in the OECD world (see the lower half of Figure 1). As he points out, few of these have any links with globalisation. Indeed, the moves towards a post-industrial service economy directly undermine the globalisation thesis, implying a shift towards more non-tradables and location-specific production. Lastly, national social policies are continually driven by domestic conflicts and policy feedbacks operating within nationally specific institutional forms and constellations of actors. These decisively mediate pressures of globalisation.

**Figure 1: External and internal pressures affecting welfare systems**

<table>
<thead>
<tr>
<th>Source</th>
<th>Pressure</th>
<th>Consequences for advanced countries (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>External: ‘globalisation’</td>
<td>Trade competition</td>
<td>Deindustrialisation; loss of unskilled jobs</td>
</tr>
<tr>
<td></td>
<td>Capital mobility and integrated production</td>
<td>Tax competition; ‘social dumping’; reduced bargaining power of states and labour</td>
</tr>
<tr>
<td></td>
<td>Internationalised financial markets</td>
<td>Decline of states’ macro-economic policy autonomy</td>
</tr>
<tr>
<td>Internal: ‘post-industrialisation’</td>
<td>Low service sector productivity</td>
<td>Slow growing service productivity; ‘trilemma’ of employment, equity and budget stability</td>
</tr>
<tr>
<td></td>
<td>Ageing</td>
<td>Growing pension and health expenditure</td>
</tr>
<tr>
<td></td>
<td>Transformation of households</td>
<td>Smaller household sizes, more single parent households, more women working</td>
</tr>
<tr>
<td></td>
<td>Maturing of social entitlements</td>
<td>Automatic growth of social expenditure</td>
</tr>
</tbody>
</table>

The (perhaps obvious) conclusion is that globalisation pressures are always mediated by domestic and international institutions, interests and ideas. If so, two methodological conclusions follow for the comparative and international study of the future of welfare. First, a country- or region-specific approach must be adopted. Second, social policies must be considered within the framework of welfare regimes. Both rules are sometimes taken for granted in studies of social policies in the North, but are frequently ignored when discussing the South.

**WELFARE REGIMES NORTH AND SOUTH**

In the classic formulation of Esping-Andersen (1990), welfare regimes are ways of conceptualising the welfare programmes, outcomes and effects of those capitalist societies that have been transformed into welfare states. The concept of welfare regime embraces at least the following features:

1. the pattern of state social policies and programmes, usually distinguishing social assistance, social insurance and universal citizenship modes of distributing benefits in cash and in kind;
2. the wider pattern of welfare provisioning in society, usually in terms of the division of responsibility between the state, the market and the household;
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3. the welfare outcomes of these institutions, in terms of the degree of ‘de-commodification’ achieved - the extent to which a household’s standard of living is insulated against their position in the labour market⁴;
4. the stratification outcomes of these institutions: how and to what extent the welfare system in turn shapes inequalities, interests and power in society and in this way reproduces the welfare regime through time.

The first two components are sometimes referred to as the ‘welfare mix’. Thus in a nutshell:

\[
\text{Welfare regime} = \text{Welfare mix} + \text{welfare outcomes} + \text{stratification effects}
\]

Within the OECD world, Esping-Andersen distinguishes three welfare regimes - the liberal (exemplar country: the US; the UK comes closest in Europe), conservative (exemplar countries: Germany, Italy) and social-democratic (the Nordic countries). One intent is to develop a middle range theorisation of welfare systems which avoids, on the one hand, teleological or functionalist approaches emphasising commonalities and convergence and, on the other hand, post-modern perspectives emphasising national and sub-national uniqueness. In particular, by demonstrating the way welfare regimes shape interests, ideas and power constellations in different societies, he claims to show that, once established, they follow different paths of development.

How far can this paradigm be adapted to analyse social policy in the South? Before addressing differences, we may identify many similarities across ‘southern’ countries. Our work at Bath, including that of Geof Wood (1999) on the ‘institutional responsibility matrix’, proposes that the original model needs drastic modification to take the following differences on board (Gough 1999).

**International factors:**
- A history of colonialism, settler societies or externally-constrained development.
- Economic dependency in the international economy. A different position in the international political economy marked by a) greater levels of indebtedness and capital inflows, b) sectoral imbalances in domestic economies.
- Political dependency in the international polity. Usually a greater role played by international organisations, whether global (WB, IMF, UN etc), supra-national NGOs, or powerful Northern states.

**Socio-economic environment:**
- By definition almost, lower levels of marketisation, industrialisation and income.
- Different forms of peasantry, land ownership, kin structures, household forms and gendered relationships.
- Based on these, different patterns of group formation based more on ascriptive, status-based identities.

**Political mobilisation:**
- A different distribution of power resources: weaker class organisation of politics and more particularistic, regional, patrimonial and clientelistic forms, resulting in the ‘adverse incorporation’ of weaker groups.

**State institutions:**
- Less embedded, or absent, democratic practices

⁴ To this Esping-Andersen (1999) has now added a measure of ‘de-familiarisation’ - the extent to which a person’s standard of living is independent of their family or household membership.
• Lower state infrastructural (though not necessarily repressive) capacities and less autonomous state institutions

Social policies:
• A greater range of functional alternatives to Western-style social protection beyond the state (religious, enterprise-based, NGO, foreign aid, local/communal, clan and household provision).
• A greater role of functional alternatives to Western social protection programmes within the state (consumption subsidies, agricultural support, work programmes, micro-credit schemes)
• The traditional boundaries of social policy need extending still further to include improving governance and voice.

Welfare outcomes:
• Again almost by definition, lower levels of welfare outcomes, except among the rich.
• De-commodification as an index of welfare outcomes is less relevant and alternative and more direct measures are required.

