

East Asian Welfare Model and Its Discontents: A Theory of Twin Mismatches in Labor and the Marriage Market

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Abstract

There are many arguments about the “East Asian welfare model” in the field of political economy. This paper, from a different point of view, argues that East Asian societies have had similar economic, political, and social structures; high economic growth; rare administration shifts; and an increasing population. Although these conditions were important prerequisites for their ideal combination of full employment and low social spending, these have been seriously undermined since the late 1990s. Japan, for example, is facing a mismatch in the labor market: excessive demand for “male” labor and a shortage in the demand for “female” labor. This mismatch is coupled with a mismatch in the marriage market—there is a shortage of men with stable income. In this paper, the author proposes a theoretical framework of “twin mismatches.” A shortage of “male” labor implies a shortage of marriage formations; on the other hand, a shortage of marriage formations leads to a shortage of the flexible and cheap labor provided by married women. There are two primary ways to deal with this problem: the public employment of women as typically seen in social democratic countries and the utilization of the global labor market of care workers in liberal countries. Even though these two strategies have their own drawbacks, they have two distinct advantages: relatively high female labor participation and a decent level of birthrate. East Asian societies have to deal with these problems in order to avoid a super-aging society.

Key words: welfare regime, labor market, female labor participation

1 Welfare regime theory and East Asian societies

When people refer to the advanced “East Asian” societies/economies, they usually include those of Japan, Taiwan, (South) Korea, and Hong Kong, Singapore, and mainland China. Since most welfare policies are directed toward problems accompanying industrialization or postindustrialization, it is usually difficult to argue about welfare

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policies for the whole mainland China, where parts of the provinces still have large agrarian populations. If researchers put a lower bound on population size, they are left with just three societies: Japan, Taiwan, and South Korea, if the city states of Hong Kong and Singapore are excluded.

Limiting research to these three societies, however, does not make defining a unique East Asian welfare model any easier, because there are substantial variations in the processes and structures of the development of each of them (Goodman et al.1998).

These three East Asian societies share many structural properties with Western industrial societies. We can without a doubt assert that these three societies are already in the early stages of a postindustrial phase. The percentages of workers in the service industry are 64.8% for Japan, 57.5% for Korea, and 57.1% for Taiwan. Those figures are, for sure, behind those in the United States (78.6%) or Sweden (76.1 %); however, service sector workers are already the main contributors in East Asian economies ¹⁾. Moreover, a relatively low level of various types of welfare provisions is said to be a peculiar trait of those societies (Figure 1) ²⁾.

Although the three societies show some similarities in terms of welfare provisions, there are abundant data indicating the diversity within those societies. Some scholars even argue about the impossibility of defining an East Asian welfare model (White & Goodman 1998). I. Holliday and P. Wilding (2003), on the contrary, argue for an East Asian welfare model. P. Abrahamson (2011) suggests that the various studies that can be categorized as

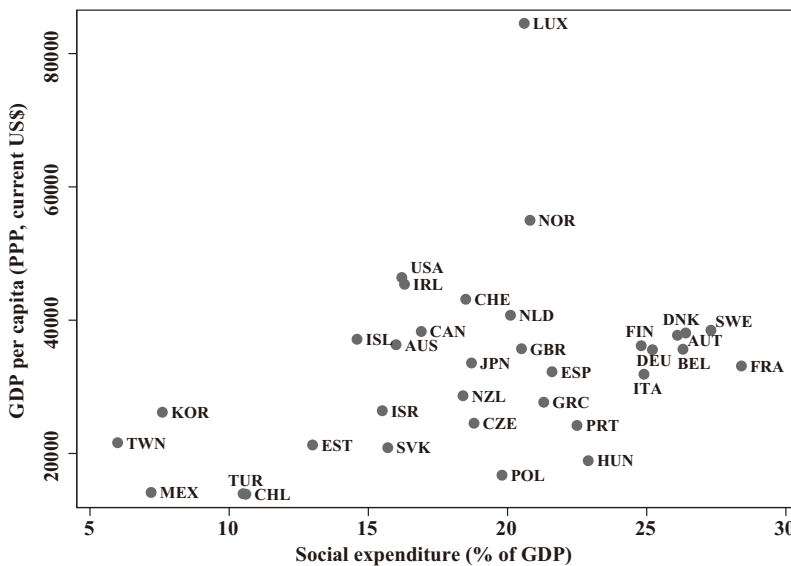


Figure 1. GDP per capita and social expenditure in OECD countries and Taiwan

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a “welfare modeling business” have been trying to capture a moving target: “depending on when in chronological time it is analyzed, different characteristics dominate, and development over time has been very rapid” (Abrahamson 2011).

