

# ARTICLE

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## The coming of East and South-East Asian welfare states

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### Summary

*It has long been assumed among Western commentators that rapid economic growth in East and South-east Asia has been achieved without the development of social policies. It has often been inferred that growth without social welfare is not only possible, but beneficial to further strong economic growth. The article questions these perceptions and beliefs. First, to what extent did East and South-east Asian countries delay the introduction of social insurance schemes compared to European pioneering countries, in the sense of introducing them only at a much higher level of 'modernization'? Second, to what extent was the economic miracle achieved by some of these countries based on (or accompanied by) attempts to forestall or retrench welfare state schemes? Third, to what extent has the recent financial crisis led to attempts at lowering or changing standards of social protection? The study shows that the Asian countries generally introduced social security programmes at a lower level of 'modernization' than Western European countries; that rapid and strong economic growth in the decade 1985–95 has in general been accompanied by welfare expansion; and that even after the financial crisis of 1997, expansion of state welfare responsibility is more evident than efforts to reduce or dismantle state welfare responsibility.*

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### Key words

*East and South-east Asia, modernization, social dumping, welfare state development*

### Résumé

*Les commentateurs occidentaux ont pendant longtemps prétendu que la croissance rapide de l'Asie du Sud et du Sud-Est s'était réalisée sans développement de politiques sociales. On en a souvent déduit que la croissance sans bien être social n'est pas seulement possible mais aussi bénéfique pour une forte croissance économique ultérieure. Cet article met en question ces perceptions et croyances. Premièrement, dans quelle mesure les pays d'Asie du Sud et du Sud-Est ont-ils retardé l'introduction de mesures d'assurance sociale comparé aux pays européens pionniers, dans le sens de les introduire seulement au moment d'un plus grand degré de modernisation? Deuxièmement, dans quelle mesure le miracle économique atteint par certain de ces pays était basé sur (ou accompagné par) des tentatives de limiter l'extension de l'Etat providence ou de mener de politique de réduction de celui-ci? Troisièmement, dans quelle mesure la récente crise financière a-t-elle conduit à des tentatives de diminuer ou de changer les standards de protection sociale? Cette étude montre que les pays asiatiques ont généralement introduit des programmes de sécurité sociale à un degré moindre de 'modernisation' que les pays d'Europe occidentale, que la croissance économique rapide et forte durant la décennie 1985–95 s'est généralement accompagnée d'une expansion de la protection sociale et que même après la crise financière de 1997, l'expansion des responsabilités du Welfare State est plus évidente que les efforts de le réduire ou de le démanteler.*

### Social security and global competition, or growth without welfare?

Is growth without welfare possible? Will pov-

erty regain its stamp on 'development'? This is the global social question of the new millennium. The European social question of the late 19th century – *die Arbeiterfrage* – got an answer: social insurance as a correlate to democracy and economic prosperity. Is this answer still valid, in Europe or elsewhere, or is there some other new miracle medicine to promote welfare and growth? In this article, the focus is on developments of institutionalized social security and welfare arrangements in parts of the Pacific Rim area, a region that experienced exceptional economic growth during most of the last quarter of the 20th century, and most recently also some remarkable progress towards democracy.

The sudden (but temporary?) disappearance of the East and South-east Asian miracle probably ranks second only to the unravelling of the Soviet empire as the greatest societal surprise of the last decade of the second millennium. The miracle was succeeded in the summer of 1997 by a currency and stock market crisis which had devastating effects on society as a whole in large parts of the region, from Thailand via South Korea to Indonesia. What happened to whatever form of social security there was during the miracle period? To what extent was the 'economic miracle' in the developing countries of East and South-east Asia based on 'social dumping' policies which were deliberately intended to forestall the development of welfare state schemes, to keep social benefits low, or to retrench existing schemes? And what about the aftermath of the crisis, as the process of globalization has indicated some – mainly economic – recovery in the area under consideration?

This article is a modest attempt to examine these questions. More specifically we shall examine to what extent the:

- East and South-east Asian countries delayed the introduction of social insurance schemes compared to European pioneering countries, in the sense of introducing them only at a much higher level of 'modernization' or 'development';
- economic miracle achieved by some of these countries was based on (or accompanied by) attempts to deliberately forestall or retrench welfare state schemes;
- recent financial crisis led to attempts at lowering/changing standards of social protection.

### Economic growth and welfare state development

In Western Europe and other parts of the Western World economic growth was usually followed, or accompanied, by the build-up of welfare state institutions. The question is whether this Western model of the past also applies to newly modernizing countries in other regions of the world. Has growth been followed by some type of institutionalized welfare – social security – elsewhere as the process of globalization has reached the agenda of the day? For almost a decade from the mid-1980s it was the economic development in the countries of East and South-east Asia that was heralded as a miracle – a concept explicitly used by the World Bank (1993) to describe the region's high-growth economies. The major international players had a major impact on the achievement of the miracle (Anderson, 1998): large money-movers, big companies, leading international organizations and, in particular, big nation states – the former colonial powers. But when currencies and stock markets collapsed and people started to march in the streets of Seoul and Jakarta in the summer of 1997, this globalization miracle looked less impressive than had earlier been presumed. Were there any institutions of social security to protect those people laid off and dismissed?

It was the four small tigers or dragons – Hong Kong, South Korea, Singapore and Taiwan – that were singled out initially as economic miracles. From the early 1990s they were joined by a second generation of tiger

economies – in particular Malaysia and Thailand – and soon after the World Bank had published its magnum opus on the area (in 1993), a third group was added: Indonesia, the Philippines, Vietnam, maybe even Laos, Cambodia and Burma (Myanmar). China was a case apart, soon linked to areas claimed by the giant. The period of high and sustained growth in the miracle economies of East and South-east Asia attracted some attention also to social policy in the region (Chow, 1985–6; Dixon and Kim, 1985; Midgley, 1985). However, the general perception in the West both among scholars and opinionmakers has been that growth was not followed by welfare ‘as we know it’ – thus social security – but rather by social dumping (cf. Goodman et al., 1997; White and Goodman, 1998).

This article examines to what extent Asian countries have followed or avoided the Western pathway of welfare state development. Hence, the countries or territorial areas under scrutiny include the four original ‘tiger economies’ – Hong Kong (formerly a British colony, since July 1997 a Special Administrative Region (SAR) of the People’s Republic of China), the Republic of Korea (or South Korea, further on in the text referred to simply as Korea), Singapore and Taiwan – as well as two from the second generation of ‘tigers’ – Malaysia and Thailand – and two from the third: Indonesia and the Philippines. For comparative purposes, China and Japan have been added but the main focus is on the eight above-mentioned countries and territories.<sup>1</sup>

### The yardstick for comparison: the European path

In Western social science and politics, welfare state schemes establishing the social rights of citizenship are usually perceived as a fourth stage in the process of state and nation building (Marshall, 1950; Rokkan, 1970;

Titmuss, 1974; Flora, 1986). In the mid-1990s, during the years before the crash, the low-spending ‘welfare states’ of East and South-east Asia not only attracted increasing attention among Western scholars and politicians, but were actually pointed out as potential welfare models for the West. Governments of capitalist East and South-east Asia presented themselves as supportive of a small public sector, the market and family-based social provisions, and at least in rhetoric distanced themselves from the welfare institutions and value orientations of Western countries. In contrast to European countries which spent an average of 25 percent of the gross domestic product for social purposes in the mid-1990s, Japan’s social spending accounted for a little more than 15 percent, while Korea and Taiwan reached 10 percent. Even lower figures – just over 5 percent – were recorded for Hong Kong and Singapore, not to mention Malaysia, Indonesia, the Philippines and Thailand.