This huge range of contrasts urges caution in applying welfare regime analysis to the South. On the other hand, these dimensions offer a rich matrix for understanding differences within the developing, transitional - and declining - worlds of the South. The welfare regime approach has much to offer if appropriately reformulated. First, the welfare regime approach is precisely concerned with the broader ‘welfare mix’: the interactions of public sector, private sector and households in producing livelihoods and distributing welfare: a fruitful theme in the development literature. Second, it is a ‘political economy’ approach which embeds welfare institutions in the ‘deep structures’ of social reproduction: it forces researchers to analyse social policy not merely in technical but in power terms, and this has much to offer. Third, it enables one to identify clusters of countries with welfare features in common; it holds out the promise of distinguishing between groups of developing countries according to their trajectory or paths of development. With this approach we can avoid the ludicrous situation where common and universal remedies are proposed for Malawi, Malaysia, Mexico and Moldova. It accords mutual respect to global pressures and regime-specific features within the ‘South’ as well as the North.

In order to enjoy these benefits without imposing inappropriate frameworks, we suggest extending the welfare mix, or institutional responsibility matrix, to include the eight components in Figure 2. The task of developing an appropriate social politics in underdeveloped, developing, and transitional countries entails at least this degree of conceptual innovation.

Figure 2. Components of the extended welfare mix

<table>
<thead>
<tr>
<th></th>
<th>Domestic</th>
<th>Supra-national</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>Domestic governance</td>
<td>International organisations,</td>
</tr>
<tr>
<td>Market</td>
<td>Domestic markets</td>
<td>national donors</td>
</tr>
<tr>
<td>Community</td>
<td>Civil society, NGOs</td>
<td>Global markets, MNCs</td>
</tr>
<tr>
<td>Household</td>
<td>Households</td>
<td>International NGOs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>International household</td>
</tr>
<tr>
<td></td>
<td></td>
<td>strategies</td>
</tr>
</tbody>
</table>

To illustrate this approach I present an extremely crude initial audit of welfare regimes across 103 countries outside the OECD world with populations of three million or more. It uses
just two indicators - of welfare mix and welfare outcome - and undertakes a cluster analysis to group countries. The measure of welfare mix is the share of government spending on health and education in GDP. The measure of welfare outcome is the Human Development Index, a composite measure of life expectancy, literacy, educational enrollment and standard of living.

Figure 3 shows that almost every country falls into one of three quadrants: low expenditure and low outcomes, high expenditure and high outcomes, and low expenditure and high outcomes. Classifying these three clusters by world region reveals a remarkably clear pattern. Bar a few outliers, sub-Saharan Africa and South Asia are low spenders with low HDI, Eastern Europe and Central Asia are above average in both spending and HDI, and East Asia and Latin America are low spenders enjoying relatively good outcomes. The Middle East and North Africa are spread across the latter two groups. This provides a parsimonious first clustering of welfare regimes in the developing and transitional worlds.

<table>
<thead>
<tr>
<th>Cluster 1: High spending, high HDI</th>
<th>Cluster 2: Low spending, high HDI</th>
<th>Cluster 3: Low spending, low HDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>S. Africa, Zimbabwe</td>
<td>Rest of sub-Saharan Africa (excluding Mozambique)</td>
</tr>
<tr>
<td>East Asia</td>
<td>China, Hong Kong, Indonesia, Korea R., Malaysia, Philippines, Singapore, Thailand, Vietnam</td>
<td>Cambodia, Laos, Myanmar</td>
</tr>
<tr>
<td>South Asia</td>
<td>Sri Lanka</td>
<td>Bangladesh, India, Nepal, Pakistan</td>
</tr>
<tr>
<td>Eastern Europe &amp; Central Asia</td>
<td>Belarus, Bulgaria, Croatia, Czech R., Hungary, Kyrgyz R., Lithuania, Moldova, Poland, Slovak R., Tajikistan, Ukraine, Uzbekistan</td>
<td>Albania, Armenia, Azerbaijan, Georgia, Kazakhstan, Romania, Russia, Turkmenistan</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>Algeria, Jordan, Saudi Arabia, Tunisia,</td>
<td>Egypt, Iran, Lebanon, Morocco, Turkey, Yemen R.</td>
</tr>
<tr>
<td>South and Central America</td>
<td>Costa Rica, Cuba, Nicaragua</td>
<td>Rest of South and Central America</td>
</tr>
</tbody>
</table>

All the low HDI countries are poor according to the World Bank, with GNP per capita of less than $760 in 1998. But not all poor countries suffer low HDI. Countries in cluster 1 with above average spending and HDI range from low income (Zimbabwe) to upper middle income (Central Europe, Saudi Arabia). Countries in cluster 2 with low spending but above average HDI range all the way from low income (e.g. China, Indonesia, Vietnam) to high income.

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3 A small number of countries exhibit high expenditures and low outcomes. These findings are confirmed by cluster analysis. Setting k=3 shows three clearly defined groups. Setting k=4 reduces the heterogeneity of clusters only marginally. Removing Mozambique, a clear outlier, clarifies the three clusters still further.
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(Singapore, Hong Kong). The second cluster is interesting in suggesting an alternative route to welfare society without a welfare state.

The remainder of this paper describes, analyses and conceptualises the welfare regimes of five East Asian countries: Indonesia, Korea, Malaysia, the Philippines and Thailand. They are of interest for several reasons. First, they are, of course, examples of the East Asian miracle and of the alleged benefits of economic openness and market-friendly policies (World Bank 1993). Second, they were all early and notable victims of the Asian financial crisis of 1997-99, and thus provide a good test case of the downside, as well as the upside, of globalisation. Third, they all fall within the second regime cluster of countries with restricted social policies but relatively good welfare outcomes.

WELFARE REGIMES IN EAST ASIA

Notwithstanding these similarities, Indonesia, Korea, Malaysia, the Philippines and Thailand differ in many respects, including level of development (see Table 1). Korea is an upper income group country, and now a member of the OECD. Its income per capita is double that of the next richest, Malaysia, which in turn is roughly double that of Thailand, which in turn has roughly double the per capita income of the Philippines and Indonesia. These are wide divergences, though, when calculated at purchasing power parity, the overall gap between Korea and Indonesia falls to 4.4:1. This section describes the welfare mix and welfare outcomes of these countries before analysing and speculating about their welfare regimes.

