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Managing Social Change and Social Policy in Greater China

Welfare regimes in transition

Edited by
Ka Ho Mok and Maggie K.W. Lau



Managing Social Change and Social Policy in Greater China

East Asia is at the heart of the global economic transformation, and the countries of the region are witnessing rapidly changing labour markets, alongside the pressure to cut production costs and lower taxes in order to become successful 'competition states'. These changes have resulted in increased welfare demands which governments, organisations and agencies across the region have had to address.

This book examines welfare regimes in the Greater China region, encompassing mainland China, Hong Kong, Macao and Taiwan. In so doing, it explores the ways in which the rapid growth and internationalisation of the economy across Greater China is presenting new social policy challenges that governments, social welfare organisations and agencies in the region are having to respond to. Rather than simply describing and categorising welfare systems, the contributors to this volume add to our understanding of how one of the major economic transformations of the contemporary era in East Asia is shaping welfare provision in the region. In turn, in this context of economic change, they examine the new strategies and measures that have been adopted in order to reduce the heavy burden on the state in terms of welfare provision, whilst also attempting to diversify funding and provision sources to meet the pressing welfare needs.

Based on extensive fieldwork by leading scholars of social policy, this book will appeal to students and scholars of Asian social policy, comparative development and social policy, social welfare and Chinese studies.

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Welfare regimes in transition

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1 Introduction

The search for a new social policy paradigm: managing changing social expectations and welfare regimes in transition in Greater China

Ka Ho Mok and Maggie K. W. Lau

Introduction: welfare regime debates in Asia

Discussion of welfare regimes and ideal types of welfare state continues to dominate comparative social policy analysis, but the focus of the debate has expanded considerably since the publication of Esping-Andersen's groundbreaking *The Three Worlds of Welfare Capitalism* in 1990. Shifts in this debate have been prompted by a mixture of theoretical and empirical concerns raised by comparative social policy scholars, but they have also resulted from a more general internationalisation of social policy research agendas within the academy (see, for example, Abrahamson, 1999, 2011; Hwang, 2011) and debates have continued over the most appropriate indicators (Clasen and Sigel, 2007; Kühner, 2007) and methods (Hudson and Kühner, 2010). In particular, there has been a strong desire to expand the scope of the debate to encompass nations and regions not included in Esping-Andersen's initial study of just 18 high-income OECD states (Hudson and Kühner, 2011, 2012).

Arguably the largest body of work in this regard has been that focusing on East Asia, not least because the flowering of a very active East Asian social policy research network has provided a space for sustained discussion, debate and comparison of welfare regimes in this region. That said, debate about an "East Asian" model has featured prominently since the early 1990s, with some of the earliest critiques of Esping-Andersen's typology pointing to a potential mismatch between his ideal types and the foundations of welfare systems in the region (Jones, 1993; Goodman *et al.*, 1998) in which, broadly stated, governments emphasised economic development over social policy. Since then, a substantial body of literature has developed, such the work of Holliday (2000, 2005) and Kwon and Holliday (2007) which challenges Esping-Andersen's typology. According to Holliday (2000: 711), it is "impossible to place [East Asian cases] in Esping-Andersen's framework" because a "productivist" world of welfare exists in the region.

Nonetheless, the concern with productive welfarism has not been limited to East Asia, as vividly reviewed by Hwang's edited volume, with a special focus on new welfare states in East Asia (2011). Indeed, researchers in other parts of the globe, writing from a rather different perspective, have argued that – in response

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to globalisation – all high-income states have shifted the emphasis of their social policies towards that of a supporting and subjugated role *vis-à-vis* economic policy (see, for example, Cerny and Evans, 1999; Evans and Cerny, 2003; Horsfall, 2010). Confronted with declining economic growth, together with the dismantling of traditional income protections, a number of countries in Europe have begun to face the harsh reality of bankruptcy. In countries struggling for survival against the context of unmanageable welfare burdens and with stagnating economic growth, the call for replacing the welfare state with a competition state has become increasingly popular, favouring policies that can boost economic competitiveness (see Hudson and Kühner chapter in this volume).

