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EMERGING ISSUES IN SOCIAL SERVICES DELIVERY IN ASIA

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1 SOCIAL DEVELOPMENT IN ASIA

1. As empirical studies with Western Europe and Latin America have shown, the welfare system, while narrowing the income gap, brought the rise of public expenditure and unemployment rate at the same time. Western societies have built up a comprehensive social protection and social services system which resulted in some financing problems in the last decade. Governments in the New Asia seem to be faced with a dilemma: either they further improve the social welfare expenditure to narrow the income gap, which means they need to bear the rise of taxation burden, unemployment and even the decline of economic growth rate; or to cut down the social welfare expenditure and reduce the state's interference of the market, just like what many countries such as the U.K. and U.S. did in early 1980s, but need to tolerate the widening income gap.

2. The nature of East Asian economic miracle is "keeping the rapid growth with equal distribution". The analysis on this issue have been mainly focused on the governments' economic policies, industry policy and economic structures etc.(World Bank, 1992; Gary Gereffi & Donald L. Wyman ed., 1996), while the influence of social policies and welfare system were rarely analyzed as the reason. This paper attempts to look at the "growth with equality" from the perspective of welfare system, discussing the characteristics of the welfare system supporting such economic growth.

2 SPECIFICS OF THE SOCIAL DEVELOPMENT IN JAPAN AND SOUTH KOREA

3. Within East Asia, Japan and Korea have early developed comprehensive social systems for their people. Both countries were also the post-industrialized countries just like the Latin American countries and began their economic booming in the 1950s and 60s. Their welfare system established thereafter had not only effectively reduced the income gap, but also achieved rather low expenditure level (please refer to the tables in the attachment) and relatively full employment, capable of "maintaining the rapid growth of equal distribution" (World Bank, 1995:5), realized coordinated economic and social development (refer to the tables in the appendix to this paper), and made full preparation for the smooth economy development and structure upgrading.

4. In the process of industrialization development in Latin American countries, the combination of immature democratic system with the values of populism had constituted the root reason of system for many countries' inability to sustain their welfare systems. The parties, while taking part in election contest and facing voters, generously subscribed the "voting checks" of public finance to the public to gain support of the majority, which had forged a close connection between the welfare system and the political system. In contrast, in two Eastern Asian countries of Japan and Korea, when their welfare systems were initially built, the environment for party election contest had not completely taken shape, with the neutral government sectors as the dominant organization to build the state welfare system. With an independent and powerful government, the establishment of welfare system and choice of policies arrangement could be detached from the influence of interest groups, which bears similarity with China in the decision conditions and system environment.

5. At the same time, the establishing of Japanese and Korean welfare systems had been accomplished while they were undergoing the process of economic development, characterized by some scholars as “developmental welfare system”. As Japan and Korea, for maintaining the legitimacy and legality of their respective regimes after the WWII, pursued the economic development and tried to achieve catching up and surpassing other developed countries, laying the economic development in the priority position in the process of development as well, with the welfare system designed and implemented according to their economic policies and goals. To achieve economic growth, a State need to create more employment opportunities, and therefore the governments of these two countries had offered preferential policies in this regard; but again, the key factors for welfare measure was to achieve self-independence for the people through employment. Judged by their actual achievement of development, the welfare system has achieved the role of pushing forward sustained economic development, which is identically the goal set by the Chinese government for its socio-economic development.

6. Besides, Japan adopted the policy of “allocation while growing” in the process of economic booming, and the welfare system has been gradually improved since the 1950s and 60s in the process of economic growth; while the South Korea adopted the policy of “growing before allocation”, although the related legislations had been started since 1960s and 70s, the real system forming didn’t begin until the mid-1980s. It is noticeable that the forming process of welfare system in these countries has been basically synchronized with the change of their domestic labor force structures. After the 1960s when its economic started to boom, Japan gradually realized full employment and the labor force supply fell short of demand after the Lewisian Turning Point appeared later; while in South Korea, the “turning point” of labor force supply appeared in the mid-1980s¹. With the structure of labor force changed from infinite supply to a structural insufficiency, the comparison advantages of these two countries were also changed. And the establishment of the two countries’ welfare system had conformed to the requirement of such structural change, which has enabled their economy to grow continuously after previous economic take-off, to successfully achieve the optimization and upgrading of their industry structures and to eventually join the ranks of industrialized countries.

