Bachelor Thesis of
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Minor Adjustments or towards a Fundamental Change? – Empirical Analysis of East Asian Welfare States after the Financial Crisis of 1997

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1. The Asian Financial Crisis of 1997

While the world economy is still recovering from the recent harsh financial crisis of 2007-09 many people tend to easily forget about previous more regional located financial crises. This is not only shortsighted but also dangerous in a way that only few or no lessons at all have been learned. The so called 'short selling', currency speculations of (especially) hedge funds attacking a currency as a whole, triggered dangerous economic unrests even before the current Euro crisis. Especially the severe Asian financial crisis of 1997 was primarily founded in these currency speculations. The economic consequences of the Asian crisis were server and therefore also affected welfare systems in the concerned countries.

An extensive review of the events of the Asian financial crisis in 1997/98 as well as its analysis can be found in Kaufman, Krueger and Hunter's "The Asian Financial Crisis: Origins, Implications and Solutions" (1999). Additionally Dornbusch (2001) provides a good summary of other emerging market crises and comparisons to the Asian financial crisis. A short summary of the main events during the crisis can be read as following:

Previously to the crisis many of the striving Asian economies had pegged their currencies to the US dollar. Business in these countries had borrowed massively in dollar as its interest rate was much lower than the one of the national currencies. Therefore currency speculations with Asian currencies became a profitable option for hedge funds and other investors. In the first half of 1997 the Thai Baht came under attack of those speculations, which eventually resulted in its devaluation on July 2nd 1997. The Baht lost about half of its value and this event is commonly seen as the starting point of the Asian financial crisis. The economy in Thailand came to an abrupt halt and within months the Thai stock market lost about 75%. These effects were contagious to other countries in the region because in the eyes of investors they were very similar to Thailand in their broader outlook, although the concrete economies and governance structures were in reality very different. The fear that many of the previous loans in US dollar could not be repaid at all led investors to refuse new loans and to accept renewal of loans only on a short-term basis. This resulted in dreadfully high interest rates, higher import prices and general high inflation in the affected countries. With more and more foreign investment drenched out of the region the expected devaluation of other Asian currencies became reality like a 'self-fulfilling prophecy'.
The results of the crisis were disastrous. The annual GDP growth rates in the region experienced a sharp plunge, for example -6.7% in South Korea in 1998[1]. Companies responded with wholesale firing and restructuring to enhance their productivity and adapt back to the world market. This put the governments in a critical position to deal with high unemployment rates, a large number of people who could not provide for themselves and a collapse of private consumption. The different governments took immediate action and introduced a variety of new social measures (cf. Chapter 2.2.3).

As the economic and social developments in Asia continue to be a very dynamic

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[1] Gough (2004)
[2] This definition is not limited to Asia (cf. 'Celtic tiger').
[3] Even though Vogel names these economies 'dragons' instead of the later introduced 'tigers'.

process it is surprising that the available empirical research regarding East Asian welfare states in general is limited. Most of the research conducted in this field relies on field studies and fails to give an extensive regional but also international comparison. There are only few quantitative studies available researching these regimes and even the most current ones (see for example Lee & Ku, 2007) use data sets from the 1980ies and 1990ies.

Therefore the research question of this bachelor thesis is whether it is possible to prove with empirical data that there exists a distinct East Asian welfare regime in comparison to the ones found in Europe and how this specific type has changed over time due to the Asian financial crisis in 1997.

A theoretical part at the beginning will review the available research to conclude that a specific welfare regime type can be found in East Asia and that its provisions have been expanded over recent years.
This will then be tried to verify by quantitative date. It will be done by descriptive statistical comparison between the prominent European welfare regimes (United Kingdom, Germany, Sweden and the EU average) and countries in East Asia. It is important to note that most existing research trying to explain social welfare development in East Asia is focused on the so called 'tiger economies'. In general this definition describes economies with high and sustained rates of growth in the postwar period.[2] To be more specific this paper will focus on the 'first tier' of tiger states, initially described by Ezra Vogel in 1991.[3] Therefore it will guarantee comparability with most already conducted studies in this field and fully utilizes the available data. Namely, the countries researched will be Japan, South Korea, Hong Kong and Singapore.[4][5]

The quantitative analysis will show the difference between European and East Asian welfare states on a macro level regarding economic growth and the focus of social expenditure (cf. Chapter 5.1). Then the changes of the productivist welfare regime will be analyzed on an intra-Asian level. It will be proven that social provisions have been broadened across Asia and that these extended and new social policies constitute such eminent changes, that it can be argued that these countries develop from a productivist to a rather European regime type.

2. Theoretical Framework of East Asian Welfare States

This second chapter deals with the review of theoretical research regarding the two sub question drawn from the overall research question stated above:

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[2] This definition is not limited to Asia (cf. 'Celtic tiger').
[3] Even though Vogel names these economies 'dragons' instead of the later introduced 'tigers'.
[4] Although Singapore is geographically rather located in South East Asia than East Asia it's mostly included due to its similarities to the other researched countries in regards to economic and political conditions.
[5] On a side note it is important to mention that people within East Asia hardy perceive themselves and their country within this regional focus. They even try to rather distance themselves from their neighbors (Goodman & Peng, 1996, p.195).

1) Is there a distinct East Asian welfare state regime when compared with the European ideal types of Esping-Andersen's typology?

2) How did this specific East Asian welfare state regime change over time, focusing especially on the consequences of the Asian financial crisis of 1997/98?

To answer these questions it is necessary to first define what a 'welfare state' is and review which typology for welfare regimes has been found by previous research (cf. chapter 2.1). Then it is discussed if this typology is also applicable in East Asia. If East Asian countries don't match with it, it needs to be discussed if there is a distinct Asian welfare regime and which unique features it has. Finally possible directions of welfare regime change in East Asia are reviewed (cf. Chapter 2.2.3).

2.1 Welfare State Regimes

In some European countries public social provisions target mainly and almost exclusively the poor. These programs are usually means tested and stigmatize the people who are eligible. In other countries the 'welfare' provided to citizens can be extensive, including for example vocational training or measures that facilitate redistribution within the society. Despite these differences all western European countries were defined as 'welfare states'. Stating that there are even less social policies at force in Asia than in any of the European countries most people would negate to call them 'welfare states' as well. However, several social scientists have argued that they can identify a type of welfare regime in Asia. But this one is different from any present in Europe.

Therefore the question arises: How to define a welfare state? And can a typology be found to cluster different scales of welfare states?

Numerous definitions exist of what a welfare state was, is or should be. Bonoli (2007) points out that in general almost any given explanation of a welfare state is in one sense too broad, in the other two narrow. This can be demonstrate by a randomly chosen definition of the Oxford dictionary (2010), which states that a welfare state is "a system whereby the state undertakes to protect the health and well-being of its citizens, especially those in financial or social need, by means of grants, pensions, and other benefits." Following Bonoli's argumentation the first part is too broad as it is doubtful if there is any state policy that does not at least aim to improve people's well-being. On the other hand giving an 'unspecified listing' of policies and measures like in the second part of the above definition misses to show a clear criterion of defining what belongs to a welfare state and what does not. As Clasen and Siegel (2007) puts it: "The welfare state is a catch-all term which covers a broad range of governmental interventions into social affairs."

Despite these setbacks one needs to find an effective definition to structure the research and facilitate the operationalization later on. One particular definition of a 'welfare state' is cited regularly in social policy textbooks. This very clear characterization by Asa Briggs from 1961 reads: "A 'welfare state' is a state in which organized power is deliberately used [...] to modify the play of market forces." Therefore a welfare state is constituted by acts, which alter the distribution of goods

and services that result from market exchanges by using political power. In regards to the East Asian countries this definition seems very useful as it does not include any statement in which way and with which goal these distributions should be changed. Hence it is still able to catch a social policy, which is subordinated under other policies and directed to help achieving other political goals. Keeping especially the risks of a too broad definition in mind this bachelor thesis nevertheless chooses to work with Brigg's explanation as it matches with the concept of 'productivist' welfare states, which is discussed in the next chapter.

After clarifying the notion of 'welfare state' it is then important to determine how to classify different scales of welfare regimes. Not the first (cf. among others Richard Titmuss, 1974), but up until today the most extensive and commonly accepted approach to find a suitable typology of welfare regimes was developed by Gøsta Esping-Andersen. In his famous 'Three Worlds of Welfare Capitalism' (1990) he argues for a tripartite typology of welfare regimes based on the dichotomy between residual and universal welfare.

Esping-Andersen uses three indicators to rank the different nations within this framework. Following Karl Polanyi he defines the criterion for social rights as the degree of 'de-commodification'. De-commodification is "the degree to which individuals, or families, can uphold a socially acceptable standard of living independent of market participation" (Esping Andersen, 1990, p.37), therefore without paid employment. The second indicator is the level of stratification in a state, therefore the "degree to which the welfare state differentiates between social groups" (Cochrane, Clarke and Gewirtz, 2001, p.13) and facilitates social redistribution. The third indicator and ultimately affecting the two others is the nexus between state, market and family as providers of welfare.

Esping-Andersen further argues that specific national social policies do not develop as isolated cases but can be clustered together in broader complexes. The so established (three) welfare regimes are ideal types, each with a distinct combination of the above mentioned indicators. Different countries are then classified by empirical research to the regime which their institutional framework resembles most.
The social-democratic (originally named 'socialist') regime is characterized by a high degree of de-commodification, of state intervention and a strong commitment to social and gender equality. Countries typically identified within this regime are the Scandinavian nations. In sharp contrast to these the liberal welfare regime is described by low levels of de-commodification or social rights, only residual welfare and strong reliance on the market as provider of welfare. Great Britain, Canada or the USA seems to belong to this model. As a third kind the conservative (-corporatist) type is based on an insurance welfare system and a strong reliance on the family as provider of welfare. De-commodification lies not on such a high level as within the social democratic model, but still provides relatively generous income transfers. When Esping-Andersen published his work in 1990 it were especially Netherlands and Germany, which could be identified to belong to the conservative model.

Up until today Esping-Andersen's data set and ideal types of welfare regimes remain the most widely used theory to analyze European welfare states. The models have been adopted to explain and cluster welfare states all over the world (for example Gough & Wood, 2004, or Haggard & Kaufman, 2008).

But the ideal types developed by Esping-Andersen have also been extensively criticized since their first publication in 1990. In his review of 'traditional welfare state theories' Christian Aspalter (2002, p.15) points out to the unsystematic identification of development causes of each regime type. "Andersen changes the criteria for regime identification from dominance of a political party to nature of a political system as a whole, and again to the dominant ideology of a country". Furthermore Esping-Andersen does not differentiate between antiwelfare and prowelfare conservative and liberal parties. While for example 'pure' conservative parties are traditionally anti-welfare the democratic conservative parties tend to be rather prowelfare.

Calling it "including the excluded" Cochrane, Clarke and Gewirtz (2001, p.14-17) summarize another weakness of the model. Gender roles are not discussed by Esping-Andersen, mainly due to unavailable data, but play a significant role for in the labour market and domestic economy. Women's social position can be neither commodified (as employees) nor de-commodified (obtaining social benefits) if they decide to provide unpaid welfare to their family.[6] Another neglected domain remains ethnicity.

And Guiliano Bonoli (2007, p.24) highlights the "development of new policies, such as child care or active labour market policies, which have little in common with the traditional protective and de-commodifying function of postwar welfare states". These procedures do not support de-commodification but rather aim to improve the life of highly commodified employees. He questions if Esping-Andersen's typology is still contemporary to also match with the new developments within welfare-states. This already point out to issues of social investment, discusses in regards to East Asia later in this chapter.

Ian Holliday (2000) criticizes Esping-Andersen's definition of a welfare state as "a principal institution in the construction of different models of post-war capitalism" (p.707) as too narrow. It does not include "capitalist states that do engage in social policy, while also subordinating it to other policy objectives."

By these critics it becomes clear that Esping-Andersen's typology might has fit well during the time of publication and for the European welfare regimes only, but does not constitute a generally applicable concept for welfare states today and worldwide.