This paper argues that it is reasonable to think about an East Asian welfare model, not because of policy orientations and how they were formed in each country, but because of social structures and their consequences. The starting point of our argument is that a society cannot be characterized only by political institutions, including welfare policies: policies certainly form social structures, but policies are fundamentally embedded in social structures. These three East Asian societies share important characteristics regarding social structures, such as economy, politics, and demography. Partly because of these characteristics, East Asian societies and other economically developed societies (namely Hong Kong and Singapore) have come to face similar consequences as well. Relatively low female labor participation rate, extremely low fertility rate, and unprecedented numbers of aging people are the major problems these societies will face in the near future (see Figure 2) ³⁾. Describing these three societies in this way, we can effectively discover the challenges they face in the global economy.

As political scientist Esping-Andersen has argued in detail, there are rather complex political conditions that make a particular welfare regime possible (1990, 1999).

Esping-Andersen’s contribution contains two separate interests. One is to explain the development of each welfare regime, especially, the decommodified Nordic regime

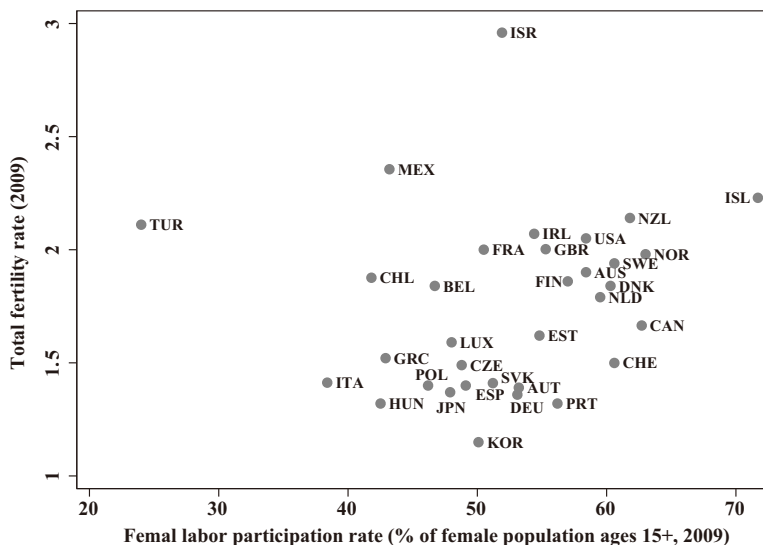


Figure 2. Female labor participation rate and total fertility rate in OECD countries

from the standpoint of the political science. Before his argument became popular, the most prevalent model of welfare state study was the conversion theory (Wilensky 1975). It argues that a nation's social expenditure can be explained by the level of economy and as such, should eventually converge as each country experiences GDP growth. In reality, liberalistic countries responded to the oil shocks in 1970s by cutting the welfare expenditure while some corporatist countries got through by reorganizing wage and employment systems.

The social democratic regime in Sweden was built by the strategic coalition with the farmers union (later the service workers union), because social democratic parties in most rich capitalist countries usually cannot be the majority in their legislatures. A corporatist tradition with relatively integrated labor union organization is another condition to implementing a central wage determination system that reduces the wage disparities and generous government safety nets, the likes of which are typically seen in the Netherlands.

As some scholars put it, East Asian societies have experienced extremely rapid economic growth under relatively undemocratic political regimes. Substantive democratization in Korea and Taiwan started in the late 1980s. Movement toward the democratization of Japan began in the 1950s, but the first serious and sustained administration shift occurred in 2009, when the Democratic Party of Japan took absolute majority in the Lower House and ended the long rule of the Liberal Democratic Party.

