

Welfare Reform in East Asia

Towards workfare?

Edited by
**Chak Kwan Chan and
Kinglun Ngok**



Comparative Development and Policy in Asia Series

Welfare Reform in East Asia

In many Western countries, social welfare payments are increasingly being made conditional on recipients doing voluntary work or attending job training courses, a system known as 'welfare-to-work' or 'workfare'. Although social welfare in Asia is very different from that in the West, with much smaller social welfare budgets, a strong self-reliance and a much higher dependency on family networks to provide support, the workfare approach is also being adopted in many Asian countries. This is the first book to provide a comprehensive overview of how welfare reform around work is implemented in leading East Asian countries.

Based on the experiences of seven East Asian economies – including China, Japan, South Korea, Taiwan, Singapore, Hong Kong and Macau – this book critically analyses current trends, the social, economic and political factors that lead to the implementation of workfare, and compares the similarities and differences of workfare in the different polities and assesses their effectiveness.

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Contents

<i>List of illustrations</i>	vii
<i>List of abbreviations</i>	viii
<i>List of contributors</i>	xi
<i>Preface</i>	xiv
PART I	
Introduction	1
1 Understanding workfare in Western and East Asian welfare states	3
CHAK KWAN CHAN	
PART II	
Workfare in seven East Asian economies	15
2 Workfare in mainland China: a reaction to welfare dependency?	17
KINGLUN NGOK, WING KIT CHAN AND ZHAIWEN PENG	
3 Workfare in Hong Kong	41
JOE C.B. LEUNG	
4 From workfare to cash for all: the politics of welfare reform in Macau	60
ALEX H. CHOI AND EVA P.W. HUNG	
5 Workfare in Taiwan: from social assistance to unemployment absorber	78
CHIN-FEN CHANG	
6 Workfare in Japan	100
SHOGO TAKEGAWA	

vi	<i>Contents</i>	
7	Workfare in South Korea: delivering unemployment benefits in the developmental welfare state HUCK-JU KWON AND JOOHA LEE	115
8	Workfare in Singapore IRENE Y.H. NG	131
	PART III	
	Conclusion	149
9	Workfare in East Asia: development and characteristics CHAK KWAN CHAN	151
	<i>Index</i>	167

Illustrations

Tables

2.1	Local workfare measures in China	27
2.2	The MLSS in urban China, 2009	35
3.1	Hong Kong labour force participation rates by sex, 1996–2009	44
3.2	Comprehensive social assistance scheme demographics	49
4.1	WCEA and ALSS, 2006–09	70
4.2	Migrant workers, unemployed population and unemployment rate, 2001–09	71
5.1	Conditions at times of workfare and unemployment measures' implementation in Taiwan	92
6.1	Japanese single-parent households	103
6.2	Unemployed Japanese aged 15–34 years	104
6.3	Households receiving livelihood protection	105
6.4	Japanese people with disabilities	106
7.1	The Employment Insurance Programme's structure	119
7.2	Social insurance coverage by employment status	121
7.3	Composition of Employment Insurance Programme participants and non-participants	121
7.4	FGI participants' personal profiles	126

Figures

5.1	Taiwan's social insurance programmes	80
5.2	Taiwan economic statistics, 1978–2009	81
5.3	Scale of Taiwan workfare, 1993–2009	94
7.1	Government spending on social protection	120
7.2	ALMP expenditure as a percentage of GDP	125
8.1	Number of cases and disbursement amounts in Work Support and ComCare Transitions	137
8.2	Disbursement amounts of WIS and Workfare Bonus, 2006–08	138
8.3	Gini coefficient among employed households, 2000–09	142

Abbreviations

ALMP	Active labour market policies
ALSS	Active Life Service Scheme
CCT	ComCare Transitions
CCT	Conditional Cash Transfer
CDC	Community Development Council
CET	Continuing education and training
CLA	Council of Labour Affairs of Taiwan
CPF	Central Provident Fund
CSD	Census and Statistics Department
CSSA	Comprehensive Social Assistance Scheme
DGBAS	Directorate-General of Budget, Accounting and Statistics of Taiwan
DPJ	Democratic Party of Japan
DPP	Democratic Progressive Party of Taiwan
EATC	Employment Assistance and Training Course
EEP	Ending Exclusion Project
EIP	Employment Insurance Programme
EITC	Earned Income Tax Credit
EPM	Employment Promotion Measure of Unemployed Workers due to Plant Closure or Shutdown
EPP	Employment Promotion Programme
ERB	Employees Retraining Board
ERES	Measure of 921 Earthquake Restoration Employment Services, Vocational Training and Temporary Work Allowance
ESS	Employability Skills System
FGI	Focus group interview
FSC	Family service centre
GDP	Gross domestic product
HKSAR	Hong Kong Special Administrative Region
IEA	Intensive Employment Assistance Fund
IEAP	Intensive employment assistance project
ILO	International Labour Organization
IMF	International Monetary Fund

