



GLOBAL DYNAMICS OF SOCIAL POLICY

# International Impacts on Social Policy

## Short Histories in Global Perspective

Edited by  
**Frank Nullmeier**  
**Delia González de Reufels**  
**Herbert Obinger**



**Global Dynamics  
of Social Policy**

CRC 1342

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# Global Dynamics of Social Policy

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This open access series welcomes studies on the waves, ruptures and transformative periods of welfare state expansion and retrenchment globally, that is, across nation states and the world as well as across history since the inception of the modern Western welfare state in the nineteenth century. It takes a comprehensive and globalized perspective on social policy, and the approach will help to locate and explain episodes of retrenchment, austerity, and tendencies toward de-welfarization in particular countries, policy areas and/or social risk-groups by reference to prior, simultaneous or anticipated episodes of expansion or contraction in other countries, areas, and risks. One of the aims of this series is to address the different constellations that emerge between political and economic actors including international and intergovernmental organizations, political actors and bodies, and business enterprises. A better understanding of these dynamics improves the reader's grasp of social policy making, social policy outputs, and ultimately the outcomes of social policy.

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ISSN 2661-8672

ISSN 2661-8680 (electronic)

Global Dynamics of Social Policy

ISBN 978-3-030-86644-0

ISBN 978-3-030-86645-7 (eBook)

<https://doi.org/10.1007/978-3-030-86645-7>

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## On this Series

The intervention of states in fields such as health, social security and work dates back to the nineteenth century, and became more dynamic over time. Imperial Prussia, a social policy pioneer, first showcased its progress at the Paris World Fair in 1900: the Prussian exhibit drew large crowds eager to find out more about state pensions. Clearly, social policy had become a matter of great interest to states and citizens alike.

Other nations soon embarked on implementing discrete social policies, thus turning the twentieth century into a time of remarkable welfare state expansion. The end of World War II marked a new departure, as an increasing number of countries outside the Western hemisphere began to introduce social policy measures. States not only copied established forms of welfare, but often developed measures *sui-generis* to meet their specific needs. While episodes of policy retrenchment and ruptures can be observed over time, recent developments point to an expansion of social policies in low-to-upper-middle-income countries of the Global South. Social policy has thus become a global phenomenon.

It is generally accepted that the state is responsible for welfare and that domestic politics and ideas have been a primary driver of its expansion. However, in an increasingly interconnected world, social policy is implemented at the national level but influenced by international developments and relations. It is shaped by trade, migration, war and colonialism.

Just as people travel, policy ideas follow. These factors merit scholarly attention and demand interdisciplinary collaboration to generate new insights into the global dimension of social policy.

This is what the Global Dynamics of Social Policy book series sets out to accomplish. In doing so, it also contributes to the mission of the Collaborative Research Center 1342 (CRC) “Global Dynamics of Social Policy” at the University of Bremen, Germany. Funded by the German Research Foundation, the CRC leaves behind the traditionally OECD-focused analysis of social policy to stress the transnational interconnect- edness of developments.

The book series showcases scholarship by colleagues worldwide who are interested in the global dynamics of social policy. Studies can range from in-depth case studies, comparative work and large quantitative research. Moreover, the promotion of scholarship by young researchers is of great importance to the series.

The series is published in memory of Stephan Leibfried to whom our research on state and social policy at the CRC is indebted in count- less ways.