A note of caution should be made about comparisons of data on social spending, however: financing of social programmes does not always or completely go directly through the public purse in these Asian countries, and therefore not all expenditure is recorded as a part of government expenditure (cf. Kwon, 1997; Kwon, 1998a). Comparisons with data for traditional high-spending countries are complicated as several benefits are mandated through various types of employment laws, and public regulations are translated into corporate welfare spending. When employers are allowed to deduct contributions for occupational welfare (in the form of employee benefits) as business expenses, the picture is distorted if such spending – ‘tax expenditures’ – is not included as (public) social expenditures (cf. Ervik, 1998). An additional reason for low welfare spending is the widespread existence of family welfare (cf. Jacobs, 1998). Caring responsibilities as well as income from work are shared across the generations to a higher extent than in European countries.

In Western Europe, the joint processes of industrialization and democratization led to government-initiated imitations of private insurance (cf. Wilensky 1975; Schmidt 1989). It was typical for this kind of modernization process that laws regulating occupational injury insurance came first, followed by sickness and/or pension legislation, and later on – very often considerably later – by unemployment and family allowance programmes (cf. Flora and Alber, 1981). A possible yardstick for Asian social security or welfare state development may be to compare national statistics on social spending as well as the timing, sequence and levels of socio-economic and political development at the time of adoption of selected schemes with corresponding data for European countries, while these were at similar stages of development. Due to problems of data availability and comparability, especially on social spending, we shall, however, at this stage only make some very simple comparisons of the sequence and timing of

European and East/South-east Asian social security legislation.

### The historical origins of the welfare state in East and South-east Asia

Table 1 gives the years of enactment of the first social insurance laws in the eight foremost miracle territories in the region. For comparative purposes, similar data for Japan and China have been added (cf. Tyabji, 1993). The table clearly indicates that social security development in this part of Asia is – with the partial exception of occupational injury insurance – basically a postwar phenomenon. Our comments on the table will follow the logic of the emergence and structuring of the five branches of social insurance programmes. At this stage we will leave out the People's Republic of China where the state-guaranteed

**Table 1** The introduction of social security programmes in East and South-east Asia<sup>a</sup>

	<i>Occupational injury</i>	<i>Sickness</i>	<i>Pensions</i>	<i>Unemployment insurance</i>	<i>Family</i>
Hong Kong	1953	1968	1973	1971	1971
Indonesia	1939	1957	1951	–	–
Korea	1953	1963	1986	(1995)	–
Malaysia	1929	– <sup>b</sup>	1951	–	–
Philippines	1974	1954	1954	–	–
Singapore	1929	(1983)	1953	–	–
Taiwan	1929	1950	1950	(1988)	–
Thailand	1972	(1990)	1990	(1990)	(1990)
China	1951	1951	1951	(1986)	–
Japan	1911	1922	1941	1947	1971

*Notes:*

<sup>a</sup>The pension laws of Thailand (1954) and Korea (1973) are not listed, as they were not implemented and must be considered 'paper laws'. Please note that in a few cases dates in Table 1 overlap with dates in Table 3. These dates or years are put in brackets. This will be further outlined in the text. Note that the years of legislative enactment are given, not years of implementation (which are often quite different). Note that laws can be of very different scope. What is interesting here is that legislation of some kind of government programme took place at all for various risks or needs at various points in time.

<sup>b</sup>Since some years after independence in Malaysia (1957), medical care has been available in government dispensaries, hospitals and rural health centres.

*Source:* Social Security Administration (1997), and when relevant, earlier editions; ILO (1998).

'rice bowl' system was introduced for state enterprises in 1951 (cf. Kuhnle, 1997).

Four of the countries under review had introduced *occupational injury insurance* or employer's liability before 1930,<sup>2</sup> but it was not until the 1950s that most of them had legislated this pioneer branch of social insurance. The Philippines (1974) and Thailand (1972) are exceptions as latecomers. Of course, mere data on programme adoption do not reveal if the early development of this type of social insurance programme was more than an accommodation to the relevant ILO convention on paper. Thus, the case of the Philippines in 1927 seems to be an instance of mere 'paper law', and the 1939 Indonesian law – introduced under Dutch colonial rule – is another similar case in point, although there is some evidence that at least native seamen were protected by this law (Queisser, 1991; Ingleson, 1993). So far no comparative study has investigated the implementation of occupational injury insurance throughout East and South-east Asia (for a survey of OECD countries cf. Väisänen, 1992). With the exception of Japan and communist China, most Asian countries started out with individualistic employer liability systems but changed this branch progressively into compulsory social insurance systems with public carriers – a model from which presently only Indonesia and partly also Korea and Singapore depart.

State involvement in *sickness or health insurance* – comprising cash benefits as well as medical care – took root over a fairly long period. The process began in Japan in 1922 (medical care only), and was introduced in the other nine countries between 1950 (Taiwan) and 1990 (Thailand). In most cases the schemes were of a voluntary character, with compulsory elements only for targeted key categories such as the military, government employees or school teachers. Only in Japan did coverage reach levels comparable to those in European countries (for a survey of advanced countries cf. Kangas, 1991 and Ron, 1998). The Japanese system matured over a 16-year period (1938 being the second major

year of legislation with the introduction of the national health insurance) but elsewhere developments started only in the postwar period. In Thailand, for instance, a 1990 law replaced a never implemented law of 1954 and a never enforced ministerial decree of 1958.

All countries have introduced some kind of *pension programme*. Adoption occurred first in Japan (1941), but rather late in Hong Kong (1973), Korea (1986) and Thailand (1990, disregarding the Thai law of 1954, which was a paper law). Early on in several countries compulsory saving schemes – the provident fund model – were favoured (cf. Beattie, 1998). All programmes, with the exception of the Japanese and the Korean, provided for a lump-sum payment at the end of the work career.

Concerning the two most recent branches of social insurance, *unemployment provision* and *family allowance*, there are still few signs of a catch-up trend. Few countries have so far introduced some kind of unemployment support. Apart from Japan (1947), with a traditional European-inspired insurance system, only Hong Kong (1971; mandated severance pay) and Korea (1995; cash benefit relief programme) adopted schemes. Only two – Japan (1971), again with a fairly traditional cash benefit system, and Hong Kong (1971; where once again employers are mandated to provide support) – have established a programme of family allowance or assistance.

Table 2 summarizes the information on the sequence of introduction of first social security laws of one kind or another, and includes the comparative average rank of 12 European countries as recorded by Flora and Alber (1981: 50). As is seen from the figures on average rank for the various types of laws, the sequence of establishing social security for various purposes in East and South-east Asian countries is remarkably similar to the historical pattern of European countries.

