

Introduction -- comparative study of social security systems in Asia and Latin America -- a contribution to the study of emerging welfare states

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## INTRODUCTION: COMPARATIVE STUDY OF SOCIAL SECURITY SYSTEMS IN ASIA AND LATIN AMERICA —A Contribution to the Study of Emerging Welfare States—

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**T**HE purpose of this special issue is to expand the discussions of comparative welfare state study, which so far has been basically limited to developed countries, to other countries where the social insurance system is being developed and improved. In some of the newly industrialized countries/regions in Asia and Latin America, social insurance systems are either available or under development with a view to covering almost all working people, and they also maintain a certain social assistance system. We call these emerging welfare states (see Table I).

In this special issue, we intend to discuss the features of these emerging welfare states and the factors that have contributed to their formation. However, traditional comparative welfare state study was developed based on the experiences of Europe and the United States, and consequently it is difficult to apply it directly to the emerging welfare states whose historical backgrounds and political and economic conditions are very different.

In this Introduction, taking these points into consideration, I shall first introduce existing welfare state studies in Europe and the United States, and discuss which methodology is applicable to our study subject. In the second section, making reference to previous welfare state studies concerning newly industrialized countries in Asia and Latin America, I shall describe the significance of this special issue. The third and fourth sections deal with the characteristics of emerging welfare states in East Asia and Latin America, respectively, and the factors that contributed to their formation. The fifth section deals with one country and one region that are economically still underdeveloped, but have developed basic social services and enjoy excellent levels of social indicators (Table II). In the last sixth section, the future challenges and tasks facing emerging welfare state studies are discussed.

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Readers are reminded that the views expressed in each article in this special issue are those of the authors alone and by no means represent those of any of the Board of Editors, the Institute of Developing Economies, or the Japan External Trade Organization.

TABLE I  
INTRODUCTION OF SOCIAL SECURITY SYSTEMS

Items	Pension	Medical	Workmen's Compensation	Family	Employment
Korea	1960: Civil servants 1999: All workers	1963: Medical health care law 1989: Universal health care system	1963: Industrial accident compensation	None	1993: Employment insurance law
Taiwan	1950: Labor insurance	1950: Labor insurance 1995: Universal health care system	1950: Labor insurance	None	1999: Enforcement
Hong Kong	2000: Mandatory endowment pension fund for all workers	Public hospital system from colonial time 1968: Employers' compensation 1971: Medical assistance	1953: Employers' compensation 1971: Social assistance	1977: Social assistance	1971: Social assistance
Mexico	19C.: Civil servants 1970: All employees 1973: All workers	1970: All employees 1973: All workers; Free or inexpensive public hospitals	1904: State enterprise workers 1970: All employees 1973: All workers	None	None
Brazil	1923: Railway workers 1960: All workers 1971: Agricultural workers	1923: First system 1974: All workers 1988: Free medical service for whole population	1911: First system 1974: All workers	1963: All workers	1986: All workers
Argentina	End-19C.: Military and teachers 1956: All population	1946-55: Free public hospital system for whole population 1970: All employees	1915: First system 1955: All employees	1945: First system 1968: All employees	1967: Construction workers 1991: All workers

India	1952: Provident fund	1948: State insurance for employees	1923: Workers' compensation	15-day wage compensation to employees by Labor Law; Social assistance in 11 states
	1972: Gratuity fund		1948: State insurance for employees	
	1976: Deposit insurance			
	1995: Pension			
Kerala	1970: Toddy workers welfare system	1957: State hospital system	1978: Marriage subsidy for single-mother household	1981: Unemployment compensation
Cuba	1913: Military	1934: Only for child birth	1916: All employees	None
	1964: All workers	1963: Free medical center for all workers and whole population	1979: Current law	

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Sources: Mesa-Lago (1978, pp. 220–21; 2000); U.S. Social Security Administration (1999); Usami (2002); Kamimura (2001, pp. 92–99); Murakami (2001); DGBAS (2001a). For statistics on Kerala, see Sato's article in this special issue.