Bremen, Germany  
Odense, Denmark

Lorraine Frisina Doetter  
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## Praise for *International Impacts on Social Policy*

“International Impacts on Social Policy: Short Stories in a Global Perspective. Eds. Frank Nullmeier, Delia González de Reufels and Herbert Obinger. Palgrave Macmillan

This volume makes a significant contribution to knowledge on the interplay between inter- and transnational factors and domestic factors in the development of social policy. Social policy research has traditionally taken the nation state as its unit of analysis, but it is unlikely that developments in social policy were ever a purely domestic affair. Welfare institutions, old and new, bear the stamp of economic crises and warfare, trade and migration, ideology, and the emergence of a rules-based international order. The role of interdependencies in shaping basic processes of social policy development is even more prominent in today’s globalised world. This volume throws much needed light on these issues. The thirty-nine short essays presented in this volume provide ‘short-histories’ or ‘mosaic stones’, that is individual cases documenting interdependencies in social policy formation and reform. They are an output from the Collaborative Research Center *Global Dynamics of Social Policy* at the University of Bremen. The essays map out several new areas of research. Taken together they demonstrate a broad spectrum of interdependencies influencing social policy, across countries, institutions, and time. Drawing on this research, the Editors raise searching questions regarding how best to design research on social policy taking full account of these interdependencies and how best to communicate its results. This volume will be essential reading for researchers, students, and policy makers interested in the development of social policy globally.”

—Armando Barrientos, Professor Emeritus of Poverty and Social Justice,  
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# 1

## Introduction: International Interdependencies and the Impact on Social Policies

Frank Nullmeier, Delia González de Reufels,  
and Herbert Obinger

In recent years, social policy research has undergone a vast array of far-reaching changes. Perhaps the most important change concerns the scope of research, which is no longer exclusively focused on the nation state. In the not-so-distant past, “(...) to study social policy was to start with the nation” (Rodgers 2014, 302). This quote could be further amended by pointing out that social policy research also was mainly concerned with Western nations. While this can hardly be surprising given that the welfare state as such is a European “invention” and can be considered a child of the nation state and the Industrial Revolution (Flora 1986a, XII), other factors come into play as well. Although the strong focus on the nation as the main unit of analysis is reasonable, as it is the state’s prerogative to enact and implement welfare legislation in a given territory, this is only one side of the story. From the very onset of social policy development, this process was embedded in and to a large extent the result of

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influences that lay beyond the nation and its specific contexts: social policy-makers did not act in splendid isolation. In addition to the fierce domestic struggles over social policy, their decisions were framed by various inter- and transnational influences. Even during the formative period of the welfare state, intensive cross-border knowledge transfers already enabled policy-makers to learn about foreign welfare legislation (Rodgers 1998). Nineteenth-century policy-makers were also concerned about the impact of social policy on their nations' economic competitiveness when they discussed and drafted early welfare reforms during the first wave of economic globalisation that lasted until 1914. Moreover, ever-increasing military rivalries and power ambitions of nation states in the Age of Imperialism left their imprint on social policy. Worries about low birth rates or the physical fitness of soldiers vis-à-vis the alleged enemy sparked or bolstered welfare reforms in areas such as labour protection, child welfare and family policy in the run-up to war.

In 1914, war eventually became a terrible reality, only to be followed by yet another even more devastating war in 1939. Two world wars and their political and socio-economic aftershocks were a watershed for welfare state development in several respects: they entailed welfare cutbacks but also triggered a massive expansion of social policy in the immediate post-war period in response to the tremendous social needs generated by the horrors of war and demobilisation (Obinger et al. 2018). In a similar vein, the Bolshevik Revolution in Russia and the Great Depression sent shock waves across the globe that affected social policy in various but ambiguous ways. International organisations such as the International Labour Organization and the World Health Organization, established after armistice and particularly after the Second World War, gave rise to ever-increasing intergovernmental social policy cooperation worldwide and provided the basis for global shifts in social policy, but also demonstrated the limits of international support or steering of an expansion of social policy (Deacon 2013; Maul 2019; Seekings 2019).

