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The State of Welfare in the Asia-Pacific

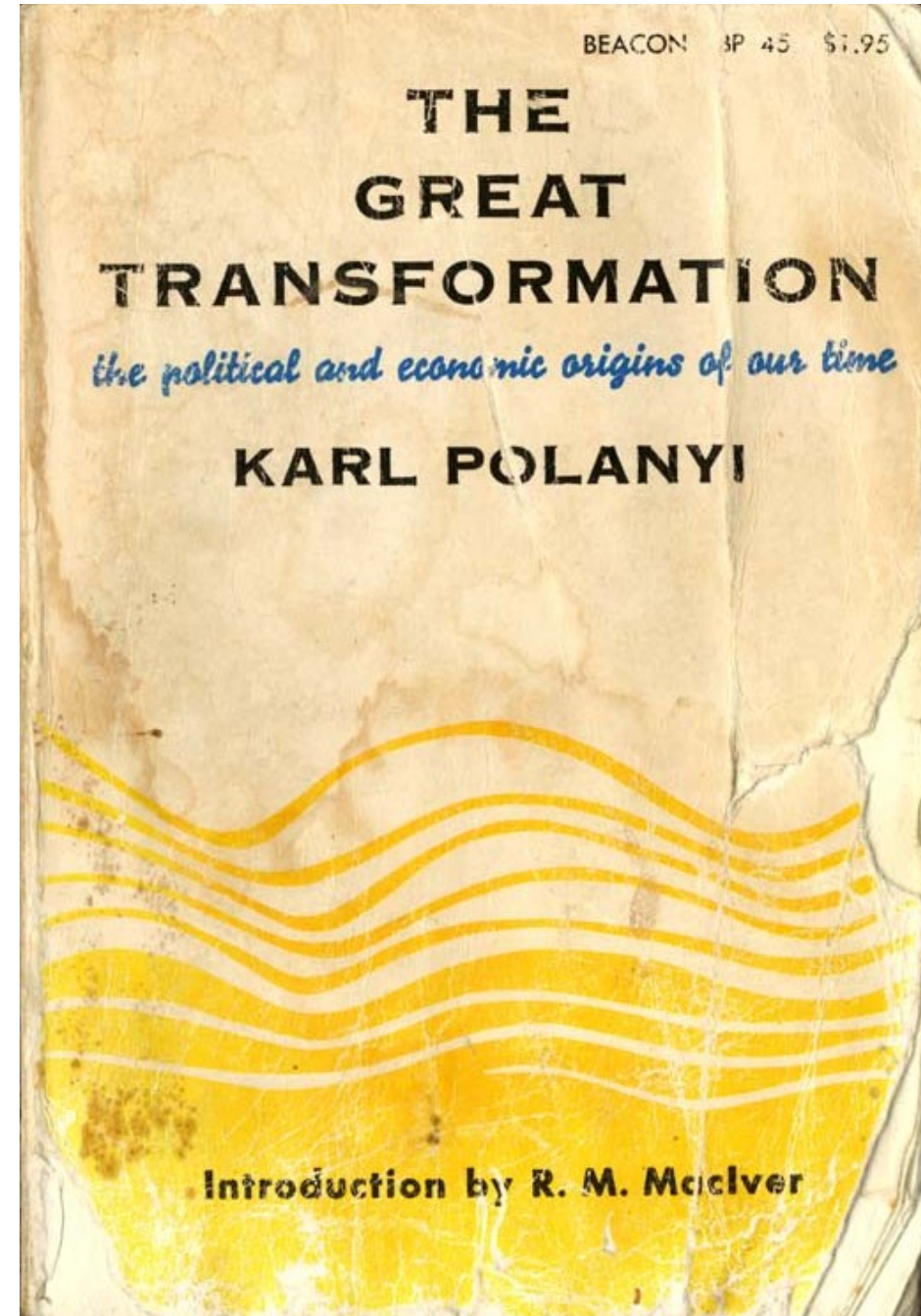
Towards More Inclusive Development

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Outline

1. Learning from Polanyi's historical insight
2. What is the core of the welfare state?
3. Comparing PECC members with EU members
4. Bottlenecks in welfare state extension

Karl Polanyi's *The Great Transformation* (1944)



Polanyi's historical insight

- * Labor is another name for human beings, not a pure commodity.
- * Labor market without *social protection* brings human degradation.
- * Free trade without *social protection* might cause disasters.
- * *Social protection* is indispensable for sustainable economic growth.

Why do we need *social protection* ?

▶ Polanyi (1944):

“The strain which sprang from unemployment might induce foreign tension. In the case of a weak country this had sometimes the gravest consequences for its international position. Its status deteriorated, its rights were disregarded, foreign control was foisted upon it, its national aspirations were foiled. In the case of strong states the pressure might be deflected into a scramble for foreign markets, colonies, zones of influence, and other forms of imperialist rivalry.”

Difference between East and West

- * Bretton Woods enabled Western countries to form *welfare states*.
- * Many Asia-Pacific countries relied instead on family.
- * Now it is time to upgrade *social protection* in the Asia-Pacific region.
- * While it is a national responsibility, it is also an international concern.