TABLE II  
ECONOMIC AND SOCIAL INDICATORS OF ASIAN AND LATIN AMERICAN COUNTRIES

Item	Korea	Taiwan	Hong Kong	Mexico	Brazil	Argentina	India	State of Kerala	Cuba
Per capita GDP (US\$)	8,684 (1999)	13,114 (1999)	23,237 (1999)	4,966 (1999)	4,790 (1998)	7,734 (1999)	440 (1999)	369 (1989–99)	2,281 (1999)
Ratio of social security spending to GDP (%)	5.6	3.9	1.5	3.7	12.2	12.4	2.6		15.2 (1990)
Average life expectancy at birth	Male: 69 Female: 76	Male: 72 Female: 78	Male: 76 Female: 82	Male: 69 Female: 75	Male: 63 Female: 71	Male: 70 Female: 77	Male: 62 Female: 64	Male: 70.4 Female: 75.9	Male: 74 Female: 77
Infant mortality rate	11.0 (1995)	6.1 (1999)	4.0 (1997)	34.0 (90–95)	47.3 (90–95)	22.2 (1995)	72.0 (1996)	14 (1997–99)	7.2 (1996)
Illiteracy rate (%)	2.2	4.7	6.6	9.0	14.7	3.1	44.2	Men 6 Female 12	3.6
Gini coefficient <sup>a</sup>	0.2945 (1993)	0.3258 (2000)	0.3736 (1996)	0.537 (1995)	0.601 (1995)	0.445 (1996)	0.297 (1994)		0.3 (1998)
Union organization rate (%)	9.0	27.9	18.5 (1994)	31.0 (1991)	32.1 (1991)	25.4	5.4 (1991)		70.2
Female labor rate (%)	47.0 (1998)	46.0 (1999)	48.5 (1998)	39.4 (1998)	52.6 (1997)	54.9 (1999)			
Aged rate (%)	6.7 (2000)	9.0 (1999)	10.5 (2000)	4.7 (2000)	5.1 (2000)	9.7 (2000)	5.0 (2000)	9.79 (59 <)	9.6 (2000)
Unemployment rate (%)	6.3 (1999)	2.9 (1999)	6.3 (1999)	2.5 (1999)	7.6 (1999)	14.3 (1999)			7.0 (1998)

- Sources: 1. Per capita GDP (1999 US dollars)—Japan (2001, p. 81).  
2. Ratio of social security spending (expenditures on pensions, health care, employment injury, sickness, family, housing, and social assistance benefits) to GDP—ILO (2000). For Taiwan, DGBAS (2001a, p. 148); for Hong Kong, does not include housing, HKSAR (1999, p. 189).  
3. Average life expectancy at birth (1997 average life expectancy at birth)—World Bank (1999/2000). For Cuba from 1990 to 1995, Japan (2001, p. 31).  
4. Infant mortality rate (infant mortality per 1,000 persons)—Japan (2001, p. 27).  
5. Illiteracy rate (illiterate population among population aged 15 and over in 2000)—Japan (2001, p. 330).  
6. Gini coefficient—World Bank (1999/2000, pp. 416–19). For Korea, Taiwan, and Hong Kong, DGBAS (2000, p. 24); for Argentina, IDB (2000); for Cuba, Ferriol Muruaga (2000, p. 46).  
7. Union organization rate (rate of union membership to nonagricultural population in 1995)—ILO (1997, pp. 237–38). For Cuba, rate to waged workers.  
8. Female labor rate—ILO (1999). For Argentina, IDEC (1999); for Hong Kong, HKSAR (1999).  
9. Aged rate (rate of population aged 65 or above)—UN (1998). For Taiwan, DGBAS (2001b, pp. 262–63).  
10. Unemployment rate—For Korea, Taiwan, and Hong Kong, DGBAS (2001b, pp. 262–63); for Cuba, Mesa-Lago (2000, p. 54); for the other Latin American countries, CEPAL (1999).  
11. For statistics on Kerala—Sato's article in this special issue.
- <sup>a</sup> Gini coefficients for the outlined countries are calculated by income share. For India, calculated by expenditure share.

## I. WELFARE STATE THEORIES AND METHODOLOGY

The term welfare state has been used in reference to Europe and other developed areas where social security systems are well advanced and where the people are protected from social risks. The domain of welfare state studies is to consider such systems to be an important aspect of the modern state and to study the systems and the factors that change their formation. There is an idea that welfare states tend to converge into a certain type, due to such factors as economic growth and aging populations. On the other hand, many argue that different types of welfare states will continue to exist in parallel, and proponents here focus on the differences between systems in various countries. The latter has developed into a discipline called comparative welfare state studies. The challenge of comparative welfare state studies can be summarized into two, i.e., studying the clusters of types of welfare states and seeking the reasons leading to such differences in social security systems.

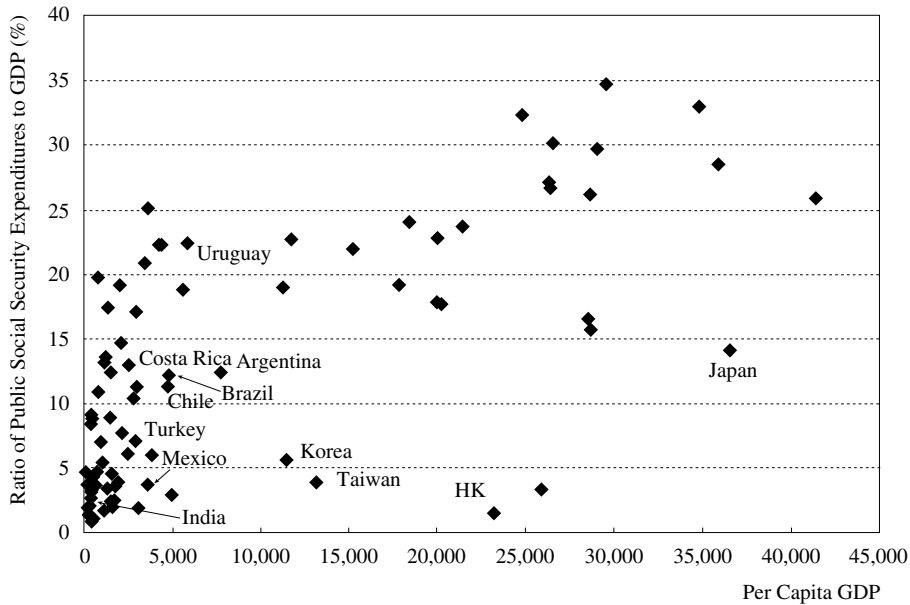
First, as a clue for analyzing the social security systems of newly industrialized countries and developing countries, reference can be made to welfare state studies that have developed in advanced countries. A stress on economic factors can be broadly observed in the studies. Most representative of this trend is Wilensky's economic development approach, which argues that economic growth expands welfare states (Wilensky 1975). The future convergence of welfare states into a certain type is suggested there. However, many criticisms have been raised against his approach. Specifically, this method fails to explain the different types of welfare states and is also unable to provide a consistent account as to why many cases exist where the ratio of public social security expenditure to GDP is high despite low per capita GDP or vice versa, as clearly indicated in Figure 1.