The search for new social policy paradigm in Greater China and East Asia

In his recent work, Mok (2010) conducted a comparative review of how selected East Asian countries/economies have responded to the global financial crisis which started in the USA and extended to other parts of the globe, especially Europe. His research findings suggest that most East Asian governments have put economic recovery first by introducing various kinds of economic stimuli instead of adopting sufficient/comprehensive social protection measures to help those people (particularly the urban working poor) facing intensified poverty, inequalities and unemployment. As Sherraden (2009) has rightly suggested, there are broadly four major types of strategy being adopted by governments across the globe in handling the current economic crisis, namely, investment in infrastructure and public works, economic stimuli packages helping the business, banking and industrial sectors, cash transfer (consumption coupons) and social protection measures. Taking the global financial crisis of 2008 as a case, the governments of mainland China, Hong Kong, Singapore, South Korea and Taiwan have adopted massive countercyclical economic measures to help rescue the financial market, steer the economy and boost employment by increasing public spending on improving people's lives, in areas such as education, health care and environmental protection. While the stimulus packages and relief plans adopted by these countries/cities are too complex and comprehensive to be fully documented and discussed in this chapter, it is clear that the measures they have taken focus similarly on short-term relief as well as long-term prospects, indicated by the huge amount of money spent on infrastructures (Mok, 2011).

Comparing and contrasting the measures being adopted by Asian governments in handling the global financial crisis, we have not found major policy paradigm shifts in terms of post-economic crisis strategies. How far are these governments willing to set aside the market and redistribute wealth? Whether these Asian states have oriented towards a “pro-poor” development approach still remains an open question, although more attention seems to have been given to social protection issues. For China, in the face of huge investments in public development projects and massive tax cutting programmes, Liu Tienan, vice minister of the National Development and Reform Commission, has said that an increased fiscal deficit is

“necessary” in times like this, as long as the increase is in a “controllable range” and the risk bearable (Gov.cn, “Official: China Confident of Achieving 8% GDP Growth in 2009”, 27 February 2009). Mainland China is committed to boosting stable economic growth, as it has done in recent years, which can be broadly shared across different sectors in society, even though failing to retain fiscal discipline for the time being.

In terms of the East Asian “Four Tigers”, in the years after the Asian financial crisis, scholars started to pay attention to the transformation of social policies. Kwon (2009) notes that Korea and Taiwan have seized the moment to extend social policies, while Hong Kong and Singapore remain restrained on in this area. Therefore, the different developmental trajectories of these late industrialising states suggest a formation of two clusters of developmental welfare states in East Asia, rather than an overarching “East Asian Welfare Model”. In this financial crisis, we can still see the legacy of this transformation, although the governments in Taiwan and South Korea are becoming increasingly open to welfare and social protection (Ku, 2009). For South Korea, not only has the government addressed the concerns of investors and businessmen, it has also put efforts into helping people in the lower social and economic strata, best indicated by the provision of unemployment benefits. For Taiwan, its stimulus package focuses on stimulating consumption/demand (notably by giving aid to low-income households to maintain their houses and buy daily goods), job creation and large investments in infrastructure. Comparing the approaches for national development adopted by the Kuomintang (KMT) and Democratic Progressive Party (DPP) in Taiwan, we can see that a major difference between the two parties is that a pro-growth policy is adopted by the existing ruling party KMT, whereas the DPP adheres to “pro-poor” development principles (Huang, 2009).

Similarly, the Hong Kong government still commits itself in this financial crisis to its conventional governing philosophy of “big market, small government”, best indicated by its reluctance to dig into the money reserve to distribute money directly to all residents and its unwillingness to pay extra benefits to the unemployed. For Singapore, the government has claimed that it is trying to solve the economic problems using a supply-side approach (helping business to retain workers) rather than a demand-side approach (stimulating consumption/demand), which closely resembles the idea of “trickle-down” theory. “Pro-poor growth” policies can hardly be found in the stimulus packages of Hong Kong and Singapore. Despite the fact that these East Asian countries seem to be able to maintain their existing welfare arrangements in the changing political and economic context, the questions being raised are closely related to whether and how these governments can continue to sustain their existing welfare practices.

Central to the critical challenges confronting Asian societies is how far they can excuse themselves from addressing the heightened welfare demands and politicised contexts resulting from fast-changing labour market conditions, while they have to cope with the pressure to become “competition states” by cutting production costs and lowering taxes, since they are increasingly dependent upon the globalising economy. Most important of all, trickle-down economic development

has been hailed as the most desirable wealth distribution process in the past few decades. But the belief in this process is often challenged in times of economic crisis. Whether wholeheartedly solving the economic problems or just gaining political appeal, in this financial crisis many governments, democratic or authoritarian, have actually taken breathtaking measures that have not been seen for decades to intervene in the market and secure people's livings. In this regard, puzzling questions arise: "Will the big moves by the governments at this moment lead to a paradigm shift of social policy delivery? Or are they just special moves in a special time?" To answer these questions, the contributors of the present volume have tried to critically examine whether and how governments in Greater China and the East Asian region have moved beyond their current welfare approaches or just attempted to maintain an essentially productivist welfare regime to balance the tensions between competing demands: the need to address people's heightened welfare needs on the one hand and to enhance national competitiveness in the globalising world economy on the other.