Table 1. Welfare regimes in East Asia: summary indicators

<table>
<thead>
<tr>
<th></th>
<th>Korea</th>
<th>Malaysia</th>
<th>Thailand</th>
<th>Philippines</th>
<th>Indonesia</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State</strong></td>
<td>Social spending/GDP</td>
<td>11.0</td>
<td>8.2</td>
<td>5.9</td>
<td>6.0</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>Market</strong></td>
<td>% private finance in health and education</td>
<td>54</td>
<td>36</td>
<td>53</td>
<td>66</td>
<td>58</td>
</tr>
<tr>
<td><strong>Household</strong></td>
<td>Private transfers: % income of receiving h/h</td>
<td>4</td>
<td>11</td>
<td>..</td>
<td>12*</td>
<td>10</td>
</tr>
<tr>
<td><strong>Welfare outcomes</strong></td>
<td>Human Development Index</td>
<td>.85</td>
<td>.77</td>
<td>.75</td>
<td>.74</td>
<td>.68</td>
</tr>
<tr>
<td></td>
<td>Poverty rate: &lt;$2 a day</td>
<td>..</td>
<td>22</td>
<td>24</td>
<td>63</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Gini index of inequality</td>
<td>.28</td>
<td>.48</td>
<td>.46</td>
<td>.43</td>
<td>.37</td>
</tr>
<tr>
<td><strong>Basic data</strong></td>
<td>Population (m)</td>
<td>46</td>
<td>22</td>
<td>61</td>
<td>75</td>
<td>204</td>
</tr>
<tr>
<td></td>
<td>Income pc (ppp $000)</td>
<td>12.3</td>
<td>7.0</td>
<td>5.8</td>
<td>3.5</td>
<td>2.8</td>
</tr>
</tbody>
</table>

* Remittances from abroad amount to 10% GDP, and a higher share of household incomes, so are not fully reflected in this figure.

Institutional programmes: the welfare mix

State social policies

State revenues and expenditure account for just below one fifth of GDP in Southeast Asia, not noticeably lower than in other middle income countries, but public social expenditures are very low except on education. Total spending on education, health and social security varies with level of development, ranging from 3% of GDP in Indonesia, 6% in the Philippines and Thailand to 8% in Malaysia and 11% in Korea. The share of total government spending
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devoted to social services is less than one half, varying between around one quarter in the Philippines to just over one half in Korea. However, rapid growth means that real resources devoted to the social sector have expanded faster than in most countries. There is a generalised hostility to Western ideals of the ‘welfare state’ except paradoxically for employees of the state - social provision for civil servants, the military and police, teachers, etc is everywhere extensive and generous.

East Asian governments have consistently emphasised the central role of education in economic development, though this is not matched by a higher than average expenditure for middle income countries. But with fast economic growth real spending has climbed rapidly (except in the Philippines) and the general verdict is that the allocation of resources is more rationally targeted on basic education than in other developing countries (World Bank 1993: 192-203). All five countries have achieved near-universal primary education. Secondary school enrolment is rising but the countries are at different stages on this path: the Philippines and Korea had enrolled over one half of children in the 1970s and Malaysia in the 1980s, whereas Thailand and Indonesia still remain below this level.

*Health* expenditure is low in East Asia compared with other middle income countries and actually fell as a share of GDP in the 1990s in all countries except Thailand (Ramesh 2000: Table 4.5). Since private spending accounts for about one half of the total, public health expenditure is remarkably low - between 0.7% GDP in Indonesia and 2.3% in Korea. Not surprisingly, all health inputs (doctors, nurses, hospital beds) are very scarce on a world scale. Yet all countries provide reasonable access to basic and preventive health care, with Korea and Malaysia as star performers. ‘The widespread availability of public health care in Southeast Asia suggests that most sick people have some access to health care’ (Ramesh 2000: 113). Beyond this, there are significant inequities. The dominant medical system in the region is ‘public provision - private finance’. In all countries civil servants and state employees have their own superior systems of insurance and provision, private provision is rising until interrupted by the financial crisis, and different measures to decentralise or ‘corporatise’ public hospitals, or to contract-out key services are being tried out. The rich have the further option of treatment abroad in regional centres such as Singapore, Hong Kong and Australia. A general hierarchy can be observed in medical treatment: overseas > private > public > self-medication and traditional medicine - though the latter has a high status in Thailand (EIU 1999).

All countries have a some form of public health insurance, apart from Malaysia which is closer to a national health service. The *Philippines* has a long-established health insurance system, but with low coverage and erratic provision of services. The 1995 National Health Insurance Act plans to provide universal health care by 2010. In the space of a little over a decade *Korea* has moved to a fully-fledged National Health Insurance System - universal, integrated and redistributive (though with high copayments). *Thailand* and *Indonesia* have both introduced health insurance for limited sections of the population backed up by medical assistance schemes. *Malaysia* has a more British-style National Health Service, backed up by personal medical accounts within the Employee Provident Fund. Roemer in 1991 classified the Malaysian health care system as ‘welfare-oriented’ in contrast to the other four which he labels ‘entrepreneurial’. Korea may now be moving towards the former.

Public spending on social protection, including *pensions*, is remarkably low in comparative perspective, whatever the comparator (Asher 1998, ADB 1998). Again, pensions for civil servants, the military and some other public sector employees are the exception. For the rest of the population, the national pension systems divide into two main types: social insurance in
the Philippines, Korea and Thailand, and provident funds in Malaysia and Indonesia. The Filipino scheme is more than forty years old and continues to expand its coverage, including voluntary membership even for Filipinos working overseas. Replacement rates are high at around 60%, but the employer compliance rate is low, with up to two thirds of the paper members not contributing at any one time (Ramesh and Asher, 2000: 71). From a late start in 1988, the National Pension Scheme in Korea is extending its coverage and building up a transitory fund over a 20 year period - full pensions will not start until 2008. Thailand, in January 1999 added an old age pension element to the Social Security Act of 1990. This is a defined benefit pay-as-you-go scheme but will not pay out full pensions until 2014.