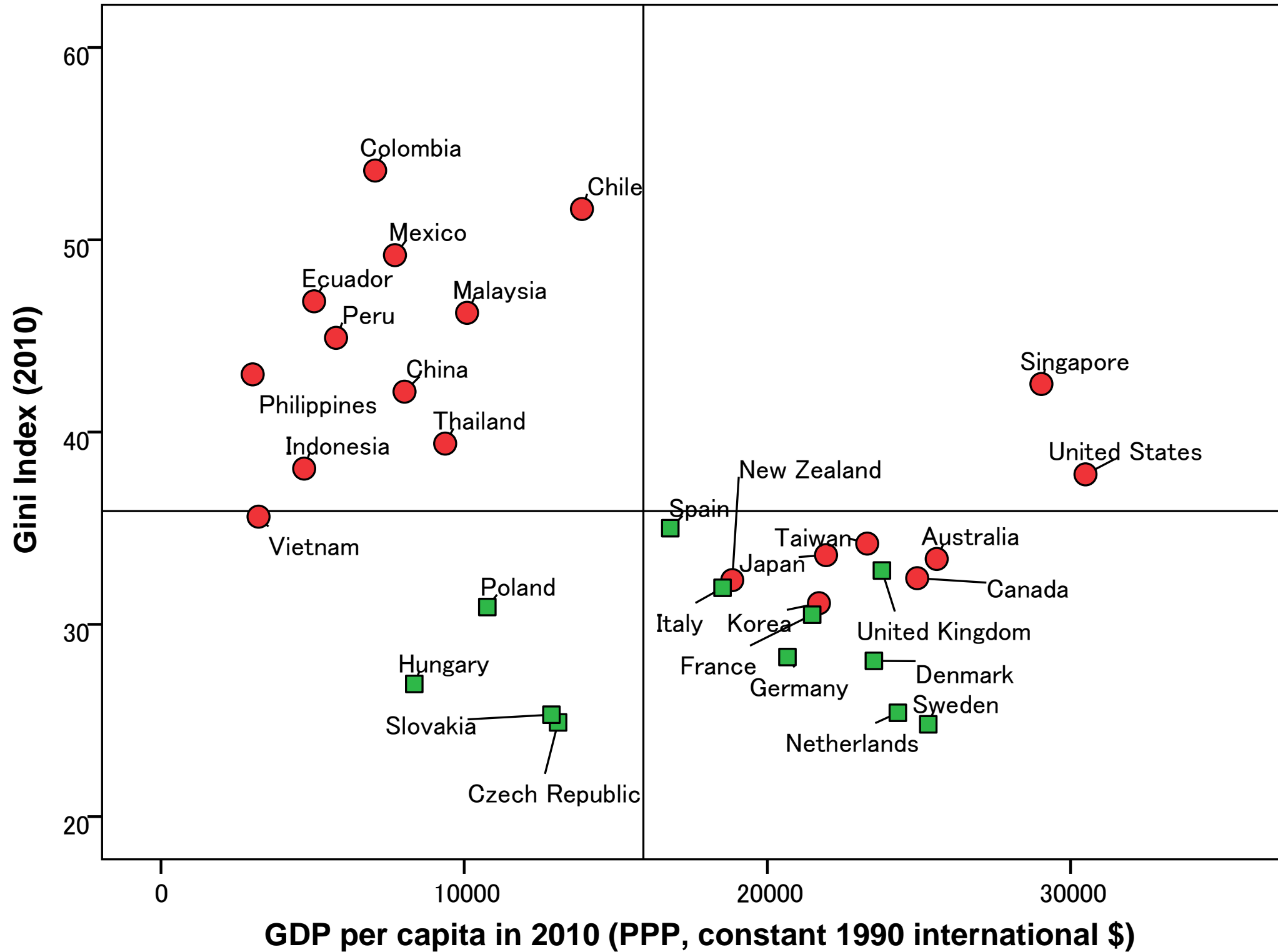
In the countries of the Asia-Pacific region...

- * In a developing country, the absence of effective *health insurance* drives patients' families into bankruptcy.
- * In a newly developed country, the individualization of family members without sufficient *pension* increases old-age poverty.
- * In an advanced country, women's labor force participation without sufficient *childcare* causes extremely low birthrates.