Mok and Lau (2013, forthcoming) examine Guangzhou residents' subjective perceptions of social welfare needs (including minimum standard of living, health care security, housing security and education), discussing what major strategies the government has adopted in coping with the changing welfare expectations of local residents in Guangzhou. For instance, in December 2010, the local government promulgated the adjustment of the minimum living standard guarantee, addressing increasing living costs and the inflation rate in Guangzhou. However, the adjustment still lagged behind changes in prices and consumption. One single mother with a son in junior high school receiving the minimum living standard guarantee in *Jingtai* Street, Guangzhou, said that "the changes cannot match the rises in price levels. When the allowance level began to rise, I felt very happy. However, the price levels rose even faster. My son is now growing up, who needs to eat more meat, so I have to let him have my share as well". Such field observations clearly show that the minimum living standard guarantee cannot meet basic needs in the face of price inflation. The current welfare system in Guangzhou is following the logic of "supporting the poor and relieving the needy". Policy priorities are always given to people in such circumstances. Yet in the face of rapid economic, social and demographic changes, policy-makers also have to be alert to the living difficulties facing the general public, especially in the areas of medical, educational and housing services. Although the Guangzhou Municipal Government has already taken certain measures to address the changing needs of its residents in the past few years, without big changes in the underlying policy philosophy, the outcomes of the policies have been piecemeal and limited.

Citizens' welfare expectations have increased in recent years, not only in Guangzhou, China, but also in Hong Kong, Macau and Taiwan, as Mok, Ngok and Huang's recent book points out. Social development challenges, changing social welfare expectations and policy responses in these Chinese societies have clearly suggested that citizens living in the Greater China region have higher expectations for their governments to act more proactively in managing tensions between rapid economic growth and social harmony (Mok *et al.*, 2013). Most

recently, a number of scholars in Hong Kong have reviewed social development issues and argued for new pathways in addressing poverty problems, especially when citizens' expectations for welfare and social protection have heightened (see, for example, Cheung, 2012; Lau, 2012; Wong, 2012). Similarly, the chapter by Chang and Ku in this volume points out how the heightened welfare expectations in the context of democratisation have placed immense pressure on the government in Taiwan for social welfare provision. Without sufficient economic drives for growth, Taiwan society is now experiencing difficult times in meeting people's pressing welfare demands (see [Chapter 5](#)).

In addition, Mok's recent research related to university students' perceptions of social mobility and career development opportunities in Guangzhou, Taipei and Hong Kong has clearly suggested that the younger generations are losing faith and confidence in their future, particularly when they believe the opportunities for upward social mobility are becoming less promising because economic growth is not sufficiently sustained. During field interviews with university students in these three Chinese cities, Mok found that the students expect their governments to provide them with more social protection, and especially more job opportunities and welfare services (Mok, 2013; Mok and Huang, 2013).

Major arguments of this book

This book uses the theoretical and policy backgrounds outlined above to examine issues related to major social development challenges and social policy responses in the Greater China region. The book includes chapters from leading scholars in the field of social policy, with a focus on comparative perspectives in Greater China and the East Asian region. Their contributions are based upon very rich research findings generated from projects and fieldwork conducted in the last decade. With particular reference to critical reflections on how Asian governments in particular and social welfare organisations/agencies in general have responded to the growing challenges of globalisation, the chapters in this volume critically examine what new strategies and measures governments in the area are adopting to reduce the heavy burden on the state in terms of welfare provision, while making other attempts to diversify funding and provision sources to meet pressing welfare needs.

The debates and discourses on welfare transformation in Greater China and East Asia are highly relevant to scholars, researchers, policy analysts, practitioners and students in policy studies/social policy in Europe and other parts of the world when searching for ways of resolving the intensified welfare crisis currently sweeping through Europe and the USA. More specifically, this book focuses on an examination of welfare regimes in the Greater China region, examining welfare development in mainland China alongside discussion of Hong Kong, Macao and Taiwan. In so doing, a key goal is to examine how the rapid growth and internationalisation of the economy in the Greater China region is presenting new social policy challenges that welfare regimes are having to respond to. Rather than simply aiming to describe and categorise welfare systems, the present volume

aims to add to our understanding of how one of the major economic transformations of the contemporary era in East Asia is shaping welfare provision in the region.