Moreover, the two world wars fundamentally changed the international economic order. Whereas the Great War and the Great Depression led to economic deglobalisation and growing trade protectionism, the post-1945 economic order created in Bretton Woods in 1944 paved the way for the restoration of international trade and economic cooperation

that underpinned a massive expansion of the Western welfare state (Wilensky 1975; Esping-Andersen 1990; Nullmeier and Kaufmann 2021). The so-called Golden Age of the Western welfare state, in other words, the period stretching from 1945 to the mid-1970s, largely coincided with the Cold War and the concomitant bipolar regime competition. The two oil shocks of the 1970s brought the exceptional growth of the Western welfare state and the underlying post-war Keynesian compromise to an end. The response to stagflation was a shift towards supply-side oriented economic policies with a view to stimulating growth and employment. This neoliberal turn was not least promoted by international organisations such as the Organisation for Economic Co-operation and Development, and under the auspices of the International Monetary Fund and the World Bank spread rapidly across the globe. In the 1990s, deregulation of trade barriers and financial market integration unleashed a third wave of economic globalisation that has exposed the now mature Western welfare states to new external vulnerabilities, while the progress of European integration—another repercussion of warfare—has undercut the autonomy of European welfare states and re-drawn the boundaries of welfare (Ferrera 2002). In addition, the collapse of the Eastern Bloc delegitimised the welfare state as a third way between Soviet collectivism and unfettered capitalism.

Inter- and transnational influences on social protection are even more pronounced and relevant in the Global South (Abu Sharkh and Gough 2010). Just as in the Northern hemisphere, these influences shaped welfare provision from the very start. While some influences such as the two world wars, bipolar system competition, economic depression or pandemics affected the Northern and Southern hemispheres in similar ways, other factors have been more confined to the Global South. For example, missionaries and churches were early providers of welfare in various fields such as health and basic education. Furthermore, most countries in the Global South have a colonial past that has affected social protection deeply but, contingent upon the imperial power, has done so in different ways (Midgley and Piachaud 2011; Schmitt 2015, 2020). While education and health continue to be important fields of international social policy intervention, the measures have become more varied. Here, development aid has played an important role: monetary and technical

support provided by international and non-governmental organisations, private foundations or donor countries plays an essential role in designing, financing and providing welfare benefits, while remittances sent by migrants make up a significant share of the gross domestic product in many low-income countries and enable their recipients, usually their relatives, to pay for services that the national welfare system does not provide (Schmitt 2020). Likewise, the new social policy instruments of conditional cash transfers (CCTs) such as “Oportunidades” in Mexico and “Bolsa Família” in Brazil have provided the push for diffusion in Latin America and in other regions of the world (Barrientos 2013; Leisering 2019). Social policy can be driven by migration flows when workers from the Global North transport ideas from the labour movement to the Global South. But it can also trigger migratory movements from South and East to North, for example in the care and health sector (Yeates and Pillinger 2019).

Over the past two decades or so, scholars have begun to study these inter- and transnational impacts on social policy more systematically. The “transnational turn” in historiography (e.g. Rodgers 1998; Conrad 2011; Kettunen and Petersen 2011), the new perspectives of global history (Hu and Manning 2010), transnational social policy (Orenstein 2008; Gingrich and Köngeter 2017), global social policy (Deacon 2007; Yeates 2014; Kaasch and Stubbs 2014) and diffusion research in the social sciences (Kuhlmann et al. 2020) have contributed to transcending the nation as the unit of analysis and to studying the manifold relations and interdependencies between countries and societies. Moreover, a growing volume of scholarly work examines social policy and the history of social protection in the Global South or even across the globe (Haggard and Kaufman 2008; Huber and Stephens 2012; Finkel 2019; Hill and Irving 2020; Leisering 2021; Tajmazinani 2021). These new perspectives on social policy have underscored the importance of a global flow of ideas and concepts in a variety of policy fields, some of which have become global spheres of intervention for states and international organisations (Packard 2016). At a time when groups of professionals and expert networks assessed national and international fields such as health (Cueto and Palmer 2015; Akami 2017), the transfer of European social policy ideas around the globe impacted modernisation and social policy reform.

Historical studies have provided insights into why and how Asian countries imported European and US concepts and ideas and adapted them to national needs (Nishizawa 2014). But imperial contexts did not exert a unidirectional influence: New Zealand's pension scheme for example was decisive for the remodelling of the Old Age Pensions Bill in Britain in 1908 (Rogers 2014).