The last two of the above mentioned arguments already lead the way to a possible broadening of Esping-Andersen's typology, at least in the East Asian context. And most researchers have indeed claimed that a distinct 'Asian' welfare regime can be found. Nevertheless, a broad consensus of what identifies and shapes this model has yet to be agreed upon. Therefore the following literature review will help to organize the various research.

2.2 Productivist Welfare States in Asia

Studies about welfare states in East Asia are much diversified in their research approaches, studied countries and explanative arguments. Based on the previously discussed concept of Esping-Andersen's classification of welfare regimes the recent scientific debate whether there is a specific and self-contained further ideal type with regards to East Asia will be reviewed.

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[6] According to Cochrane, Clarke and Gewirtz (2001) it would cost about 15 to 24 billion pound per year to pay wages to those providing unpaid care in the UK.

2.2.1 Similarities of East Asian Welfare States

To judge whether there is a distinct East Asian welfare regime sufficient similarities between the different welfare states in East Asia must be found first. Then this type can try to be matched with Esping-Andersen's typology.

First of all East Asian country researched within this bachelor thesis are part of the so called 'East Asian Miracle'. They show rapid and persistent economic growth since the 1960s and simultaneously a declining social gap, which is unique in this scale. As the World Bank (1993) states: "If growth were randomly distributed, there is roughly one chance in ten thousand that success would have been so regionally concentrated. […] Moreover, the fastest growing East Asian economies, Japan and the Four Tigers, are also the most equal ones."

Christian Aspalter (2002, p.2) ascertains that all five researched welfare states (Japan, South Korea, Hong Kong, Taiwan and Singapore) are in general residual welfare states, having low level of welfare benefits and provisions and "were set up and extended by conservative governments with clear antiwelfare ideologies". And within his specific and extensive case studies he often emphasis the unstructured development of the national social welfare systems. As Goodman and Peng (1996, p.208) state: "the development of social welfare programmes in these particular East Asian societies can be described as 'piecemeal', often in response to immediate political and economic conditions rather than as part of an overall, coherent plan".

Many authors (among others Goodman & Peng, 1996, Aspalter, 2002) have shown that social expenditure in East Asian countries is generally low. This is usually seen as a supportive argument for a residual welfare state, but it neglects the areas of social welfare, which might not fit into the classic definition of the western welfare state. Contrary to western societies the focus lies not on social security, but merely on social investment (Gough, 2004, p. 190). Education can be viewed as one of the main concerns of public policy in East Asia. "The allocation of public expenditure between -basic and higher education is the major public policy factor that accounts for East Asia's extraordinary performance with regard to the quantity of basic education provided. The share of public expenditure on education allocated to basic education has been consistently higher in East Asia than elsewhere" (World Bank, 1993, p.199). In addition measuring social expenditure does not cover that the "private market for *social services* is substantial and fast growing" (Gough 2004, p. 176). This is especially true for the health sector, where two third of spending is privately financed, but also education and life insurances. Therefore the state remains in a 'regulatory' role rather than in a 'provisioning' (Kwon, 19987, p. 468–9).

Besides the private market the family structure in East Asia is responsible for another source of welfare. The saving level is 'extremely high' in East Asia and serves the families as a 'self-insurance' against risks of illness or unemployment (Gough 2004, p. 177). But it also redistributes money within families, inter and cross generational. For example children will take care of the elderly, mostly living together with them in one household. But according to Didier Jacobs (1998, p. 84) this is not primary due to 'Confucian' or 'Asian' cultural values, which for example uphold the respect for the elderly, but rather due to the lack of alternatives. Since the state is not providing welfare, the family has to do so.

The few offered welfare provisions are especially targeted at "employees of the state"

(Gough, 2004, p.171), primary as a mechanism to secure support for authoritarian regimes (Goodman & Peng, 1996; p.211, Aspalter, 2006, p.294, p.298) or as tool for legitimization in political systems with one party dominance (Goodman & Peng, 1996, p.198, p.203; Haggard & Kaufman, 2008, p.226, p.243). Furthermore Ha-joon Chang (2004, p.255) states that social policies in the region also have the mission to generate social peace. Contrary to many other researchers, who believe that the region is rather peaceful due to the cultural background of Confucianism, he proves that at least until the late 1970s these societies were highly conflict ridden. Examples could be found in the fact that Japan lost more working days per worker on strike than western European nations during the 1950s and 1960s, in Hong Kong's housing riots or Korea's leftist student demonstrations.

One particular feature of East Asian welfare states is the notion of 'corporate welfare'. Especially strong in Japan and Korea up to two-third of workers were provided with a 'lifetime employment guarantee', which established a long-term employment security. This did nonetheless allow job changes within a company and therefore facilitated technological advances as it was easier for employees to accept these, even if they came with less labour demand (Chang, 2004, p.256). But corporate welfare could also include many more welfare provisions like pensions, housing and health care (Goodman & Peng, 1996). In general this concept reinforces a 'male-breadwinner model' (Jacobs, 1998, p.79), in which one working family member generates the benefits to sustain the family (e.g. costs of weddings and funerals).

In summary the following common features of social policy can be found in East Asia: strong residual elements; low public expenditure on social welfare; focus on social investment; pragmatic welfare development; private market provisions; crucial role of the family; legitimacy and stability function; and corporate welfare.

These characteristics will also build the basis of the operationalization in chapter 3.4.

2.2.2 A Distinct Welfare Regime in East Asia

The question remains how to match these characteristics of East Asian welfare states with the three ideal types developed by Esping-Andersen.

Concerning de-commodification Christian Aspalter (2006, p.298) states that its degree in East Asia is low. Ian Gough (2004, p.180) admits that it is not systematically measured within East Asia, but researchers could be confident that it is low, because "access to the *labour* market is a major resource in East Asia, as in the OECD, and the expansion of wage labour in the region has been remarkable" (p.175). Turning to stratification effects of the regime one sees "reinforcement of the position of capital, […] incorporation of the productive working and middle classes, and exclusion of nearly everyone else" (Holliday, 2000, p.715). Finally we need to define the nexus between state, market and family in East Asia. Although the market provides most of the social measures, the importance of the family remains. And while the state is only regulating the welfare provisions on the market it is not a weak state at all. Instead it has enough power to extensively shape other policy areas, especially the economy.

Concluding elements of more than one ideal type can be found in the 'typical' East Asian welfare state. Emphasis of the family (although decreasing) and focusing on an occupational welfare system as well as the herewith reproduced 'male-breadwinner

model' shows similarity with the conservative model of Esping-Andersen. On the other hand minimal social rights, stigmatization and a preference for the market over the state as welfare provider point to the liberal archetype.

With the introduction of a further criterion besides de-commodification, stratification and market-family-state relations Ian Holliday (2000, p.708) proposed the broadening of Esping-Andersen's typology and the addition of a 'productivist world of welfare capitalism'. This new criterion should be the status of social policy within the wider stance of state policies. Therefore it should answer the question, if social policy is privileged, subordinated or indifferent to other policy areas. For the already existing archetypes he defines the conservative and liberal models as neither priviliging nor subordinating social policy and the social democratic model as priviliging social policy over other areas.

To define the subordination of social welfare provisions under economic policies as the distinct feature of the productivist welfare regime is in line with other researchers' observation of East Asian welfare states (cf. Aspalter's summary, 2006, p.209; Lee & Ku, p.201). In general this is referred to as developmental welfare approach. Within mostly authoritarian or undemocratic states technocrats could take charge of strategy development and noticeably prioritize economic policy over social policy (Holliday, 2000, p.715; Gough, 2004, p.186). Therefore social policies, such as social investment and provisions to encourage economic participation, become a means to achieve the goal of stable and high economic growth rates. Over time the tickle-down effect of stable economic development should benefit the population as a whole. Welfare provisions are not seen from the neo-liberal perspective to hinder economic development. Midgley and Tang (2001, p.246) nicely summarize this approach as following: "Its central premise, which is based on the need to integrate economic and social policy, posits that social expenditure in the form of social investments do not detract from but contribute positively to economic development".

Following the argumentation of Ian Holliday (2000), but as shown also by many other social scientists, it manifests that a distinct East Asian productivist welfare regime exists, which can't be matched with Esping-Andersen's original typology. It therefore must be expanded to include as further criterion: the importance of social policy in regards to other policy areas.

Unfortunately these claims have merely been made in theory, supported only by case studies and only few comparative statistical analyses which include Europe *and* Asian countries (cf. Park & Jung, 2009). Therefore this bachelor thesis will include a part in its empirical analysis that compares European and Asian welfare regimes on these aspects (cf. chapter 5.1).

2.2.3 Developments after the Financial Crisis of 1997/98

The above theory of a productivist welfare regime was merely developed along qualitative observations until the mid 1990s.[7] With the beginning of the Asian financial crisis in 1997 (cf. Chapter 1) the circumstances of the system changed. Stable

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[7] Although the most important articles developing the theory were only published in the year 2000 or later.

employment and high private saving as compensation for lack of public welfare provisions were no longer present. And as the financial crisis occurred rather recently most comparative research on East Asian welfare states in the beginning of the 21st century touches the topic just briefly. If they do, then it remains a broad outlook or is focused on single country studies and with very few exceptions (Croissant, 2004; Lee & Ku, 2007) qualitative research.

Nevertheless it can be argued that in general a broadening of social welfare provisions evolved. In the following some examples are given, summarized from several case studies (among others Aspalter, 2002 & 2006; Gough, 2004; Chang, 2004; Kwon, 2007; Haggard & Kaufman, 2008):
Japan introduced the first national long-term care insurance system in East Asia shortly after being hit by the financial crisis. Hong Kong was faced with long term structural unemployment and decreasing wage levels. The government established a Mandatory Provident Fund copying the Singaporean model while in Singapore the degree of employer's contribution to the Central Provident Fund was lowered by 50% during the years of crisis.
Kwon and Holliday (2007) analyzed the case of South Korea and came to the same findings as above mentioned authors in other countries: an enlargement of the welfare state had taken place (namely extended unemployment insurance, pension programs and the creation of the Minimum Living Standard Guarantee). But the main reason besides the window of opportunity given by the economic conditions was in their opinion a change in political leadership and policy process (especially the South Koran election held in 1997).

In general one does not expect that such a severe financial crisis with governments struggling to ensure their liquidity automatically results in the enlargement of welfare provisions and therefore higher public spending. Concerning the paradox nature of enlarging a welfare state during economic hardship Kwon and Holliday (2007, p.242) state that this phenomenon (at least in the South Korean context) "has been exaggerated by many observers and analysts" and that "the extensions that took place in the late 1990s turn out to have been rather modest." They dismiss the thesis that the productivist welfare state model in East Asia is no longer present or developing in a 'western' direction and argue quite contrary to this that the adjustments, which have been made after the 1997 crisis, are indeed in line with the productivist theory. "[…] there has been a clear shift toward flexible labour markets designed to boost industrial competitiveness in the face of wage increases, strong labour unions and increased international competition. The productivist aspect of this change is clear". Besides a more flexible labor market the new invented social policy measures also allowed the industry to retreat from their corporate welfare programs as the state would fill the gap. This made it possible to restructure many companies and made them more comparative within global economy (Song, 2003).

Turning to more general predictions of how the productivist welfare regime in East Asia might develop the same two lines of argumentation are viable.
On the one hand side some authors argue for a future convergence of the East Asian welfare states towards one of the three models of Esping-Andersen. Hort and Kuhnle (2000, p.181) come to the conclusion that the "East and South-east Asian countries have introduced social security legislation in the same general sequence as was followed by the European pioneers", although earlier in 'developmental time' than in

Europe. And Croissant (2004, p.521) continues the argument when he points out that in the current debate of political elites in Asia the "European model of the 'conservative welfare state' are influential", especially for health and pensions. While the Asian societies age the traditional family structures diminish, although the "familialistic welfare regime" (p.520) will remain. Therefore the ability to provide welfare shifts away from the families, especially women, and the state is the only actor to fill these gaps and continue to provide welfare for its citizens. As a result a future increase in the role of state welfare in East Asia is likely. The observed changes after the Asian financial crisis of 1997, for example the discussions of universal contribution-funded pension and health insurance systems in South Korea and Taiwan are for Croissant clear indicators of this development.

