

# Perspectives for Understanding Asian Welfare States:

## Reflections from the Evaluations of Japan's Experience

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# 1. Perspective for Understanding Social Protection in Asian Countries

## Two Axis for Understanding Social Protection in Asian Countries

- (1) “Vertical” Axis and (2) “Horizontal” Axis
- (1) “Vertical” Axis:  
= Economic Development and Social Protection
- ••• Evolution of Social Protection System as a  
Result of Industrialization, Urbanization, Change of Family  
Structure etc.
- → “Linear” Model of Development of Social Protection

## Grouping of Social Protection in Asian Countries from Vertical Axis

### (1)

#### ■ Group 1

- Countries that have achieved economic development comparable to the developed countries, including Japan.
- Countries in this group have achieved, or will achieve in the near future, universal coverage of social protection and have been dealing with new challenges such as aging population and streamlining of social security systems
- Examples: Singapore, Taiwan, South Korea

#### ■ Group 2

- Countries that are on the path to industrialization, as well as to the achievement of universal coverage in their social protection systems.
- In these countries, a certain level of social protection is provided for the employed while the majority of their population working in agriculture and the self-employed are not covered by social protection systems.
- Examples: Malaysia, Thailand, Philippines, Indonesia

## Grouping of Social Protection in Asian Countries from Vertical Axis

### (2)

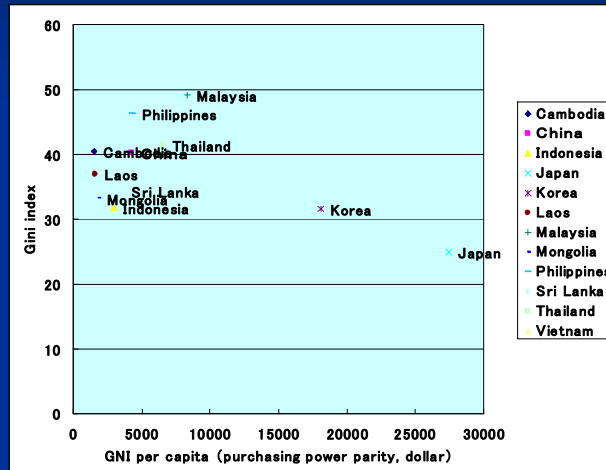
#### ■ Group 3

- Countries that are in the primary stage of industrialization.
- In these countries, social protection is provided for a limited number of people, such as certain types of civil officers and military personnel. Their health care services are still prioritized to the improvement of public health, especially the prevention of infectious diseases.
- Examples: Vietnam, Laos, Cambodia, Myanmar

#### ■ Group 4

- Countries that cannot be categorized into any of the above groups due to the extraordinary size of their population.
- Examples: China, India

## Per Capita GNI and Gini Coefficient in Asian Countries



Based upon the data from World Development Report 2001

## Two Axis for Understanding Social Protection in Asian Countries

- (2) “Horizontal (or Diversity)” Axis:  
= Elements of Diversity which cannot be explained by Linear Development Model
- a) Degree of National Integration or Ethnic Diversity  
ex. Malaysia, Indonesia
- b) Institutional Influences of Colonial Powers
- c) Social and Cultural Elements  
ex. Roles of Religious Organizations  
→ diversity of “state and church” relationship