The Malaysian Employee Provident Fund, the first in the world and now in its 50th year, is a developed, expensive and savings-effective fund. Since 1994, members have been able to opt for an annuity instead of a lump-sum. Reforms have established separate accounts for education and health and have encouraged more flexible individual investment. However, the EPF provides weak protection against poverty in old age, offers insecure returns and, through tax exemptions and other features, is perversely redistributive. Despite an almost equally long history the Jamsostek fund of Indonesia has a small coverage, uneven record keeping and tiny reserves, but coverage has climbed in the 1990s. It provides only a lump sum payment on retirement.

Formal safety nets can be defined as public programmes targeted to the poor with the objective of raising living standards to a specified social minimum. They can take the form of cash transfers, public works employment and subsidies for important need satisfiers, such as food and housing. They have been limited in scale, coverage and cost throughout the region, but they have been expanded in response to the crisis. As a share of GDP they are most extensive and expensive in Korea (2% GDP in 1999) and Indonesia (planned 1.25% GDP in 1999-2000), but are tiny in Malaysia and Thailand (World Bank 1999a: Table 3).

Market

Access to the labour market is a major resource in East Asia, as in the OECD, and the expansion of wage labour in the region has been remarkable. Over the last two decades until 1997 the labour force grew by 2% pa. The regional participation rate is high: ranging from 89% in Thailand to 66% in Malaysia. This labour force is becoming feminised but, with the exception of Thailand where it is higher, the overall share of women at about 40% is roughly the world average. Until the economic crisis of 1997-98, unemployment rates were consistently low, except in the Philippines; they escalated during the crisis of 1997-98 (World Bank 1999a: 14), but are now declining. Despite remarkably extensive labour legislation covering minimum wages, hours of work, paid leave, employment security, protection against dismissal, redundancy pay and occupational health and safety (Deery and Mitchell 1993, Rigg 1997: 223-27), protection in practice is poor due to weak government agencies, bribery of officials and weak trade unions. Nevertheless, growing access to the formal labour market has been a critical feature of East Asian welfare regimes.

The private market for social services is substantial and fast-growing. One half of all education spending and almost two thirds of all health spending is privately financed. Much of this is reactive and unorganised, comprising out-of-pocket expenditures, book purchases, self-medication etc. The dominant pattern is of ‘mixed provision and mainly private finance’ - unlike OECD countries, where public finance/ public provision or public finance/ private provision is more typical. For example, Korean households spend 10% of their income on education and 5% on health, compared to 1.4% and 1.3% in the UK (Shin 2000). Government
regulation of private providers is typically weak, but is becoming more proactive. Malaysia is a regional exception, and in 1999 decided not to privatised or ‘corporatise’ its public hospitals (EIU 1999), though it is now directing its EPF to invest more in equities, owner-occupation and private stock purchases, which indirectly encourages privatised provision. There is as yet little development of private life insurance or pensions.

**Community, civil society and NGOs**

Non-profit and non-governmental organisations active in the field of human development and welfare are a very recent phenomenon in East Asia, where in the past they have been discouraged by authoritarian regimes (Yamamoto 1999). The one exception is the Philippines where they have a longer history due to the American legacy and the Catholic church. Community development is now a burgeoning part of social policy, and includes such innovations as community health financing in Thailand. However, the total amount of such funds is small relative to Thailand’s total health expenditure (Wibulpolprasert 1991). Moreover, all NGOs remain heavily dependent on external sources for funds, notably official overseas aid organisations, US philanthropic funds and Japanese corporate funds. In Korea, the chaebol have generated philanthropic corporate funding to an extent unknown in the other countries - mainly as a form of tax evasion.

**Family - household**

Throughout East Asia, the extended family persists as a provider, saver and redistributor, despite rapid economic development and urbanisation. The level of savings is extremely high in East Asia, the Philippines excepted. This should permit more families to mitigate risk by ‘self-insuring’: saving in good times and dis-saving in bad times (World Bank 2000: Chapter 5). However, despite impressive development of micro-finance and credit schemes, the unequal distribution of incomes in the region undermines this. Calculations of private transfers show high levels in the Philippines, Indonesia and Malaysia, adding between 9 and 20% to the average incomes of recipient households. In the 1980s, the majority of people over 60 years were receiving income from family members and an even higher proportion lived with children or family - between 3/4 and over 90% in the Philippines and Thailand. These remarkably high proportions are falling now in Korea, from 78% in 1984 to 49% in 1994.

**International agencies**

Official development assistance by the OECD countries fell throughout the 1990s as a share of donors’ GNP, recipients’ GNP and in dollars per head. Before the Asian financial crisis, Korea and Malaysia received no ODA, but it remains of some significance - between 0.4-0.8% GNP - in the other three. Only a minor part is spent on human development, and it is now of marginal contributor to the East Asian welfare mix.

In contrast, international firms see the region as a growing market for a variety of health products, ranging from drugs (self-medication is rife) to health maintenance organisations. This is mainly the result of gaps in public provision, but is increasingly being sponsored by governments. For example, Indonesia permitted for-profit hospitals in 1988, extended this to foreign investment in large hospitals in 1994 and, in 2003, will permit unrestricted foreign investment in all health care (EIU 1999: 115). There is also a growing market for overseas health treatment of the rich, notably in regional centres such as Singapore, Hong Kong and Australia. In education, a persistent shortage of university places in Malaysia and, to a lesser extent, in Thailand has encouraged study abroad, mainly in English-speaking countries, and
‘twinning’ arrangements with foreign institutions - another form of internationally marketised provision.