On the other hand researchers argue that even an enlargement of welfare provisions can still fit within the developmental framework. As Holliday (2000, p. 721) puts it: "This is not to argue that the brute facts of economic recession and an aging population will have no more than a negligible impact on East Asian welfare regimes. Clearly all of them will be forced to extend their reach. However, the important point is that they will almost certainly do so within productivist perspective." Perusing this line of argumentation the productivist welfare regime is still present in East Asia after the financial crisis of 1997.

Into which direction the productivist welfare states in East Asia changed in reality after the financial crisis will be the focus of the second part of the statistical analysis in Chapter 5.2.

3. Methodology

As this bachelor thesis aims to analyze various empirical data from East-Asian countries and Europe to compare the welfare regimes in these regions and the impact of the Asian financial crisis of 1997 on the national welfare systems scientifically standards of data acquisition and construct validity have to be met.

3.1 Database:

Main focus when selecting the database for the following analysis is actual comparability of the data. If variables are measured on a national level it is not guaranteed that for example the definitions of the variables, the value classification or the time periods measured are identical. Therefore only international data sets provided by international organizations seem feasible. Nevertheless it should be noted that any "empirical comparison must be in some way superficial, as it generalizes to a large amount" (Esping-Andersen, 1990, p.15) and that "national statistics generally provide a finer-grained analysis" (Croissant, 2004, p.509). Every researcher has to define for himself how to deal with this trade-off between international and national data and this bachelor thesis will only rely on international data to aim for better comparability of the results.

The World Development Indicators presented by the World Bank cover a huge range of variables and several of them are directly or indirectly linked to social policy. World Bank (2011b) claims that this database provides the "most current and accurate

global development data available" and is only "compiled from officially-recognized international sources". In conclusion researchers can be confident that the obtained data suffices the scientific standard.

Several other international organizations seemed promising in providing data on social policy and security in East Asia, but could not add new variables, which had not already been gained from the World Development Indicators. In some cases the data was exactly the same. This was for example true about statistical material from the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP, 2011). On the other hand sources like the "Statistical Database System" of the Asian Development Bank provided the for this bachelor thesis important data on social expenditure (and its fragmentation into health, education, social security expenditure) only in values measured in the local currencies. This precluded the whole dataset as it was not comparable without further calculations on exchange rates and inflation. Other comparative resources like for example the volumes of "Social Security Programs Throughout the World" (Social Security Administration, 2010) turned out to be rather qualitative.

Another source of comprehensive data is the OECD (Organization for Economic Co-operation and Development). In addition to the general indicators for all OECD countries there is also the "Social Expenditure Database (SOCX)" providing specialized data in social security and expenditure variables. Unfortunately for the East Asian countries only Japan and South Korea are members of the OECD. Addressing the "lack of (comparable) social security statistics outside the OECD world" (ILO, 2011) the International Labour Organization founded the "Social Security Inquiry (SSI)" database. But this only covers data from 2000 onwards and is not comparable with the earlier surveys of the "Cost of Social Security 1990-96" reports as different variables were used.

3.2 Case Selection:

As already mentioned in the introduction the empirical analysis will select the 'first tier' of tiger states as its cases. This includes the countries of Japan, Republic of Korea (South Korea), Hong Kong and Singapore. To compare these East Asian countries with the other welfare regimes prominent in Europe the cases of Great United Kingdom (liberal welfare regime), Germany (conservative welfare regime) and Sweden (social democratic welfare regime) were included. In addition data for the EU (27) average was obtained to allow comparisons on a rather macro level.

Unfortunately Hong Kong and Singapore show a great amount of missing values, merely because they are not part of the OECD and therefore not included in their statistical material. In consequence this bachelor thesis will for East Asian center around the cases with most available data, namely Japan and South Korea, and then where possible verify the results with data from Hong Kong and Singapore. This is coherent with the theory of the productivist welfare regime as Holliday (2000) presented it. He further distinguishes the main feature of the productivist welfare model, the subordination of social policy under economic policy, into 'facilitative' and 'developmental' relationships. The former meaning the usage of social policy to facilitate economic growth, while the latter sets economic growth as primary goal and sees social development as a consequence of economic advancement. In conclusion only Japan and South Korea are part of the 'developmental-universalist' type. Hong Kong and Singapore developed differently due to their identity as city states and can

be seen as 'outsiders', although various similarities to the other East Asian nations can be drawn (Holliday, 2000, p.714). Also Lee and Ku (2007, p.198) exclude these two states as exceptions of the median state in East Asia. Taking into account that most other developing East Asian nations are territorial states it seems justified to concentrate on Japan and Korea as indicator for possible future developments in the region.

Concerning the timeframe of the data comparison a set from 1990 to 2005 was chosen. This covers seven years each before and after the financial crisis of 1997 and should therefore sufficiently shield the analysis against short term policy effects after 1997. Furthermore some databases only obtain data in two, three or five year intervals, so that a fifteen years framework will guarantee at least four possible values per variable.

3.3 Construct Validity/Operationalization

Concerning the planned analysis the construct validity is most important. Construct validity refers to the degree to which inferences are warranted from the observed cases "to the constructs that these samples represent" (Shadish, Cook & Campbell, 2002). This means that the analyzed variables should be a high-quality measure of the abstract construct that is the main focus of the research question. For this bachelor thesis it is therefore especially important to operationalize the construct of the 'productivist' welfare regime carefully and to choose variables, which indeed are capable to cover different aspects of the construct. The foundation of the following operationalization lies within the characteristics of a productivist welfare state discussed in the earlier chapters 'and' data availability[8]. An overview of all obtained variables (if used or not) can be found in Table 11 in the appendix.

Although researching a nation's social expenditure as a comparative indicator for the degree of its welfare system and of developments over time is problematic in some aspects, this bachelor thesis will still be using several of the OECD expenditure data to analyze the welfare regimes in Europe and East Asia.
Social expenditure data has to be reviewed very carefully as it rather represents "policy outcomes […] than policy outputs" (Siegel, 2007, p.55). The actual increase or decrease (outcome) of public social expenditure does not only show political motivated changes in the concerned policy area (output), but also developments on the social need, as for example the number of people receiving aid, and the economic context, especially the growth of the GDP. "As soon as one or more of these three dimensions change, one may notify a change in total […]" (Siegel, 2007, p.54). Siegel continues that "a 'spending only' based perspective of analysis can hardly capture a full picture of welfare state change" (p.67). Therefore it is important that expenditure based indicators are not the only ones researched in regards to the concept of a 'productivist' welfare regime.
Despite these setbacks most influential studies in comparative social policy are using expenditure data as one of their primary measures to indicate welfare state sizes (cf. Siegel, 2007, p.51). To shield the figures against influences of the social need by 'welfare-to-need ratios' and 'standardized welfare efforts' was only slightly successful,

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[8] Cf. chapter 3.1. Therefore the final operationalization might not be the best fitting to the construct, but one that fits to an agreeable degree and which's data is mostly available.

as even these new measures are just estimations of the true influence. The ratios can't be fully incorporate into the statistical analysis of this bachelor thesis, because of the advanced mathematical operationalization behind them. Nevertheless the variables 'unemployment rate' and 'population 65+' could explain an increase or decrease in people receiving aid. But it is important to note that especially the programs in East Asia are not universal, so that these figures remain a very rough estimation. Another way to increase the validity of expenditure figures to indicate welfare state sizes and changes is breaking the total public social expenditure down into program categories. "Disaggregation helps to dismiss generalized judgments about welfare state developments which ignore […] highly variable trends within individual social policy programs" (Siegel, 2007, p.52). The following operationalization in this thesis tries to mirror this in obtaining data for several subcategories of social expenditure.

Nico Siegel (2007, p.67) concludes that "in many research contexts expenditure sensitive approaches can indeed offer a valuable perspective for exploring welfare state dynamics", when it is handled carefully and with the above mentioned setbacks in mind.

The operationalization of a productivist welfare regime in comparison to European regimes reads therefore as follows:

1) General economic indicators:
As stated in previous chapters one of the environment of the productivist welfare regime in East Asia is the high and constant economic growth. To compare this unique regional feature with Europe a set of more general variables, including 'growth of the Gross Domestic Product (GDP)' and the total 'unemployment' rate, are chosen. These will also be able to show the significance of the Asian financial crisis of 1997 for the East Asian countries and the low effect on European markets.

2) Social spending and social investment
As it has been shown above the percentage of 'public social expenditure' can't be the sole source of welfare state comparison. But it nevertheless provides a good starting point and will be included as one of the variables in the following quantitative analysis. It is further split into several subcategories (hence different program types), so that a national government's focus in welfare affairs can be researched. These will include education, health, old age, family and unemployment. To measure these variables in regards to total government expenditure and not to the GDP is trying to limit the effect of pure economic influences as seen in the growth of the GDP. Nevertheless a growth in GDP will probably also be followed by an increase of the governments total budget. In addition the unemployment rate and the share of the population above 65 years can help to estimate if the discovered developments are due to changes in policy or merely due to changes in the social need.

As mentioned in the theory section above one of the features of the productivist welfare state is the importance of social investment. Therefore the share of public education and health expenditure of the total public social expenditure has to be discussed separately, especially with regards to the comparison of East Asian and European countries. Social investment would also include investing in human capital through vocational training and job placement programs to strengthen employment opportunities (cf. Midgley & Tang, 2001, p.248). But detailed data in these areas is only available for Europe by the CEDEFOP (European Centre for the Development of

Vocational Training, 2011), while the OECD only provides aggregated data labeled as 'Active labour market programmes'. As we need especially the Asian countries in the comparison, one has to work with the OECD data.

3) Relations of private and public expenditure
Another important factor is the expected higher percentage of private market provisions of productivist welfare states in comparison to other welfare state regimes. For the health sector the variables will be the private health expenditure (as percentage of GDP) and the out-of-pocket health expenditure (as percentage of private or total health expenditure). Out-of-pocket expenditure on health is defined as "any direct outlay by households, including gratuities and in-kind payments, to health practitioners and suppliers of pharmaceuticals, therapeutic appliances, and other goods and services whose primary intent is to contribute to the restoration or enhancement of the health status of individuals or population groups" (World Bank, 2011c). In addition to this the total private health expenditure includes also firms' and non-profit institutions' expenditures on health and expenses for health insurances. Matched with the percentage of public health expenditure in relation to government spending but even more important in relation to the total expenditure on health these indicators can specify how significant private contributions are in the health sector.
To compare private and public social expenditures in general the variables 'voluntary private social expenditure total' and 'mandatory private social expenditure total' (both measured as percentage of government expenditure) are displayed. A comparison of these shares with the total public social expenditure should give an overview of the importance of private welfare provisions. Furthermore the relation of voluntary and mandatory private expenditure might indicate differences between European welfare regimes and the productivist type.

4) The context of family relations
The importance of the family has been one of the features of the productivist welfare state regime (cf. Chapter 2.2.1). Unfortunately the public social expenditure on families is not very significant in the OECD database, at least for the East Asian countries, due to missing values. Data sets on child or elderly care could not be obtained from the selected databases, although its share would give a strong indication of how dependent families are on family members (generally the woman) staying home to care for relatives. Also the 'Health Nutrition and Population Statistics by Wealth Quintile' database (World Bank, 2011f) does not display any data for the chosen European and East Asian countries during the timeframe of 1990 to 2005. Otherwise its variables, like 'Mean ideal number of children (per woman)' or 'Fertility planning messages in media', could be used to operationalize what the 'ideal' family type is perceived by these societies and governments. Again no data is shown at the Gender Statistics database (World Bank, 2011f) for the selected countries and timeframe regarding variables like 'Age at first marriage (female)' or 'Female headed households', which could have been indicators for how dominant the male bead-winner model is in East Asia.
The only widely available data on family relations concerns the labour market and here especially the participation of the female population. Therefore the operationalization has to rely on female labour participation in the work force and unemployment rates in comparison with the male equivalents. As there is no variable about the composition of households in East Asia available the 'Contributing family workers, total (% of total employed)' is used to indicate family ties. "Contributing

family workers are those workers who hold 'self-employment jobs' as own-account workers in a market-oriented establishment operated by a related person living in the same household" as defined by the World Bank (2011c). This few variables are a quite poor indication of the strength of family relations, but so far the only available measure.

