

Joint UNDP–UNRISD Working Paper

## **Diversity in Moving Towards Integrated, Coordinated and Equitable Social Protection Systems**

*Experiences of Japan, the Republic of Korea,  
and Taiwan, Province of China*

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January 2015

Prepared for the UNDP project on Establishing an Integrated, Equitable and  
Inclusive Social Welfare System in China

## **Acknowledgments**

This working paper received inputs from Jackie Hoi-Wai Cheng (UNDP China), Lisa Caiying Xu (UNDP China), and Elizabeth Koechlein, Luis Hernán Vargas Faulbaum, Barbara Walter, Emilia Toczydlowska and Elena Camilletti (UNRISD).

The paper was commissioned by the China country office of the United Nations Development Programme (UNDP) for its joint project “Establishing an Integrated, Equitable and Inclusive Social Welfare System in China” with the Development Research Center of China’s State Council.

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## **Acronyms**

### ***Japan Case Study***

CEFS	Council for the Estimation of the Fee-for-Medical Service in Social Insurance
CSIMCC	Central Social Insurance Medical Care Council
CSIMCC	Central Social Insurance Medical Care Council
EHl	Employees' Health Insurance
EPI	Employees' Pension Insurance
ESO	The Education System Order
GMHI	Government-managed Health Insurance
MoE	Ministry of Education
MoHLW	Ministry of Health, Labour and Welfare
MoHW	Ministry of Health and Welfare
NHI	National Health Insurance
NP	National Pension
SMHI	Society-managed Health Insurance
SSC	Social Security Council

### ***Republic of Korea Case Study***

BOAPA	Basic Old-Aged Pension Allowance
CSM	Contribution to School Management
ELCI	Elderly Long-term Care Insurance
MoHW	Ministry of Health and Welfare
NBLSS	National Basic Livelihood Security System
NHI	National Health Insurance
NHIC	National Health Insurance Corporation
NPI	National Pension Insurance
NPP	National Pension Plan
USAMGIK	United States Army Military Government in Korea

### ***Taiwan, Province of China Case Study***

CEPD	Council for Economic Planning and Development
CLA	Council of Labour Affairs
DPP	Democratic Progressive Party
GEI	Government Employees' Insurance
LI	Labour Insurance
NCHE	Negotiation Commission on Health Expenditure
NHI	National Health Insurance
NPI	National Pension Insurance
OAA	Old Age Allowance
WAAF	Welfare Allowance for Aged Farmers

## Abstract

This paper aims to draw lessons that may help address issues of fragmentation in welfare systems in China and other countries. To do so it reviews how Japan, the Republic of Korea (ROK), and Taiwan, Province of China, established their welfare systems. In particular, it examines how they dealt with fragmentation in government provision of welfare benefits and social services in the areas of primary health care and medical insurance, compulsory education, social assistance and basic pension programmes.

Research on these three East Asian cases shows that there are many similarities in their social policies in terms of the influence of the Second World War's historical legacy on their welfare institutions, and how rapid industrialisation also affected the shape of these institutions. All three considered poverty an "economic structural problem" to be solved through private employment rather than public assistance, and social policy was understood as both a short-term strategy to legitimise political power and as a pre-emptive measure to contain the problems of industrialisation. Also, while all three cases have been struggling with increasing inequality over the past two decades, they performed well in terms of poverty and inequality reduction up to the 1990s.

Based on the analysis of these experiences, this paper challenges the assumption that a welfare state is a luxury that can only be built after reaching a certain level of economic development. It also notes that the content, nature and timing of public sector provision of different welfare services and transfer schemes are affected by the historical institutional infrastructures specific to each of the welfare schemes. Seen in this light, each scheme is distinct in terms of the actors, processes and institutions involved. The paper therefore questions the ability of the welfare regime approach to explain the development of welfare states in different countries and regions, as such an all-encompassing approach may well mask variations across the different sectors within a welfare state.

The paper also points out that interactions among different welfare schemes may create structural isomorphism, in the sense that similar levels of integration/fragmentation can be observed across different welfare schemes in each country or region. While it is difficult to draw lessons on the sequencing of integration of fragmented welfare schemes, the experiences of ROK and Taiwan show that schemes which were financially unstable or internally unequal were the first to be integrated. However, fragmentation of welfare schemes does not necessarily preclude universal coverage. The two features can still be compatible when there is a set of institutions to create institutional complementarity and maximise synergies between fragmented welfare schemes.

Last but not least, the role of government as a mediator and coordinator among different interests is key to welfare reform. It is complemented by private sector and civil society organisations, which also play a crucial role in the process, through improving welfare accessibility and translating public demand into policies.

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## Introduction

China's fragmented social protection system, with its significant coverage gaps and high administrative costs, is not unique, considering advanced welfare states' experiences in their early stages of welfare system development. For instance, many Scandinavian countries have had a number of insurance schemes for a vast range of occupationally differentiated social strata, which were diminished as welfare states expanded (Kangas and Palme 2005). However, a national unified system was not the automatic result of this expansion, but rather of consistent policy efforts to address the problems of fragmentation. These include conflicts and tension over who should get what, which tier of government should regulate and administer the system and who should bear the costs. These countries' distinctive political, economic and social institutions identified and generated solutions to social problems, and shaped the diverse ways they phased out fragmented schemes and established a nationwide system. However, they are diverse in terms of their impact on poverty and inequality. Some are highly universal and egalitarian, while others are universal but stratified, as Esping-Andersen (1990) describes with social democratic and conservative models. This observation immediately raises important questions for policymakers struggling with the problems of welfare provision's fragmented systems, for example: what were the institutional features of these systems that overcame fragmentation in welfare provision? What were the key institutions facilitating the fragmented system's transition into an integrated and coordinated system? How can a system be unified without sacrificing equality?

To answer these questions, this chapter reviews and extracts lessons from the experiences of Japan, the Republic of Korea (ROK) and Taiwan, province of China in building up their welfare systems. In particular, it addresses how they dealt with fragmentation in state provision of welfare benefits and social services in the areas of primary health and medical insurance, compulsory education, and social assistance and basic pension programmes. Research on state provision of social benefits and services in these three East Asian countries or regions have found many similarities among their social policies. First, the historical legacies of the welfare provision systems, in particular in the areas of health and education established under Japanese imperialism, have had a significant influence on post-war welfare institutions. Second, the institutions, actors and processes of rapid industrialisation have affected the shape of welfare institutions. Third, poverty was considered an "economic structural problem" to be solved through private employment rather than public assistance, and social policy was understood as both a short-term strategy to legitimise political power and as a pre-emptive measure to contain the problems of industrialisation (Ku 1995; Kwon 1999; Manow 2001; Peng 2005; Yi 2007). Fourth, although all three cases have been struggling with increasing inequality over the last two decades (Chung 2014; Jones 2007; Vere 2005), until the 1990s they had performed well in terms

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