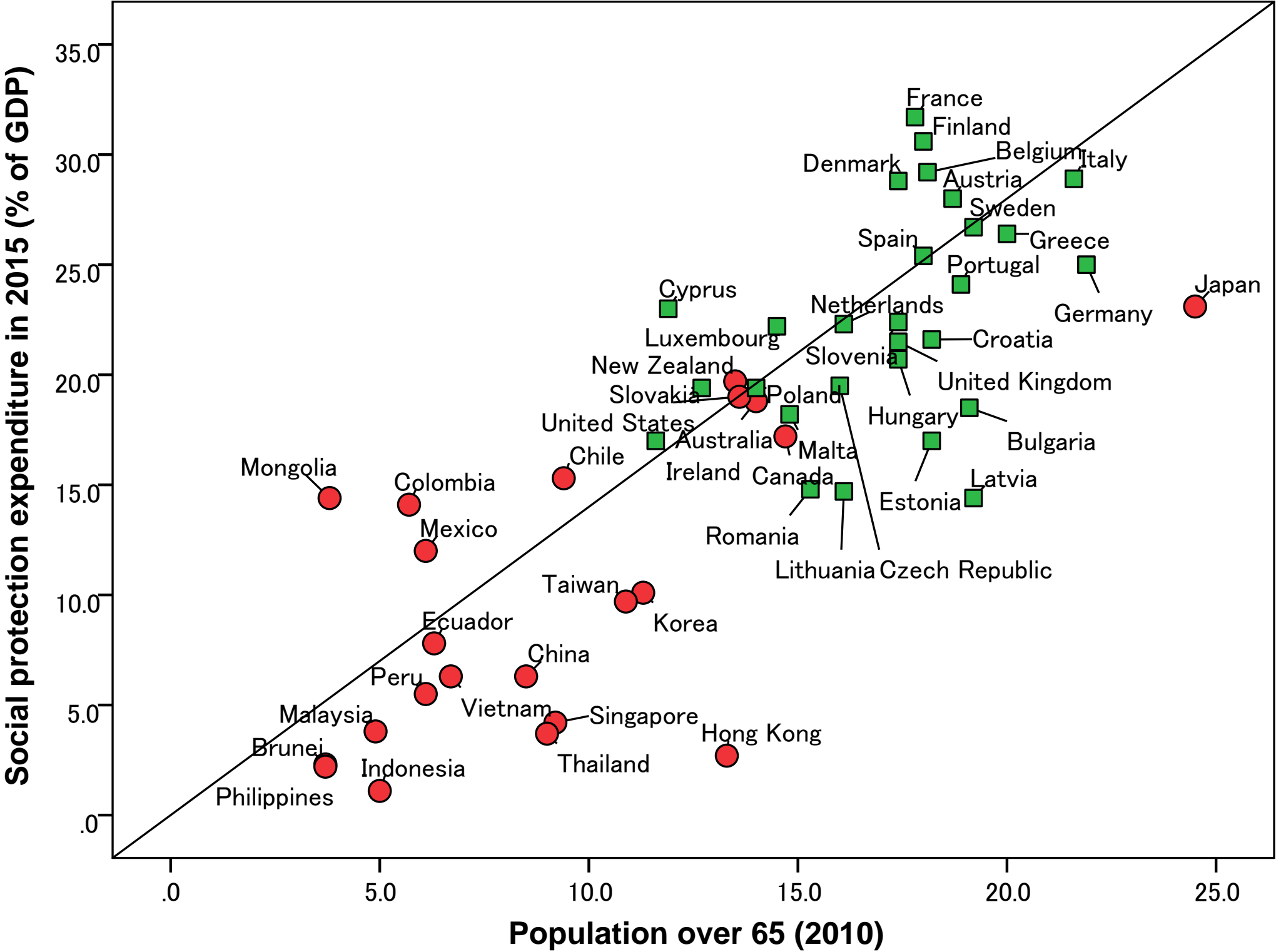
Now it is time...

- ▶ Amb. Don Campbell and Amb. Tang Guoqiang (2017):
“It is a timely reminder that free and open trade is a means to an end and not the end in itself. Free trade is neither a panacea nor is it the problem. We are conscious that there is much more work that needs to be done to open markets—but this must be complemented with other policies, including improving connectivity and effective social policies.” (Message from the co-chairs of PECC, *State of the Region 2017-2018*.)

Economic development and inequality



Population aging and social protection expenditure



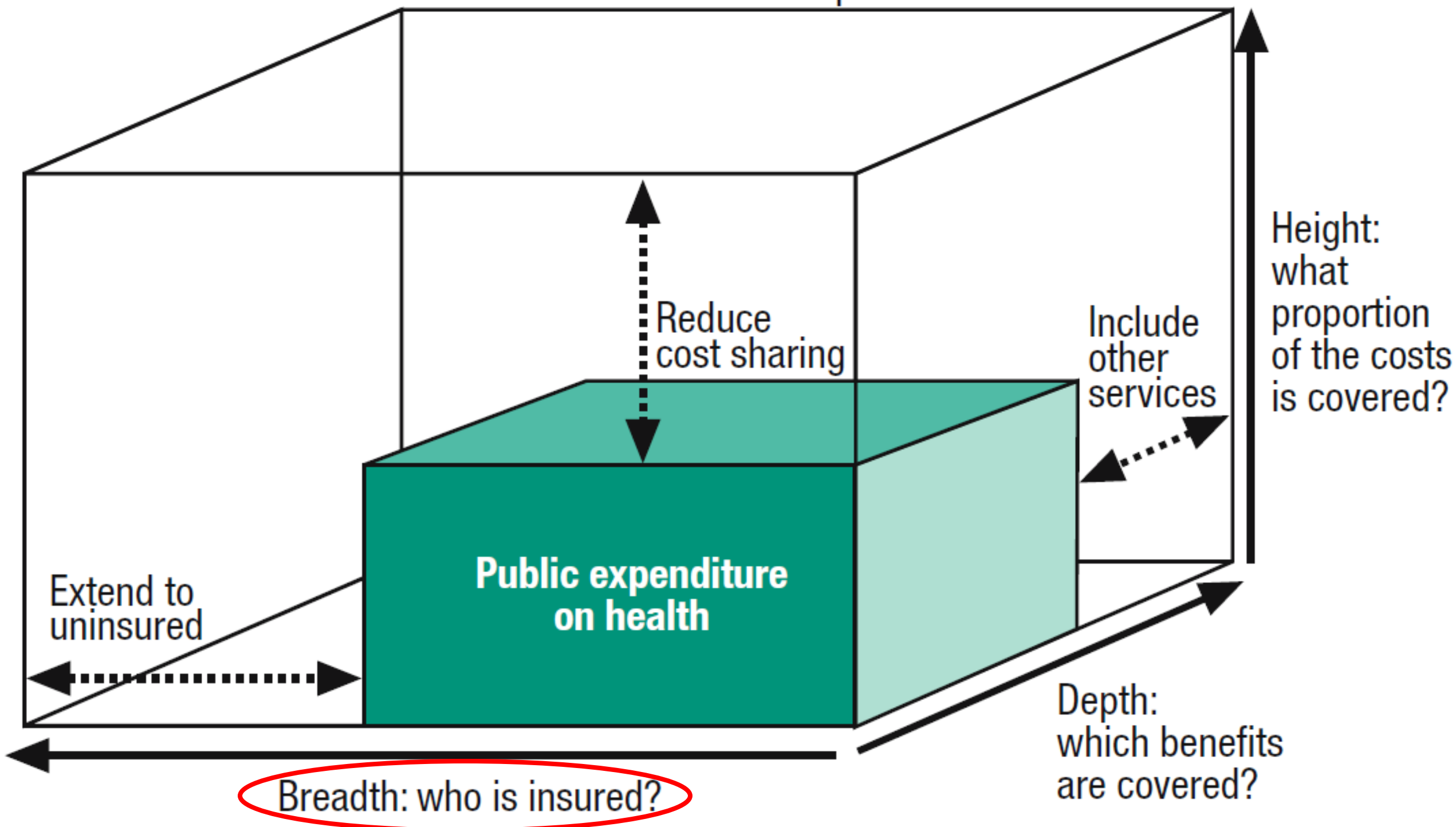
What is the *welfare state*?