Simultaneously, there is a trend of studies that focus on the qualitative difference in types among welfare states. An accomplishment of this trend may be Esping-Andersen's *The Three Worlds of Welfare Capitalism* (1990). He used two indicators, the extent of de-commodification and stratification of social benefits, to classify welfare states into three types: liberal, conservative (corporative),<sup>1</sup> and social democratic regimes. Here, de-commodification means the extent to which social benefits are provided to workers when in need, or in other words the extent to which a person can live without depending upon the labor market when in need.

The liberal welfare state regime, epitomized by the United States and Australia, is one where de-commodification in social security is minimal and where state welfare benefits are provided equally, but where only low levels of social assistance

<sup>1</sup> When Esping-Andersen (1990, p. 60) uses the term corporatism, it refers to a major conservative alternative to etatism. Its principles are a fraternity based on status identity, obligatory and exclusive membership, mutualism, and monopoly of representation.

Fig. 1. Ratio of Public Social Security Expenditures to GDP, 1996



Sources: UN (2001); ILO (2000); and DGBAS (2001a).

Note: Per capita GDP is in 1996 US dollars. Public social security expenditure includes pension, workers' accident compensation insurance, medical expense, family allowance, unemployment insurance, housing, social assistance, administration cost, etc.

are provided and entitlement rules are strict and often associated with stigma. It is one of welfare state regimes where middle- and upper-class citizens must procure welfare from the market, in accordance to their ability.

In the conservative and corporatist welfare state regime, which includes Austria, France, Germany, and Italy, various rights are attached to occupational rights and the core of the welfare system consists of public social insurance, with differences in social security benefits according to occupational position. Here, the private insurance and fringe benefits that accompany occupations are limited. Also in this regime, under the strong influence of Christianity, efforts are made to maintain traditional family system and families are expected to take care of children and nursing for the elderly. The public system plays a complementary role.

The social democratic regime seen in Scandinavian countries seeks equality through high-level benefits rather than minimum needs. A universalistic program is established, which is highly effective in terms of de-commodification and in which all strata are incorporated under one universal insurance system. Also in this regime, efforts are made to reduce the burden of family care on women and to socialize it with public services.

Esping-Andersen (1990, pp. 27–32) stresses three factors that contribute to the formation of those types: the nature of class mobilization (especially of the working class), class-political coalition structures, and the historical legacy. First, he argues that the nature of the working class and trade unions varies from one country to another, but that the capacity of trade unions has a decisive impact on the expression of political demands, class cohesion, and the perspectives of the activities of workers' parties. However, traditionally the working class has seldom won a majority through elections and therefore the form of the welfare state has been determined by class-political structures. He thus gives special attention to the nature of the class coalition. He claims that the importance of these factors is clearly shown by the fact that in each of the three clusters of welfare state regimes, powerful trade union movements and/or labor parties can be found.

Comparative welfare state studies in developed countries, as represented by Esping-Andersen's work, are useful and give us hints for conducting our studies. Yet, we need to pay attention to the following three points in applying them to newly industrialized countries/regions as well as developing countries/regions, which have completely different historical, political, and economic backgrounds.

First, the concepts used as standards for typifying his three welfare state regimes (occupation-linked stratified social rights, universalistic system, emphasis of the function of the traditional family, etc.) can be used as important tools for analyzing the characteristics of the social security systems of newly industrialized countries/regions and developing countries/regions. Not all the discourses in this special issue adopt Esping-Andersen's three regimes, but all the authors take into consideration the typifying standards in carrying out their analyses.

Second, one cannot deny the importance of political factors in the formation of a certain type of social security system. However, we must pay close attention to the fact that the political systems and the political processes undergone by newly industrialized and developing countries are very different from those of developed countries. The political regimes in newly industrialized countries/regions were often authoritarian, state corporatist, or populist, and social security systems have been enhanced to a certain degree through political dynamics under those regimes. Furthermore, in the 1980s, in the newly industrialized countries of Asia and Latin America, political systems went through a drastic transformation from authoritarian regimes to democratic regimes. This special issue also considers the nature of the democratic regimes formed in the 1980s and thereafter as well, examining the decision-making process under those regimes.