5) Corporate welfare

Measuring the weight of corporate welfare is even more difficult. The only two variable including cash and in kind payments of companies to its employees is the 'Compensation of employees (% of expense)' and the 'Social contributions (% of revenue)'. Unfortunately the former variable also includes per definition (World Bank, 2011d) the government contributions to social insurance schemes for employees and therefore it is not a precise measure for this concept. The latter variable includes all non-public social security contributions, so that company welfare is again only accountable for a fraction of the obtained value. As this concept is very difficult to measure with the available data from World Bank and OECD this feature of a productivist welfare regime is excluded from the analysis. This seems justifiable as researchers have already proofed the declining significance for corporate welfare in Japan and Korea (for example Peng, 2000). As Ian Gough (2004, p.176) summarizes, enterprise welfare "has been steadily declined in Japan since the 1980s" and it is "insignificant across the rest of the region".

6) Other indicators:

The remaining features of a productivist welfare regime, which were outlined in Chapter 2.2.1, can hardly be measured by purely quantitative data. To research the 'pragmatic welfare development' in the East Asian countries one would need to zoom into each specific country to then qualitatively examine the historic process of how policy decisions have been made. The same holds true for the 'legitimacy and stability function' of the productivist regime, as this can only be very roughly estimated by figures like number of street riots or working days lost in industrial disputes. Most of the East Asian states have been ruled by authoritarian regimes for an extensive time, so that public opinion and conflict were suppressed. Finally 'strong residual elements' could only be found by separately reviewing all kinds of social provisions in all concerned countries. This examination could then mark the criteria, which make one eligible to receive help. As this bachelor thesis is concerned about aggregated data and does not research the outline of specific programs there can be made no indication about how residual the provisions are and about the scope of these programs, e.g. universal or means tested.

3.4. Statistical Method

All statistical operations in this bachelor thesis were performed with IBM's SPSS 19.

First of all the collected data was entered into the matrix. Here it is important to note that the cases were built by the years between 1990 and 2005. To differentiate the analyzed countries a variable was introduced with the values one to nine, each labeled as one of the researched countries and EU (27) respectively. Then the whole file was split by exactly this variable to 'organize output by group' and therefore being able to commute analysis for each country individually. Once defined this feature can be easily turned on and off, so that aggregated analysis for all countries are still

possible. Nonetheless it is mostly not feasible to use aggregated data from various countries for descriptive statistics as value levels vary heavily.

Only descriptive statistics were used, because with few cases and many missing values correlation analysis did not seem feasible. To get a first overview over the available data frequencies, the median, the point at which 50 percent of the cases lie beneath and above, the standard deviation, as a measure of variation from the mean, and the range of values was broadly calculated. Especially for the social expenditure variables shares and growth rates were calculated to indicate how much of the total spending was caused by the different sectors. These results were summarized in tables created by the author. Charts were drawn by Microsoft Excel, as it allows including different countries to be shown in only one Figure.

4. Research Hypotheses

1) The statistical comparison of the European (United Kingdom, Germany, Sweden, EU 27) and East Asian (Japan, South Korea, Hong Kong, Singapore) welfare states will show that a distinct productivist welfare regime exists. The Asian countries will have higher economic growth rates, lower unemployment, lower social expenditure, focus their social expenditure more on social investment, give a high importance to family and provide their social programs merely through private and voluntary programs rather than mandatory ones.

2) The long term developments and the consequences of the Asian financial crisis of 1997/8 will be seen through an inter-Asian comparison. The crisis is marked by a steep fall of the GDP growth rates and an increase in unemployment in the region. Over time the productivist welfare states will show a decrease in family ties, an increase in overall social spending, especially for newly introduced unemployment and pension programs, and a shift to more public programs, therefore increase in mandatory private or public spending in relation to private social spending.

5. Results of the Data Analysis

It follows an overview of the results regarding the two hypotheses. The whole dataset can be obtained from the author and additional tables are included in the appendix.

5.1 Comparing European and East Asian Welfare States

This part of the statistical analysis deals with the first hypothesis and researches if the empirical data can proof the existence of a distinct East Asian welfare regime. To make it easier to follow the analysis was divided by the individual claims made by the first hypothesis.

a) GDP growth:

If the annual GDP growth rate of the European and the East Asian countries in the analysis were compared by descriptive statistics, the results become most evident when the following chart is drawn.[9]
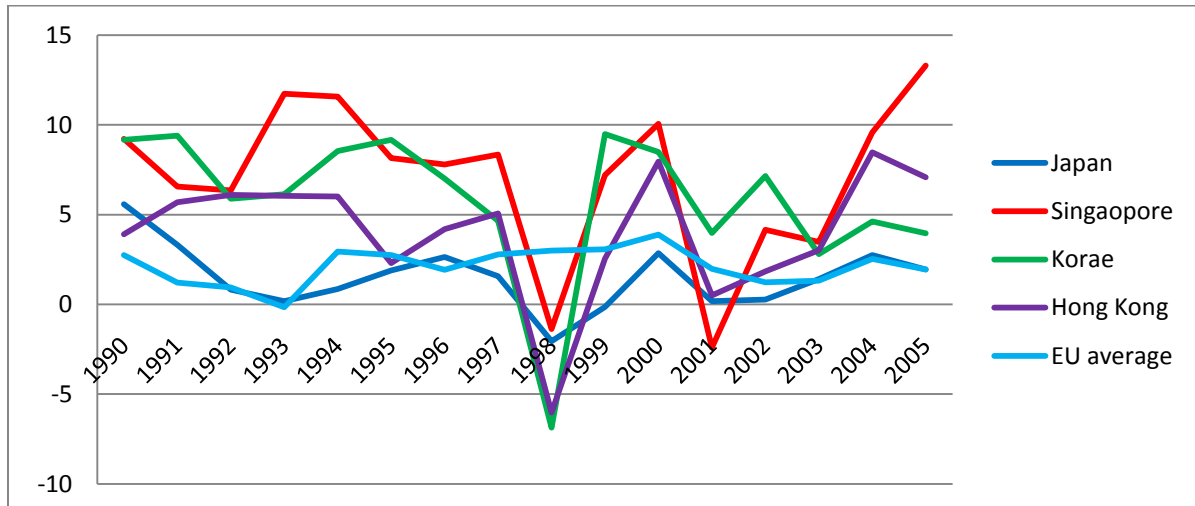

Figure 1.1: GDP growth per annum, 1990-2005. Source: World Bank (2011f).

Except for the years of the Asian financial crisis and a worldwide recession in 2001 Japan's GDP growth rate is the only one of the East Asian countries, which lies under the EU average. This is also seen when the means of the years 1990 until 2005 are compared. Japan is the only Asian nation with an average growth rate (1,5%) even below the lowest European country (Germany with 1,83%), while all other countries in the region show growth rates at least as double as high as that.[10]

That Japan had a lower GDP growth than its Asian neighbors in the 1990s is rooted in the fact that a huge stock crash hit the Japanese industry in 1990 as a consequence of a bubble in property speculations (cf. Watkins, 2011), which was followed by a period of deflation. Japan can in this relation seen as an outliner, at least for the period 1990-2000, as its crisis only affected Japan itself.
Therefore the prediction about a higher GDP growth in East Asian welfare states has been proven.

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[9] As the GDP growth rates of the European countries lie rather near to the EU average, they are not included in the chart, to guarantee a clearer view. They can be found in figure Figure 1.2 in the appendix.
[10] Cf. Table 1 in the appendix.

b) Unemployment rates:

The following Figure (2.1) shows the unemployment rates for the EU average and the East Asian countries. The rates across Asia are at any given point below the EU average. This even holds true through the East Asian financial crisis of 1997/8, which is marked by a steep increase of the unemployment rates in Singapore, Korea and Hong Kong, while Japan only shows a moderate increase and the EU is not influenced.
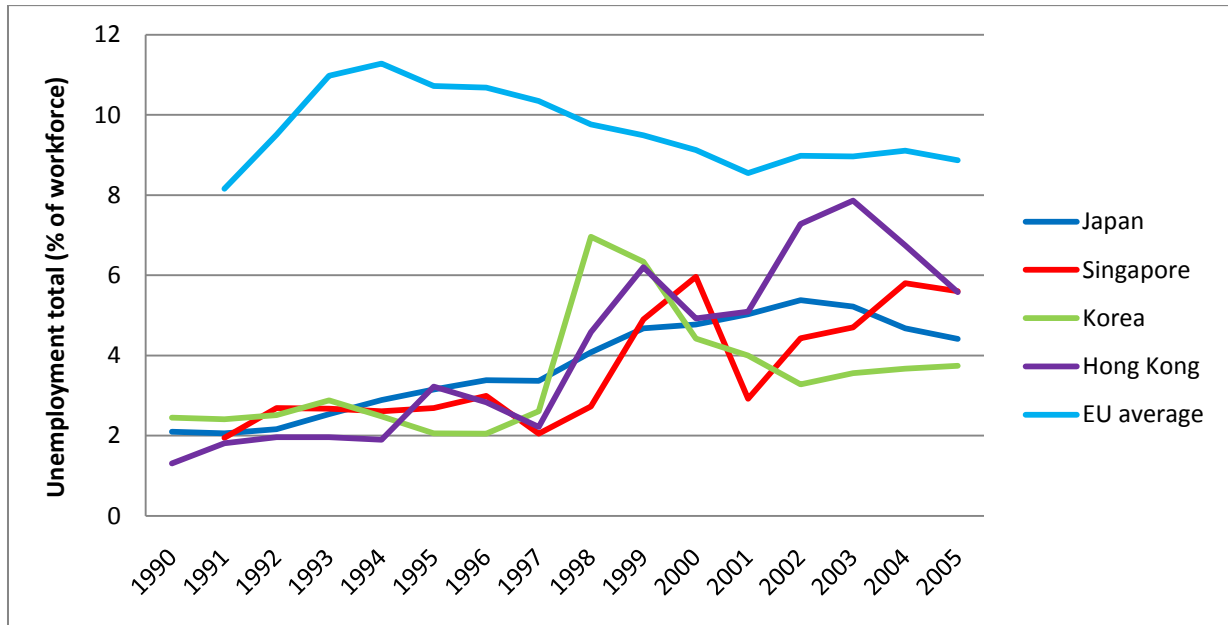

Figure 2.1: Unemployment (as % of workers), 1990-2005. Source: World Bank (2011f).

If the European countries in this analysis (United Kingdom, Germany and Sweden) are separately outlines (cf. Figure 2.2 in the appendix) only the unemployment rates of Sweden and the United Kingdom slightly touch the rates of Hong Kong and Japan in the years between 2000 and 2004. But these are also the ones with the highest unemployment rates on average of the four Asian countries as seen in Table 2 below. It also shows clearly that the average unemployment rates in Europe are double as high as in East Asia.

	Minimum	Maximum	Mean	Std. Deviation
Japan	2.06	5.38	3.7	1.17
Singapore	1.95	5.96	3.64	1.4
Korea	2.05	6.96	3.46	1.43
Hong Kong	1.31	7.86	4.09	2.2
EU average	8.15	11.28	9.63	0.95
United Kingdom	4.6	10.27	6.86	1.98
Germany	5.57	11.15	8.51	1.38
Sweden	1.83	10.01	6.88	2.42

Table 2: Descriptive statistics for Unemployment rates, 1990-2005. Source: World Bank (2011f).

c) Social expenditure:

As explained during operationalization the general social expenditure of a nation is a problematic indicator for measuring welfare state sizes. Therefore this section will be kept brief to then further focus on social investment as a disaggregated part of social expenditure.

	Minimum	Maximum	Mean	Std. Deviation
Japan	35.7	49.1	41.7	5.66
Korea	14.5	24.2	19	4.57
United Kingdom	40.3	47.3	45	3.19
Germany	48.9	58.9	55.3	5.56
Sweden	49.3	54	51.63	2.35

Table 3: Descriptive statistics for total public social expenditure (as % of government expenditure),1990-2005. Source: OECD (2011).