- ▶ **Wilensky**: social expenditure as % of GDP
- ▶ **Esping-Andersen**: decommodification
- ▶ **Room**: decommodification for self-development

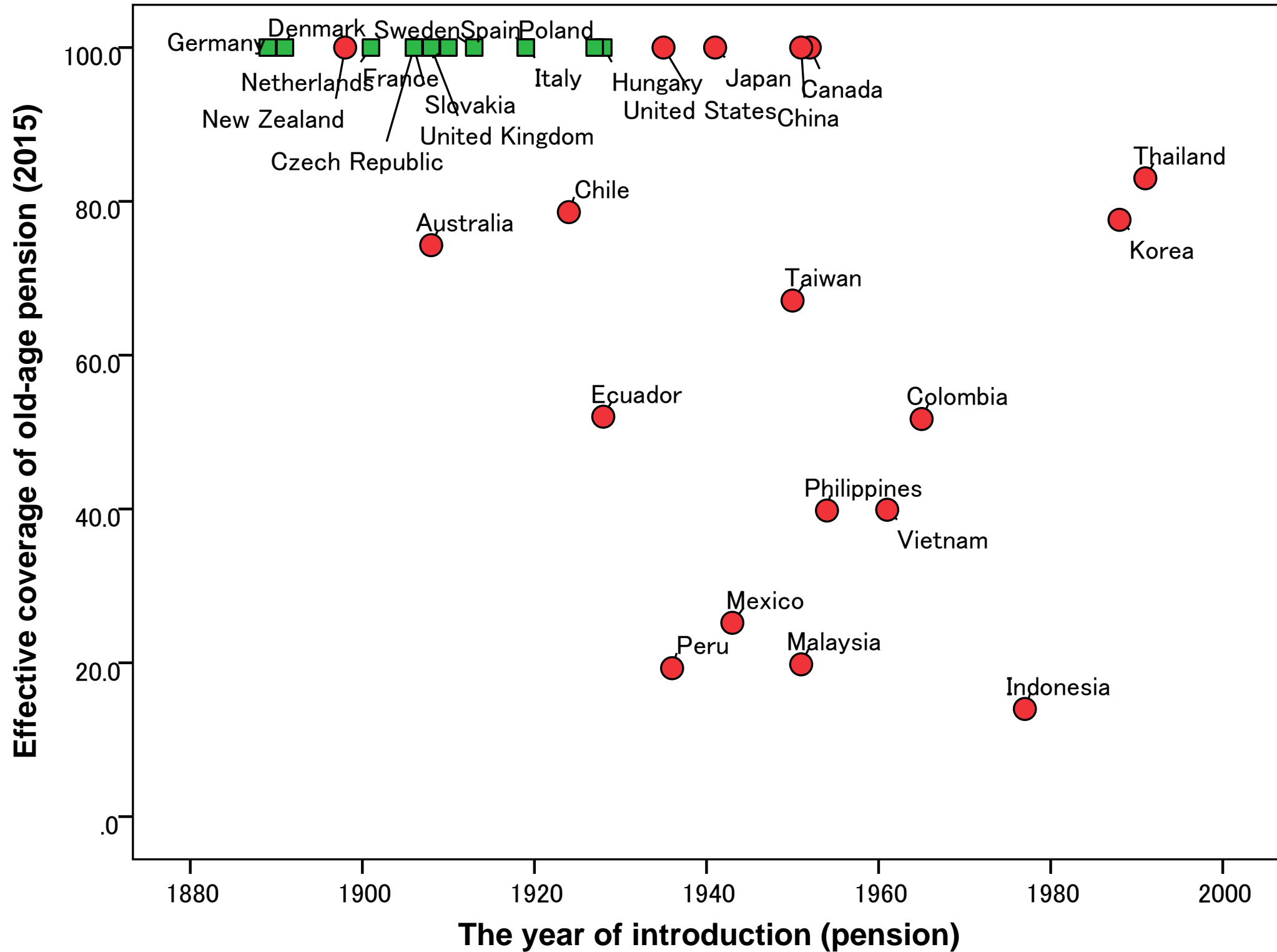
- ▶ The definition of *welfare state* depends on one's normative judgment. I place the most importance on coverage (the breadth of the WHO's cube), based on the idea of citizenship.