If we compare the timing of introduction of social security legislation, European countries were clearly pioneers in terms of chronological time, but our concern here is whether the high growth, 'miracle' East and South-east countries

**Table 2** Sequence of introduction for the four social insurance/security systems in East and South-east Asia. Average rank compared with historical European average rank

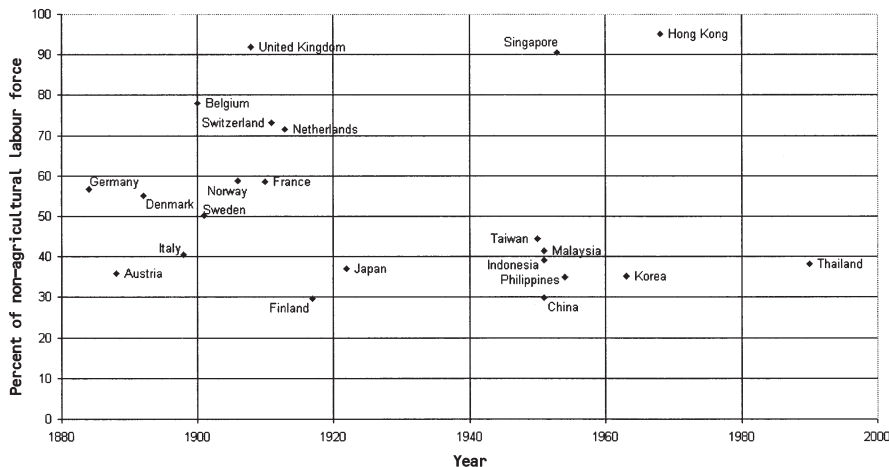
	<i>Sequence of introduction: rank</i>					<i>Average rank E/S-e Asia</i>	<i>Average rank Europe</i>
	1	2	2.5	3	4		
OI	9	–	–	1	–	1.2	1.7
SI	–	3	4	2	–	2.4	2.2
OA	–	3	4	2	1	2.6	2.7
UI	–	–	–	1	5	3.8	3.5

*Note:* When the second and third laws are introduced in the same year, a rank of 2.5 is given. The average rank given for Europe covers 12 countries and is taken from Flora and Alber (1981), and the figures given here are the averages for establishing a compulsory or voluntary subsidized system.

*Key:* OI – Occupational Injury; SI – Sickness Insurance; OA – Old Age; UI – Unemployed Insurance.

have introduced social security systems earlier or later in terms of ‘developmental time’. In Figure 1 we make a comparison of European and East/South-east Asian countries regarding the level of development or modernization as measured by proportion of labour force in the non-agricultural (and non-fishing, non-forestry) sector at the time of the introduction of the second law of social security in the two regions. Given that first laws were often very limited, we have chosen to use the introduction of the second law (rather than the first) as a yardstick of social security commitment.

Figure 1 provides two major insights. First, there were somewhat smaller variations among European countries historically (1884–1917) than there have been among the Asian countries in more recent times. However, excluding the polar opposites – Japan (1992) and Thailand (1990) – the timespan among Asian countries narrows to 18 years (oscillating between 1950 and 1968 – see also Table 1). Second, the Asian countries generally have introduced the first social security programmes at lower levels of ‘modernization’ or socio-economic development



**Figure 1** Percent of non-agricultural labour force at time of introduction of second social insurance law, Europe and East/South-east Asia

*Sources:* Mitchell (1982); Flora (1987); Asian Development Bank (1997).

than the European countries. The unweighted average level of non-agricultural labour force participation in the 12 European countries at the time of the establishment of the second social security law was 58.3 percent, and the corresponding figure for the 10 East/South-east Asian countries is 48.6 percent. These simple figures at least go to indicate that chronological latecomers in social security legislation were not latecomers in terms of 'developmental time'. Rather than arresting or retarding welfare state development, our Asian countries even preceded European nations in the sense that they adopted state welfare programmes at lower levels of modernization. This casts doubt on the idea that the Asian economic development was based on growth without welfare. Instead, here, as in Europe, modernization was accompanied by the adoption of social security programmes.

#### *The development of social security during the miracle period*

Despite one short recession in the mid-1980s, the East Asian boom continued and resulted in earning these countries and territories the epithet of miracles in the early 1990s. During the period 1965–90, the annual average growth of GDP per capita was 3.8 percent in Asia, and as high as 6.7 percent in the four tigers of East Asia (Hong Kong lowest with 5.8 percent, Taiwan 6.3 percent, Korea and Singapore highest with 7.4 percent). In South-east Asia, Indonesia, Thailand and Malaysia had growth rates of 4.7, 4.6, 4.5 percent respectively, while the Philippines lagged with an annual average of only 1.4 percent (Asian Development Bank, 1997). Growth was generally strong also in the first half of the 1990s, as indicated by data on average growth during 1985–95: average annual growth of GNP per capita was 8.4 percent in Thailand, 7.7 percent in Korea, 6.2 percent in Singapore, 6.0 percent in Indonesia, 5.7 percent in Malaysia, 4.8 percent in Hong Kong, and, still at the

bottom among this group of countries, the Philippines with 1.5 percent (World Bank, 1997). In Taiwan the growth rate was 7.6 percent percent (in constant 1991 prices) during 1985–95 (Taiwan, 1998).

The question then is to what extent this miracle growth was growth with or without welfare. In order to examine if our countries abstained from welfare state extensions, we have researched the International Social Security Database on 'legislation' (laws below) and 'reforms'.<sup>3</sup> Our search revealed the pattern reported in Table 3. These data do give an indication of *legislative activity* in the field of social security in different time periods, but a note of caution needs to be added, since for several reasons the data are not easy to interpret or compare. First, not all legislative changes have been reported to this international authority, although the database includes legislation for the entire postwar period (the second figure reported under 'Laws 1985–99' is for the entire postwar period, while the first represents the number of laws enacted during the period after 1985). Second, the distinction between 'laws' and 'reforms' in the database is not at all clear. In most cases 'new laws' are amendments to earlier ones, and more reasonably should have been classified as 'reforms'. Finally, low figures for 'reforms' in the early 1990s most likely reflect that the 'reform' part of the database only began in 1992. Thus, one has to be cautious in drawing conclusions from the reported results as they may merely represent the weakness of social security administration in some countries, or the ambiguous relationship between national and international authorities in this field.

The results from the ISSA database as summarized in Table 3 show that there has been considerable legislative activity in the field of social insurance in the past 10–15 years (see also ISSA, 1997). Apparently there were plenty of extensions of existing provisions as well as structural reforms. Of course, a more substantial investigation of what is hidden behind these crude figures is much harder to

**Table 3** Legislative changes reported in the International Social Security Database

	<i>Laws</i> 1985–99	<i>Reforms</i> 1992–6	<i>Reforms</i> 1997–9
Hong Kong	no figure	3	7
Indonesia	24/39	–	–
Korea	9/14	8	4
Malaysia	7/31	1	2
Philippines	34/58	8	2
Singapore	59/109	4	6
Taiwan	3/5	1	1
Thailand	31/38	–	4
China	18/25	5	–
Japan	85/134	2	4

*Note:* As mentioned, the relationship between ISSA and its member organizations also influences the result in the table. For instance, Japan was an early member of ISSA. Singapore and its Central Provident Fund is not a member of ISSA, but reports to ISSA. Furthermore, Taiwan has no ISSA member organization.

*Source:* ISSA (1998).

deliver, since not every law listed in the table was actually implemented, as will be discussed in due course.

In order to fill the crude quantitative data with some substantive meaning, we will now give an overview primarily focusing on the period 1985–95 (cf. Olsson Hort, 1995). We will depart from the question if the schemes called for in the 1952 ILO (Social Security) Convention No. 102 have been effectively set up. In addition, we will briefly examine to what extent the provident fund model has recently spread in the area (cf. Dixon, 1996). Table 4 gives a summary of legislative reforms in the various branches of social insurance during the miracle period.