7. Some features of social services of Japan and South Korea are:

2.1 The relativity of the welfare system and the economic policy

8. The European welfare systems mostly take the revenue support as the social policy objectives, so the compensations on unemployment, medical care, pension and other aspects are high; however, Japan and South Korea implement the active employment policy. The “self-supporting” welfare system were established with a priority of employment, and perfectly matched with the development-oriented economic policy. It not only expanded the employment, but also reduced the government expenditure, producing a positive impact on the economic growth.

¹ Although according to Bai Moo Ki, a scholar of labor economics in South Korea, the infinite laborers supply had ended, until mid-1980s there were no signs that indicate large corporations were faced with any problems in employing and maintaining the laborers ranks (Bai Moo Ki, 1982; Hagen Koo, 2004 □39 □40). And therefore, it is commonly regarded that the real labour force shortage didn’t occur until the mid-1980s (Song Ho Keun, 1991; Shin Kwang-Yeong, 1999: 46).

9. With the implementation of the welfare system of employment promotion, Japan and South Korea took full advantage of the “social after-interest” (i.e. the young population structure, plenty of young laborers and the families with jobs who can support the elderly), because the “after-interest” will change as time goes by (T□Uzhashi, 2006). The welfare system cooperates with the implementation of the “growth-oriented” economic policies, providing the conditions for the economic takeoff of the two countries.

2.2 The multi-level feature of the welfare system

10. The construction of the welfare system, either in Japan or in South Korea, started from partial sectors, gradually enriched its content and expanded the coverage. The items of the welfare system differentiate between regions or job domains, reflecting the multilevel feature.

11. However, in Japan and South Korea, all levels of welfare policies developed towards the uniform direction. In 1994, Japan took the public annuity system as the common basis of various annuity systems, realizing the integration of the national annuity systems; while in South Korea, the reforms in recent years began to take into account of the merger of blue prints (Zheng Bingwen, 2002: 219), and the welfare policies on all levels mutually concerned and developed with the overall plan.

12. The welfare benefits in Japan and South Korea not only emphasized that the state and government serve as the main to provide the necessary services, but also the welfare system encouraged the citizens earn income from the enterprises by means of employment and also encouraged the role of families and communities in the welfare supply. The main role of families and enterprises reduced the welfare burden on the governments, and took the government’s social security expenditure in control.

13. It is the multileveled welfare system that allowed the welfare expenditure and the welfare supply to have a certain degree of flexibility, which can balance the relationship between the financial burdens, the social structural changes and the welfare demands of the citizens.

2.3 The importance of education

14. Besides social security, another conspicuous part in the Japanese welfare system has been its education policy. It was specified in the “Fundamental Law of Education” and “the School Education Law” of 1947 that the Japan’s compulsory education demand 9 years from primary school to junior middle school, on the basis of which the senior middle school education had been rapidly popularized. In the beginning period after WWII, Japanese government, making use of the U.S. surplus agriculture products, widely implemented system of free lunch for students in the state and public primary schools, which has been lasting until now.

15. Also, although the implementation and improvement of South Korea’s social security system started from the mid-1980s, its education policy had achieved a perfect much earlier. The “Constitution of the Republic of Korea” enacted in 1948 claimed “To implement the national equalization and the primary education of free and compulsory”. In December of 1949, the “Education Law” was promulgated and then the “six-year plan of completing the compulsory education” was established, i.e. from 1954 -1959, the rate of school attendance for all school-age children would be raised to 96%. In 1958, South Korea had also introduced the “five-year plan of vocational and technical education”, vigorously improving the vocational and technical education in order to promote the economic development. Since then, the education in South Korean developed rapidly,

with the rate of junior school entrance increasing from 42.3% (1965) to 99.9% (1994), and the illiteracy rate declining from 24.4% (1970) to 8.1% (1990).