Third, in understanding the formation of welfare state regimes, political factors should certainly be given the strongest emphasis, but economic factors cannot be ignored as contributing factors to the formation of the social security system, considering that state intervention into the economic process had played a significant role in the industrialization of newly industrialized countries. Huber and Stephens,



while recognizing the fact that specific political propensities do formulate specific features of welfare states, propose a concept of production regime, and state that to some extent, a specific production regime corresponds to the character of welfare states (Huber and Stephens 2001; Huber 2002).<sup>2</sup>

State intervention in the economic process is considered to be greater in the newly industrialized countries than in developed countries, and the mutual linkage between political and economic factors presumably played a major role in shaping social security system (Usami 2001, 2003). In summary, it is possible to make a hypothesis that political factors concerning the formation of the social security system in the newly industrialized countries and their economic development model mutually affect each other relatively strongly, leading to the formation of the social security system. This also seems to apply to some extent in reviewing the formation of the social security system in developing countries/regions. In this special issue, some articles were written with an awareness of this methodological discussion, and when we consider the profile of emerging welfare states in the future, we need to discuss the political and economic paradigms in which they are formed. The historical legacy is also deemed a relevant factor in terms of both political and economic aspects.

## II. PREVIOUS STUDIES ON THE “EMERGING WELFARE STATE” AND THE SIGNIFICANCE OF THIS SPECIAL ISSUE

There are a few previous studies on welfare states and social security systems in the newly industrialized countries of Asia and Latin America, as mentioned below.

On the cluster of East Asian welfare states/regions, Midgley (1986), taking the examples of Hong Kong, the Republic of Korea, Singapore, and Taiwan, points out their “ad hoc, incremental and haphazard style of social policy development” (p. 343), while partially recognizing the relationship between their industrial development and the development of social policies, and also admitting the relevance of various factors in shaping the social security system in these countries/regions. Jones (1990), too, emphasizes “oikonomic welfare states” that stress the Confucian influence in the above four countries/regions. Though these early studies cleared the path for the research of welfare states in Asia, they were written before the late 1980s, when social security systems developed dramatically in East Asia. Hence, more empirical studies are needed based on recent social security development in Asian countries.

<sup>2</sup> There, the production regime is defined as an institution and policy that determine the levels of wages, employment, and investment. However, Huber and Stephens (2001) say, “We don’t insist that partisan government is anywhere near as influential in shaping the production regime as it was shaping the welfare state. The strong association between partisan government and production regimes is primarily due to common causes several steps back in the historical casual chain” (p. 104).

With regard to Latin America, many researchers point out that the models there had social insurance at their core during the period from World War II to the social security reform in the 1990s. Gordon (1999) argues that Mexico's social security model, though philosophically advocating universalism, is in reality similar to a conservative model with a Bismarck-type social security at its core, and has features of corporatism and stratification. Meanwhile, she states that those employees in the informal sector are excluded from the social security system and placed under a form of social assistance that differs greatly from social insurance (pp. 51–60). With regard to Argentine, Grassi, Hintze, and Rosa Neufeld (1994) argue that the expansion of social rights in our country is linked not with the expansion of civil rights but with the formation of workers, more accurately, the formation of formal employees. In the meantime, social assistance became increasingly residual<sup>3</sup> in nature. This view is shared by a relatively large number of social policy researchers including Lo Vuolo and Barbeito (1993). Apparently there is a common view that the core of the social security model in major Latin American countries from World War II to the economic crisis in the 1980s was social insurance targeting formal sector workers, while social assistance financed by public expenditures targeting others, including informal sector<sup>4</sup> workers, had a residual character. On that basis, the interest of current discussions on types of Latin American social security systems is shifting toward the kind of model being formed by the neo-liberal economic and social reforms in the 1990s and in subsequent years. However, these Latin American studies, with some exceptions such as Lo Vuolo and Barbeito (1993), assume that economic models and policies lead to corresponding social policies, and tend to use functional analyses.

Studies of Asian and Latin American welfare states that consciously took into consideration the Esping-Andersen welfare state regimes and his methodology include the papers carried in *Welfare States in Transition* (Esping-Andersen 1996). Here, Huber (1996) defines Chile and Argentine, and to some extent Brazil, as conservative and corporatist welfare state regimes, and sees Costa Rica as embryonic social democratic welfare state. She then demonstrates that as a recent reform trend, a universal model of social security is being tried in Brazil and Costa Rica, and she states that the Chilean-type liberal model is not the only way of reform. Methodologically, Huber's argument focuses, as a factor contributing to the formation of Latin American welfare state, on the economic factor of import-substituting industrialization as well as political factors deeply related with the former and unique

<sup>3</sup> A type of social welfare model, first used by Titmuss (1974), in which the social welfare system is applied only when the private market and families fail to meet individual needs.