Table 3 indicates that Korea has an extremely low social expenditure in comparison to all other countries. Although it does not show the widest standard deviation the social expenditure in Korea also has the highest growth rate, with an increase of almost 67% from 1990 to 2005. But even with such a tremendous expansion the overall social expenditure remains low compared to the European counterparts. Japan's average social expenditure lies still under the European countries, but only slightly under the United Kingdom's. As hypothesized the total social expenditure in the East Asian countries lies greatly (for the case of Korea) or at least slightly (for the case of Japan) below the European ones.

d) Social investment:

Social investment operationalized as investment in education, health and active labour market programmes is compared between the European welfare regimes and East Asia by the share these policies hold within the national governments total expenditure. But these numbers alone are not a good indicator for comparison as the percent of social expenditure within the different government's expenditure might be different. If for example a nation like Germany spends a heavy 58.1% (2005) of its government expenditure on social provisions then it's not surprising that this results in a relatively high value for the share of health provisions (17% of government expenditure). But to indicate if Germany really focuses more on social health policy than Korea (in 2005 11.2% of the total government expenditure) one also needs to take into account how much was spend on social policy in general. In Table 4 the percentages of the total social expenditure (as measured in % of government expenditure) are indicated in brackets. It then becomes clear that in Korea health provisions make up to 46.4% of the public social expenditure, while it is only 29.26% in Germany. Comparing these newly calculated shares it is seen that Korea spends a lot more of its social expenditure on education and health than the European nations. For Japan the figures are not as clear, especially as the portion of health expenditure of the whole social expenditure decreased over the years (from 40% in 1990 to 34% in 2005). Japans education expenses are on one level with United Kingdom and Sweden.

There is no clear direction of observation for the labour market programmes as its values vary heavily by time and countries. Only Germany remains stable and in general Sweden spends more on these policies than the other countries.

	Public social expenditure on education as percent of government expenditure[11]				Public social expenditure on health as percent of government expenditure				Public social expenditure on active labour market programmes as percent of government expenditure			
	1990	**1995**	**2000**	**2005**	**1990**	**1995**	**2000**	**2005**	**1990**	**1995**	**2000**	**2005**
Japan	N.A.	N.A.	10.49 (24.7%)	9.48 (19.3%)	14.3 (40%)	15.7 (39.7%)	15.2 (35.8%)	16.7 (34%)	1 (2.8%)	0.9 (2.28%)	0.7 (1.65%)	0.7 (1.43%)
Korea	N.A.	N.A.	13.92 (65%)	15.33 (63.3%)	7.9 (54.5%)	7.1 (44.7%)	9.7 (45.3%)	11.2 (46.4%)	0.1 (0.69%)	0.2 (1.26)	1.7 (7.94%)	0.5 (2%)
United Kingdom	N.A.	N.A.	11.35 (24%)	12.49 (26.8%)	11.7 (29%)	13 (28.38%)	14 (29.6%)	15.1 (32.4%)	1.3 (3.22%)	0.9 (1.97%)	0.6 (1.27%)	1 (2.15%)
Germany	N.A.	N.A.	N.A.	N.A.	N.A.	14.9 (30.47%)	17.9 (30.4%)	17 (29.26%)	N.A.	1.2 (2.45%)	1.5 (2.55%)	1.6 (2.76%)
Sweden	N.A.	N.A.	13.4 (25.97%)	12.95 (24%)	N.A.	9.6 (19.47%)	11.3 (21.9%)	12.4 (22.97%)	N.A.	3.3 (6.69%)	3.2 (6.2%)	2.4 (4.44%)

Table 4: Subcategories of public social expenditure, 1990-2005. Source: OECD (2011), World Bank (2011f)

The percentages in brackets indicate the percantage of the public social expenditure on education/health/labour market programmes on the total public social expenditure. An example for reading the table: in the year 2000 the Japanese government spent 15.2% of its expenditure on education. This sum of money equals at the same time 35.8% of the japanese total public social expenditure. These percantages can be an indicator for the focus of social policy in different countries.

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[11] Unfortunately the data on education expenditure is obtained from the World Bank, while the data on health and labour market programmes are from the OECD. Therefore the sum does not match up completely as seen in the case of Korea, in which education and health expenditure add up to more than 100%.

Disregarding the unclear results for the labour market programmes it can be argued that at least Korea fulfills the hypothesis that East Asian welfare states spend a higher share of their social expenditure on social investment than the European regimes. Japan shows again a lot less distinct results in this regard. Only its social expenditure rate on health provisions lies above the European countries.

e) Family relations:
Looking at the public social expenditure on family displayed in Figure 3 it is evident that the European welfare states spend more money on family affairs than their Asian counterparts. But it also attracts attention that Germany as substitute for a conservative welfare regime has the lowest family expenditure of the European nations. Following this line of thought one could argue that low expenditure on family matters is an indicator for an in general strong family bond. The state does not need to provide the welfare for e.g. child care as this is done within the families itself. Respectively an even lower expenditure on family in East Asia could indicate strong family bonds as well. Unfortunately this argument is quite weak as the social expenditure in East Asia is also generally lower than in Europe.
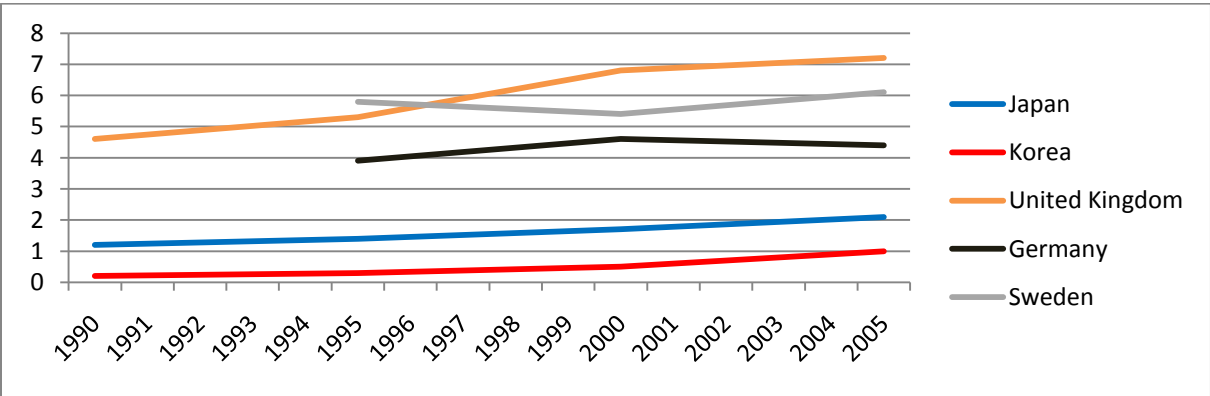
Figure 3: Public social expenditure on health (as % of total government expenditure),1990-2005. Source: OECD (2011).
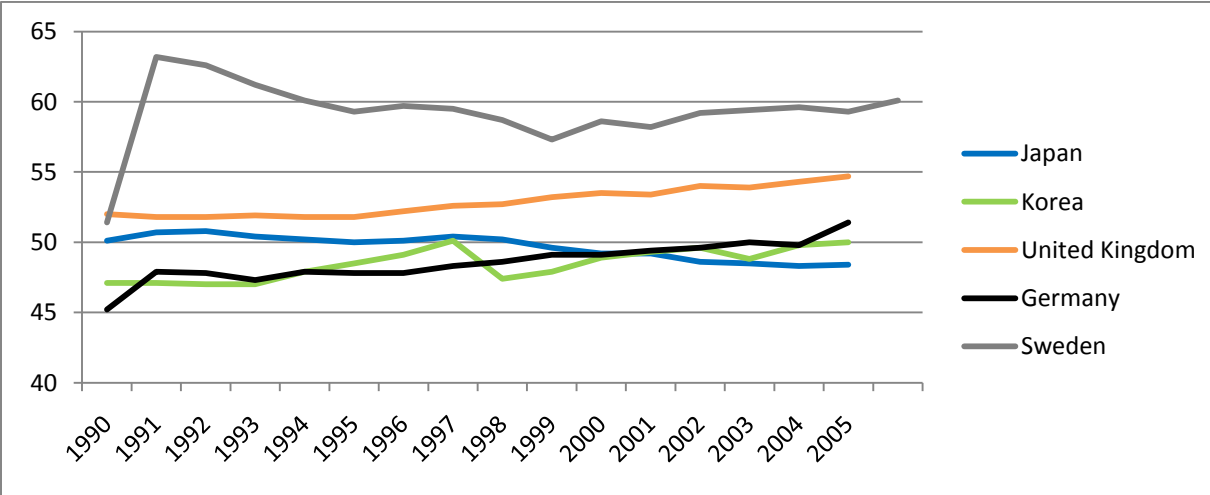
Figure 4: Female labour participation rate (as % of female population above 15),1990-2005. Source: World Bank (2011f).

Concerning the female labour participation rate (measured as % of female population above 15years) one can relate to Figure 4. While Sweden and the United Kingdom have higher participation rates, Japan and Korea seem to rather reassemble

Germany's average. As the conservative welfare regime is usually regarded as the one with the highest importance of the family (cf. Aspalter, 2006, p.299) it can be argued that the East Asian countries pay at least the same importance to family.

Concerning contributing family workers about 2-4 times more people in Japan and Korea are working together with relatives of the same household than in Europe (cf. Figure 5 below and Table 5 for descriptive statistics in the appendix). This is often seen as indicator of 'family loyalty' and helping the relatives, which otherwise might be unemployed. This would be a sign for strong family ties. On the other hand it could be argued, that in the longer industrialized countries of Western Europe less people work in family controlled businesses in the first place, so that there is a lower chance to bring family members into the company.
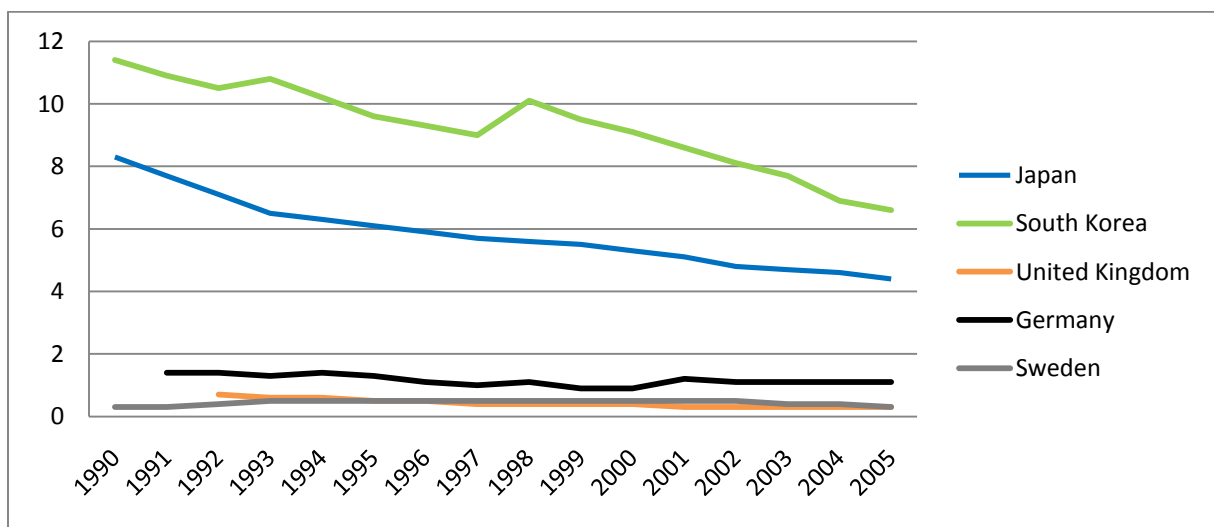
Figure 5: Contributing family workers (as % of total employment),1990-2005. Source: World Bank (2011f).