16. The education level in both countries has been rapidly improved, which have enhanced the quality of labor force and provided necessary manpower resources for the optimization of the industry structures.

3 EDUCATION AND MEDICAL SERVICES IN CHINA

17. The economic development has pushed the improvement of various social indices with the China's Human Development Index (HDI) remarkably rising (UNDP, 2007). As the Chinese government gave up some responsibilities of providing social welfare when it "decentralized" in the beginning period of reforms and opening up, the economic growth has brought the widened income gap, and also because the insufficient supply and surging price of such public services as the medical service and education, the imbalance between the social development and economic development is conspicuous.

18. However, China features three remarkable changes in this new millennium: first, the Chinese government, committed to a comprehensive, coordinated and sustainable development, has chosen the path of scientific development after consecutive years of rapid economic growth; second, with China's entry into the World Trade Organization (WTO) and its economy further integrated into the global economy, China now has got greater influence over the world's economy, but at the same time finds it more difficult to coordinate with other economies and to manage its own macro-economy; third, China, with the goal of building a comprehensive well-off society by 2020, has begun to revamp its social welfare system to realize the harmony of its society.

3.1 Education

19. China practices nine-year compulsory education. Before 1978, education expenses were borne by rural collectives. When the household contract responsibility system deprived many rural collectives of their source of revenue, the costs were in effect borne by individual households. This not only added to their financial burden, but made the money needed to run local schools unavailable in many cases, leading to delays in teachers' salary payment and inadequate teaching facilities. To improve the situation, the Chinese Government decided in 2001 to share some of the costs with local governments. Under the burden-sharing scheme, farmers no longer had to raise money to keep schools open, which would henceforth be funded by the central government budget, as would rural teachers' salaries and the cost of building rural schools. In 2006, it was further decided that all tuition and miscellaneous fees would be abolished for 150 million rural students for the duration of their nine-year compulsory education. Under the new policy, poor rural students could also get free textbooks and received subsidies on boarding fees. On average, this policy could save every primary school student 140 yuan, every junior middle school student 180 yuan and every poor boarding student 500 yuan. This was great news for many poor rural households whose per capita annual income barely exceeds 1,000 yuan.

20. Good progress has also been made in higher education and secondary vocational education. The Chinese Government increased investment in both areas in

addition to encouraging private investment. In 2006, the gross enrolment ratio (GER)² of senior middle schools reached 59 per cent. In higher education, GER topped 22 per cent, 7 points higher than the 15 per cent threshold for mass higher education.

Table 1: Population with Various Education Attainments

Population with Various Education Attainments (per 100,000 persons)	1964	1982	1990	2000
Junior College and Above	416	615	1,422	3611
Senior Secondary/Secondary Technical School	1,319	6,779	8,039	11,146
Junior Secondary School	4,680	17,892	23,344	33,961
Primary School	28,330	35,237	37,057	35,701
Illiterate Rate (%)	33.58	22.81	15.88	6.72

Sources □ China Statistics Yearbook (2006)

21. Education expenditures accounted for 15 per cent the Chinese Government's total expenditures and 2.86 per cent of GDP in the same year. But the proportion is still very small when compared with other countries with similar level of economic development. And there are still quite large gaps between cities and villages as well between different regions regarding the average educational resources per student. With the education investment commonly shared by central and local governments while the education is actually managed by the local governments, the present education management mechanism lacks the adaptabilities because of the situation that higher degree of population migration, particularly the migration of young children.

22. Also, the quality of labor force, especially the educational level, plays a critical role in the development of industries. China needs to make endeavor to improve manpower resources to optimize the industry structure.

² National GER in the higher education sector is calculated by dividing the total number of students enrolled at institutions of higher education nationwide by the population of the corresponding age group (i.e. 18-22 year-olds) that should be enrolled at the start of the academic year. "Gross" does not indicate rough approximation; it means students enrolled at institutions of higher education are calculated *regardless of their age*. In "net enrolment ratio", only those belonging to the same age group as in the denominator (i.e. 18-22 year-olds) are calculated, excluding those who fall outside this range. Both indicators may be used to measure the level of higher education either in the past or the present. However, because it is difficult to know the age structure of enrolled students in any future year, GER *alone* is used in making predictions.