Following our information, occupational injury insurance has been implemented and enforced in all of the first generation of tiger countries, in some of them fairly early on, in others much later. Pension programmes have reached the top of the political agenda and all countries – with the exception of Indonesia – have introduced reforms/new laws during the period 1985–96. The other ‘big’ and expensive social security field, sickness and health insurance, has seen major reform activity during the last decade in all countries except Malaysia. In contrast, there has been little activity in the fields of unemployment

**Table 4** Year of most recent major revision of current social security legislation in East and South-east Asia during 1985–99 (or year of current legislation in brackets if no changes during this period)<sup>a</sup>

	<i>Occupational injury</i>	<i>Sickness</i>	<i>Pensions</i>	<i>Unemployment insurance</i>	<i>Family insurance</i>
Hong Kong	1995	1995	1988–95	(1977)	(1971)
Indonesia	1992	1992	(1977)	–	–
Korea	1994	1984–95	1989–95	1995	–
Malaysia	(1969)	(see above)	1991	–	–
Philippines	1994	1990–3	1992	–	–
Singapore	1985	1996	1985–91	–	–
Taiwan	1988–95	1988–94	1994–9	1995 <sup>b</sup>	–
Thailand	1994	1994	1994	(1998)	(1990)
China	1986	1986–96	1986–96	1986–93	–
Japan	1986	1994–5	1985	1994	1985–94

*Notes:*

<sup>a</sup> If more than one year is given in the table, major reforms may have occurred at several points in time.

<sup>b</sup> The Labour Code in Taiwan requires employers to pay severance indemnity to employees who have been in continuous service for three months or more.

*Source:* Social Security Administration (1997), and earlier editions; (ILO, 1998).

and family benefits. A brief country by country examination will now serve to substantiate this picture. We will rely on crude classifications which distinguish between strong/weak provisions and rapid/incremental change. Looking through these lenses, we try to evaluate institution-building, but abstain from speculating about the future sustainability of the institutions.

### *Hong Kong*

In Hong Kong there has been considerable resistance towards the introduction of a Western-style social security system although the importance of this typical rhetoric should not be overestimated (Chan, 1996). A closer investigation shows that the emergence of new social policy legislation was mediated through politics and lobbying both in the take-off phase 1970–84 and in the most recent period of reform (cf. Chow, 1998). Thus, it was after the political riots in the late 1960s that the new UK Labour-affiliated governor encouraged a reform process that ended up with legislation in all the five fields of social insurance (see also Table 1). In the 1970s, a public assistance system developed, and put an end to the earlier predominantly charity-based system. In addition to public assistance in 1973 a non-means-tested social security allowance system, providing very modest benefits, was introduced to cover extra needs due to old age and disability.

After the signing of the Joint Declaration between UK and China in 1984, new players entered the field of social policy as Hong Kong gradually became more democratic. However, simultaneously the welfare reform process gradually became locked up in the struggle between pro-democratic forces and a coalition of non-reformers including mainland China. The emerging democratic forces all favoured the introduction of a compulsory old-age insurance scheme (1988–95 in Table 4) but failed to achieve this objective partly because

of the shadow influence of the mainland government, which considered any major increase in public social spending inappropriate. Thus, the Hong Kong government had to retreat to the old strategy of mandated employer responsibility. An Employment Ordinance forced employers to compensate loyal employees in case of lay-offs or decreasing work capacity. Thus, although Hong Kong had already left behind the old self-help and charity system in the early 1970s, during the miracle years its social welfare system never went beyond the residual approach (although occupational welfare developed considerably; see also Chan, 1996).

To summarize: developments in the 1970s rapidly and strongly departed from the earlier charity model, but still remained within the limits of the residual model; the miracle decade, 1985–95, was more of an incremental period and partly clouded by the impending unification with mainland China (Tang, 1990; Leung and Nann, 1995; Chow, 1998).

### *Indonesia*

Overall, social security developments in Indonesia have been weak and incremental (Purwoko, 1996). In terms of socio-economic level, Indonesia has been and still is as far from Hong Kong as possible, but in the mid-1990s it was dubbed a third-generation tiger economy. Its social security system is still the least developed of all the East and South-east Asian countries included in this survey (cf. Lee, 1998). In 1977, a compulsory occupational injury insurance for companies with more than 100 employees or with a substantial payroll was added to the early postwar individual employer liability system (ILO, 1990). Apart from occupational injury insurance, there has never been any major system of social protection outside the public sector, although a minor compulsory saving scheme was set up in 1978 covering firms with more than 25 employees. In 1991, some 4.5m

workers were members of this fund, but their accumulated individual assets were extremely low, and compared to Malaysia or Singapore, compulsory savings funds have not developed into major financial institutions (cf. Mintorogo, 1995; Lee, 1998).

Within the public sector it was the military that enjoyed privileged status in society during most of the postwar period. This also holds true for social protection. Although both civilian and military employees were required to contribute to their social security funds, the main part of the payouts from these funds – including monthly retirement payments – was paid by the public purse, and military men were allowed to retire at the age of 48 (Queisser, 1991).

Despite considerable economic growth, the social welfare reform process in Indonesia during the last decade has been slow. People not working for the Indonesian government continue to rely on family and kinship networks for support. Not even a means-tested public assistance scheme saw the light of day during the miracle period (cf. Roesma, 1997). The agricultural sector, which employs roughly half of the economically active population, is almost completely excluded from access to the benefits provided by the existing system for private employees (Benda-Beckmann and Benda-Beckmann, 1995). One exception to the absence of major improvements is perhaps the occupational injury insurance reform in 1992 which scrapped the employer liability system, and extended the private-sector compulsory social insurance scheme to cover firms with (first 25 then) 10 employees or more (or a payroll exceeding 1m *rupiah* a month). However, the most important part of the workforce, the seasonal workers, are still exempted. Sickness insurance underwent reform in 1992, as a medical care and health clinic system was introduced and very slowly extended to different industries and regions (cf. Purwoko, 1994). In the existing pension schemes, coverage, duration and benefits have been upgraded, but the system is still far from being either universal in

scope or substantial in monetary terms. There was no attempt to introduce unemployment insurance or mandated employer responsibility in case of lay-offs (Lee, 1998). Family benefit has also failed to get on the political agenda so far (cf. Tan, 1997). Thus, even though social benefits were gradually extended rather than curtailed, it is probably fair to dub Indonesia, maybe together with the Philippines, as the main example of social dumping among the miracle countries in East and South-east Asia, because major social protection schemes are still absent.

### *Korea*

In contrast to Indonesia, Korea offers an example of rapid and strong reform during the miracle decade although the problems related to the old mutual aid networks and the poverty issue did in no sense completely disappear as growth took off (Kwon, 1998b; Lee, 1992; Ramesh, 1995; Ahn, 1996; Son, 1996, 1999; Park and Kim, 1998). In particular the successful build-up of first a national pension programme and then of a national health insurance programme place the country among the most active tiger countries in terms of social security reform.