Chapter 2 by Ka Ho Mok and M. Ramesh has chosen a focus to critically examine major social development challenges and social policy responses of two special administrative regions of the People's Republic of China, namely Hong Kong and Macau. In this chapter, the authors engage in the debate about East Asian welfare systems, using European social policy regimes as a reference point to examine social development challenges and social welfare responses. Mok and Ramesh elucidate how the Hong Kong and Macau governments have reformed their social welfare models to cope with rapid social, economic, demographic and political changes, especially analysing any major paradigm shifts in social welfare arrangements and social policy formulation in the post-2008 global financial crisis. They ask whether productivist welfare capitalism can be sustained in the context of complex social development problems resulting from an imbalance between economic growth and social and human development in these two Chinese societies.

Maggie Lau, in **Chapter 3**, uses the notions of social equity and equality of opportunity to frame her analysis on the extent to which welfare restructuring attains productive employment and sustainable livelihoods, and ensures equal opportunities for people's future development in Hong Kong. The analysis highlights the informalisation of labour markets, with lack of job security, unstable income and limited coverage of social security benefits, which has limited family resources and restricted working groups and their families in terms of taking part in normal activities in the community. Lau further argues that expanding precarious employment in the labour market not only contributes to a significant impact on sustainable retirement protection for the older population, but also brings about negative effects in terms of intergenerational mobility and equality of opportunity. In particular, it may intensify the educational inequality among students from different socio-economic backgrounds under the New Senior Secondary Curriculum in Hong Kong. The increasing nuclearisation of families and changing family structures puts too much pressure on care and support outside the family. The chapter discusses "productivist welfare capitalism", emphasising the subordination of social policy to economic policy, and the heavy reliance on family mutual support in addressing new social risks arising from a breakdown of traditional and informal risk-sharing mechanisms.

In **Chapter 4**, Kim-Ming Lee and Kam-Yee Law focus on the effects of globalisation generating economic insecurity, particularly unemployment, in Hong Kong, and scrutinise what roles social policies can play in protecting people against this insecurity. By examining the social policy packages adopted by the Hong Kong government in fighting against the financial tsunami, Lee and Law demonstrate the lack of "proactive" strategies and long-term commitment of the Hong Kong government in protecting people against adversity. By drawing on the experiences of other countries, Lee and Law suggest that active labour market policies should be adopted as policy tools to reform the social protection system.

Yu-Fang Chang and Yeun-Wen Ku, in **Chapter 5**, discuss whether the Taiwanese developmental welfare regime is sustainable to achieve both economic growth and social equity in the twenty-first century. Chang and Ku argue that:

Taiwan has long been regarded as a model for economic growth with equity. Up to the 1990s, nearly all indicators showed significant improvement in every aspect. However, this did not last long and, especially after the 1990s, economic growth slowed down, and this was combined with higher unemployment and stagnation of incomes . . . With democratic elections, how to acquire both economic growth and social equality has become the greatest challenge for the state and the measure of its legitimacy . . . the vulnerability of Taiwan's current social policy . . . fails to satisfy the expectations of the middle classes. Full employment and a massive number of small and medium-sized businesses contributed to wealth and income equality in Taiwan, but were no longer sustainable after the 1990s.

Kinglun Ngok adopts a theme of “bringing the state back in” to discuss how the Chinese government has tried to revitalise the importance of social welfare and social policy provision in order to address the growing intensity of social problems resulting from rapid economic growth without sufficiently corresponding social development and social welfare strategies. In **Chapter 6**, Ngok critically examines the development of social policy and social spending in China since 2003. Ngok elucidates the trajectory of the changes in China's social policy in the post-Mao era, and argues that a process of “bringing the state back in” is taking place in China's social policy expansion. Social policies in post-Mao China have changed dramatically in order to enhance market competition, increase economic efficiency and accelerate economic growth. The “marketisation of social welfare” has brought about negative effects on the livelihood of low-income citizens, including unemployed urban people, migrant workers and peasants, and consequently contributed to social instability and social unrest. After the Severe Acute Respiratory Syndrome (SARS) epidemic, the leadership, led by Hu Jintao and Wen Jiabao, made a fundamental policy change to reposition the role of the state in public welfare and social justice.