The dominant international household strategy is labour migration and remittances of money. The Philippines is a big exporter of labour. By 1995 1.5m Filipinos lived abroad as permanent immigrants and a further 2m at least worked temporarily abroad or at sea (Woodiwiss 1998: 101). The remittances they send home amount to 6.4% of Filipino GNP, and 10% if unrecorded cash and goods brought home by workers are included (ILO 2000: Tables 2, 4). These flows, together with the household flows within the country discussed above, constitute a significant element of the Filipino welfare regime. At the opposite extreme, Malaysia, a net importer of labour, has been able to control unemployment among Malaysians by offloading the recent crisis in the labour market onto immigrants.

In summary, the welfare mix in the region is one of relatively low public responsibility (in terms of expenditure, provision and regulation), extensive family provision and redistribution, and growing private markets and community-based organisations. Until the 1997 financial crisis, the countries had been curtailing their dependence on aid, but they have increased their openness to commercial penetration from abroad. Within the public sector priority is given to social investment in health and education, notably basic health care and primary education with very little attention to social protection. In all countries, state personnel are supported most generously.

Welfare outcomes

Mortality, including infant mortality, has declined remarkably in the last three decades, most notably in Korea and Malaysia. The provision of sanitation, water and preventive health is also superior to comparator countries. Less impressive are the high levels of maternal mortality and child malnutrition, notably in Indonesia and the Philippines. These are symptomatic of a major failure to diminish further inequalities in health and access to health-related services such as immunisation, obstetric care, piped water and sanitation. The region also faces new health threats, stemming from ageing and the epidemiological transition, urbanisation (e.g. traffic accidents) and lifestyle changes (e.g., more smoking) (World Bank 1999b). Korea and Malaysia do better on all fronts, whereas the Philippines does worse than its income level would warrant.

Illiteracy is all but eradicated in Korea, the Philippines and Thailand, but persists in Malaysia and Indonesia. Gender differences are low in a comparative context. This may reflect the relatively egalitarian nature of gender relations in the region when compared with Northeast and South Asia. Measures of quality in education outcomes show a different pattern: Korea is a world leader, whereas Indonesia, the Philippines and Thailand fall below the ‘international mean’ (data is not available for Malaysia) (Mingat 1998: 701).

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* As evidenced by the preference ratios for a boy versus a girl child among married women awaiting a next child (Mason, cited in Rigg 1997: 222):

<table>
<thead>
<tr>
<th>Country</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>0.9</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1.2</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.4</td>
</tr>
<tr>
<td>Korea</td>
<td>3.3</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>3.3</td>
</tr>
<tr>
<td>Pakistan</td>
<td>4.9</td>
</tr>
</tbody>
</table>
The region (apart from the Philippines) has witnessed an impressive reduction in poverty rates from above 40% in the 1970s to around 10% or less in the 1990s. However, inequality is high and rising (Atinc and Walton 1998: 10). Furthermore, income distribution data typically excludes capital gains. The huge asset inflation in real estate and financial valuations throughout East Asia in the 1990s has undoubtedly worsened inequality still more. At the other extreme are groups suffering from significant and quasi-permanent social closure including ‘hill peoples’, migrant workers, street children, orphans and refugees (Rigg 1997, ch.4, World Bank 1999a: 6).

‘De-commodification’ has less meaning in societies with significant agricultural and informal labour and is not systematically measured in East Asia, but we may be confident that it is low. Labour in Southeast Asia is either pre-commodified, working in subsistence agriculture, or it is commodified - reliant on the labour market with few statutory protections or substitutes. Indeed, opportunities to participate in the labour market are a key feature of the East Asian welfare regime. One measure of these are higher educational opportunities, where differences are wide. Korea offers the greatest opportunities with a tertiary enrolment rate of 50%, with the Philippines (27%) and Thailand (21%) some way behind. Most surprising here is the low access to tertiary education in Malaysia (10%).

To summarise, in terms of welfare outcomes the region achieves high scores across health, education and poverty reduction. However, there are persistent gaps and inequalities, especially in less well monitored areas such as morbidity, school drop-out rates, working conditions and social exclusion. Notwithstanding these numerous blots, on the Richter scale of social development East Asia achieves something akin to the liberal alchemists’ dream: good welfare outcomes at very low cost in terms of public social expenditure.

Putting together welfare mixes and welfare outcomes we can identify national variations. Korea, by far the richest economy, has higher standards of educational and other social outcomes. Now it is embarking on a rapid and thorough-going expansion of social insurance. The Philippines enjoys much lower growth, a long-established, segmented and partial social insurance tradition, high levels of unemployment, poverty and inequality, yet good access to education. The outcome has been labour emigration and high remittances which augment the role of the family. Malaysia has a different policy profile with its Provident Fund alongside a British-influenced national health system and relatively low levels of private finance. Indonesia and Thailand, despite remarkable growth, are at present less institutionally developed and differentiated as welfare regimes.

From welfare mix to welfare regimes

Attempts to explain East Asian social policy have mainly concentrated on the most developed economies: the Four Tigers of Korea, Taiwan, Hong Kong and Singapore, only the first of which is represented in this study. I shall begin with this literature before addressing the countries of Southeast Asia. The explanations of this distinct welfare regime can be divided into two levels: those which privilege different components of the welfare mix (though not usually expressed in this way) and explanations which situate these in a broader sociological or political economic setting.

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7 The literature is now large. See Kwon 1998, Goodman, White and Kwon 1998, Jacobs 1998 for some recent surveys.
The other components of the welfare mix identified by Esping-Andersen (1997) and Jacobs (1998) are:

- **Market**: fast rising incomes plus a reasonable distribution of factors incomes permits a very high savings rate and fast rising private finance of welfare. This is aided by low taxes which in turn restrict the growth of public alternatives.

- **Enterprise**: social benefits, employment protection and seniority wages continue to play a substantial role. They underpin a ‘male breadwinner model’ of welfare, by providing good benefits for primary sector workers which can only be redistributed within the family. This generates vested interests in their retention.