## 2. Evaluations of Japan's Experience

### Some of the Interesting Characteristics of the Historic Evolution of Social Protection in Japan

- 1. Universal Coverage while the Population in Agriculture was still very high

←→Western countries

- 2. Health Insurance preceding Pension System

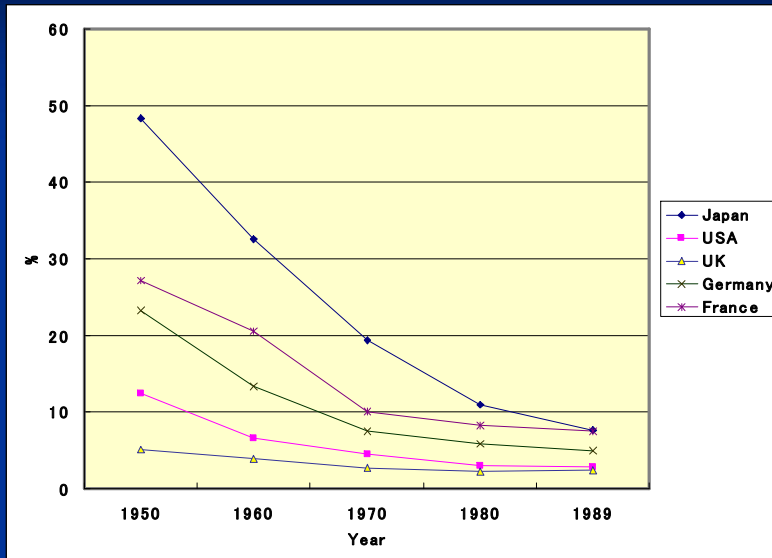
→ Rapid Growth of the Pension System at a Later Stage

	Pension	Health Care	Social Services and others
1970:	24%	59%	17%
2002:	53%	31%	16%

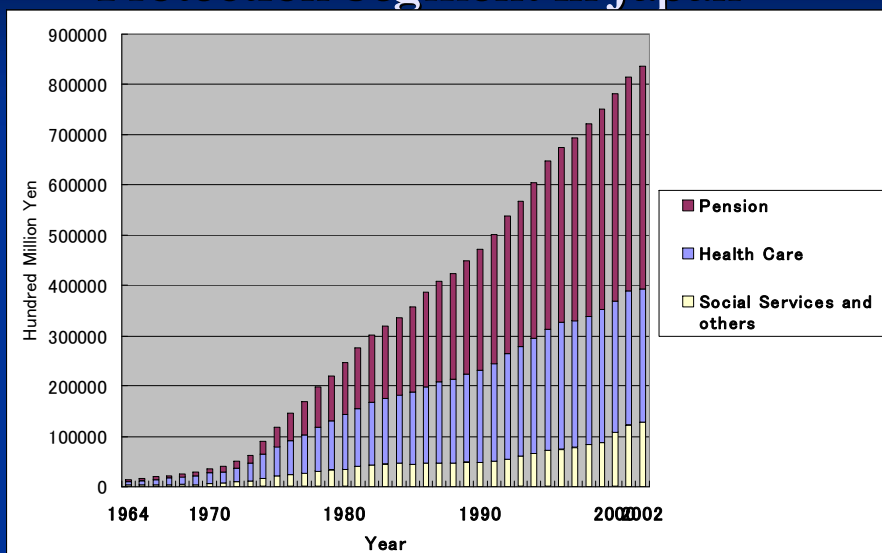
- 3. Very Fast Speed of Aging and Drastic Shift to Population Decrease

•••Common in Late Starters in Industrialization

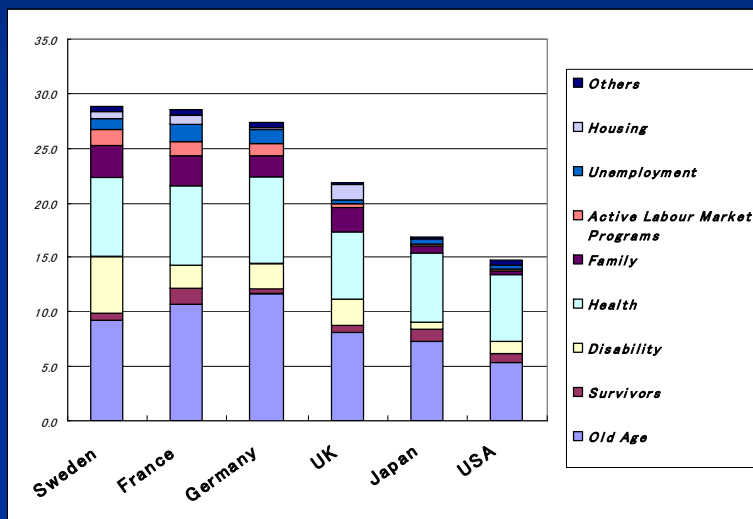
## Ratio of Population in Agriculture: International Comparison