Seen from a political angle, the stable but undemocratic administrations in three societies have made the "productivist" consensus among the members of the communities possible (Holliday & Wilding 2003). The productivist regime made economic growth the top priority, and such priorities can lead to low levels of social spending. Characterizing East Asian societies as either productivist or developmentalist regimes is partially supported by empirical data analysis (Lee & Ku 2007); therefore, this paper basically takes on this characterization of welfare societies. In the next section, this model is extended to interpret the problems these three societies are facing.

2 Prerequisites and challenges of the East Asian welfare model

The politics of an East Asian welfare model are closely related to other aspects of those societies. From the economic point of view, what mediates the productivist policies and consensus on low social spending among citizens is full employment backed up by high economic growth. Such policies work as long as there is stable employment, especially for men.

The other important factor that affects minimal social spending policies is the

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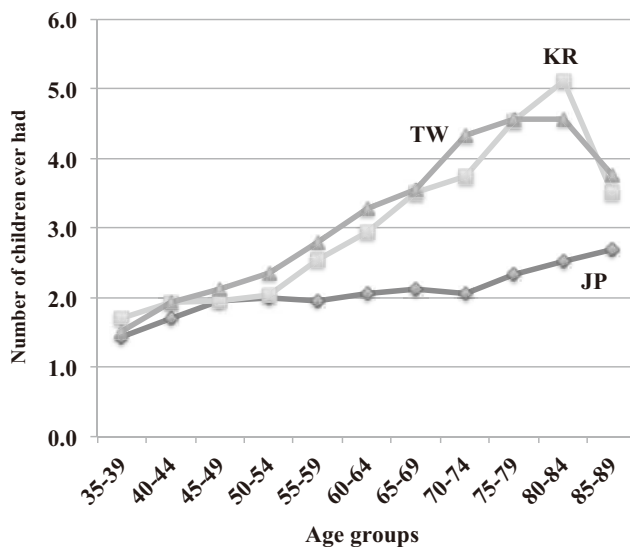


Figure 3. Total number of children per adult ⁴⁾

demographic condition of those societies (Bloom & Finlay 2009). In Korea and Taiwan in particular, members of society have been able to take advantage of population growth. Figure 3 shows the average number of children by age group in three East Asian societies. Adults in Korea and Taiwan have three children or more, on average, although the number is decreasing due to an extremely rapid fall in the birthrate.

The number of children and the rich provision of welfare by family have been mediated by another structural properties in East Asian societies: the sexual division of labor. Sexual division of labor is seen in almost all advanced societies, but that in East Asian societies remains highly distinct. The typical “male breadwinner model” is seen in Japan and Korea, where the men with full-time employment are supported by housewives or part-time female workers.

In sum, there are three important prerequisites for the East Asian welfare economies to work effectively with relatively low social spending by governments (see Figure 4). First, high economic growth has led to low social spending through securing full employment, especially for married men. Next, developmental dictatorship (in Korea and Taiwan) and rare administration shifts in Japan have provided the national consensus for low social spending, in so far as governments were able to commit to the productivist policies. Last, the relatively young population composition has been able to achieve family dependent welfare provision, which is made possible by the sexual division of labor.

Are these East Asian societies able to sustain those conditions? Not likely, because the economic slowdown of advanced economies has been a global trend. Japan, which was