The WHO's Cube

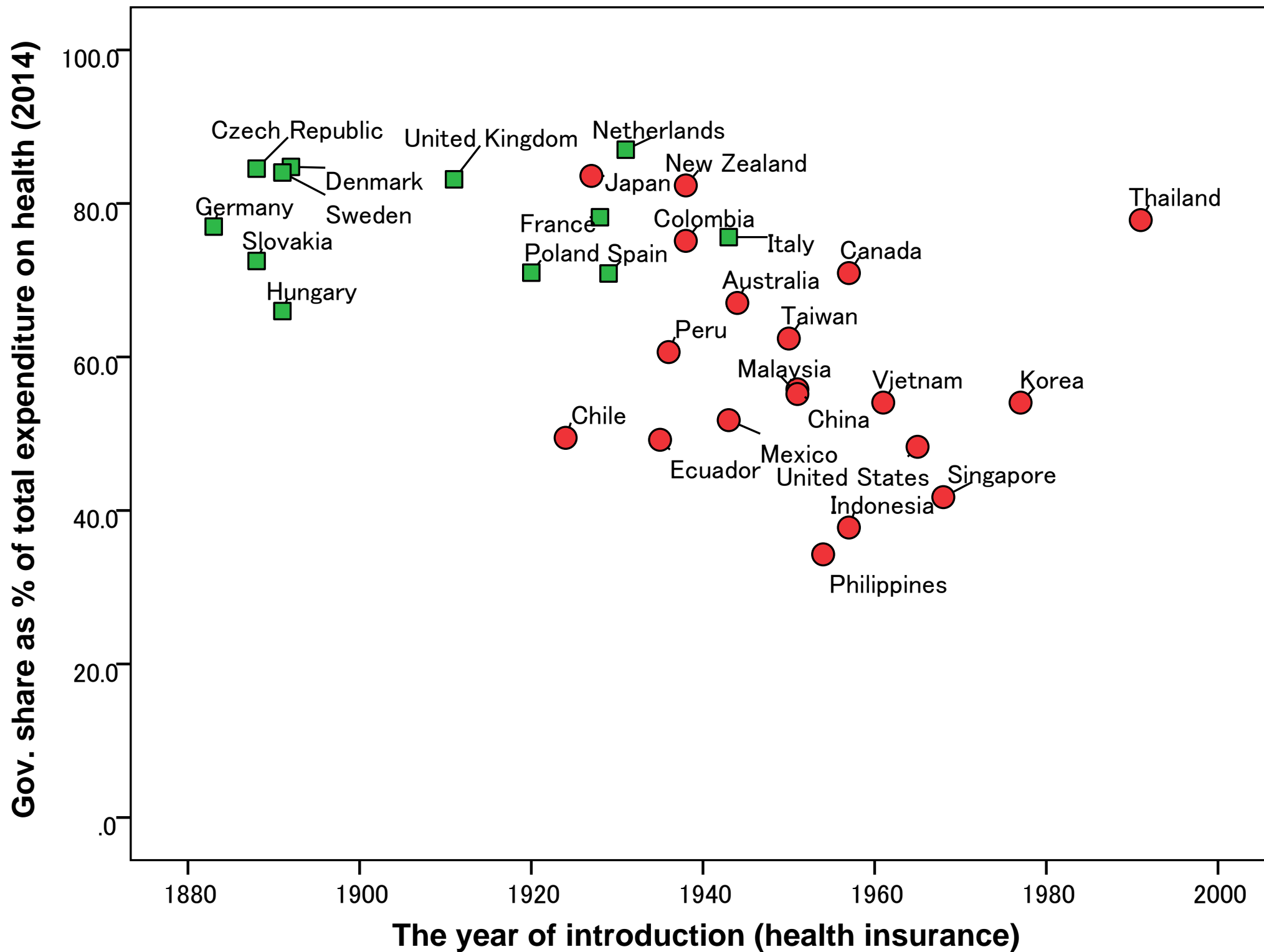
Total health expenditure