<sup>4</sup> The definition of the informal sector varies depending on the researcher. The definition adopted here is essentially illegal and unstable economic activities, outside of legal protection and for which no social security is provided at work, and where compensation is unstable (Hataya 1993). In this case, the informal sector can be included in a sample survey of family income.

to the respective countries. Meanwhile, Goodman and Peng (1996), in their discussion of the East Asian welfare state models of Japan, Korea, and Taiwan, pay attention to the magnitude of their differences, but point out three shared characteristics: “a system of family welfare, a status-segregated and somewhat residual social insurance and corporate occupational plans for ‘core’ workers” (p. 207). They see these characteristics of the East Asian welfare states as having been brought about by their strategies that prioritized nation-building and the selective introduction of the Western welfare state models. In one aspect, Huber’s discussion shares our concern and interest in discussing welfare states in political and economic paradigms transcending Esping-Andersen’s framework.

Compared with previous studies, this special issue has the following characteristics: First, the countries selected as subjects of study include Korea, Taiwan, and Hong Kong from Asia, and Mexico, Brazil, and Argentine from Latin America—all representative of newly industrialized countries in their respective regions—plus the state of Kerala, India and Cuba, both which have developed basic social services though they are still underdeveloped. We studied the characteristics of the social security systems and the factors contributing to the formation of the systems in each of the above countries and regions.<sup>5</sup> Second, rather than looking at individual systems and issues such as pension systems and poverty problems, we analyze the overall characteristics of the social security system in each country/region. Third, while also giving special attention to political factors which contributed to the formation of social security systems, we delve more deeply into the transformation of the political system and the policy planning process in the respective political regimes. In carrying out these analyses, we have kept in mind comparative welfare state discussions in developed countries, but the analytical framework is set in consideration of the individual background of each country/region. It is expected that the findings of this special issue will contribute to the study of emerging welfare states, and that the perspectives of comparative welfare state theory will be expanded to newly industrialized countries.

### III. SOCIAL SECURITY SYSTEMS IN EAST ASIA

In this section, we will review the characteristics of the social security system in newly industrialized countries in East Asia and their contributing factors, by assimilating the findings of this special issue. Korea and Taiwan share certain characteristics in their social security systems, whereas Hong Kong’s is characterized very differently.

<sup>5</sup> Hong Kong, being Special Administrative Region of China, maintains social security system different from that in Mainland. In India, too, social policies including social security system vary from state to state.

First, Korea and Taiwan are characterized by small public expenditure for their economic development, and this is also the case for Hong Kong. This becomes more conspicuous when making comparisons not only with developed countries but also with Latin American countries (with the exception of Mexico, where per capita GDP is small) (see Figure 1).

Second, until the 1980s, the systems in Korea and Taiwan consisted primarily of occupation-linked social insurance plus social assistance with a residual character. By contrast, in Latin America social insurance notionally targeted all the working people, and for those beyond its coverage, public hospitals provided medical services either free or at a low charge.

Third, since the 1980s, the two countries have been rapidly expanding and improving their systems. Although this has basically involved an expansion of the social insurance systems, medical insurance is shifting to a considerably universalistic system. On the other hand, public assistance has been rapidly and systematically improved in Korea since 1982, and with the exception of insurance for nursing care for aged people, the country is now equipped with nearly the same social security welfare system as Japan. Further in 1999, as described at length by Kim's article, the universalistic National Basic Livelihood Act was enacted. In Taiwan, too, a National Health Insurance scheme was inaugurated in 1995, which provides uniform coverage nationwide and targets almost all the people.

Fourth, the case of Hong Kong is very much different from the above-mentioned two countries, as demonstrated by Sawada's article. In Hong Kong, social insurance has not developed, and it was only in 2000 that the Mandatory Provident Fund Scheme was established to cover all working people (employees and self-employed workers). In its place, a Comprehensive Social Security Assistance designed for low-income groups, and which requires a means test, is available to meet various needs of the low-income population. In Hong Kong, thus, social insurance has not developed and social assistance with means test requirements or run by nongovernmental organizations constitute the core of social security, while persons with the means to do so purchase self-pay welfare from the market. As such, Sawada's article points out that Hong Kong represents a pure liberal model.

Applying Esping-Andersen's welfare state regime, the systems of Korea and Taiwan can be tentatively concluded to be conservative (corporatism) regimes with extremely limited targets, given that their social security systems before the 1980s consisted primarily of occupation-linked social insurance. Hong Kong is an exception and can be classified as a pure liberal regime, in a characterization that remains unchanged today. In Korea and Taiwan since the 1980s, the social security systems developed quantitatively under democratic governments and there has been a trend of standardization and partial universalization, as shown by the enforcement of the National Basic Livelihood Act in Korea.

Looking at political factors behind institutional development, it was during the

1960s and 1970s that social security systems targeting specific strata were institutionalized in Korea and Taiwan, under the authoritarian governments of Park Chung-Hee in Korea and Chiang Ching-kuo's KMT (Nationalist Party) in Taiwan. These authoritarian governments held a developmentalist ideology that placed much faith in economic growth, and they are frequently called authoritarian regime for development. Suehiro (1998) defines the essence of developmentalism as to enhance people's material satisfaction and expectation for growth to a maximum degree for the purpose of expanding national strength and national prestige. During this period, economic growth was placed as the top policy objectives, and the development of social security was held down. This can also be perceived as an Asian political-economic paradigm. There was a conspicuous trend toward the development of social insurance intended for specific groups such as the military, civil servants, and some employees. For the first two groups, this was apparently intended to secure them as a firm support base for the government, and for the latter it represented a conciliatory approach to certain workers. It was only after the authoritarian regimes were replaced by democracies in the 1980s that social security coverage expanded to the entire population.