- **Family-household**: a ‘modified stem family’ has emerged in which the majority of elderly live with children. Income pooling within families reduces middling-high inequality between individuals resulting from the male breadwinner model. This partly feeds off the lack of public sector alternatives and in turn reinforces the enterprise-household regime through discouraging employment opportunities for women and young people.

Broader explanations of this pattern of policies and outcomes can be roughly divided into three:

- **Cultural**: ‘Confucian values’ is a protean notion, but has been advanced as an explanation because of its emphasis on family obligations, education, paternalism and social harmony. However, in earlier incarnations it was used to explain Asian backwardness in terms of its emphasis on respect for authority. White and Goodman (1998: 16-16) reject this explanation on the grounds, among others, that it is essentialist, static, abstract and over-elastic.

- **International**: Economic openness is hardly unique to East Asia, but it developed early in the region, and the East Asia states have for long ‘made a virtue out of this necessity’ (Holliday 2000). Their post-war history of political vulnerability, US hegemony and centrality in the Cold War may also explain their role as successful models of the globalisation strategy.

- **Developmental state**: This is usually defined as a state where elite policy makers set economic growth as the fundamental goal and pursue a coherent strategy to achieve it. This can be combined with different social policies, but all entail the explicit subordination of social policy to economic policy and economic growth. It requires that state policy makers be relatively insulated from interest groups and have a high degree of internal coherence and loyalty.

Holliday (2000) proposes that (North) East Asia comprises a fourth welfare regime of *productivist welfare capitalism*, in which social policy is subordinated to economic policy. Within this generic welfare regime, Korea, alongside Japan and Taiwan, constitutes a *developmental-universalist* mode, where the state underpins market and family provision with some universal programmes, mainly to reinforce the position of productive elements in society. From 1960 to 1987, Korea combined an authoritarian developmental state with a residual, competitive form of social policy. In particular the social ministries were subordinated to the Economic Planning Board and its goals, which permitted state spending only on productive social investments, notably education (Shin 2000).  

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8 However, Esping-Andersen has warned against the dangers of over-emphasising path-dependency in countries like Japan, where the welfare system ‘has not yet sunk its roots, institutionally speaking’ (1997: 179). This applies *a fortiori* to Southeast Asia.
East Asian welfare regimes

**Welfare regimes in Southeast Asia**

To what extent is Southeast Asia following the welfare regime pattern of Northeast Asia? Research in this region is scarcer, though Ramesh (2000) fills some of the gaps. Hence the following is devoted to drawing similarities and contrasts between Southeast and Northeast Asia.

**Business**

Business in Southeast Asia is more internationalised than in Northeast Asia and more open to multinational penetration. Inflows of direct investment are relatively free and substantial compared with the tightly controlled capital markets of Northeast Asia. These are not the ‘group-co-ordinated economies’ of Japan and Korea, with strong vertically and horizontally-integrated *keiretsu* and *chaebol*. In addition, business in Southeast Asia has traditionally been dominated by the Chinese who enjoy economic power but suffer, to varying degrees, political exclusion. Domestic capital is developing and organising throughout the region, but it remains fragmented and retains close links with political elites (Hawes and Liu 1993). The state, and in particular its technocrats, are less insulated from business pressures than in Northeast Asia and is as a result less autonomous.

Businesses’ interpretations of their interests are short-term, neo-liberal and anti-welfare. Southeast Asian capital is less likely to develop enterprise welfare or to support state welfare than its North-eastern counterpart. However, this does not rule out statist initiatives in social policy, since the topic (unlike trade, tax and economic policy) is generally of low salience for business. When other factors push for greater social programmes, the states have not been constrained in developing them.

**Democracy and civil society**

The dominant form of governance for the last four decades has varied between the brutal, the authoritarian and the ‘semi-democratic’ (Neher and Marley 1995). No country except the Philippines experienced democracy before WW2, and all have suffered military take-overs or periods of authoritarian rule in the last two decades. In addition, personalised patron-clientelist relations and a dominant party system undermine ideological politics and encourage segmental politics. Tanzi’s (1998) index of corruption also reveals very high levels in the region, Malaysia partially excepted. This has perpetuated a weak civil society. Only in the Philippines can one identify a flourishing civil society in the early post-war decades during the pre-Marcos years. With the end of the Cold War, NGOs are encouraged and are expanding fast, but they remain strongly controlled in Malaysia and are regulated in Thailand and Indonesia (Yamamoto 1995). Thus democratic pressures for social policies from outside the state remain weak.

**Labour**

For the same reasons, since the late 1960s labour in the region has been ‘weak, divided and tamed’ (Deyo 1997), despite unprecedented growth in industrialisation, wage labour, literacy and other correlates of trade union activity. Trade unions have been periodically subject to draconian measures throughout the region. Membership is low and is largely confined to state sector workers and other narrow groups. Dominant union federations are subservient to regime interests. When in the late 1980s liberalisation beckoned, unions were constrained by the new forces of globalisation. In Deyo’s (1997) words, labour organisations in Southeast
East Asian welfare regimes

Asia have moved directly ‘from repression to deregulation’. Compared with the West, the ability of the labour movement to win social reforms has been severely constrained.

Agriculture, rural development and household strategies

Southeast Asia is a resource-rich region which to a far greater extent than in Northeast Asia remains a region of farmers. However, this is an agriculture which has long been semi-marketised, for several decades has been dynamic and which is now supporting ‘rural industrialisation’ (World Bank 1993: 32-37; Rigg 1997: 191) or ‘smallholder-based rural development’ (Atinc and Walton 1998: 6). The interactions between the rural and urban worlds offer important clues to understanding the welfare regimes of the region. Essentially, the rich rural hinterland supports family strategies which can successfully mix different livelihoods. Growing agricultural incomes and consumption demand can finance non-farming employment which absorbs rural labour and permits further investment and productivity and income increases in agriculture. In addition, this undermines the salience of urban factory life for many of the young family members who seek work in the cities, which further weakens labour organisations. Above all, income mixes within the wider family and household transfers provide an alternative for many to state welfare - which undermines further pressures for reform.