## Historic Trend of Each Social Protection Segment in Japan



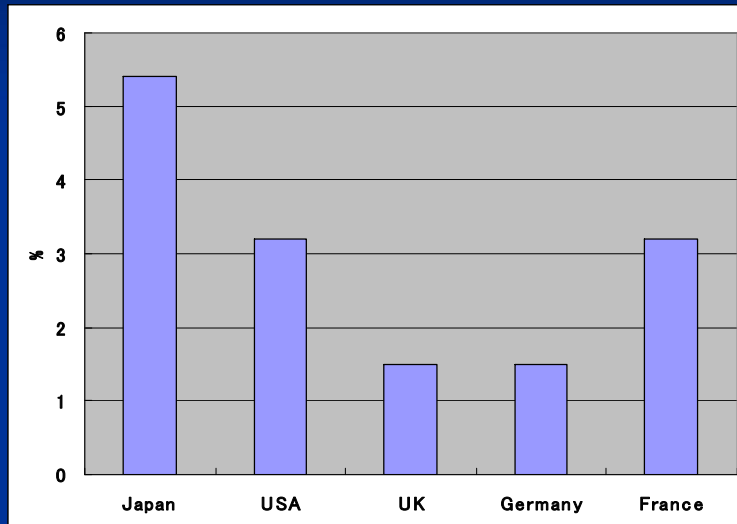
## Current Status of Social Protection Expenditures in Japan: International Comparison



## Why the Social Protection Expenditures are (have been) Low in Japan?

- 1. Dependence on “Informal Social Protection”
  - Family and Company (“Kaisha”) which serves as life-long safety nets
  
- 2. “Social Protection through the Production Sector”
  - Big Spending on Public Works
    - functioning as Employment Security
  - Big Subsidies to Farmers, Small-sized Companies, Tax Transfer from Urban to Rural areas
    - Strong Effect of Income Redistribution

## Public Works Expenditures as against GDP (% , 2003)



## Change of Socio-Economic Structures in Japan

- Dissolution and Diversifications of Family and Company
- Problems of Public Works and Social Protection through the Production Sector
- →Necessity of Strengthening of Social Protection Systems per se, not depending on quasi-social protection mechanism



### 3. Socialist Market Economy and Welfare States



## Socialist Market Economy and Welfare States: How different? How similar?

- Socialist Market Economy:  
Elements of Capitalism in Socialism
- Welfare States:  
Elements of Socialism in Capitalism
  
- Convergence in the Future?
- Characteristic Developments in Asian Countries?

## Comparisons of Four Systems

	A. (Genuine) Socialism	B. Socialist Market Economy	C. Welfare States	D. (Genuine) Capitalism
Resource Allocation 【Production Level】	Public Control (Planned Economy)	Private (Market Economy) [some public interventions in land ownership etc.]	Private (Market Economy)	Private (Market Economy)
Income Redistribution 【Consumption Level】	—— (achieved by the above: Dogma that there is no Unemployment and Inequality)	Still Trials & Errors =Forms of Social Protections in Socialist Market Economy	Strong =Certain Levels of Social Protection Systems (variations among countries)	Weak

## Assessment of Postwar Japanese Socio-Economic System: Welfare State or Quasi-Socialist Market Economy?

- 1) Strong Government Interventions in Production System  
Ex. Administrative Guidance by MITI (Ministry of International Trade and Industry)
- 2) Company as a “Unit” of both Production and Life protection
- 3) Social Protection through the Production Sector and Low Social Protection Expenditure per se
- → Similarity with Socialist Market Economy rather than Welfare States ?