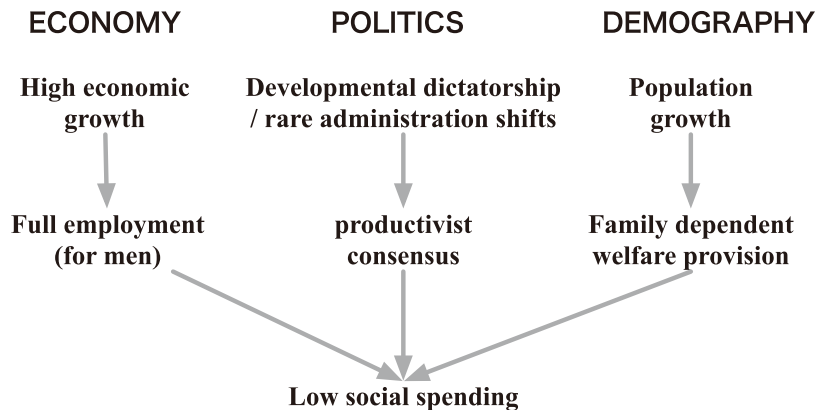


Figure 4. The prerequisites of an East Asian welfare model

able to maintain modest economic growth, even after the oil shocks, has been experiencing a serious economic downturn (the “lost decade”) since the bubble burst in 1991. Although on a different level, economies in Korea and Taiwan suffered damage from Asian economic crisis in 1997.

Partly because of the high economic growth and national commitments to full employment, the levels of unemployment in the three economies were quite low compared to those in advanced Western nations. Until the late 1990s, the Japanese economy had maintained an unemployment rate lower than 3%, while those in Western economies were 6% to 12%. In the 2000s, the unemployment rate in Japan moved around 5%, much closer to those in other OECD economies. The unemployment rate in Korea showed a sharp rise after the Asian economic crisis, but it recovered in the 2000s. In Taiwan, the unemployment rate during late 1980s and early 1990s was lower than 2%, but it has moved around 5% since 2010.

The rising unemployment rate has led to greater pressure to increase generous social spending, whereas worsening economies mean limited national budgets. The politics in the three East Asian countries do not seem to help. “Politics of welfare retrenchment” (Pierson 2000, 1996) appears in a unique way in East Asian countries. Japan, Korea, and Taiwan, since the World War II, were long without a “normal” democracy. Even though Japan has had a relatively longer period of democracy, it had not experienced a serious power shift until 2009, when the Democratic Party of Japan took the administration from the Liberal Democratic Party. Moreover, immaturity of democratic argument in East Asian societies might result in the lack of clear political debate over the regime choice. That is, political discourse tends to hover around nonessential topics rather than a more substantial discussion over what type of society we are heading: a social

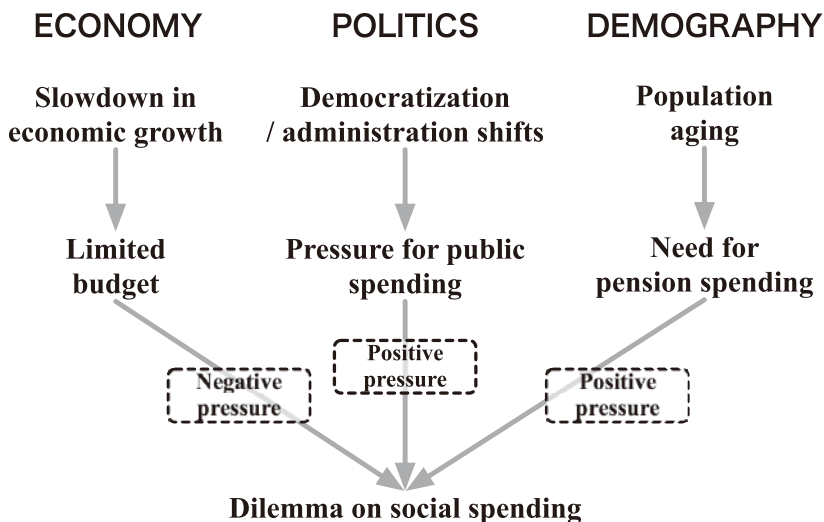


Figure 5. The challenges of an East Asian welfare model

democratic or a liberal society, for example. Without those discussions, politicians are more likely to propose profligate policies and thus, a serious budget deficit (at least in Japan).

In sum, all three structural conditions that have made East Asian productivist welfare policies possible are now seriously undermined (see Figure 5).

3 “Twin” mismatches: The labor market and the marriage market

East Asian societies are facing two major problems that are both closely related to the dilemma on social spending we discussed in the previous section: slowdown in the economy and extremely low birth rate. To be sure, economic performances are different in each society: Korea and Taiwan are able to keep a relatively better economic growth rate than that of Japan.