In Korea, democratization was accompanied by the emergence of a local political party system in which specific parties monopolized legislative seats in a specific regime (Isozaki 2002). Kim's article gives attention to the role of civic movements in expanding the social security system in Korea in situations where the influence of trade union was limited, and with a local political party system where political parties represented the interests of their respective regions. For Taiwan, Lin's article focuses on Taiwan's national restructuring after the 1980s, describing how the state, which was an advance base of the cold war, civil war regime, and settler state, has been restructured since the 1980s into a "responsive" state that answers people's demands, by experiencing the end of the cold war system, democratization, and the inauguration of an ethnic Taiwanese government, the result of which has been the development of a state-led social security system.

On the other hand, Hong Kong, as described by Sawada's article, was under the colonial administration of the United Kingdom until 1997, when it was handed over to China. The executive office of the British colonial administration, upon launching negotiations with China on the colony's handover to China, began to nurture residents' self-governance and democratization, which had been shelved until then, by establishing District Boards in 1982 and Legislative Council—the equivalent of a parliament—in 1985.

As democratization progressed, demands for improved social security began reaching the administrative government. However, Sawada suggests that we must focus on Hong Kong's unique situation and the weakness of pressure groups for social security enhancement. In addition, extra consideration must be given to the views of the Chinese government.

Looking at economic factors in Korea and Taiwan, given that economic growth was a state ideology and therefore a top-priority policy objective of the authoritarian regimes for development, the political systems were closely linked to the economic systems. Tamio Hattori points out that Korea was able to accomplish export-oriented high economic growth by a “clever policy mix” under Park Chung-Hee’s government, though he also considers the country’s initial conditions and activities of the *chaebol* and other private sectors (Hattori and Satō 1996). In Taiwan, too, an export-oriented industrialization policy was adopted, but the role of the state was indirect. Satō (1996) summarizes it as follows: what is characteristic of Taiwan’s development mechanism is the limited intervention by the government and the development of an autonomous private sector.

In this process, Korea and Taiwan stand in sharp contrast to Latin America, in that labor intensive manufacturing industry in the two countries exerted powerful labor absorption strength, resolved unemployment, and improved income distribution (Hattori and Satō 1996, p. 5). In fact, as indicated by Table II, the Gini coefficients of Korea and Taiwan in the 1990s were considerably lower than those of Mexico, Brazil, and Argentina. Needless to say, many factors determine income distribution; but it cannot be denied that economic development is related to income distribution. The factors that held back the development of the social security system during the export-oriented industrialization period in Korea and Taiwan seem to include the fact that the above-mentioned authoritarian regimes for development were able to suppress demands from trade unions and other social strata, and that development itself provided the people with a certain level of distribution, which functioned to somewhat mitigate people’s demands for better social security.

Meanwhile, as mentioned earlier, the ratios of public social security expenditure to GDP in East Asian countries are known to be lower than those in Latin American countries, and social security expenditure has not become a fiscal problem. However, given the improvement in the social security system since the 1980s, social security expenditure may well increase in the future and come to pose financial difficulties. In Taiwan, the National Pension Program has yet to be established, presumably partly because of financial constraints.

#### IV. SOCIAL SECURITY SYSTEMS IN LATIN AMERICA

Here we will provide an overview of the characteristics of the social security system in the newly industrialized countries of Latin America together with their contributing factors, by integrating the findings of this special issue. The following characteristics are generally observed with regards to the social security systems of Argentina, Brazil, and Mexico.

First, the social security system in these countries developed on the basis of im-

provements in the occupation-linked social insurance, a process of which became full-fledged after World War II. As new systems were established, occupation-linked social insurance became increasingly complicated and stratified, and was eventually followed by the trend of integration. It is safe to say that by the 1970s, the coverage was formally extended to all working people, and that the basic form of occupation-linked social insurance was maintained until the reform in the 1990s.

Second, the real beneficiaries of this social insurance were members of the formal sector such as civil servants and workers with regular labor contracts. People in the informal sector did not share in the benefits of the social insurance. In line with the idea of the economic development model based on import-substituting industrialization that was adopted by Latin American countries until the 1980s, the formal sector was supposed to expand through the drive of import-substituting industrialization. As a result, the majority of the working people were supposed to enjoy the blessings of social insurance. Yet, though import-substituting industrialization continued over a long period of time in Mexico, Brazil, and Argentina, the informal sector never disappeared and a large and permanent number of people emerged who were beyond the reach of social insurance. Further, in Mexico, where traditional rural areas had greater weight, the coverage of social insurance was even lower.