During the period 1984–9, Korea was first among the tiger countries to introduce a national health insurance for medical care, thereby extending earlier government programmes for specific groups such as military and civilian state employees, or private school teachers. The road to a national programme was twisted, however, and materialized only after the first steps toward a democratic breakthrough in 1987 under the banner of ‘social justice’ protests. Between 1977 and 1987 coverage gradually increased from below 9 percent to just about 50 percent of the total population. Three consecutive steps between May 1988 and July 1989 affiliated the entire population to health insurance, by incorporating first family dependants – including

brothers and sisters as well as various in-laws – then the self-employed in agriculture and fishing, and finally also urban low-income earners. Thereby all Korean citizens were brought in under a rather fragmented though universal system with well over 400 medical societies – funds – in charge of daily operation. During the course of rapid expansion substantial changes in benefit levels, duration and qualifying conditions also occurred (Son, 1998). Financing was shared on a tripartite base, with an equal burden on employees and employers and a minor government subsidy covering administrative costs. In 1994, the government made some attempts to introduce risk-pooling between the various carriers in order to avoid future bankruptcies.

In 1986, Korea pioneered among the tiger countries with the introduction of a work-related, risk-pooling pay-as-you-go national pension programme covering the entire labour force (except civil and military government personnel and private school teachers who were already covered by statutory insurance; Kwon, 1998c). The never implemented 1973 pension system was formally abolished (cf. Park, 1973). The new programme will be fully implemented in 2007. At the start, employees in small enterprises were not included, but since January 1992 coverage has been extended to workplaces with 5–9 employees. As of 1996 firms with less than five workers have also become part of the plan. Small enterprises, farmers, fishermen and self-employed people may currently join the programme voluntarily. In contrast to the systems prevailing in other countries in the region, the new Korean pension plan does not provide lump-sum payments at retirement, but monthly cash benefits for the rest of life for those who have been insured for 20 years. This is an indexed benefit which, once fully implemented, will amount to 40 percent of previous earnings on average.

In 1995 Korea signalled the establishment of an unemployment assistance programme well in advance of the 1997 crisis. This is not – yet – an unemployment insurance pro-

gramme and its implementation will be further discussed under the heading ‘Emerging welfare states in East and South-east Asia?’ (below).

### *Malaysia*

Malaysia belongs to the second generation of tiger countries, and thus entered into the high growth era later than Korea. However, in terms of social security institutions it was for a long time more advanced. The build-up of social protection systems goes back to an occupational injury employer liability system which was adopted in 1929 under UK tutelage. The postwar period has comprised an old-age pension employment provident fund (EPF) – the oldest such fund in the world – complemented by a public-sector service retirement scheme and an occupational injury and invalidity social insurance. Throughout the period, rural workers in the traditional agricultural sector have largely been outside this system. In stark contrast to what the social dumping hypothesis would lead one to expect, native workers in the export sectors of rubber, tin and oil have been an early target group for social security (Sushama, 1985).

The provident fund for private employees – and public-sector employees with less than 10 years of public employment – goes back to the early 1950s when Malaysia was still under British colonial rule. Since independence in 1957, it has expanded as the urban-industrial economy grew. The provident fund is a compulsory saving scheme jointly financed by employers and employees which provides lump-sum payments at retirement age. It was never included in the state budget, but has always been tightly controlled by the government. In 1991, the 1951 EPF Act was replaced with a new one. In the miracle period, the fund began to promote home ownership in urban areas by allowing partial withdrawals on a massive scale. At this time the fund significantly increased its accumulated resources and

became the country's largest financial institution (Asher, 1998; Ghaffar, 1998). Benefits were expanded and improved, while qualifying conditions were somewhat relaxed, for instance it became possible to make withdrawals to pay for costly health care (Mohamed, 1998).

In 1969, a compulsory occupational injury insurance system – the Social Security Organization (SOCSO) – was established for private-sector industrial workers replacing the old employer liability system. With the exception of Saba and Sarawak, Malaysia now also covered medical care for employees as well as daily sickness benefits after a two-week waiting period. In 1987 the states of Saba and Sarawak were also covered by this system. Further on during the miracle period, SOCSO expanded its coverage to dependants as well as to those earning a wage above the earlier wage ceiling. Benefit levels were improved and upgraded and self-employed persons could join the system on a voluntary basis (Singh, 1995). However, most self-employed people have remained outside the system, and no attempts were made to include the large numbers of immigrant workers residing in the country more or less permanently.

As noted in connection with Table 1, medical care has been available in government dispensaries, hospitals and rural health centres since some years after independence. For those who were able to pay, nominal fees were charged. With the increasing commercialization of hospitals, health-care costs for individuals increased. Although the two social protection schemes have provided some medical cost-sharing, the system existing in the early 1990s could not be considered adequate (ILO, 1990; Tracy, 1995). During the miracle period there was a strong gradual development of the two main social protection schemes, and the government-run medical-care system is now of universal character. Reforms covering the self-employed are still lacking, and the retirement programme has not been reformed. In the case of old age, lump-sum payment is still the typical mode of

provision, and no attempt was made during the years of increasing prosperity to create a different system. The government also abstained from introducing additional social benefits, such as unemployment insurance, mandated payment in case of lay-offs or loss of work capacity, not to speak of family benefits (ILO, 1996). Malaysia is thus a mixed case of reforms in some areas, but stagnation in others.

### *The Philippines*

Although it was perhaps the most advanced of the South-east Asian countries in the early postwar period, the Philippines entered the tiger era late (cf. Anderson, 1998). It has a history of social security development that goes back to (US) colonial times. Already in 1927, under American influence, the local administration enacted an occupational injury insurance law, though on paper only, but a decade later old-age security was actually established for government employees (Pangalangan, 1985). It was not until after the Second World War that private-sector employees with regular employment in big firms were covered by a rudimentary form of compulsory social insurance consisting of old-age pensions and sickness cash benefits (1954–7). Medical care was added in the late 1960s and maternity benefits in the late 1970s. Self-employed people with income over a certain level became part of the scheme at that time, but in 1983 less than 3 percent of all self-employed persons were actually registered as members. Furthermore, corruption during the Marcos regime put the capital reserves of social security in the red (Queisser, 1991).

It was not until a few years after the end of the Marcos era (1986) that social security reform was intensified. In 1990 the early postwar sickness law was amended, coverage expanded to most self-employed people as well as domestic servants, and cash benefits were increased in nominal terms. Never-

theless, the workers in the informal sector – seasonal and casual workers, those without regular employment etc. – who form the backbone of the Philippine economy, were not protected by the new law, and it was estimated that between 40 percent and 35 percent of the population fell below the poverty line in the first half of the 1990s (Hirtz, 1995; Llanes, 1996). In 1992, a pension reform brought various self-employed categories into the scheme, but it is doubtful whether those outside the urban areas were included at all. In 1992 a reformed maternity scheme extended and upgraded benefits, while in 1993 a reform of medical care provided health care for rural areas. Finally, in 1994 the occupational injury insurance reform extended provisions to self-employed persons as well as to domestic servants. All these reforms led to increasing contribution rates and put pressure on employers as the main financiers of the systems (Sarino, 1997).

To summarize, there was a reform period in the first half of the 1990s, and the social security schemes appeared to have been growing with increased benefits, extended coverage and duration, and softened qualifying conditions; but given the structure of the Philippine economy, a large part of the population was in practice not covered by major programmes.