To the extent that the “Japan disease” is caused by exogenous factors, such as failed financial interventions and resulting deflationary economics, other East Asian economies will be able to avoid the problem.

Nevertheless, there is a plausible reason why we should think that the problem in Japan might appear in other East Asian societies in the future. In general, the shortage of labor demand can be explained mainly by two factors: the cyclical one that is determined by economic boom and bust, and the structural one, which is the mismatch in labor market. If the mismatch in labor market in Japan can be explained by structural factors

that other societies share (or are going to share in the future), those societies will face the same problem.

It is oftentimes argued that shortage of supply of stable jobs (especially ones with constant wage increase) is the principal factor explaining the delaying of marriages and the decrease in birth rate. In other words, the deficient supply of “male breadwinners” is the main cause of the decline in marriage formation. If this were the only problem, economic recovery would be a perfect solution. This is clearly not the case, because the delaying of marriage and lowering birthrate are more serious in Korea and Taiwan than in Japan: whereas, in the former two societies, the economies are much better than that of Japan.

A possible reason would be that there is another factor for the delaying of marriage: increasing opportunity cost of marriage and childbirth for women. This view is basically supported by empirical study using macro data from the OECD countries (Yamaguchi 2009). In Japan, however, women’s growing labor participation backed up by their ever higher educational qualification levels has never been a “major” factor in marriage decrease (Kato 2011). Whether or not this also applies in Korea and Taiwan is an open question, which is not addressed in this paper.

This study proposes another way of looking at the problem, which is to reverse the cause and the effect. A familiar argument on the relationship between economy and marriage is that the former determines the latter. In an economy where traditional sexual division of labor prevails, at least one member of the household has to have a stable income in order to form and sustain a marriage. Shortage of supply in stable jobs in the labor market explains the decrease in marriage rate. In Japan, however, part of the labor market mismatch may be explained by a declining number of marriages.

Figure 6 and 7 show an aspect of the labor market mismatch in recent Japan. Figure 6 has three types of data: the number of total effective job offers (except for those made to recent college graduates and for part-time jobs); the ratios of job offers in manufacturing, construction, and mining industries; and the ratios of job offers in medical and welfare industries⁵⁾. We can easily see that job offers in “male-dominant” industry have decreased sharply while the medical and welfare industries have constantly ramped up their job offers.

Figure 7 also gives three sets of data: total ratio of job offers to applicants, ratio for medical occupations, and ratio for welfare specialist (except for recent college grads and part-time workers). Although the total ratio never exceeded one, the number of supply of welfare professions has been exceeding the demand for the same jobs. The shortage of medical professionals is quite serious in Japan, in part because of the aging population.

What hampers the smooth transition of the labor force from secondary (mainly

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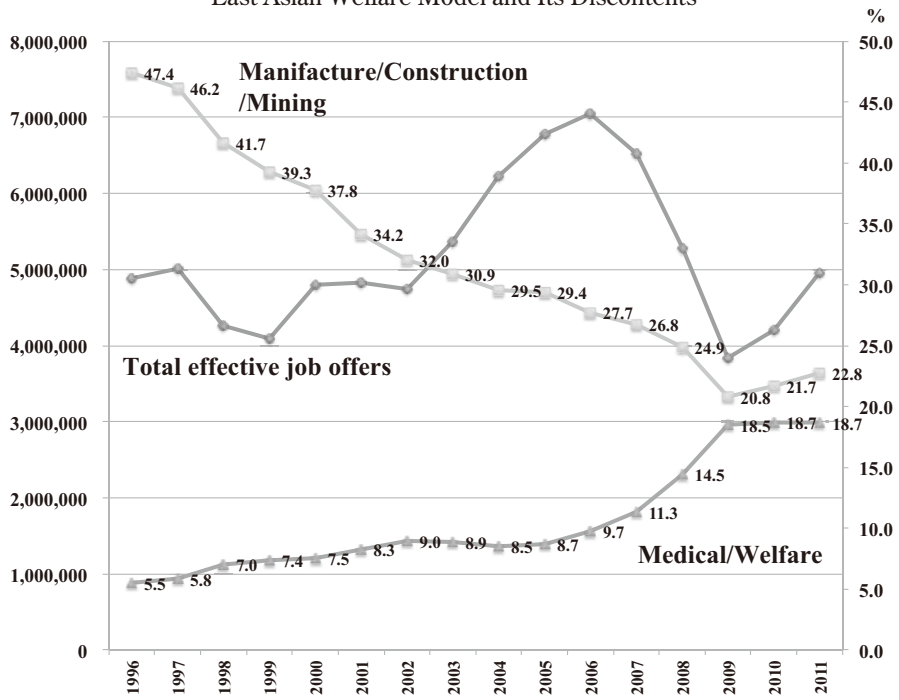