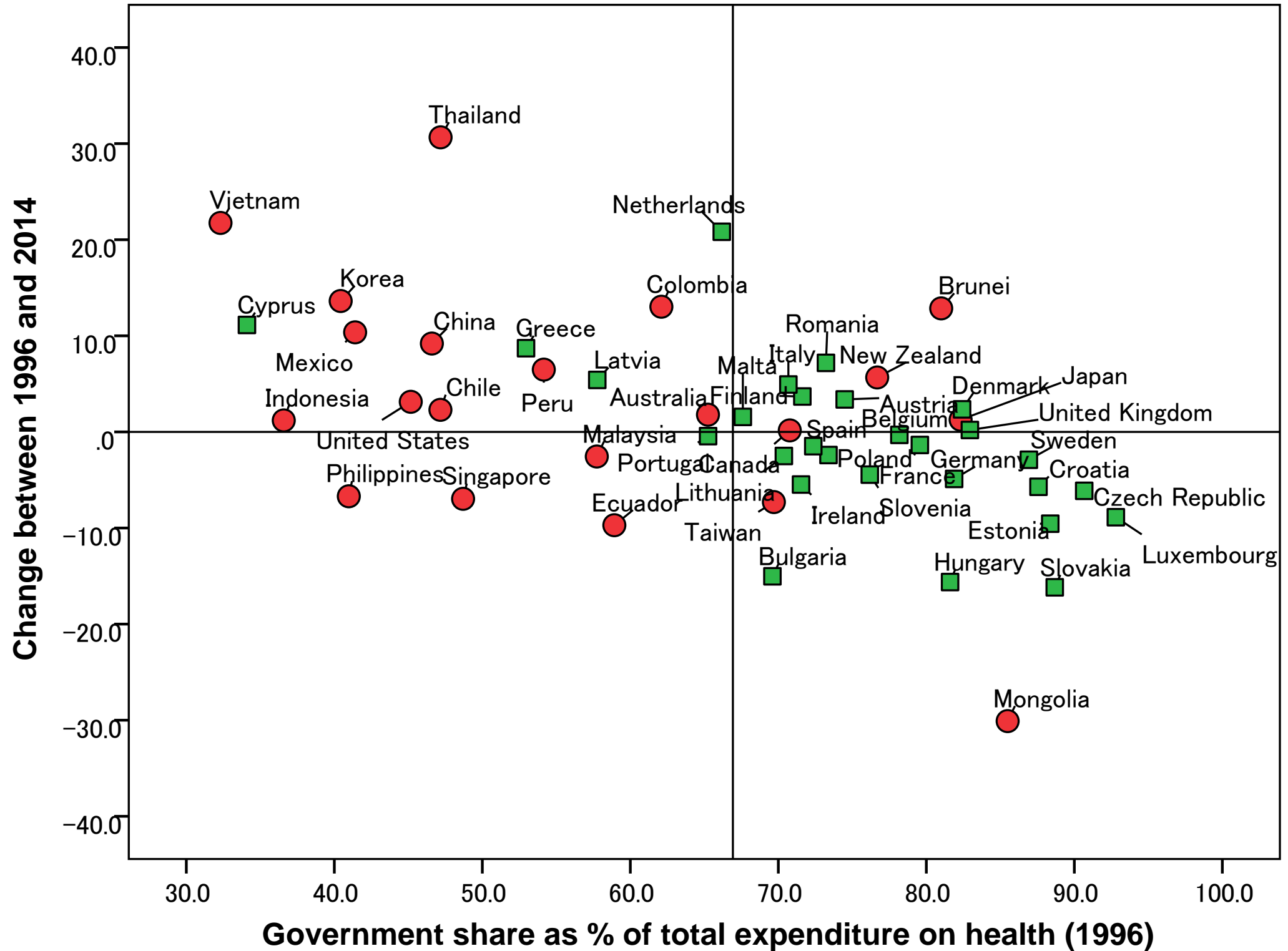
Coverage of pension



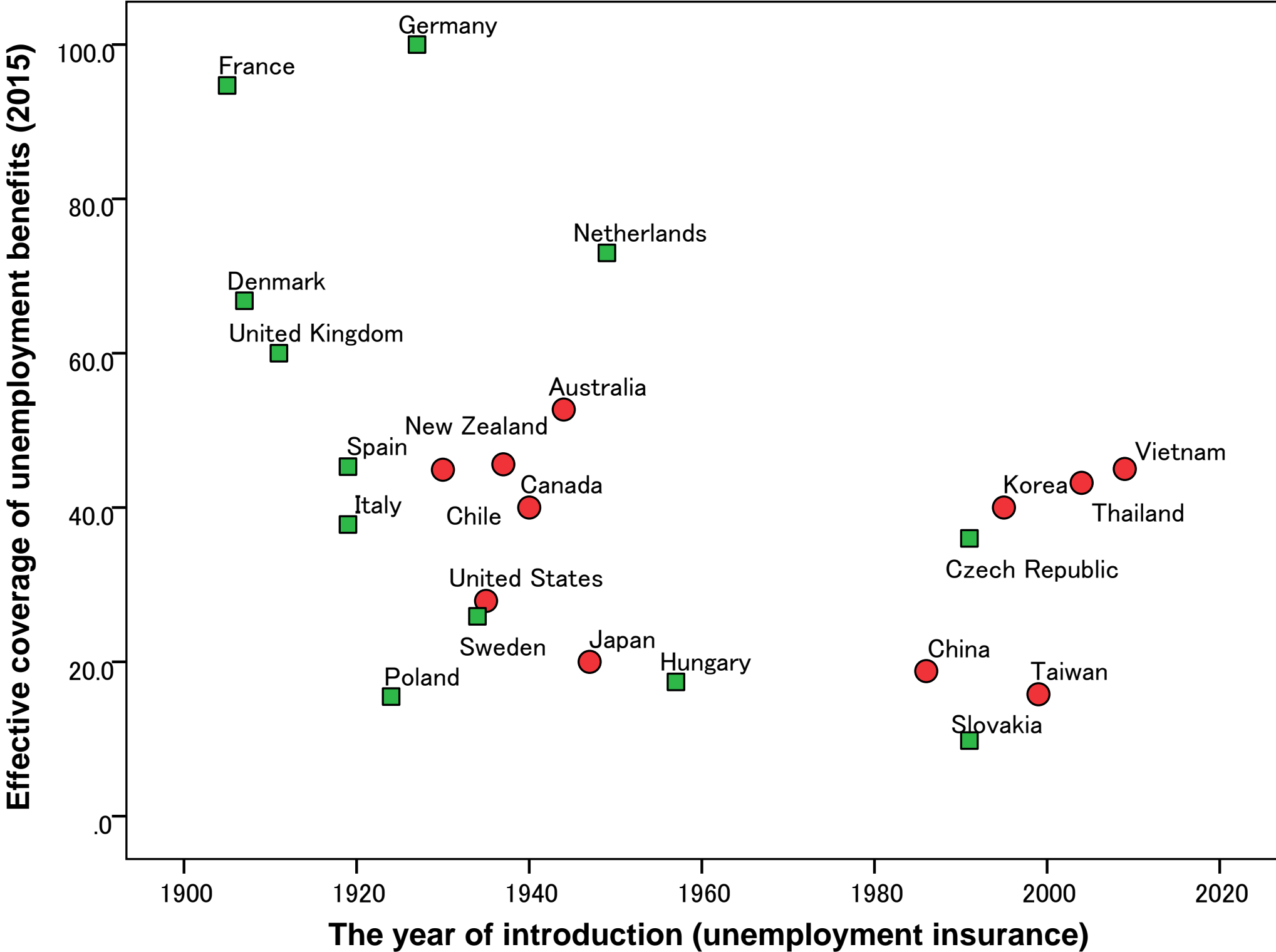
Public expenditure on health