Although all three measures are not perfect to research family relations it becomes evident that family plays an important role in East Asia. The extent reassembles the conservative welfare regime (female labour participation) or even goes beyond its notion of the family (contributing family workers).

f) Relation of public and private provisions:

Researching the relationship between public and private/market provisions in the welfare states in Europe and East Asia the analysis turns once again to the disaggregated data. It is argued that especially in the social policy areas most important in Asian welfare states the productivist regime will show its 'typical' behavior. Furthermore the values and margins for most of the other program categories are too small to allow clear observations. Provisions on education and health are especially important in the East Asian countries (cf. d)). As there is no data available on private education expenditures one needs to rely on the health sector.
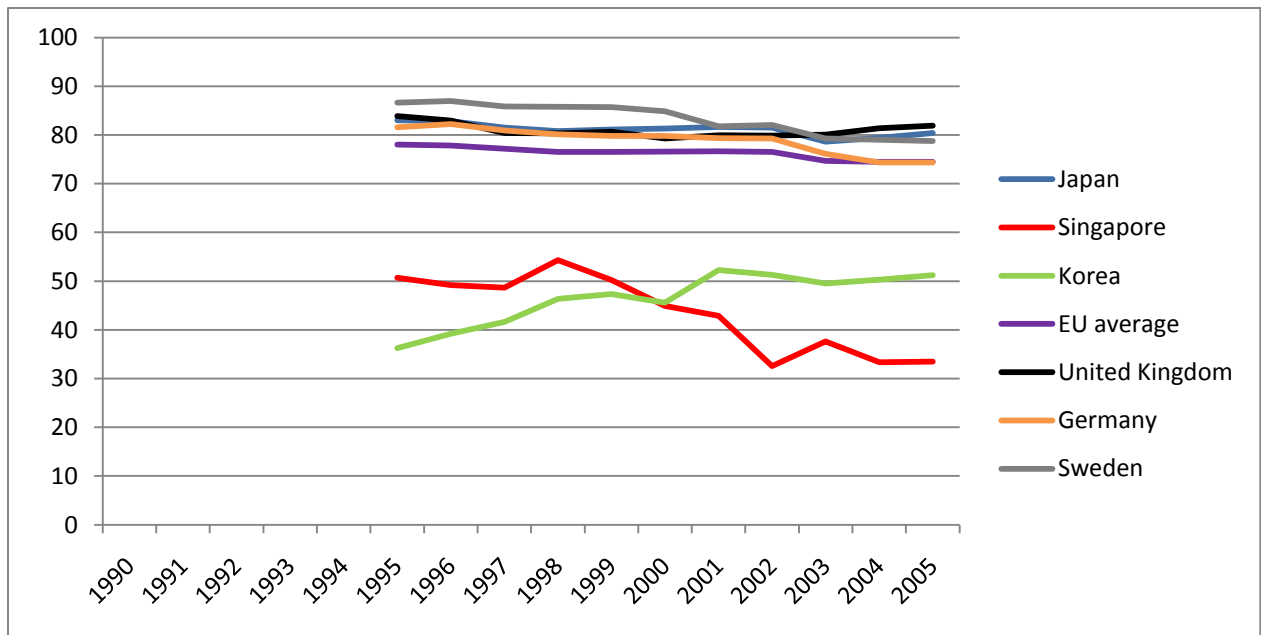
Figure 6: Public health expenditure (as % of total health expenditure),1990-2005. Source: World Bank (2011f).

Figure 6 shows that the portion of public social expenditure on health in comparison to the total health expenditure in Singapore and Korea lies greatly below Japan's and the one of the European countries'. In 2002 only 32% of the total health expenditure in Singapore was provided by public authorities. Japan on the other hand resembles once more rather the European countries, the United Kingdom in particular. If the two cases of Korea and Singapore are taken to outweigh Japan, then it can be argued that in East Asia the private welfare provisions play a far more important role than in Europe.

Coming back to the first hypothesis of this bachelor thesis the analysis showed that indeed the East Asian welfare states show higher economic growth rates as measured through GDP, except for Japan. Also the prediction about the lower unemployment rates and lower total social public expenditure were right. The focus on social investment in East Asia was not as clearly proven as the previous indicators, but at least for Korea it holds true. Keeping in mind that the measures on family relation are rather imprecise it was shown that family plays at least as an important role for Asian welfare states as in the conservative regime. And finally despite limited data and with the exclusion of Japan it was shown that European welfare states rely to a greater deal on public provisions.

Therefore the hypothesis can't be proven wrong and there exists a distinct East Asian welfare regime type, labeled as productivist welfare regime.

Japan remains the most debatable case of the East Asian nations. Regarding GDP growth it's an outliner, while the volume of education expenditure and the share of private expenditure in general more assemble the European countries (especially the liberal regimes of United Kingdom and the conservative welfare regime in Germany).

5.2 Cross-Asian Developments after the Asian Financial Crisis of 1997

After the previous chapter has been proven that a productivist welfare regime exists in East Asia the second hypothesis deals with the expected long term developments and the consequences of the Asian financial crisis of 1997/8 for this regime type. Again the particular claims of the hypothesis are dealt with separately to structure this chapter.

a) The significance of the Asian financial crisis:

Concerning GDP growth and unemployment in the region one can first of all refer back to the above section a) and the Figures 1.1 and 2.1.
Japan's growth rate was hit least of the East Asian nations with only a low point of - 2.05% in the year 1998, while South Korea experienced a breaking down of 6.9%. The Japanese economy experienced lower GDP rates in the 1990s in general due to its previous crisis. All economies picked up rather fast and the GDP growth began to increase again in 1999. Except for Singapore the growth in 1999 was even higher than in the year 1996 before the crisis. Concerning the unemployment rates Korea was once again affected first and most harshly, but was soon followed by Singapore and Hong Kong. Unemployment started to decrease again latest by 2000. Japan had a more static increase in its unemployment rate, which was only lightly affected by the crisis in 1997. Descriptive statistics about these two variables can be found in Table 6 In the appendix.
Except for Japan, which has in this regard already been marked as an outliner in the previous chapter, all East Asian nations show a significant fall of their GDP growth rates in1997/8 and an increase in unemployment. It is therefore evident that they have been hit by the Asian financial crisis. As the European nations do not show the same impacts it is apparent that they were not affected by the regional crisis.

b) Family relations

As first indicator for the importance of family relation the analysis turns to the public social expenditure on family affairs. In general the public expenditure for family lies on a low level and even with a steep increase of 75% (from 1.2% of government expenditure in 1990 to 2.1% in 2005 in Japan[12]) the expenditure remains low in comparison to other policy areas like education, health or old age provisions. As already argued in the previous chapter a low level of public family expenditure could indicate strong family ties. But the question remains if the state is not providing welfare, because it is already given in the families or if the families need to provide welfare for their relatives, because the state does not do so. An increase of the public provisions could therefore represent a decrease of family importance.

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[12] Cf. Table 8 on page 29.

Contributing family workers as a possible indicator of family loyalty has decreased in Japan and Korea during the 15 years period. For Japan the plunge from 8.3% to 4.4% of the workers equals a reduction of 53%, while Korea experienced a similar drop of 58%. During the financial crisis an increase in family workers in Korea could indicate that family ties are still quite strong and relatives help each other within their own businesses in times of unemployment. With this exception the development can almost be described as linear, as seen in Figure 7. This would then show a slow but steady loosening of family ties.
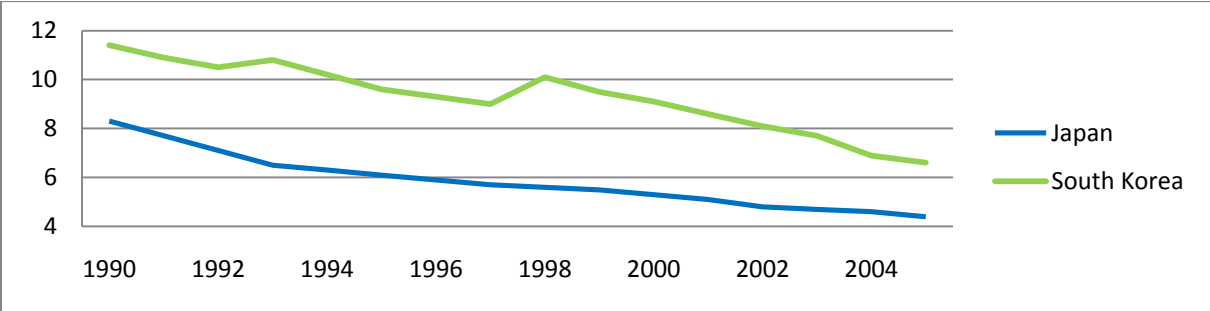

Figure 7: contributing family workers (as % of total employment), 1990-2005. Source: World Bank (2011f).

The ratio of females within the total labour force is quite homogeneous over all countries during all times; the standard deviation lies at 1.6. When Hong Kong and Singapore as city states are excluded the standard deviation drops to 0.6 and the range only covers 2.3 units (cf. Table 7). There are no significant developments over time and no big changes around the years of the financial crisis. The female share of longterm unemployment did not raise above average during these times either. Female worker are treated equally with men in the labour sector, which then does not seem to support the idea of a solely male bread-winner model.

Judging carefully, as these indicators are not excellent operationalizations of the concept of family relations, one could interpret the data on public family expenditure and contributing family workers in a way that family bonds in East Asia are declining and that the male bread-winner model is not prominent. But again said, the overall explanatory value in this regard is weak.

	Minimum	Maximum	Mean	Std. Deviation
Japan, Singapore, Korea, Hong Kong aggregated	36.3	45	40.3	1.64
Japan and Korea aggregated	39.22	41.57	40.5	0.63

Table 7: Descriptive statistics for female labour force (as % of total labour force), 1990-2005. Source: World Bank (2011f)

c) Social spending

To research developments on social spending in East Asia this thesis has to solely rely on the cases of Japan and Korea, as only the OECD provides these data sets. The data for social spending on education is obtained from the World Bank, which collects the data slightly differently (cf. footnote 10).

As seen in Table 8 on the next page the total public social expenditure in Japan increased from 35.7% of total government expenditure in 1990 to 49.1% in 2005. This is a total increase of 37.5% within 15 years. The highest increase (15.5%) can be measures in the interval from year 2000 to 2005. For South Korea the total growth of public social expenditure from 1990 to 2005 lies with 66.9% even a lot higher than in Japan. Here the largest raise is measured from 1995 to 2000. An enlargement of 34.6% stands against growth of 9.7% from 1990 to 1995 and 13.1% from 2000 to 2005. This fits well with the occurrence of the Asian financial crisis.

As the social expenditure is only a very vague indicator the analysis then turns to the subcategories of public social expenditure. First the pensions (old age welfare) in Japan and Korea are compared. In Japan the expenditure for old age increased in the 15 years researched from 12.9% to 22.8% of the government expenditure. But it is also marked by an increase of the share of old age provisions of the total social expenditure (36.1% to 46.4%). Together this could show an greater importance of old age provisions for the social policy Japan's, but to support this claim one needs to consider the variable 'population above 65 years' as well. Maybe an increase in the social need due to more old people was what caused the enlargement of old age expenditure in the first place. In 1990 11.95% of the Japanese population was above 65years old, in 2005 19.85%. This marks a raise of 66% while the social spending on old age increased 76% in the same timeframe (measured by government expenditure). Consequently a big portion of the expenditure raise can be explained by a higher share of old people in the system. Nevertheless an increase of 10% seems to be policy driven. In Korea the share of 'old' people rose from 4.98% in 1990 to 9.28% in 2005, which is an increase of 86.4%. This increasing demand is only partially met with the raise of the social expenditure on old age of 74.2%.

The shares of social provisions on health and education are especially important for the East Asian countries (cf. previous chapter). The table shows a decrease for health and education shares in Korea as well as in Japan. While for example in 1990 the health expenditure in Korea lay at 54% of the entire social expenditure it was only 46% in 2005. This might be a sign that the state shifts its social policy away from the 'typical' social investment provisions into new programs. On the other hand the table does not clearly show where these shares are transferred to as the total decrease for all subcategories does not match up with the total increase.

Finally for the unemployment subcategory it is easily to see that the raise of shares in the years 1995/2000 was due to the financial crisis as for example in Japan the social public expenditure for the unemployed in 2005 lay even below the value of 1990. In Korea the unemployment expenditure is marginal.

Summarized the public social expenditure enlarged in East Asia especially after the financial crisis, while the increase in old age shares was for the most part due to an aging population. And while the importance of social investment decreases, the unemployment programs have not significantly increased either.