### *Singapore*

Social security developments in the miracle period have been fast and incremental. All over the world Singapore is nowadays the example par excellence of the compulsory saving or national provident fund model. This has not always been the case, and in the 1950s it was still charitable organizations such as the Red Cross and the Salvation Army that played a leading role in providing welfare in an urban milieu where the traditional family support systems began to erode. The Central Provident Fund (CPF) which provides individual lump-

sum payments at the retirement age of 55 (or in case of emigration or permanent disability) was established in 1955. It has since gradually developed into the main provider of state-guaranteed welfare in a city-state with only a very limited form of social assistance scheme. Since the Fund had been separated from the state budget from its inception and was originally conceived purely as a compulsory saving scheme for all employers and employees, social spending remained extremely low in Singapore.

As early as the mid-1960s the CPF had become the most important financial institution in Singapore with assets totalling over 30 percent of GDP (Asher, 1994). In 1968 a reform process started that made the CPF the main provider of social welfare in the city-state. In particular the possibility of purchasing an apartment in public housing through a withdrawal from the individual member-account became very popular among Singaporeans, and in the late 1990s some 90 percent of home ownership is private (Tremevan, 1998). In 1984 a special account for health care became part of the system, thus making the issue of a separate sickness insurance politically unnecessary, although no risk-pooling was introduced into this subsystem either. However, in 1990 a limited form of risk-pooling was introduced through the catastrophic illness system, Medishield. Otherwise, Singapore has chosen to give individuals the freedom to invest parts of their accumulated savings in shares in major public companies as well as in various trust funds or in assets such as metals/gold. Nevertheless, with an increasingly elderly population, Singapore in 1987 legislated that a minimum amount must be withheld from private consumption – or investment – between ages 55 and 60 in order to ensure the solvency of the scheme.

Thus, over the years the CPF has grown in importance both in macro-economic terms and for the members. However, no unemployment or family benefit programmes have appeared, not even within the limits of the

provident fund model, or maybe because of the limits of this model.

### *Taiwan*

Taiwanese developments within the field of social security in the miracle period must be regarded as strong and rapid, falling second only to the events in Korea. In the case of occupational injury insurance, the new Labour Insurance Code covering industrial workers replaced the old employer liability system in 1958. In 1988 and 1994 it was extended to all sorts of private-sector employees. Coverage increased from 2 percent of the total population in 1951 to more than 45 percent in 1990. In addition to extensions in coverage, qualification rules were softened, duration was extended, and benefits were upgraded (Ku, 1997). Employers were obliged to finance the main part of the bill.

So far, the major step in the development of a Taiwanese welfare state has been the establishment of a national health insurance for medical care (Ku, 1998). Until 1995, Taiwan had modest medical-care protection under the Labour Insurance Code. However, since the end of martial law a universal health insurance had been on the agenda. Originally, implementation was planned for the year 2000. However, already in the late 1980s in anticipation of political pressure, the government proposed a more rapid move in this direction. In 1995, Taiwan then implemented its first universal social security programme. From the start, almost every Taiwanese was included under this umbrella (Lin, 1998).

A universal pension programme has been on the agenda since the early 1990s, but has not yet been adopted. The development in this area of social insurance has so far been gradualistic, adhering to the old model of lump-sum payments at retirement age (cf. Fu, 1990; Lin, 1990). The reform process also resulted in more liberal qualification rules and more generous benefits. Finally, social protection in

case of unemployment also reached the political agenda. Since 1995, the Labour code in Taiwan has required employers to pay severance indemnity to employees who have been in continuous service for a period of three months or more. No family benefit programme has been framed along social insurance lines. Despite the absence of such a scheme, Taiwan witnessed a rather strong social policy development during the last miracle decade.

### *Thailand*

Thailand established a new social security system in 1990 (Sungkawan, 1996). It took 36 years before the Social Security Act of 1954 came into effect. The previous social security system had been thin and weak. Basically it consisted of an occupational injury insurance dating back to a ministerial decree of 1958 – a law was enacted in 1956 but subsequently suspended – and to a law of 1974. The system was considered inadequate:

Perhaps the major blemish on the Thai social welfare system is the lack of a comprehensive social security system. Although such a programme was conceived in the early 1950s, the 1954 Act which embodied a number of long-term and short-term benefits, never came into existence. The limited employer liability scheme applying to sickness maternity and work injury is grossly inadequate. Without doubt this is the major gap in the Thai social welfare net.

(Wongchai, 1985: 379)

The new legislation of 1990 embodies a framework for the gradual development of social security programmes and originally stipulated that pension insurance should be implemented in 1996, while unemployment benefits should be implemented at a later date to be announced by Royal Decree (Raviwongse and Thodtunkun, 1996: 88). In

addition to pension and unemployment benefits, the new law also included child benefits. This move makes Thailand a fore-runner in this particular area of social security in Asia. However, the time schedule for implementation was postponed until 1998 and the child benefit programme has had to wait even longer. The more recent Thai developments will be scrutinized in the next section.

### Changes in social security programmes after the 1997 crash

On 2 July 1997, the devaluation of the Thai *bath* triggered a period of currency and stock market turmoil in East and South-east Asia. Some of the countries reviewed in this article were successively placed under IMF stewardship: Thailand, Indonesia, and Korea. These developments and the governments' responses to them will no doubt have significant implications for the development of the countries' social security systems. Here we can examine the developments from mid-1997 onwards in order to assess what can be interpreted as welfare retrenchment in reaction to the crash, as a step ahead towards an enlargement of the system, or as an innovation. This section is partly based also on the above-mentioned ISSA database Social Security Worldwide (SSW), complemented by local information. Although the overview is still incomplete and lacks information from some of the countries (as previously, China and Japan are not included), it will provide additional background to the concluding section.<sup>4</sup> A short summary, country by country, now follows.

In April 1998, the Hong Kong Provisional Legislative Council approved regulations to implement a system of privately managed mandatory pension funds (MPFs). A second reading of the law was scheduled for August 1999 but the implementation date still is somewhat unclear; either late 1999 or 2000

(SSW). As already mentioned, Hong Kong discussed the setting-up of a compulsory pension system from the early 1990s onwards but failed to implement initial legislation (the last version, from 1995, was enacted by the former colonial government). MPFs will be either directly related to the employer (firm-based) or run jointly by firms in specific branches. A third alternative exists for small employers and employees 'in transition to a new job': master trust schemes to which companies without an existing retirement scheme or unwilling to set up or participate in a scheme of the new type (MPFs) will be required to contribute. Contributions are set at a rate of 4 percent of base salary plus allowances paid by both employers and employees (4 percent each) with a ceiling at HK\$20,000 per month. The new system will cover all employees aged 18 to 64 as well as recognized self-employed persons under the age of 65.<sup>5</sup>

In terms of benefits, MPF is a defined contribution system (the employee is entitled to all the contributions made by the employer) and fully portable if an employee switches jobs. Thus, all savings (contributions as well as capital gains) can be transferred to a new scheme when an employee changes employer. Benefits are paid – still as a lump sum – at the age of 65 and can only be paid prior to this age in case of permanent retirement after the age of 60, permanent disability or permanent departure from Hong Kong.

Regarding Indonesia, no information is available through Social Security Worldwide. It is well known, however, that the World Bank has poured in money to offset some of the heavy social tolls of the IMF stewardship (Lee, 1998). It would be more interesting to know how far the World Bank or other international organizations have become involved in the restructuring of social programmes after the crash (cf. Deacon et al., 1997). At present we do not know to what extent demands for increased social protection were raised during the final days of the Suharto era (cf. Darusman, 1998).