Table 2: Changes of China's Industry Structure

Year	2000 ^a	2004 ^b	Chenery Standard ^c (US \$ of 1964)	2010 ^a	2020 ^a	Education level of three industries in 2000 ^d			
						Senior Secondary School □%□	Junior College and Above □%□	Average Person's School Life (Year)	
Per Capita GDP (US \$)	840	1270	1000		3000				
Industry Structure	Primary Industry	16.4	14.6	13.8	13.5	11			
	Secondary Industry	50.2	52.3	34.7	50	50			
	Tertiary Industry	33.4	33.1	41.3	36.5	39			
Employment Structure	Primary Industry	50	49.1	25.2	40	29.8	4.61	0.14	6.79
	Secondary Industry	22.5	21.6	32.5	23.6	24.7	22.43	5.95	9.44
	Tertiary Industry	27.5	29.3	42.3	36.5	45.5	31.42	18.99	10.79

Sources □ □ □ c. Li Peilin, Zhu Qingfang et., *Well-off Society of China*, Beijing: Social Sciences Literature Press, 2003, Pp.40-46.

b. *China Statistical Abstract*, Beijing: China Statistics Press, 2005.

d. Data of the Fifth National Population Census.

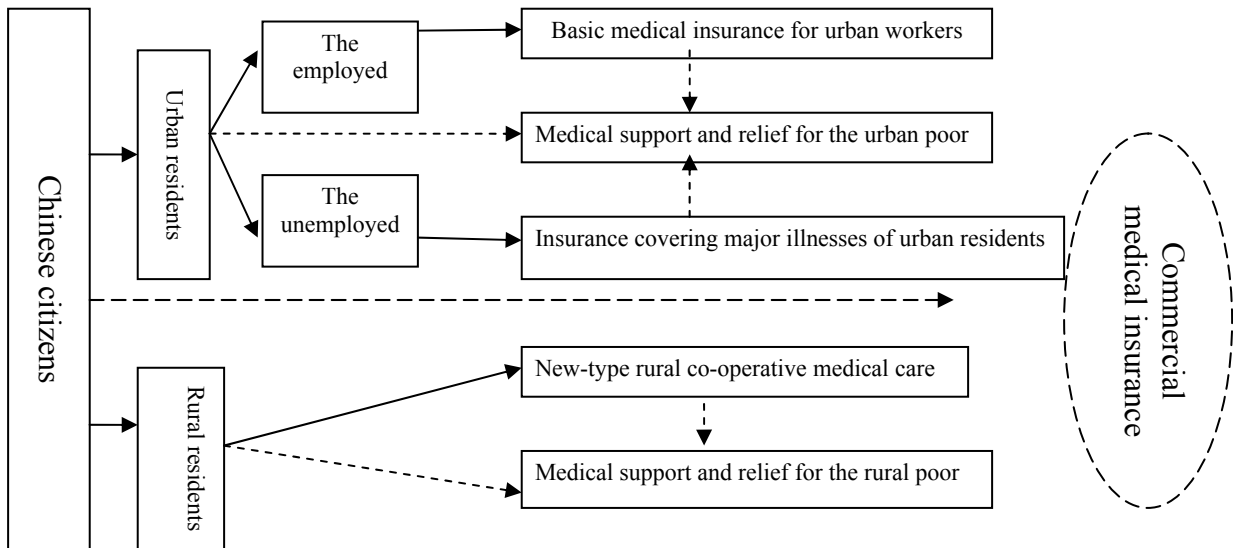
3.2 Medical care

23. Since market-oriented reform was adopted, there has been significant expansion of medical resources and improvement in medical facilities. The number of clinics, health workers, medical equipment and medicine supply all grew rapidly. However, as medical expenses grew faster than personal income, in 2003, nearly one-fifth patients across China could not afford to see the doctor. A nationwide survey conducted by the Ministry of Health in 2003 showed that 65 per cent of Chinese did not have any medical cover. The figure was lower in cities, at 45 per cent, but staggeringly high among rural residents, at 70 per cent. In another large-scale survey, three-fourths of Chinese ranked expensive medical bills as the top social issue in China.