In **Chapter 7**, Mok and Huang adopt a case study approach to examine changing social welfare needs and expectations in Guangzhou, a relatively developed city in southern China. They examine what major strategies the Guangzhou government has adopted in managing people's welfare needs, and focus on how far the new measures have met the changing welfare expectations of citizens in China's mainland. The case of Guangzhou clearly indicates how the Chinese government has begun to take people's needs and interests into consideration when it designs social policy and seeks measures appropriate for addressing growing social welfare needs against the context of a widening gap between the rich and the poor and a deepening intensity of poverty, inequality and other unintended social consequences. China has tried to seek “GDPism” without striking for balanced economic and social development, as Ngok argued in **Chapter 6**. The authors

conclude their chapter by highlighting the fact that even though the government in Guangzhou has taken people's needs and interests into serious consideration, welfare regionalism and social policy variations do exist in the Chinese mainland and the implementation of social policy/social protection measures greatly depends upon the political will and capacity of local governments in the policy context of fiscal decentralisation (Mok and Wu, 2013).

Chapter 8 shifts the focus to Macau, another special administrative region of China. Dicky Lai identifies the specific features of Macao's social policy that typify its welfare regime, and pays particular attention to its social security and housing policies. Lai examines the extent to which prominent welfare models (like Holliday and Wilding's productivist welfare regime and Kwon's welfare developmentalism) can explain Macao's current welfare model. Lai gives a historical account of Macao's social security and housing policies, and argues that these have been expected to perform different regulatory functions for maintaining the development of the capitalist system (i.e. restoring the government's political legitimacy, maintaining social stability, reproducing labour power and maintaining labour discipline). Macao is a regulatory welfare regime, characterised by the low modification impact and the strong regulatory role of social policy.

In **Chapter 9**, Lijun Chen and Dali L. Yang examine old age care concerns and state–society relations in China by discussing the changing public attitudes towards old age care (such as the cost of old age care, the availability of caregivers and care arrangements in old age) among urban and rural residents, and public attitudes towards the role of the state. It is argued that China's policies to expand the coverage of social security and boost investment in care for the elderly are well intentioned, but appear to have fallen short of public expectation to date. The increasing demand for old age care poses a significant challenge to China's state–society relationship.

Chung-Yang Yeh and Shih-Jiunn Shi's contribution in **Chapter 10** moves beyond the Greater China region to compare the cases of Japan and Taiwan, as they are typically categorised as “developmental welfare states” in which the pension systems consist of social insurance institutions. The authors demonstrate the public–private pension mix and governance modes that are embedded in specific welfare production regimes. Japan has well-developed occupational and private pension schemes embedded in its corporate conglomerate welfare production regime, while there is a limited role for private companies as providers of occupational pensions in Taiwan. Yeh and Shi argue that “The rationales and directions of recent pension reforms in East Asia can be further understood only by considering the historical contexts of political and economic structures.”

“Poverty reduction, welfare provision and social security challenges in China in the context of fiscal reform and the 12th Five-year Plan” is the topic of **Chapter 11**. Emile Kok-Kheng Yeoh and Susie Yieng-Ping Ling describe issues related to fiscal reform and fiscal decentralisation in China in the context of the country's 12th Five-year Plan, and explore the Plan's implications for poverty alleviation and enhancing stability. They argue that fiscal reform during the 12th Five-year Plan:

will mainly involve the rationalisation of intergovernmental fiscal relations (fiscal IGR) as well as a sounder tax sharing system. Such rationalisation of fiscal IGR will inevitably involve dealing with the transfer payment system – the increase of the size and ratio of the regular general grants and the adjustment and reduction of earmarked grants (sub-provincial fiscal institutional reform), as well as moving towards direct provincial administration of counties so as to ensure and strengthen the county's fiscal capacity for the provision of public services, and exploring the institution of local government bonds.

John Hudson and Stefan Kühner, in **Chapter 12**, attempt to update their earlier work (e.g. Hudson and Kühner, 2011) with reference to the detailed case studies covered in this book, and offer a more nuanced analysis. They conclude that “the chapters within the book underline the diversity of policy frameworks in Greater China. They also, we might add, highlight what appears to be the gradual but significant expansion of income protection in all cases. Both these factors together lead us to believe that the simple labelling of the region as being home to a common ‘productive welfare’ model remains too simple to be convincing.”

Putting together a very fine collection of chapters in this volume, as editors of the present book, we hope to present a more updated but critical review of social development and social policy responses with a focus on the Greater China and East Asia region. The transformations of social welfare and social policy that have taken place in the region also offer a unique perspective to comparative social policy analysts. With the publication of this volume, we hope researchers and scholars in the field of social policy will continue dialogue and comparative work to search for better approaches and strategies in managing growing challenges resulting from rapid social, economic, demographic and political changes.

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