In Korea, the crash enabled the Inter-

national Monetary Fund to set the agenda at the time of the second democratic presidential election. The candidates all subscribed to IMF proposals for opening the economy to foreign competition. Such measures included breaking up the old employment system (life-time jobs in the big conglomerates) and allowing lay-offs in connection with mergers and take-overs. The new president – Kim Dae Jung – belonged to the historical left-wing opposition and was the candidate of the student and labour movements. During the election campaign, he deviated slightly from the IMF proposal in his defence of workers' rights. He has advocated the expansion of labour market retraining programmes as well as an improvement of the scheme for unemployment insurance. An Employment Insurance Act – enacted in 1993, implemented on 1 July 1995 – included an unemployment benefit scheme which was rapidly expanded and improved early in 1998, no doubt as a result of the crisis (ILO, 1998). The scheme was initially limited to employees in firms with 30 or more workers, and was as of 1 March 1998 extended to firms with five or more workers. At the same time, active labour market measures under the Employment Insurance System which initially applied to firms with 70 or more workers were extended to apply to all firms with five workers or more as from 1 July 1998. The number of unemployment benefit recipients as a proportion of registered unemployed people was very low by January 1998, but is likely to rise as a result of improvements recently made to the scheme (Hort and Ahn, 1999). As old patterns of employment are disappearing, unemployment has now definitely been recognized as a publicly insurable risk. The unemployment rate has risen from near full employment in mid-1997 (roughly 2 percent) to some 7–8 percent a year later.

For Malaysia, no relevant information is available through Social Security Worldwide. The exception is a note from late 1998 about a decree requiring employers to pay employee contributions for foreign workers as of August

1998 to the EPF. More important, though, is a paragraph in an overview written at the beginning of the crash (Asher, 1998) which states that 'there are indications that the EPF (like other pension funds) is being used by the authorities to attain a variety of public policy objectives' (Asher, 1998: 12). As mentioned, EPF is the main employee provident pension fund in Malaysia. Asher continues:

[the] perhaps most controversial example is the decision to set up a M\$60 billion (US\$20.1 billion) fund to reverse recent sharp declines in stock prices on the Kuala Lumpur Stock Exchange. Half of the fund became effective on 4 September 1997. Among contributors to the fund are the EPF and other pension funds. The other half will be raised through the issuance of government bonds. While the details are still unclear (as of early September 1997), including whether the full amount would actually be deployed, the centrepiece of the fund appears to be purchase of stocks from local (but not foreign) investors at above market prices. If fully implemented, this would amount to the state institutions owning substantial portions of the corporate equity. This, in turn, could raise corporate governance issues.

(Asher, 1998: 13)

For the Philippines, which had also been under IMF stewardship, no relevant information has been available.

In Singapore, as of 1 January 1999 retirement age has increased from 60 to 62 years, accompanied by a drop in the employer's contribution to the Central Provident Fund from 7.5 percent to 4 percent of the wage bill for employees aged 60 to 65, and from 5 percent to 4 percent for those above the age of 65 (according to SSW, in Singapore many employees continue to work after retirement age is reached). It is doubtful whether these decisions can be attributed to the crisis. They could also be part of a long-term plan to develop the CPF pension scheme.

In Taiwan, in December 1997 the governmental Council for Economic Planning and Development issued a proposal for a national pension programme to overcome the deficiencies of the inadequate schemes then existing. Lump sums were to be replaced by monthly payments at the age of 65, indexed to real wages, at an amount equivalent to 60–70 percent of average monthly expenditure by citizens. Coverage would increase from less than 40 percent of the labour force to the entire population. The financing of the new scheme had still to be worked out in detail, apart from a proposed social security contribution of 10 percent of the pension base paid by all citizens aged 25–64. In addition, according to the CEPD proposal, the government would raise money through a number of measures including ‘increasing business taxes, enforcing a social security tax or establishing a charity lottery’. The plan was being finalized during the summer of 1999, after which Parliament would take a decision before the end of the year. The date of implementation was set for the end of 1999.<sup>6</sup>

Regarding Thailand, SSW yields four entries, but only one of them is clearly connected with the period after the crisis: a reduction in the contribution rate to the Social Security Fund from 1.5 percent of the monthly wage to 1.0 percent each for employers, employees and the government (as a supplement financed out of general taxation). This was enacted in October 1997 and is effective for three years as of January 1998. The official motivation is to reduce government costs, which seems to be in line with the August 1997 IMF accord. As already mentioned, the Fund was set up as part of the Social Security Acts of 1990 and 1994, which state that Thailand will implement an old-age pension programme as well as a child-allowance programme as of December 1998. Thailand adopted a new Labour Protection Act in January 1998 which was due to come into force six months after its publication in the *Royal Gazette*. It provides for higher severance pay for workers with longer periods of

employment in the enterprise concerned (ILO, 1998). Those who have been in the job for six to ten years will be entitled to eight months’ pay and those with ten or more years’ service will get ten months’ pay, but it seems likely that in the short term the law will have the perverse effect of encouraging employers to terminate workers’ employment before the recent more costly provisions come into force (ILO, 1998). Thailand has, in its new Labour Protection Act, provided for the establishment of an Employees’ Welfare Fund, which is intended as a guarantee for severance pay, but also as a compulsory provident fund for employees in enterprises with ten or more employees which do not have provident funds of their own. The severance pay guarantee is a valuable response to the crisis, while the provident fund has little relevance to the crisis as it will take years for workers to accumulate a significant balance in their accounts (ILO, 1998).

Furthermore, as in Indonesia, it is common knowledge that the World Bank has poured money and resources into Thailand to offset some of the worst social effects of the IMF stewardship. But this is perhaps not where the main focus on international organizations should be. In particular, after the crash it would be very interesting to know to what extent international organizations – not only the World Bank but also its competitors and collaborators such as the Asian Development Bank, ILO and UNDP – have become involved in the restructuring of social programmes in East and South-east Asia. They were involved before the crash and have most likely increased their efforts to leave their mark on the social welfare programmes to come.

### Emerging welfare states in East and South-east Asia?

East and South-east Asian countries – Japan, at least the first generation of tiger economies and to some extent the second generation – are

in many cases already following, or seem likely to follow, the 'route to modernity' taken by their developed predecessors in Europe (cf. Therborn, 1993). In contrast to the wishful thinking of many neo-classical economists and neo-liberal ideologists, there seem to be few signs that these countries are taking a different route. When the miracle took off in East and South-east Asia two or three decades ago, all these countries were low-tax and low-wage entities with an absence of democratic structures and practices and labour rights and entitlements. Now, with the partial exception of Indonesia and the Philippines, different types of social security schemes have been developed, though not always implemented, particularly from the mid-1980s onwards. These can hardly be described in terms of a single Confucian, Oriental or East Asian welfare model, however (cf. Jones, 1993; Goodman and Peng, 1996; Walker and Wong, 1996; Goodman et al., 1998). The closest one comes to such a taxonomy is the notion of one category of welfare system in the northern part of the region – where the German-inspired Japanese system at least partly provided a model – and another in the southern part, where provident funds have been more prevalent and were later complemented by traditional social insurance (cf. Asher, 1998). The ultimate direction of emerging efforts in giant China is another uncertain and mainly unknown piece of the puzzle.