24. While the cost of public medical facilities continues to climb, a large part of it is borne by patients. Public health expenditure accounted for only 36.2 per cent of all health expenditures in 2003, ranking China at the 196th place of 199 countries surveyed by the World Health Organization.

25. Catastrophic health cases were often the reason for vulnerable families to fall into poverty, as they had to indebt themselves heavily to get treatment. Since 2004, the Chinese Government has been taking steps to rebuild and improve the urban and rural medical care system (see Figure 1). In urban areas, the system mainly relies on the "employee medical insurance" scheme, which currently covers 130 million workers. It is jointly funded by the employee and his or her employer and covers out-patient and hospitalization expenses respectively.

Figure 1: China's New Urban and Rural Medical Health System



26. The Chinese Government began to experiment with co-operative medical care in the countryside in 2003. Under the scheme, large medical bills or hospitalization expenses of those who have signed up are covered by a fund – to which each year individual farmers contribute 10 yuan and central and local governments, 40 yuan. The scheme is expected to cover all rural residents in 2010.

27. In 2006, a model similar to the rural co-operative medical care was adopted in Chinese cities, aiming to cover the bills of treating major illnesses for those who work in informal sectors or do not yet have a job. For minors, the elderly and the rural and urban unemployed population, they are entitled to subsidies on a par with those covered by the rural co-operative scheme provided they or their households have contributed certain sums as required.

28. In addition, support will soon be offered to impoverished populations in urban and rural areas by subsidizing some or all of their medical bills, depending on the degree of poverty.

29. After over two decades of reforms and exploration on the medicare insurance system in rural and urban areas, some important progress has been made in the institutional construction, with progressively widened coverage. However, the overall coverage of this scheme is rather small in the range and there are still large difference between the public service related to medicare and treatment available to various peers, which requires further reforms and adjustment.

4 NEW CHALLENGES IN CHINA AND ASIA

4.1 Labor Migration

30. China adopted a dual structure of welfare system in urban and rural areas. With the difference of institution system, policy arrangement and management system in cities and villages, the “floating” populations between verges of cities have been directly excluded from the systems. With the increasing opening up of the cities and towns, the scale of the floating populations has become increasingly enlarged, and therefore how to

include these population (including the floating peasant workers as well as landless peasants) into the welfare system has become an important topic in the integration and perfection of China's welfare system.

31. There are 140 million rural migrant workers in China. The name belies their difficult circumstances: they spend more than half the time working in cities, but they are excluded from the urban welfare system; they have homes in the countryside and most of them have farmland there, but the rural co-operative medical care system is not designed for them. As the household registration system dividing urban and rural residents is phased out, farmers now enjoy legal liberty in terms of migration, employment and settlement. But social policies and welfare provision are still divided, leaving most rural migrant workers to fend for themselves (refer to Table 3). According to a survey carried out in 2005, the ratio of the floating peasant workers, who are covered by social securities such as the pensions, employment security, have been remarkably lower than those of the local residents (refer to Table 4).

Table 3: Dual welfare structure and the migrant worker

	Urban residents	Rural residents	Migrant workers
Old-age security	Endowment insurance	Land	—
Medical care	Basic medical insurance	Co-operative medical care	Subsidized treatment of major illnesses
Education	Free	Free; subsidies	—
Labor protection	Industrial injury insurance	—	Industrial injury insurance
Housing	Subsidies; low rent	Self-built	—
Poverty relief	Urban living allowances	Rural living allowances	—

Table 4: Social security for floating population and local population

	Local population	Floating population
Informal employment: Percentage of social security (%)		
Old-age support	54.8	2.1
Unemployment	12.6	0.4
Industrial injury	6.0	1.2
Medicare	32.6	1.3
Formal employment: Percentage of social security (%)		
Old-age support	82.1	29.0
Unemployment	39.7	17.8
Industrial injury	29.1	31.7 ³
Medicare	71.4	29.7