Third, to those outside the coverage of social insurance, social assistance was provided by fiscal spending, with the largest portion made up of medical assistance. However, the system failed to satisfy needs both in quantity and quality. In addition, social assistance existed for the poor, primarily consisting of food aid. These programs were often highly touted by the governments of the day, but the actual spending was smaller than other social spending. The systems were never systematically established and were always criticized for entailing political clientelism. As such, social security systems in Latin America until the 1980s primarily consisted of social insurance targeting the formal sector, whereas social assistance system intended for the informal sector, which in a way was universalistic, maintained a residual character.<sup>6</sup>

Fourth, since the 1990s, these three countries have adopted market-oriented neoliberal economic policies. Regarding social security policies, as described by Murai's article, Mexico most eagerly introduced the market mechanism as demonstrated by its privatization of pensions and its strict targeting for poverty group programs. Meanwhile, in Brazil, according to Koyasu's article, a universalistic medical system was introduced, while in the pension system a scheme for private employees

<sup>6</sup> Prior to the 1980s in Latin America, subsidies for and price controls on basic food and public transportation seemingly played an important role in providing social assistance to the poor, but they were not converted to social expenditure and no comparable statistics are available (Huber 1996).

was partially reformed with the pay-as-you-go system kept intact, and only a portion of the government's plan to change the civil servants' noncontributory pension to contributory pension was fulfilled. Thus, full-fledged reform has not yet been completed. According to Usami's article, Argentina is somewhere between the other two. Its pension system was once a pay-as-you-go system, which was changed to a mixture of a public pay-as-you-go basic pension and a complementary pension, for which the insured can choose public or private pensions. The market mechanism was introduced in some occupation-linked social insurance, as illustrated by changes in health insurance, often under the management of trade unions, to a free selection system.

Applying the above to Esping-Andersen's welfare state regime, all three countries could tentatively be grouped into limited conservative corporatism welfare state regimes until the reform in the 1990s. They were "limited" because their systems in reality covered only the formal sector, although the target formally included all working people. In addition, in Mexico, with its extensive traditional rural areas, the coverage of social insurance was even lower than in Argentina and Brazil. Since the 1990s, the social security systems have undergone market friendly reforms, though different from one country to another.

The political factors common to the three countries that contributed to the formation of their social security systems until the 1980s included the presence of populist governments and an inclination toward corporatism. Second, trade unions were relatively powerful and managed to maintain a direct or indirect political influence even during periods of military regimes. Third, since the development of social security systems began early, technocrats were formed as a stratum. Fourth, under each government, import-substituting industrialization was actively promoted with the states acting as the major driving force. Unlike the authoritarian regimes for development in East Asia, due to relatively strong trade unions and corporatist-oriented regimes, development was given priority but there was always a need for a certain *quid pro quo* to urban workers in the form of better social security. Accordingly, social insurance coverage in Argentine and Brazil was higher than in Korea and Taiwan until the 1970s. Fifth, social insurance expanded even under the military regimes and involved a bilateral character; on one hand, technocrats in social policy under the authoritarian regimes continued to develop policies in accordance with a model they deemed rational (Malloy 1979); on the other it was a compromise to trade unions. Furthermore, some military regimes were indeed corporatism-oriented.

Meanwhile, as the 1980s began, Argentina and Brazil underwent democratization, and Mexico, too, underwent strong demands to implement fair elections. Neoliberal reforms were carried out by the Salinas government of the Partido Revolucionario Institucional in Mexico, the Collor de Mello government in Brazil which had only a weak relationship with existing political forces, and the Peronist



Party Menem government in Argentina. O'Donnell (1997) labels these governments, particularly the democratic governments in South America, "delegative democracy." Under this system, he claims, the presidents elected in fair elections promoted neoliberal reforms, exerting strong regulatory authority. At the same time, the social security systems are being reformed to introduce the market mechanism.

Although each country accomplished a considerable level of liberalization, privatization and deregulation in terms of its economic policies, on the issue of social security and labor policies it should be noted that the institutional reform differs greatly from one country to another, under the legacy of the social security system and the political system established during populist and military governments. In addition, while trade unions show signs of weakening, as can be seen in the decline of trade union density for example, they can also be viewed as having strengthened their autonomy by freely presenting their own demands as a result of democratization. The legacy of interest groups in pension and of corporatism can be cited as reasons for Argentina's eclectic social security reform (Usami's article) and the delays in Brazil's pension reform (Koyasu's article). Koyasu discusses the reasons for the delays in the reform as an institutional question of democracy.

As economic background for the establishment of social security systems in Latin America, the following can be cited: First, import-substituting industrialization began earlier than in East Asia and continued for an extremely long period of time until the neoliberal reforms of the 1990s. Secondly, this import-substituting industrialization was led by the state, whether under populist or military governments. As a result, the economies of Latin American countries moved toward mixed economy systems consisting of gigantic state-owned enterprises, private local enterprises, and foreign capital. Under this system, the states grew larger and larger, becoming gigantic hiring organizations in the formal sector together with private formal sector. Third, the coverage of social insurance was limited to workers of the formal mixed economy system that was thus formulated. Under the system, the employment and wages of these workers were guaranteed by social insurance and by the very economic development model of import-substituting industrialization and bloated state. Thus, workers in the formal sectors were considered to be dually protected by macroeconomic policy and social policy. In terms of the relationship with politics, this sector constituted the core of the corporatist system and its interests had to be respected politically as well. Fourth, the import-substituting industrialization and bloated states brought about an expansion of the formal sector, while urbanization progressed even faster, leading to the formation of a massive informal sector that could not be absorbed by the formal sector. However, as import-substituting industrialization prolonged, a relative economic stagnation was observed, and as a result the informal sector did not disappear and remained in society. Whereas social assistance targeting the informal sector was highly publicized politically, it was less institutionalized than social insurance, and its spending

was always of a residual character. Fifth, given the poor social assistance, families, especially female adults, had to shoulder the care of the elderly and children. Consequently, the female labor participation ratio during the period of import-substituting industrialization remained low.