Is social or welfare dumping a concept that contributes to our understanding of these welfare systems? Maybe slightly, but the main pattern of social security institution-building is far from the worst scenario offered by the protagonists of the globalization/social dumping hypothesis. During the first postwar decades growth policies in some countries in the region deliberately included a social dumping component, as no welfare or social insurance laws other than mere paper laws were enacted. Nevertheless, there was at least some legislative activity in most countries. The picture is rather different for most countries during the miracle period. Existing schemes have been

extended rather than retrenched, and there has been no competitive race to the bottom. It would thus be an exaggeration to insist that social dumping policies have been deliberately used to forestall the development of welfare state schemes. A final country-by-country overview offers roughly the following rank order in terms of social protection.

In the late 1980s, Korea became a front runner in welfare policy and took big steps in connection with a transition to democracy. National pension and health insurance schemes were gradually implemented, and wage dumping more or less disappeared as total labour costs rose to European levels in the early 1990s. Although the welfare system has not yet matured, the notion of welfare dumping hardly seems applicable in the Korean situation. Before the crisis, job security existed in the big conglomerates and unemployment was virtually non-existent. Since the outbreak of the crisis, lay-offs have become more common and the unemployment rate has trebled. This has been accompanied by government action for the extension of the coverage of the unemployment insurance scheme enacted in 1993 (implemented in 1995). Korea is gradually building the foundations of a modern welfare state, and the collapse of the miracle does not seem to have buried these ambitions; on the contrary, active labour market measures have seen the light of day.

In the 1990s other countries followed suit. Taiwan in particular has rapidly legislated what Korea had achieved in the late 1980s, and implemented a major health insurance reform. These developments parallel the transition to democratic politics; although this process is heavily constrained by the relationship with China, the latter's influence on social policy is marginal. In the late 1990s, Taiwan is also on the verge of implementing a universal pension scheme. Still, a proper unemployment insurance and a system of family allowances are lacking.

Malaysia should be added as a country where steps have been taken to gradually inte-

grate the provident fund with the social insurance system, but in this case without further development of existing channels of popular influence. Furthermore, the two parallel social protection systems have grown incrementally as benefits have been increased, coverage extended, duration prolonged and qualifying conditions relaxed.

Thailand, too, took major steps towards universal pension insurance in the first half of the 1990s, but in this case after the transition to democracy. An implementation date has been set for the pension programme. Neither national health insurance nor unemployment insurance have been implemented, but child allowances have been enacted, and a date for their implementation has been set.

Singapore was far ahead of the other countries at an early stage of institutional social security development, while Hong Kong always lagged behind. Furthermore, both city-states have experienced authoritarian rule, but with different effects on social policy. Singapore developed a welfare system in more or less full accordance with the provident fund model with wage-earners closely tied to the political system, in particular through the initial social housing policy. The Singapore welfare system cannot be described as generous but it used to allow some transformation of tenants into homeowners. Compared with other systems in the region, it provides a fairly high level of income security (in case of no medical catastrophe). Thus, it would be an exaggeration to label Singapore as an example of welfare dumping. In contrast, for many years the territory of Hong Kong was not only a welfare but also a tax and wage haven for business. But here, too, major steps towards a modern welfare system have been taken in recent years – both before and apparently after the crash and the change of sovereignty in 1997.

The Philippines and Indonesia are the cases that come closest to the notion of welfare dumping, as their social protection systems are less developed and their policies are the least ambitious. Still, one has to be cautious

in applying the dumping label. In the Philippines the legislative process intensified in the 1990s, although no major steps towards building universal social security schemes were taken during the miracle decade. The latter also holds true for Indonesia, but in this case without any intensification in the policy process. The reason is most likely the absence, particularly in Indonesia, of democratic practices, labour rights and strong, independent social security institutions (cf. Levine, 1997).

In sum, most of the miracle economies are following the example of earlier 'miracle countries' in the West by building new welfare institutions, even though some do so more slowly than others. Korea and Taiwan are leading the way with pension and health insurance programmes that are far ahead of others in the region. Unemployment is gradually becoming recognized as a risk and steps to extend income security are being taken, partly as a response to the crisis since the summer of 1997. Health and pension insurance programmes are the big and 'heavy' welfare expenditure programmes in any country which has introduced such programmes. The existence and/or survival of such schemes are therefore crucial in any discussion of social dumping and social security. Although unemployment benefits of some kind or another normally amount to a modest proportion of total welfare expenditure, we consider this component of social security to be important in any discussion of social dumping and social security (although the introduction of child and family allowances most likely will have a bearing on gender relations, too). The absence or limited scope of unemployment insurance (or mandated severance pay) and similar labour rights is the clearest illustration of labour's weakness as a social force. As long as the most immediate threats to labour (apart from occupational injury, which is covered through statutory insurance by an ILO convention) are not provided for through national legislation, a country (and its power elite) will have an (apparent) advantage in international

competitiveness. In this sense the countries of East and South-east Asia are still emerging welfare states, far behind the mature nations. But, as we have seen, even in the old world the introduction of unemployment insurance was a comparatively late development, and steps to develop some sort of unemployment insurance schemes have now been taken in some of the countries.

Summing up, it seems that East and South-east Asian countries have introduced social security legislation in the same general sequence as was followed by the European pioneers, and that social security has been introduced earlier in 'developmental time' than in Europe. Rapid and strong economic growth has in general been accompanied by state action for welfare institutions and programmes, and it seems that democratization – exemplified by developments in Korea, Taiwan and Thailand during the 1990s – leads to greater political efforts to promote welfare state development. Future research should look more into country-specific variations and policy debates, especially in democratizing countries such as Indonesia. In addition, the role of the World Bank, IMF and other international agencies and advisers should be seriously scrutinized.

## Acknowledgements

A first version of this article has been presented, with slight variations, at various conferences. We thank participants for comments. Special thanks to Jens Alber, Guy Standing, Ian Gough and Roger Beattie – although none of them is held responsible for the present form and limitations of the article. Sven E. Olsson Hort would also like to thank the Helge A. Johnson Foundation for a travel grant as well as University of California at Berkeley for outstanding hospitality during a period as Senior Fulbright Research Fellow at the School of Social Welfare, especially Neil Gilbert and the late Harry Specht.

## Notes

- 1 As mentioned, at the end of the 'miracle decade' there was also talk of a much broader community of 'third-generation tigers', such as Vietnam (cf. Ron et al., 1998), but these countries are not included in the present investigation.
- 2 Actually five if the 1927 Philippine 'paper law' is added.
- 3 It should be noted that this database provides the background information for the bi-annual publication *Social Security Programmes throughout the World* issued by the US Social Security Administration.
- 4 Even with such modern technology as e-mail and fax, it has not been an easy task from our location in the north-western corner of Europe to get a clear picture of social security developments after the crash of 1997 in the eight countries under review. During 1998 and 1999, a limited amount of field-work was possible in only a few of these countries.
- 5 Employees making less than HK\$4000 per month are not required to pay contributions, although their employers must still contribute. Exempted from this type of coverage are persons covered by statutory systems (mainly public employees) or occupational retirement schemes under the old legislation (if these schemes meet the requirements of the new MPFs); as well as domestic workers, street sellers ('self-employed hawkers' in Hong Kong terminology) neither of which two groups is covered by any compulsory scheme; and people working temporarily in the special administrative territory and covered by home country schemes.
- 6 This information is based on information provided by Director Anita Yu-lan Liu and her collaborators at the Council for Economic Planning and Development, Taipei, at a meeting in Taipei in April 1999.

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