(Source: Population and Labor Economic Research Institute, Chinese Academy of Social Science, "Study on China's Urban Labor Force Market" (2005), survey material)

32. This is a political issue as well as an economic one. It involves the value and policies pursued by the government as much as its financial capacity and governance skills. To provide for the welfare of migrant workers clearly needs budgetary allocations from both the central and provincial governments. Depending solely on municipal governments is not enough. To truly protect the rights and interests of migrant workers,

³ As the floating peasant workers are engaged in some special trades and types of work, the coefficient of danger surpassing that for the local workers, and therefore, their participation percentage of Industrial Injury Insurance in regular institutions are higher than the local workers.

who are a huge, underprivileged community, more needs to be spent on their education, medical care, housing and pension. This is an important area where both the central and local governments need to shoulder more responsibility.

4.2 Public Expenditure

33. As China's economy rapidly expands, government revenues are growing strongly. Since the "tax assignment system" was introduced in 1994, which improved the tax regime and standardized revenue sharing between the central and local governments, both total tax revenues and the central government's share increased rapidly.

34. Apart from the budgetary revenues, some departments of the Chinese Government also receive extra-budgetary revenues. There are also the so-called "extra-system revenues" (income from non-agricultural land auctions). As urbanization advances, many local governments have seen their revenues increase from making agricultural land available for non-agricultural purposes. At present, such revenue sources are not managed as part of the budget and they are mainly used for funding economic construction activities and government operations. If extra-budgetary and extra-system revenues are included together with the budgetary ones, central government revenues in 2006 would account for 31 per cent to 32 per cent of that year's GDP (Zhou Tianyong, 2006).

35. As the Chinese Government's financial position improves, it is better placed to refashion the welfare system. Meanwhile, further public finance reform is necessary to make government budget more "fair, efficient and transparent" and the government function better. The structure of public spending can be improved. Government investment in economic construction activities should be reduced and spending on administrative overhead strictly controlled. Budgetary management should be reformed to establish sound public finance. Also, a "sunshine project" is necessary to improve the transparency of public finance.

4.3 Management Mechanism

36. An efficient government administration is crucial to the implementation of social policies and progress of social reforms. After economic reforms, China's government institutions have undergone many times of adjustment, with the administration mechanism adaptable to the market economic system gradually established. However, the Chinese government still lays too much emphasis on the economic development goals while conduct assessment and giving impetus, while giving insufficient consideration and too little weight to the social development factors. The problems of disharmony in socio-economic development have close relations with the government administration.

37. To promote the social development and improve public service, the following issues need to be addressed for the government administration:

- (a) The traditional mechanism and methods of administration with rural and urban regions separated and with different sectors segmented are still in use, and the contradictions become increasingly conspicuous under the accelerating open and mobile situation of cities and villages.

The traditional segmented system made it very difficult to achieve unified administration in various sectors and fields. As different administrative entity has its own interest pursuing and enquiring channels, the actual management actions differ in thousand ways, which has bought some institutional barrier to the public

service provision. Therefore, to push forward the social reforms, the administrative mechanism need to be integrated between cities and villages as well as among various sectors to create the institutional conditions for a unified social security system.

- (b) The social security issues are separately managed by multi-departments, which means the split functions are not effectively integrated and thus low efficiency.
- (c) While implementing the exact social policies, loose management has led to poor pertinence and deviation of policies execution effect from expected target of policies.

38. Besides, the efficiency and level of government administration regarding public service provision is not sufficient with too high operation cost. The cooperation between the government and various institutions such as the market entities and civilian organizations etc. haven't been established. To push forward social reforms and social development, the government administration need to be improved to enhance the performance of government administration.

5 CONCLUSIONS

39. Asian countries, such as Japan and South Korea, adopted a social service system, which is quite different from western countries. Although now new difficulties come with them, it proves an effective way in their development as they took off. Asian Countries share common value and tradition, which plays a critical role in social service delivery. So it's a useful way to share their experiences and lessons with other emerging countries.