Statism, legitimacy and social policy

Social policy in East Asia can be characterised as ‘bonapartist’: ‘The Bonapartist approach regards social policy in a politically functional sense as a means used by social elites of preserving the status quo, side-stepping the threat of major reform by granting modest concessions to increasingly important but still largely disenfranchised classes’ (Baldwin 1990: 39). Baldwin goes on to criticise the usefulness of this explanation in Europe because it cannot explain how social policy can ever develop beyond the minimum necessary to maintain the existing order. In Southeast Asia it has largely not progressed beyond this level, so might do quite well. However, it needs further elaboration to avoid functionalist overtones. Drawing on Kwon (1998) and Ramesh (2000: ch.6), I shall distinguish three aspects here.

First, social policy can play an important role in nation-building in post-colonial states. The region is replete with different colonial experiences: Japan in pre-war Korea, the US in the pre-war Philippines, the Netherlands in Indonesia before 1949 and the British in Malaysia until 1959. All have influenced subsequent social policies: the American educational legacy in the Philippines, and the British-legislated Employee Provident Fund in Malaysia are two notable examples. Only Thailand lacks a colonial inheritance, and the influence of the Japanese occupation of Korea does not match its impact on Taiwan. Social policy has also been used as an agency of nation-building in post-colonial era in the Philippines, Malaysia and Indonesia - in the last two countries in particular by creating ethnic solidarity through positive discrimination policies. In the Philippines the post-independence Social Security System has gradually extended its coverage and programmes and lent a different dynamic to social protection compared with the rest of the region.

Second, there is the need to secure the loyalty of the elite and of key state personnel. Such ‘etatis’ social policy has a long history in Europe, and are clearly evident throughout East Asia as the extent and generosity of benefits for civil servants, the military and other crucial state sector workers attest.
Third, there is the role of social policies in legitimising undemocratic regimes, noted in the development of 19c European social policy. Ramesh adumbrates such an explanation of social policy development in Southeast Asia, arguing that significant policy initiatives have occurred at times of internal threats, such as the 1950s communist insurgency and following the 1969 race riots in Malaysia, or in the late 1960s and early 1970s in Indonesia following rioting against the brutal imposition of the New Order. Kwon and Shin also puts forward convincing arguments along the same lines for Korea during the authoritarian Park and Chun regimes. More evidence for the legitimising role of such social policies as have developed in the region comes from the well-attested gap between legislation and implementation (Shin 2000). For example, the Korean National Pension Programme was enacted by the Park regime in 1973 yet not implemented until 1988 by the Rho regime fifteen years later. This practice, which is found elsewhere in the region, suits a regime which wishes to give the impression of action without challenging core interests by actually delivering.

GLOBALISATION, WELFARE REGIMES AND THE EAST ASIAN CRISIS

These then were the welfare regimes suddenly overwhelmed by the East Asian crisis in 1997. In summary, all were examples of ‘productivist welfare capitalism’ with social policy subordinated to economic policy and the imperatives of growth. Social expenditures were small but relatively well targeted on basic education and health as part of a strategy of nation-building, legitimation and productive investment. The growth in welfare over the last three decades has relied on the expansion of formal employment within the orbit of strong families, plus growing payment for services. Overseas aid was diminishing but the social sectors were open to foreign commercial penetration.

The main social effects of the crisis came through the following mechanisms:
- collapsing currency values, which generated higher import prices and extensive internal price changes, including falling asset values
- a drastic fall in output and thus in demand for labour
- falling state revenues and a squeeze on public spending
- fears of the erosion of the social fabric

In other words, the openness of the East Asian economies exposed them to an external shock which brought about a Keynesian-style collapse in demand (see Table 2). Moreover, at the same time the Philippines, Indonesia and Thailand suffered a severe drought.
The social impact of the crisis has been portrayed and analysed by Manuelyan Atinc and Walton (1998) and Manuelyan Atinc (2000). Poverty rates rose in all countries as did the depth of poverty. The demand for labour and the share of wages declined everywhere, bringing about a collapse of private consumption, yet inequality did not rise, partly due to the collapse of asset prices hurting the rich and middle classes. Undoubtedly many poor households coped by cutting back on nutrition, postponing health care, taking some children out of school and other painful adjustments. However, the crisis turned around quicker than most commentators expected; it is now clear that it bottomed out in 1998 and recovery began in 1999. Moreover the impact differed: it was acute in Indonesia, severe in Thailand, Malaysia and Korea, and mild in the Philippines, where the preceding boom had been least. This, together with different inherited welfare regimes, resulted in different policy impacts.

In Korea, labour demand fell sharply and the major impact was on unemployment, especially among women, not falling wages. As a developed industrial economy, Korean households had fewer rural resources to fall back on. At this time, Korea had already begun a restructuring of trade, economic and social policy, under pressure from the US and the Uruguay Round, to liberalise its economic structure, and internal demonstrations by trades unions and social movements. The first wave of reforms introduced by the Rho Tae-woo government in 1988 included Medical Insurance, the National Pension Programme, the Minimum Wage, new labour laws and, by the Kim Young-sam government in 1995, the Employment Insurance Programme. Following the crisis, a second wave of reforms in 1998-99 followed, coinciding with the election of Kim Dae-jung as president. The economy was significantly liberalised and the close links between the state and the chaebol loosened. This was coupled with moves towards a more Western welfare system. Expenditure on unemployment insurance, wage subsidies and public works programmes escalated, to a remarkable 4% of GDP in 1999. In addition, the National Health System was restructured and expanded, pension entitlements were liberalised and an expanded Labour Standard Law introduced. In addition, the new ‘Labour-Management-Government’ Committee, as its name suggests, moves away from state-business symbiosis to a tripartite corporatism. In brief, greater exposure to the global economy and the subsequent crisis has undermined the influence and the social provisions of the chaebol and required the state to develop a more autonomous Western-style social policy. The unintended consequence of globalisation and liberalisation has been to expand the Korean welfare state (Shin 2000).