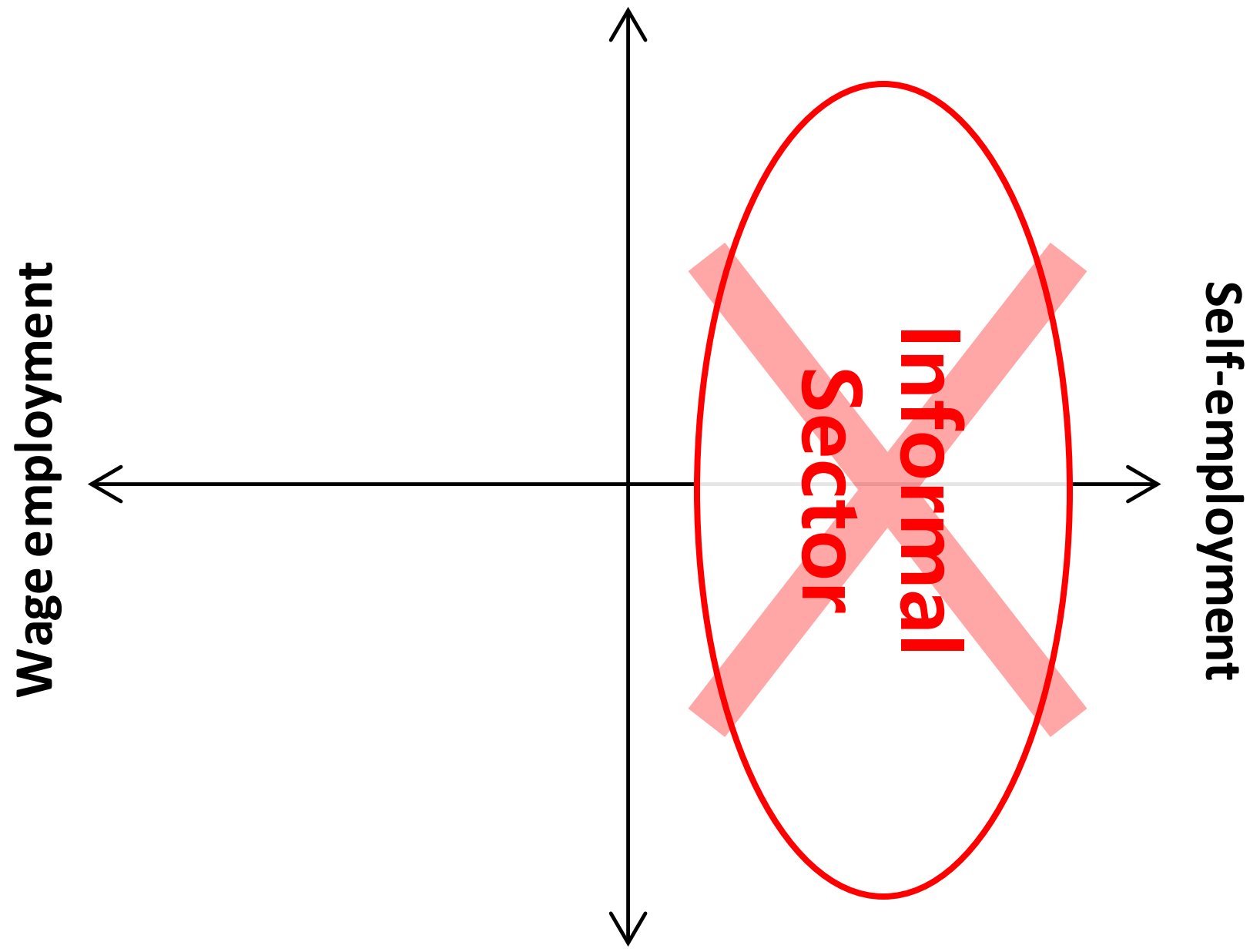
Rise and decline of public expenditure on health