Figure 6. Ratio of job offers in two industries

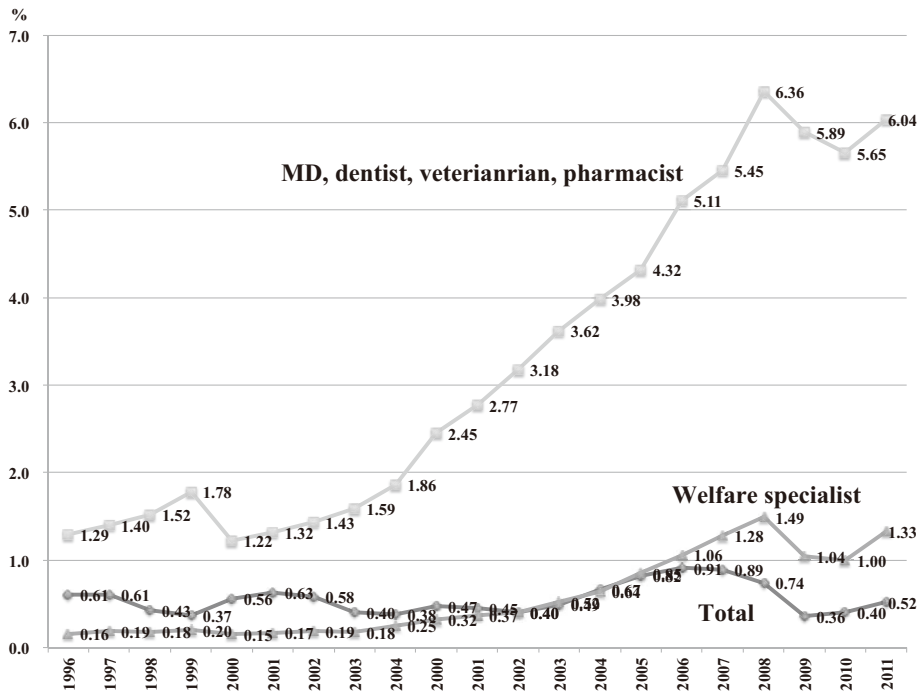


Figure 7. Ratio of job offers to applicants

manufacturing) industry to welfare service industry? One possible explanation is difficulties in the formation of required skills, but a more likely hindrance is the difference of wages and stability of jobs in each sector. The welfare industry is a typical labor intensive sector, where improvements of efficiency are difficult to realize, and, thus, the productivity is essentially low. In addition, the consumption of welfare services is not like the consumption of electronic appliances, because welfare services are more or less mandatory treatments based on basic human rights. Most people in advanced economies are enjoying cheap TV sets and cell phones provided in the private sector. Whereas, no advanced societies have been successful at providing enough caring services within the private sector.

Advanced societies so far have three patterns regarding the provision of welfare labor. One is the labor supply from migrant workers, that is, the global care chains (Yeates 2009; Cangiano et al. 2009). In the United States and Canada, migrant workers from countries such as the Philippines are a major source of welfare labor. The second is the provision by the public sector typically seen in Nordic countries. Because of the wage equalization policy in those countries, the income levels of public welfare workers are not as low as those in Japan. The third strategy is the use of economically dependent workers, which is typically seen in Japan. Dependent workers have at least one main breadwinner with a stable income in the same household (in many cases, the husband or parents), and, therefore, their own income does not have to be big enough to sustain a household.