KMT	Kuomintang of Taiwan (Nationalist Party)
LDP	Liberal Democratic Party
MCA	Ministry of Civil Affairs of Taiwan
MCLWW	Ministerial Committee on Low Wage Workers
MCYS	Minister for Community Development, Youth and Sports
MEP	Measure for the Implementation of the Employment Promotion Allowance
MFTU	Macau Federation of Trade Unions
MHLW	Ministry of Health, Labour and Welfare
MIC	Ministry of Internal Affairs and Communications
MLSG	Minimum Living Standard Guarantee
MLSS	Minimum living standard scheme
MOL	Ministry of Labour
MOM	Ministry of Manpower
MSAR	Macau Special Administrative Region
NEET	Not in education, employment or training
NGO	Non-governmental organization
NP	Nationalist Party of Taiwan
NPP	National Pension Programme
NTD	New Taiwan dollar
OECD	Organisation for Economic Co-operation and Development
PA	Public Assistance
PAA	Public Assistance Act
PEE	Plan for Expanding Employment through Public Service
PRC	People's Republic of China
SARS	Severe acute respiratory syndrome
RMB	Renminbi
ROC	Republic of China
RSC	Re-employment service centre
SCCSA	Standing Committee for the Coordination of Social Affairs
SDF	Skills Development Fund
SDL	Skills Development Levy
SJA	Special Job Attachment programme
SOE	State-owned enterprise
SPUR	Skills Upgrading and Resilience programme
SRC	Re-employment Service Centre
SReP	Self-Reliance Programme
TANF	Temporary Assistance for Needy Families
TSS	Transport Support Scheme
UAM	Unemployment Assistance Measure
UN	United Nations
UNDP	United Nations Development Programme
UR	Unemployment Relief
US	United States
WAP	Work Assistance Programme

x *List of abbreviations*

WCEA	Workfare – Community-Based Employment Assistance Programme
WDA	Workforce Development Agency
WIS	Workfare Income Supplement
WS	Work Support
WSE	Work Support Employment
WSQ	Workfare Skills Qualification
YES	Youth Employment Start
YMETS	Youth Work Experience and Training Scheme
YPTP	Youth Pre-employment Training Programme

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Preface

Workfare is now a dominant welfare approach in Western democratic countries; it stresses personal duties, using stringent and punitive measures such as limiting the time period for receiving public assistance and the withdrawal of benefits to push social security recipients to the labour market. Since 1997, workfare has been introduced by some Asian governments. We are very concerned about the well-being of welfare beneficiaries because Asian governments traditionally do not emphasize the social and political rights of citizens. Also, some Asian polities have few channels for welfare recipients to express their grievances and defend their rights.

Moreover, we are puzzled by East Asian governments' adoption of workfare. This is because workfare was introduced by Western capitalist states to control high social security expenditure and tackle welfare dependency. On the other hand, East Asian governments have always had a minimal social security system, and most Asian people are still strongly attached to the ideologies of self-reliance and family support. The introduction of workfare in East Asia is obviously a mystery. Thus, this book aims to explore why Asian governments have implemented workfare measures, examining their development and discussing whether workfare is a wise approach for East Asian societies.

We would like to express our gratitude to the authors of the seven case studies for their support for this book project. We are grateful to Professor Ka Ho Mok for his swift and excellent comments on our book proposal and manuscript. Our thanks also go to Peter Sowden and his colleagues from Routledge. Their patience and effective work has contributed to the successful publication of this title.

Chak Kwan Chan and Kinglun Ngok
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Part I

Introduction

1 Understanding workfare in Western and East Asian welfare states

Chak Kwan Chan

Introduction

Many Western welfare states have adopted workfare as their dominant approach to provide welfare services. This has made social security conditional, with welfare beneficiaries having to fulfil assigned duties in order to receive their benefits. Traditional pro-welfare social democratic parties in Europe and the United States (US), as well as pro-market conservative parties, now support this approach to welfare provision (Lodemel & Trickey 2000a). Welfare reforms based on the ideology of workfare have occurred in all the countries in Western Europe (Handler 2003) and, since the mid-1990s, the European Union (EU) has regarded *activation*, which refers to activating the incentive to work among unemployed people, as the ‘cornerstone of social policy development’ (Lodemel & Trickey 2000b: 14).

The impact of workfare has not been restricted to Western capitalist states. An increasing number of Asian countries have introduced welfare-to-work measures since the late 1990s. Asia’s socioeconomic conditions are different from those in Europe, however, so it is important to examine why East Asian welfare states have introduced workfare and what the main features of their workfare measures are. The first part of this introductory chapter therefore critically examines the socioeconomic factors contributing to the implementation of workfare in Western capitalist states. It then points out the nature of East Asian welfare states and this book’s key concerns.