	Japan				Korea			
	1990	**1995**	**2000**	**2005**	**1990**	**1995**	**2000**	**2005**
Total public social expenditure as percentage of government expenditure (as percentage of total public social expenditure)	35.7 (100%)	39.5 (100%)	42.5 (100%)	49.1 (100%)	14.5 (100%)	15.9 (100%)	21.4 (100%)	24.2 (100%)
Public spending **on education** as percentage of gov. exp.	N.A.	N.A.	10.49 (24.7%)	9.48 (19.3%)	N.A.	N.A.	13.92 (65%)	15.33 (63.3%)
Public social expenditure **on health** as percentage of gov. exp.	14.3 (40%)	15.7 (39.7%)	15.2 (35.8%)	16.7 (34%)	7.9 (54.5%)	7.1 (44.7%)	9.7 (45.3%)	11.2 (46.4%)
Public social expenditure **on old age** as percentage of gov. exp.	12.9 (36.1%)	14.7 (37.2%)	17.8 (41.9%)	22.8 (46.4%)	3.1 (21.3%)	5.2 (32.7%)	5.5 (25.7%)	5.4 (22.3%)
Public social expenditure **on unemployment** as percentage gov. exp.	0.3 (0.8%)	0.5 (1.2%)	0.6 (1.4%)	0.3 (0.6%)	0.0 (0%)	0.0 (0%)	0.1 (0.5%)	0.1 (0.4%)
Public social expenditure **on family** as percentage of gov. exp.	1.2 (3.4%)	1.4 (3.5%)	1.7 (4%)	2.1 (4.3%)	0.2 (1.4%)	0.3 (1.9%)	0.5 (2.3%)	1 (4.13%)
Sum of subcategories of public social expenditure as percentage of gov. exp.	28.7 (80.4%)	32.3 (81.8%)	45.8 (107.8%)[13]	51.4 (104.7%)	11,2 (77.2%)	12.6 (79.2%)	15.8 (73.8%)	33 (136.4%)

Table 8: Public social expenditure according to subcategories, 1990-2005. Sources: OECD (2011), World Bank (2011f).

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[13] Cf. footnote 10

d) Relation of public and private provisions

Turning to the important relationship between public and private market provisions in social welfare, first of all the general private voluntarily and mandatory shares are compared. As already stated above the public social expenditure increased continuously over the 15 years period. In contrast to that the mandatory and especially the private social expenditures rose in Japan from 1995 to 2000 by 680%, but fell in both countries again afterwards. This is a strong indication that during the time of the Asian financial crisis the people had to rely on their own resources to benefit their welfare and that the increase was not due to a change in policy outputs. If the value of the public social expenditure is set as 100% it can be calculated how big the private social expenditure is in comparison to the public social expenditure. Mandatory private provisions do not increase as predicted, while the voluntary expenditures only decrease from the crisis high in 1995/2000 and not compared to 1990.

	Japan				Korea			
	1990	1995	2000	2005	1990	1995	2000	2005
Total public social expenditure (% gov Exp)	35.7 (100%)	39.5 (100%)	42.5 (100%)	49.1 (100%)	14.5 (100%)	15.9 (100%)	21.4 (100%)	24.2 (100%)
Mandatory private social expenditure (% gov Exp)	1.1 (3.1%)	1.2 (3.0%)	1.8 (4.3%)	1.4 (2.9%)	1.3 (9.0%)	1.5 (9.4%)	3.3 (15.4%)	2.2 (9.1%)
Voluntary private social expenditure (% gov Ex)	N.A.	1 (2.5%)	7.8 (18.4%)	6.6 (13.4%)	0.6 (4.1%)	9.6 (60.3%)	9.1 (42.5%)	6.6 (27.3%)

Table 9: Public and private social expenditure (as % of total government expenditure), 1990-2005. Source: OECD (2011)

As the World Bank provides additional data on public and private health expenditure these will be included in the analysis as well. Please note that these shares are percentages of the GDP and not as most OECD data percentages of the total government expenditure. When the total health expenditure is set as 100% the shares of public and private expenditure can be calculates and are indicated in brackets in Table 10.

	Japan			Singapore			Korea		
	1995	**2000**	**2005**	**1995**	**2000**	**2005**	**1995**	**2000**	**2005**
Total health expenditure, (% of GDP)	6.9 (100%)	7.9 (100%)	8.2 (100%)	3.0 (100%)	2.8 (100%)	3.0 (100%)	3.9 (100%)	4.8 (100%)	5.7 (100%)
Public health expenditure, (% of GDP)	5.7 (82.6%)	6.3 (79.7%)	6.6 (80.5%)	1.5 (50%)	1.3 (46.4%)	1.0 (33.3%)	1.4 (35.9%)	2.2 (45.9%)	2.9 (50.9%)
Private health expenditure, (% of GDP)	1.2 (17.4%)	1.4 (17.7%)	1.4 (17%)	1.5 (50%)	1.5 (53.6%)	2.0 (66.7%)	2.5 (64.1%)	2.6 (54.2%)	2.5 (43.9%)
Out-of-pocket health expenditure (% of private health exp.)	90.2	90.0	82.4	96.8	95.8	93.2	85.6	83.1	89.4

Table 10: Public and private health expenditure (as % of GDP), 1995-2005. Source: World Bank (2011f).

In Singapore and South Korea the measured private health expenses reach at any given time over 50% of the total health expenditure. Only in Japan the private expenditure is quite low with a maximum of 17.7% in 2000. There is no general trend for the share of private expenditure in comparison to public expenditure on health. In Japan the percentage is steady, in South Korea decreasing and in Singapore increasing. When treating Singapore as an exceptional city state one could try to argue with Korea for an increase of public health provisions in comparison to private ones in East Asia.

The biggest portion (from 82-96%) of private expenditure on health needs to be paid out-of-pocket and leaves the households with incalculable risks for their financial planning.

Summarizing the results with regards to the second hypothesis it has been shown in the empirical data that the East Asian nations were indeed severely hit by the Asian financial crisis of 1997/8, with Japan affected the least. Public social expenditure expanded as predicted, especially in the years from 1995-2005. That the financial crisis fell exactly in this timeframe is not just coincidentally and might indicate changes in policy as well as a sole increase in the social need. As pension programs saw a greatly enlargement, but only partially due to policy reasons, and unemployment expenditure does not significantly increase the hypothesis about the direction of welfare state enlargement is not proven. The prediction that family ties in East Asia are weakening could be verified in regards to an increase in public family expenditure and a decrease in contributing family workers. Furthermore women seem to be rather equal with their male counterparts in regards to the labour market. A raise in public spending in comparison to especially voluntary private expenditure

could not be shown in the long run. Enlargements were only documented due to the financial crisis in 1997 and fall again afterwards. The only evidence could be shown by Korea with an increase of the share of public health provisions.

Therefore the second hypothesis can partially be proven wrong in regards to the predicted enlargement of pensions and unemployment and of the public provisions in comparison to private ones.

6. Conclusion

The research question of this bachelor thesis was whether it is possible to prove with empirical data that there exists a distinct East Asian welfare regime in comparison to the ones found in Europe and how this specific type has changed over time due to the Asian financial crisis in 1997.

Starting from the general theory of welfare state typology and Esping-Andersen's (1990) famous ideal types the scientific literature was reviewed to find a distinct set of features commonly shared by East Asian welfare states. These constitute the productivist welfare regime, an extension of Esping-Andersen's typology. Subsequently possible developments after the Asian financial crisis were shortly discussed before the concept of the productivist welfare regime was operationalized and a two-folded statistical analysis conducted. The first part dealt with the comparison of the European and the East Asian countries, while the second one focused on the inter-Asian developments.

Regarding the first part of the research question the results of Chapter 5.1 clearly indicate that empirical data proves the existence of a distinct productivist welfare regime in East Asia with the above mentioned criteria. Chapter 5.2 analyzed the long term developments between 1990 and 2005 of the East Asian countries as representatives of the productivist welfare regime and noted that they did not completely change as expected. Nevertheless they did change towards a higher social expenditure. Unfortunately the data could only show the decrease in social investment (health and education expenditure) but did not clearly state to which other social programmes these shares were transferred. Family ties seem to loosen over the whole period and the change in the relation between public and private provisions depends greatly on the selected country and can't be generalized

The question remains how these result fit into the existing research.
The empirical result that there exists a distinct East Asian welfare regime, in comparison to the 'traditional' ones in Europe was immensely theorized in the literature (as seen in Chapter 2.2.1 and especially 2.2.2), but seldom proven in a quantitative study. Although the empirical analysis in this bachelor thesis remains relatively small (in sample size and variables) it nevertheless adds to the quantitative evidence that the ideal type of a 'productivist' welfare state can be found in the reality of aggregated country data in East Asia, at least up to a certain degree. Especially the period between 2000 and 2005 has not been yet been included in the more extensive comparative welfare studies in this field (Lee & Ku, 2007, and Croissant, 2004).
To link the observed changes in the productivist welfare regime, especially after the

financial crisis of 1997/8, with the literature is more difficult. Referring back to the theory section in Chapter 2.2.3 social scientists outlined especially two possible directions of development: While both ways indicate an enlargement of public social welfare provisions due to economic recession and an aging population the first one argues that these changes will develop within the framework of the productivist welfare state (cf. Holliday, 2000) while the other argues for a convergence towards one of the three European welfare regimes (Hort & Kuhnle, 2000; Croissant, 2004; Gough, 2004). The empirics in this bachelor thesis indicate that especially Japan is moving towards the conservative welfare regime. Its social expenditure only lies slightly under the European nations, education expenditure is already on the same level as well as labour participation rate and the share of public vs. private health spending. Korea on the other hand reassambles the productivist ideal type better, but is also moving towards the European welfare regimes in general. While Korea's total public social expenditure expands the share of social investment decreases and the public provisions overtake private ones. Family ties remain strong, but decline slowely. While these developments are directed towards the European regimes one can't make any prediction yet to which regime in particulate they will settle nearest, because the European types tend to cluster quite near together. Despite these adjustments towards Europe the economic outlook for the East Asian countries in regards to GDP growth and unemployment remains at the point of 2005 far more positive than any of their European counterparts.

As the empirical analysis of this thesis was heavily constrained by missing data sources and in some incidents imprecise operationalization further research should be done within the field of quantitative comparison of the East Asian welfare regimes to verify the findings in a broader context and to indicate if they still hold valid for countries not included in the first tier of tiger states.

But data has to be collected carefully to gain enough statistical material on the one hand side and on the other obtain truly comparable data, so that one variable is always measured exactly in the same way. As mentioned earlier even the World Bank and OECD data vary on the same variable. Furthermore it is very important to obtain datasets with as many cases (years and countries) as possible, but at the same time with as few missing values as possible. By carefully reviewing national data with the international databases the number of missing values could be decreased. It would also be helpful to include and categorize rather qualitative variables, like what kind of social welfare programs are present in a country.[14] This would in general maximize construct validity as more aspects of the productivist welfare regime construct could be covered, for example whether benefits are granted on merit base or universal, in cash or in kind.

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[14] These different kinds could then for example be labeled in n categories and be presented on an ordinal scale from most universal to least universal.