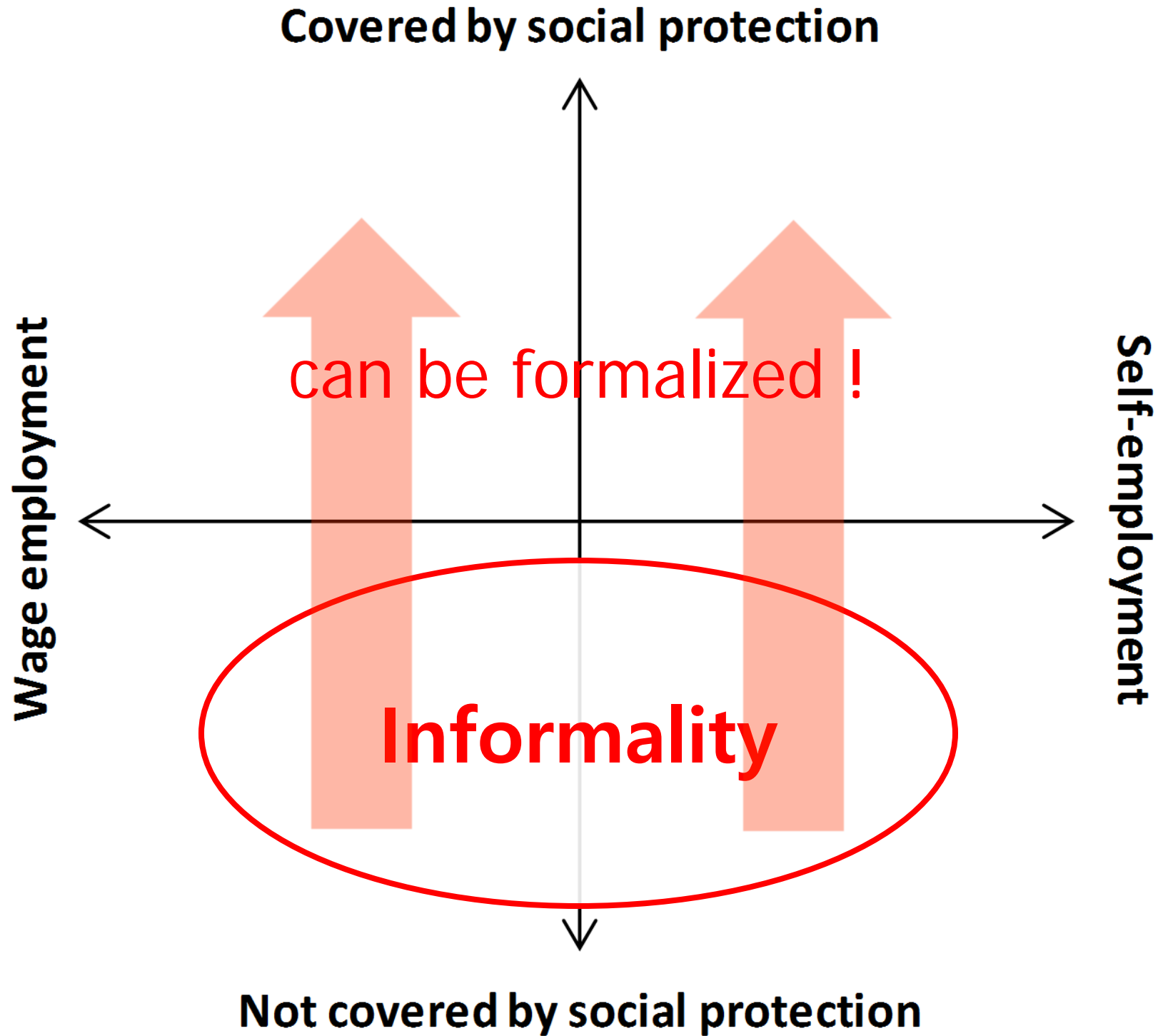
Coverage of unemployment benefits



Traditional View



Battle of formal and informal



Conclusion

- * *Social protection* (i.e. , the *welfare state*) is indispensable, not only for people's happiness but also for sustainable economic integration.
- * *Social protection* in the region is less inclusive than that in the EU, and should be upgraded in this era of interdependence.
- * We can upgrade it by learning from other PECC members, and by encouraging governments to extend the coverage.

Thank you for your attention.