## Comprehensive Viewpoints when Assessing Social Protection of Asian Countries

- 1. Informal Protection at Family/Company or Community Levels
- 2. Government Interventions at Production (or Resource Allocations) Levels
- 3. Social Protection Systems per se

## 4. Future Prospects

- (1) Asian Welfare States
- (2) Asian Welfare Network

### (1) Asian Welfare States

- Is there an “Asian model of Welfare States”?
  - lots of discussions
- Will Asian Countries reach “Welfare Society” through Different Paths from those of Western Countries?
  - Do “Post-Welfare States” in European Countries have some similarities with “Welfare Society” in Asian Countries?

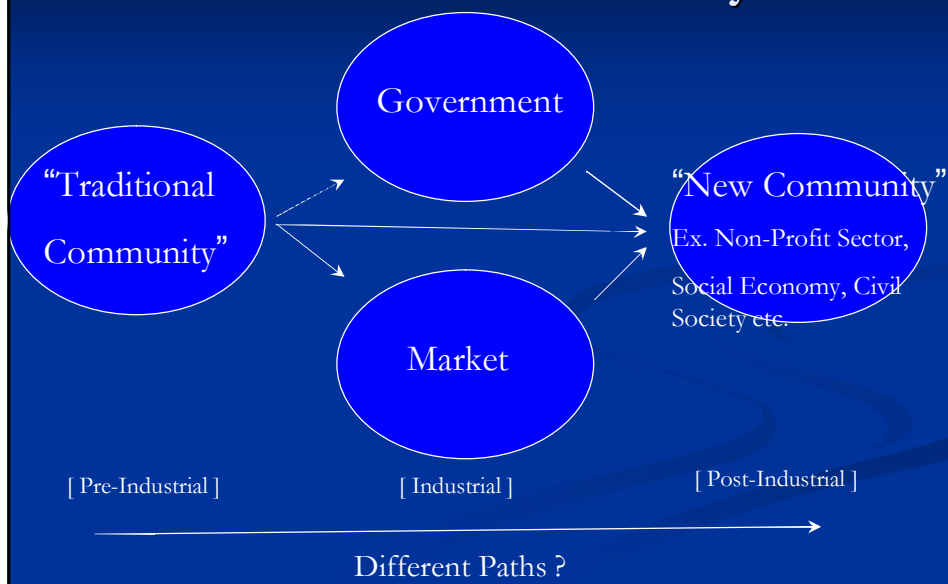
## Some reflections

- Importance of Re-evaluations of the Role of Community or “Commons” including their local diversity in Asia

Ex. Intergenerational Communications

- On the other hand, Redistribution by Government Level and the Roles of Social Protection per se are significant

## Evolution of Government, and Market and Community



## (2) Asian Welfare Network: Background

- Rapid Increase of Trade and Economic Ties among Asian Countries
  - Necessity of Social Protection Systems beyond nation-state levels
- Case of Europe:
  - Redistribution system through Structural Fund
  - Common Standards of Regulations etc. in the area of social protection
- Discussion of “East Asian Community”
  - Viewpoints of “Social Asia” or “Asian Welfare Community” should be included

## Asian Welfare Network

- Active Communications and Comparative Research among Researchers on Social Protection or Social Policy
- International Cooperation in the areas of Social Protection
  - ex. Projects by JICA (Japan International Cooperation Agency) , such as Implementation of Old-age Pension system in Rural Areas in China
- → Redistribution System at Regional Level
- Networking and Various Policy Recommendations

## Vision of “Sustainable Welfare Society” in Asia

- “Sustainable Welfare Society” . . . Society where Quality of Life and Equality of individuals are realized, and which is sustainable for a long period time in harmony with finite resources and environments
- Aging and Stabilization of Population in Asia in the latter half of 21<sup>st</sup> Century  
→ Possibility of “Sustainable Welfare Society” in Asia
- Integration of Social Policy and Environmental Policy, and the Long-term Vision and Policy  
Recommendations by researchers are important.