The 1980s in Latin America were literally a “lost decade” as represented by inflation and negative growth resulting from the foreign debt problem. As the 1990s began, import-substituting industrialization completely crumbled, and market-oriented neoliberal economic policies were adopted to a greater or lesser degree. Industrial relations during the import-substituting industrialization period were criticized as rigid, and were made more flexible, while the social security system has been revised to respond to a market-oriented economic model. However, it should also be noted that social security reform differs considerably from one country to another due to differences in the influence of international organizations on each country and the differing political situations.

Social security reform was carried out widely in Latin American countries in the 1990s, also because the traditional system was considered to be behind the fiscal deficits. However, in the 1990s, the expenditures for economic development began to decline, whereas social expenditures started to increase in Mexico and Argentina. This seems to be partly because the governments assumed the debt of actual pension beneficiaries under the pay-as-you-go system when the system was replaced by a private capitalization system, and partly because social security system improvement was needed as a social safety net resulting from the implementation of market-oriented economy. These were coupled with political factors in each country as described in the articles in this special issue.

## V. DEVELOPING COUNTRIES WITH BASIC SOCIAL SERVICES

The State of Kerala in India, despite its low income, is well known for having developed basic social services and for enjoying excellent levels of social indicators such as child mortality and literacy rates. In the background of this favorable record, notwithstanding the low income standards, we find the fact that the Communist Party of India (CPI) often held power in Kerala and promoted universal education, medical, and other social policies. Sato's article states that the CPI, not only when in power but also when in opposition, mobilized mass organizations in its affiliation and made demands for the improvement of the social security system. Thus he emphasizes the role of the CPI in the development of Kerala's social security system. Sato, however, not only focuses upon the CPI's policy for the betterment of social security system, but pays attention to associations of agricultural workers, trade unions, and other trading associations, claiming that the lively activities of those associations backed the development of the social security system in Kerala.

Cuba, too, has developed basic social services and achieved favorable social indicator levels. Under its social security system, medical insurance covers all workers and free medical service is given to the entire population. Similarly, its pension system is designed for the entire working population. As such, Cuba's social security system is a universalistic type. In the background of this favorable level of social security lies the fact that the socialist government established by the Cuban revolution in 1959 has attached importance to social policies. From its position on the front line of the cold war, it had to demonstrate the legitimacy of socialism to the United States and capitalist countries in Latin America. A hypothesis can be made that one of the tools for this was the improvement of its social security system. As Yamaoka's article states, Cuba was directly and indirectly supported by generous Soviet aid, including direct aid and a favored trade system. Yamaoka also points out that this generous aid was discontinued following the collapse of the Soviet Union, driving Cuba into an economic crisis, and that this in turn led to the deterioration of medical services and a devaluation of pension in real terms, a substantial decline of social security benefits. On the other hand, despite the economic crisis, the ratio of social expenditure in the state budget has not changed, indicating that the Castro government's stance on social security has remained unchanged. The current social security standard of Cuba, without assistance from the Soviet Union and East Europe, seems to be at a level that corresponds to the actual economic situation of the country.

## VI. FUTURE CHALLENGES FOR FORMULATING A THEORY OF EMERGING WELFARE STATES

The original purpose of this special issue, to expand the scope of welfare state theories to include newly industrialized countries and to discuss the features of emerging welfare states and the background factors for their formation, seems to have been fulfilled. However, in order to formulate a more integrated study of emerging welfare states, some tasks are yet to be completed. Many of the articles in this special issue give attention to political factors as contributing factors to the formation of the social security systems in respective countries. At the same time, not all have carried out analysis dealing with economic factors. If I may reiterate, in the process of industrialization of newly industrialized countries, politics seems to have been more deeply related with economic processes and I believe it is essential to discuss the formation of emerging welfare states in politico-economic paradigms.

In the 1990s, globalization and liberalization accelerated in both Asia and Latin America and consequently the traditional relations between politics and economy, political factors concerning policy decision-making and economic system itself, are undergoing drastic transformations. In the future, it will be necessary to review welfare states in transformation using a politico-economic paradigm that brings the

above-mentioned changes in our perspective. In Korea and Mexico until very recently, rural areas accounted for a significant part in society and as such, it is necessary to review how the government responded to farmers in respective countries.

Lastly, in socialist Cuba, no in-depth domestic political analysis has yet been conducted due to the extremely limited availability of documentation and data. On the formation of social security systems in socialist countries, it will be a future challenge to adequately analyze political factors beyond the confines of only-economic-factor oriented explanation.

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