What workfare is

Although many European countries have had workfare programmes since the mid-1990s, much disagreement exists about what the word workfare actually means (Lodemel & Trickey 2000b; Grover & Stewart 2002). It was originally associated with the US welfare policy that required welfare beneficiaries to work in both governmental and non-governmental organizations (Mead 1997). The concept later became broader to include the requirement to be actively job-hunting (Grover & Stewart 2002).

Despite its lacking a single definition, scholars have noted that workfare has several common elements. The first of these is ideological and involves the conviction that citizenship involves both rights and duties rather than that its main concern should be citizens' rights. This involves attaching obligations to rights and changing the nature of social citizenship from being a status to a matter of contract (Handler 2004). The social contract between the state and the public now emphasizes the responsibility of welfare beneficiaries to perform required duties in order to access rights. This new view of citizenship has justified governments in demanding that welfare beneficiaries do assigned work as a prerequisite for receiving benefits (Lodemel & Trickey 2000b). This new citizenship ideology therefore accords more power to governments to regulate poor people's behaviour.

Another common element of workfare is that it stresses the need of welfare systems to be active rather than passive in response to welfare beneficiaries' needs and problems. This has become 'a universal trend in developed welfare states' due to its widespread perception as an effective means of addressing social deprivation (Lodemel & Trickey 2000b: 15), and that the provision of training and education that leads to inclusion in the labour market is also the stablest, most certain route to social inclusion (Handler 2004). This view that the extension of states' control over their citizens' employment behaviour is beneficial to their social and psychological well-being leads to the conclusion that governments have to improve the employability of disadvantaged groups proactively by requiring them to do community work, attend job-training programmes and pursue further education.

Yet another common element is the conviction that it is proper for states to use coercive means to improve welfare beneficiaries' employability and to reward those who have done their assigned duties. The US government, for example, passed the Personal Responsibility and Work Opportunity Reconciliation Act in 1999, which strictly enforces work requirements and also restricts the assistance period to a maximum of two consecutive years with a five-year lifetime limit (Handler 2004). This approach also concentrates on limiting the amount of benefits. The United Kingdom (UK) government, for example, is typical in this regard in ensuring that the least well-paid workers receive better incomes than those who are not in paid employment (Grover & Stewart 2002). This means that governments use incentives to make having a job more attractive than receiving a benefit (Lodemel & Trickey 2000a). These key common elements indicate a definition of workfare as *a welfare approach that uses coercion and rewards to push welfare beneficiaries into the labour market or to require them to participate in certain activities to strengthen their work ethics or to enhance their employability*.

Socioeconomic challenges and workfare in the West

The emergence of workfare in the West needs to be examined from the context of the economic and social changes that have challenged the US and Western

European welfare systems. Their advanced capitalist economies have experienced serious declines in their manufacturing sectors while having to compete with developing economies in a global financial market for international investment. Furthermore, their societies have become characterized by ageing populations and the disintegration of traditional families, which have put the democratic welfare states under considerable financial strain.

Economic changes

Fierce global competition has frustrated the development of Western welfare states since the mid-1980s, as Western governments have found that they can no longer just increase corporate and income taxes to finance expensive welfare programmes and, at the same time, achieve the objective of relatively full employment. This is because capital has become more mobile and international corporations can easily transfer their investments and production lines to developing countries that offer them low taxes and cheap labour. An increasing number of countries with advanced economies have begun to try to reduce their tax rates in order to maintain their competitive positions in the global market. For example, when he was the UK's Chancellor of the Exchequer in 2007, Gordon Brown announced a reduction in corporation and personal income tax rates of 2 per cent, putting the UK's corporate tax rate well below both the Organisation for Economic Co-operation and Development (OECD) and EU15 average (Tax-News.com 2007).

Globalization has had a dramatic impact on the advanced economies' labour markets in addition to having put pressure on their tax revenues. Having high labour costs, Western capitalist states experienced a decline in their manufacturing industries as corporations moved many factory operations to Asia and Africa. The number of workers in the manufacturing sectors of ten major developed economies dropped from 69.7 million in 1970 to 63.7 million in 1992 (ILO 2010). The average unemployment rate in fifteen members of the EU was 10 per cent from 1992 to 1997 (Eurofound 2009).

Although the advanced economies have created new jobs, many unemployed workers have had difficulty being hired for them because of poor education and inadequate skills. The European Centre for the Development of Vocational Training (2010) estimated that the share of jobs that require high qualifications in the EU will increase from 29 per cent in 2010 to about 35 per cent in 2020, and that the share of those requiring low qualifications will drop from 20 per cent to 15 per cent. This means that workers with low skill and educational levels are being excluded from the new labour market.

In the early part of the twenty-first century, 20 per cent of the UK's working population had inadequate skills and were effectively illiterate. Nickell (2003: 104) concluded that the solution to poverty in the new economy is to reduce 'the long tail in the skill distribution'. Similarly, the European Centre for the Development of Vocational Training (2010: 4) pointed out that Europe's occupational structure has been becoming one dominated by jobs requiring