The point in this view is that, in male-breadwinner societies, the labor supply for low-wage jobs is constrained by the supply of middle- or high-wage jobs. In order to work in the low-wage sector, a worker needs at least one breadwinner in the same household. A young single man will not want a job with no prospect of advancement and will continue the (sometimes desperate) job search. A young single woman may choose a low-wage job, with the hope of finding a man with a stable income, while living with her parents.

Thus, the twin mismatches. Couple formation is stymied by the shortage of stable jobs, the consequence of which is the mismatch in the marriage market. In contrast, supply of low-wage jobs is restricted by the short supply of dependent (married) workers.

4 Updating the theory of “incomplete revolution”

Esping-Andersen’s recent monograph (2009) proposes the concept of “incomplete revolution.” This reflects the fact that his current focus is on the family and the sexual division of labor. His basic argument is that families in some postindustrial societies are in serious dysfunction. If a society imposes women a choice between occupational career and family life, it is likely to lapse into a state of “sub-equilibrium,” because the society cannot

utilize the labor power and human capital of women.

This paper adds a contribution to this subequilibrium theory by proposing a theory of the twin mismatches of labor and marriage market. Postindustrial economies, although in various degrees, have to solve the problem of provision of welfare services. This is a problem because welfare industry is essentially labor intensive and has a high-cost structure. Therefore, an advanced society has to provide welfare services in spite of its high cost, either through the private economy or through the public sector, in order to sustain a proper welfare level and promote female labor. There are three major strategies: introduction of low-cost migrant care-workers, infusion of public subsidiary to domestic welfare workers, or use of domestic dependent workers.

The drawback of the third strategy, the use of dependent workers, is apparent. First, the provision of welfare labor supply is constrained by the provision of stable jobs, because dependent workers need a family member with a stable job in order to maintain their lives. This strategy is not likely to work in an era of decelerating growth. Second, it disrupts family formation because low-wage workers have difficulty in finding a mate unless the economy provides stable jobs, at least for half of the young labor population.

The three strategies are loosely related to the Esping-Andersen's welfare regime typology (1990, 1999). The present study argues, however, that the problem of the twin mismatches is more likely to be prominent in East Asian countries, especially in Japan and Korea, because these countries will have special difficulty in adopting either the first (migrant worker) or the second (generous public subsidiary) strategy. International migration stocks, the percentage of cumulative migrants (those who were born outside the country) compared to the total population, for Japan and Korea are 1.56% and 1.14%, respectively, and these are the lowest proportions among the OECD countries⁶⁾. The conservative countries in Western Europe accept more migrants (12.6% in Germany and 10.3% in France) and are supposed to be less allergic to the idea of public provision of welfare workers.

The sustainability of the first and second strategies is another problem deserving further consideration. The global equalization of income level, if any, might make it difficult to count on the global care chain. In order to maintain the second strategy, in contrast, a government needs stable revenue, which is not possible without substantial growth in the private sector. That said, these two strategies so far have the advantage, for they can avoid the traps of low birthrate and the consequent super-ageing that are undermining the East Asian societies.

Notes

1) These data are from the ILO LABORSTA (2012) and statistics in 2008, except for those for Japan (in

- 2002).
- 2) GDP per capita is from the World Bank Worldwide Development Indicators (WDI). Social expenditure is from the OECD social expenditure database. Both data are those of 2007. The social expenditure of Taiwan is from C.-C. Lee & C.-P. Chang (2007), and the data are from 2001.
 - 3) Data are from the World Bank WDI.
 - 4) Data are from the East Asian Social Survey (EASS2006), which is based on the Chinese General Social Survey (CGSS), Japanese General Social Surveys (JGSS), Korean General Social Survey (KGSS), and Taiwan Social Change Survey (TSCS), and is distributed by the EASSDA.
 - 5) The data for job offers in the medical and welfare industries before 2004 include those in education, and, therefore, the actual ratio should be little smaller.
 - 6) The data are those from 2005 and from the World Bank WDI. The only country that has a lower ratio of migration stock is Mexico, a major migration provider.

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