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7. Appendix

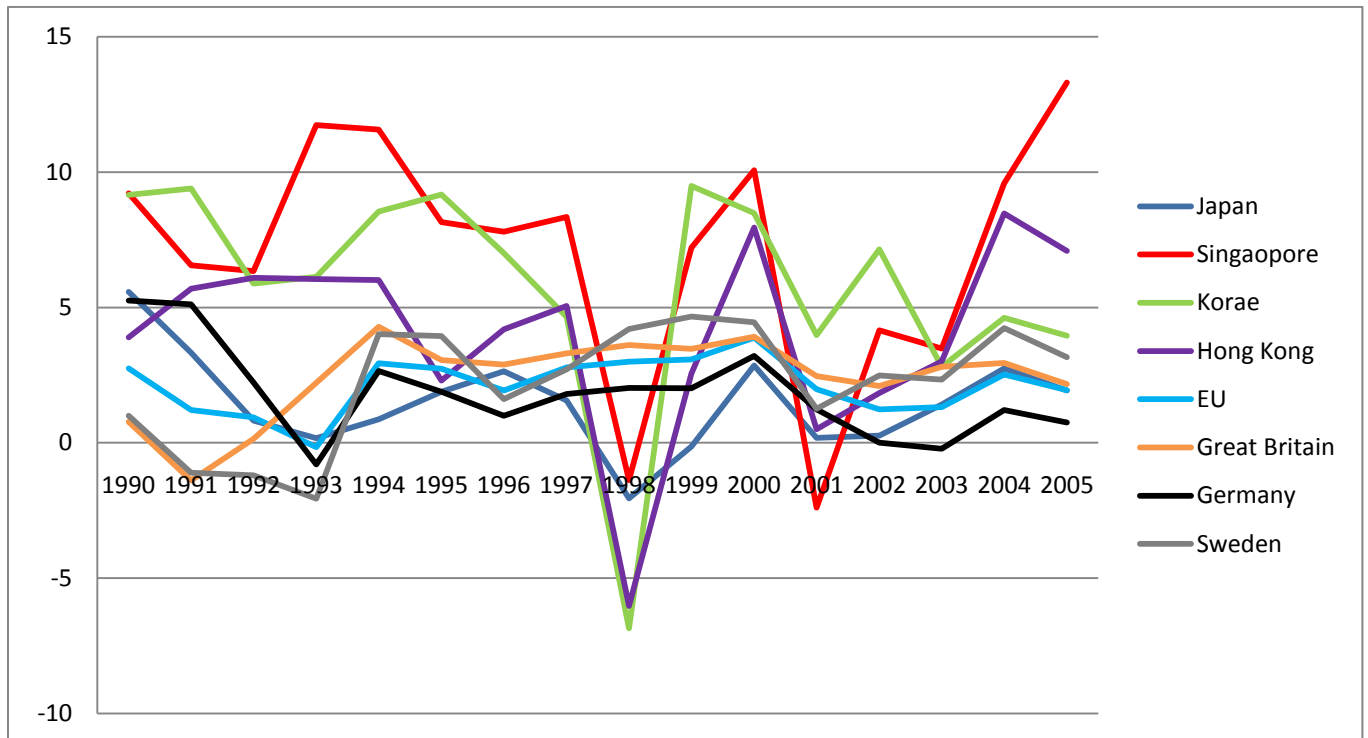
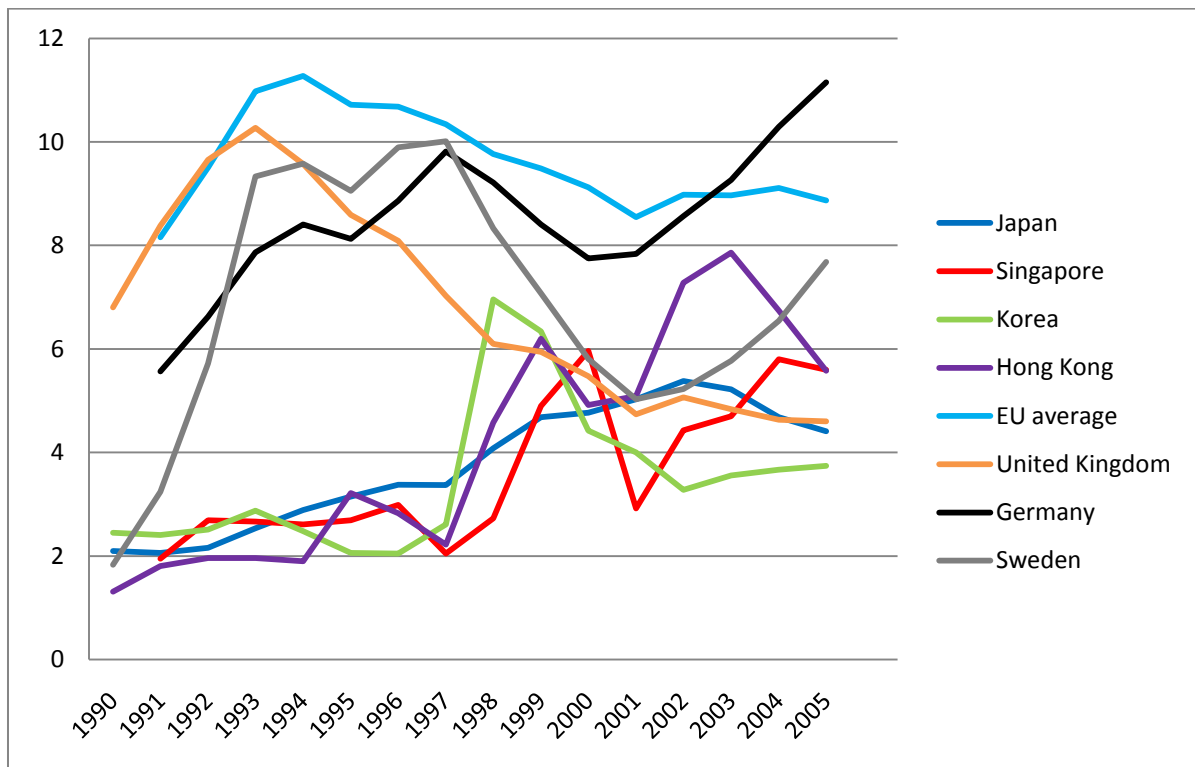Figure 1.2: GDP growth per annum,1990-2005. Source: World Bank (2011f).

Figure 2.2: Unemployment (as % of workers),1990-2005. Source: World Bank (2011f).

	Minimum	Maximum	Mean	Std. Deviation
Japan	-2,05	5,57	1,50	1,75
Singapore	-2,40	13,30	7,11	4,38
Korea	-6,85	9,49	5,85	4,05
HongKong	-6,03	8,47	4,04	3,51
EU average	-0,16	3,88	2,13	1,03
United Kingdom	-1,39	4,28	2,42	1,48
Germany	-0,8	5,26	1,83	1,68
Sweden	-2,07	4,66	2,23	2,16

Table 1: descriptive statistics for GDP growth,1990-2005. Source: World Bank (2011f)

	Minimum	Maximum	Mean	Std. Deviation
Japan	4.4	8.3	5.8	1.12
Korea	6.6	11.4	9.3	1.4
United Kingdom	0.3	1.8	0.5	0.38
Germany	0	1.4	1	0.33
Sweden	0.3	0.5	0.4	0.08

Table 5: Contributing family workers (as % of workers), 1990-2005. Source: World Bank (2011f)

	GDP growth rate					Unemployment rate				
	Min.	Max.	Mean	Range	Std. Deviation	Min.	Max.	Mean	Range	Std. Deviation
Japan	-2.05	5.57	1.50	7.6	1.75	2.06	5.38	3.7	3.3	1.17
Singapore	-2.40	13.30	7.11	15.7	4.38	1.95	5.96	3.64	4	1.4
Korea	-6.85	9.49	5.85	16.3	4.05	2.05	6.96	3.46	4.9	1.43
HongKong	-6.03	8.47	4.04	14.5	3.51	1.31	7.86	4.09	6.5	2.2

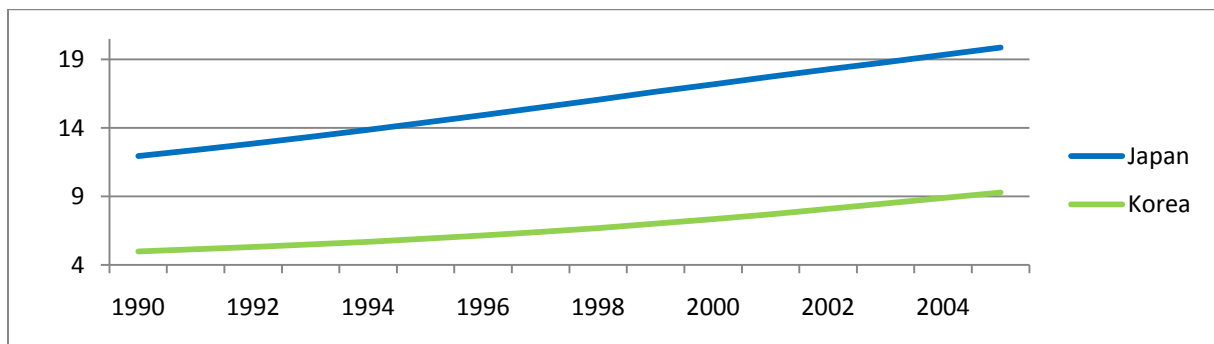Table 6: Deskriptive statistics of GDP growth and unemployment, 1990-2005. Source: World Bank (2011f).

Figure 8: Population above 65 years (as % of total population), 1990-2005. Source: World Bank (2011f).

Name	Label	Source
CountryName	Country	
Year	Year	
v001	GDP growth (annual %)	WorldBank
v002	Inflation, consumer prices (annual %)	WorldBank
v003	Foreign direct investment, net inflows (% of GDP)	WorldBank
v004	Unemployment, total (% of total labor force)	WorldBank
v005	Unemployment, female (% of female labor force)	WorldBank
v006	Unemployment, male (% of male labor force)	WorldBank
v007	government spending total (%GDP)	WorldBank
v008	public social expenditure total (% gov Ex)	OECD
v009	public social expenditure total (% GDP)	OECD
v010	mandatory private social expenditure total (% gov Ex)	OECD
v011	mandatory private social expenditure total (%GDP)	OECD
v012	voluntary private social expenditure total (% gov Ex)	OECD
v013	voluntary private social expenditure total (%GDP)	OECD
v014	Public spending on education, total (% of GDP)	WorldBank
v015	Public spending on education, total (% of gov expenditure)	WorldBank
v016	Expenditure per student primary (%GDP)	WorldBank
v017	Expenditure per student, secondary (% GDP)	WorldBank
v018	Pupil-teacher ratio, primary	WorldBank
v019	Pupil-teacher ratio, secondary	WorldBank
v020	Health expenditure, total (% of GDP)	WorldBank
v021	Health expenditure, public (% of GDP)	WorldBank
v022	Health expenditure, public (% of government expenditure)	WorldBank
v023	Health expenditure, public (% of total health expenditure)	WorldBank
v024	public social expenditure health total (% gov expenditure)	OECD
v025	public social expenditure health total (% GDP)	OECD
v026	public social expenditure health total (% gov Ex)	OECD
v027	public social expenditure health total (% GDP)	OECD
v028	Hospital beds (per 1,000 people)	WorldBank
v029	Physicians (per 1,000 people)	WorldBank
v030	Health expenditure, private (% of GDP)	WorldBank
v031	Out-of-pocket health expenditure (% of private exp on health)	WorldBank
v032	Out-of-pocket health expenditure (% of total exp on health)	WorldBank
v033	public social expenditure old age total (% gov expenditure)	OECD
v034	public social expenditure old age total (%GDP)	OECD
v035	public social expenditure old age cash (% gov expenditure)	OECD
v036	public social expenditure old age in kind (% gov expenditure)	OECD
v037	mandatory private social expenditure old age (%GDP)	OECD
v038	public social expenditure unemployment total (% gov Ex)	OECD
v039	public social expenditure unemployment total (% GDP)	OECD
v040	Contributing family workers, total (% of total employed)	WorldBank
v041	Labor participation rate, female (% of female ages 15+)	WorldBank
v042	Labor participation rate, male (% of male ages 15+)	WorldBank
v043	Labor force, female (% of total labor force)	WorldBank
v044	Long-term unemployment (% of total unemployment)	WorldBank

v045	Long-term unemployment, female (% of fem unemployment)	WorldBank
v046	Long-term unemployment, male (% of male unemployment)	WorldBank
v047	Wage and salaried workers, total (% of total employed)	WorldBank
v048	Compensation of employees (% of expense)	WorldBank
v049	Social contributions (% of revenue)	WorldBank
v050	GINI index	WorldBank
v057	Population ages 65 and above (% of total)	WorldBank
v058	Active labour market programmes (% gov Ex)	OECD
v059	voluntary private social expenditure old age (%GDP)	OECD

Table 11: Overview of the variables used for the statistical analysis and their sources.