In Malaysia and the Philippines the impact has been less, but for different reasons. As noted above, the Filipino welfare regime differs in its lower growth rate (and thus reliance on labour market income growth), its chronically high poverty and unemployment rates, and its reliance on remittances from abroad. These have cushioned the impact of the crisis and resulted in little

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**Table 2  The social impacts of the crisis in East Asia**

<table>
<thead>
<tr>
<th></th>
<th>Korea</th>
<th>Malaysia</th>
<th>Thailand</th>
<th>Philippines</th>
<th>Indonesia</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in pc private</td>
<td>-10.2</td>
<td>-12.6</td>
<td>-15.1</td>
<td>1.3</td>
<td>-4.7</td>
<td>-8.26</td>
</tr>
<tr>
<td>consumption 1998, %</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation 1998, %</td>
<td>7.5</td>
<td>5.3</td>
<td>8.1</td>
<td>9.7</td>
<td>57.6</td>
<td>17.64</td>
</tr>
<tr>
<td>Poverty increase %</td>
<td>9.6</td>
<td>..</td>
<td>1.5</td>
<td>..</td>
<td>5.4</td>
<td>5.4</td>
</tr>
<tr>
<td>points 1996-98</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment 1998, %</td>
<td>6.8</td>
<td>3.2</td>
<td>4.5</td>
<td>10.1</td>
<td>5.5</td>
<td>6.02</td>
</tr>
<tr>
<td>Public education exp</td>
<td>-5.8</td>
<td>-13.7</td>
<td>-1.3</td>
<td>+3.8</td>
<td>-27.7</td>
<td>-12.13</td>
</tr>
<tr>
<td>1997-98, % points</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public health exp 1997-98, % points</td>
<td>-3.2</td>
<td>-9.7</td>
<td>-10.7</td>
<td>-7.8</td>
<td>-12.2</td>
<td>-8.72</td>
</tr>
</tbody>
</table>

Source: Manuelyan Atinc 2000: Table 6.1.
policy innovation. Malaysia, by contrast, has managed to cushion the domestic impact of a severe crisis by using its immigrant workers (some 20% of the labour force) as a cushion. As a result the official unemployment rate in Malaysia barely rose from 2.5% in 1996 to 3.2% in 1998. In both countries labour migration has reduced the direct crisis impact and have thus forestalled significant policy innovation.

Thailand and Indonesia represent a different response. Both have strong rural hinterlands, where extensive smallholder agriculture acted as a shock absorber, and where escalating food prices helped real incomes. The crisis led to a drastic fall in formal sector wages (by 34% in Indonesia in real terms) and a massive shift from the formal sector back to the informal and agricultural sectors. Poor people without this fallback suffered doubly from the mushrooming costs of food. High inflation in Indonesia also contributed to a sharp fall in real public spending on education and health, which Thailand protected more successfully. Both governments undertook special measures to keep children in school, to buttress food security (such as Indonesia’s cheap rice programme) and implemented public works programmes. In different ways both countries are emphasising decentralised policy responses - via the local safety net programmes introduced in Indonesia in July 1998 and the associated Community Monitoring concept, and the strong reliance on NGOs and community-based programmes in Thailand. However, the total amount of spending associated with each is small. In conclusion, a strong rural base has helped cushion the impact of the crisis and strengthened the family component of the welfare mix. Public interventions have taken the form of strengthening social safety nets, building on community-based elements of the welfare mix.

Thus a common crisis, indubitably a result of the increased economic openness of this dynamic region of the world, has generated different policy responses in interaction with varying welfare regimes. The separate, distinctive regimes in Malaysia and the Philippines have been little affected, due to the cushion of immigrant labour in the former and emigrant labour in the latter. Indonesia and Thailand have relied primarily on the cushion provided by more closely integrated rural-urban households and families, but are encouraging community-based social safety nets. Korea, more industrialised, urbanised and, in recent years, more democratic, has been propelled by the crisis towards a fully-fledged welfare state.

CONCLUSIONS

‘Economic globalisation’ is changing the environment of welfare systems North and South, East and West. However, its impact is mediated by, first, forms of global economic and social governance (not discussed here), and second, by national and regional welfare regimes. The latter comprise the institutional bases of provision of livelihoods and security, the welfare outcomes resulting, and the patterns of stratification, interests and power which generate this matrix and contribute to its reproduction. This paper goes on to apply this framework to five countries in East Asia, interesting as examples of emerging market economies with restricted formal social policies but with relatively good welfare outcomes. Their welfare regimes are depicted and the impact of the 1997 Asian crisis is then assessed. The conclusion is that a common crisis has engendered very different outcomes, with Korea moving swiftly to a developed welfare state, Thailand and Indonesia developing a ‘third way’ based on community and local innovations, and Malaysia and the Philippines exhibiting less policy innovation.

However, in all countries, the crisis has sparked interest in social policy as a newly relevant domain of state policy. The older confidence in economic growth as the social policy has evaporated. There is more awareness too of the growing domestic demands for social policies, including population ageing, shifts towards more technologically based economies, urbanisation
and nucleating households. The dangers of a further financial crisis are not insignificant and thus there is growing debate about the need for formal social protection systems. Yet these longer-term concerns will also be refracted through domestic regimes. It is unlikely that the other countries will follow Korea in its move towards an extensive welfare state. It is possible that the Malaysian EPF will provide a regional model for pension provision. It remains to be seen whether education and health services succumb to the current fads about privatisation or will build on the successful elements of universal public provision. One thing we can be certain of: globalisation will not call forth uniform policy responses in the region, let alone across the developing world.

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