This volume presents the most recent work on these issues from German social policy research. Despite progress and fascinating scholarly work sparked off by these approaches, the mainstream of comparative welfare state research in Germany lagged behind these developments. While German scholars have conducted cutting-edge research with regard to the development of Western welfare states (e.g. Alber 1982; Schmidt 1982; Flora 1986b) and EU social policy (Leibfried and Pierson 1995), social protection in the Global South was with few exceptions neglected in scholarly work for a long time. Systematic research on social policy in the Global South did not begin in Germany until the Bielefeld FLOOR project (Leisering 2019). To deepen and broaden this research approach in Germany, the German Research Foundation (DFG) is funding the Collaborative Research Center (CRC) "Global Dynamics of Social Policy" based at the University of Bremen (<https://www.socialpolicydynamics.de/en/>). Starting in 2018, more than eighty junior and senior scholars from various disciplines working in sixteen different projects are studying the development of state-run social policy across the globe from the 1880s to the present. The CRC's central goal is to describe and explain the development dynamics of social policy within their international contexts, worldwide interrelations and the interaction with national conditions. In analytical terms, the CRC's objective is to replace the nation-centred orientation of social policy research with an interdependency-centred approach that integrates the well-known domestic determinants of social policy into the context of transregional and international interrelations. Once the national container is left behind, cross-border interrelations—(de-)colonisation, war, trade and financial relations, migration flows, transnational communication and information exchange, international organisations and international agreements—move to the centre of social policy analysis. It is only from the interaction of national conditions with horizontal and vertical international interrelations that the



developmental trajectories in social policy can be explained appropriately from a global and historical perspective. To that end, the CRC is also compiling a comprehensive social policy database—the Global Welfare State Information System (WeSIS) that will map social policy developments across the globe.

## 1 Scope and Content of the Book

This volume presents first preliminary findings from the sixteen research projects of the CRC. It consists of thirty-nine short essays that exemplify how the interplay between inter- and transnational relations and domestic factors have shaped the dynamics of social policy in various parts of the world and at different points in time.

The volume is divided into four parts that are concerned with a particular type of cross-border interrelation, and each part features a short thematic introduction. More specifically, the four parts examine the impact on social policy of violence (Part I), international organisations (Part II), trade relations and economic crises (Part III) ideas, and expert networks and migration (Part IV). Although each part of this volume highlights a specific type of inter- or transnational interdependence, the individual articles take into account that more than one type of interdependence can be present and effective at the same time.

The essays shed light on particular historical episodes in the development of social policy that represent only a very small and necessarily selective part of the global development of social protection. They are interested in studying specific cases and focus on very specific time frames that range from the late nineteenth to the more recent twentieth century.

We have named these short essays “short histories” because they are a mixture of the literal form of a “short story” and the far-reaching ambition of writing a comprehensive “short history” of social policy, which is beyond the scope of this book. The aim is much more modest as the chapters illuminate selective episodes of social policy development in various world regions at different points in time with a view to demonstrating the importance of inter- and transnational influences. They all rely on an analytical framework that brings inter- and transnational

impacts on social policy to the foreground without neglecting national conditions.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Centre “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# Part I

## Violence and Welfare



# 2

## Introduction: Violence and Welfare

Herbert Obinger and Carina Schmitt

At first glance violence is an unusual suspect when it comes to explaining social policy. Warfare as the most drastic manifestation of violence is rather associated with destruction and human suffering. In fact, more than hundred million people were killed in military conflicts in the course of the twentieth century (Wimmer 2014, 174). However, the very same century witnessed the rise of the welfare state, notably in the northern hemisphere. Whether these developments are causally interrelated was long and with few exceptions (Titmuss 1958; Dryzek and Goodin 1986; Porter 1994) widely neglected in the social sciences. This holds particularly true for comparative research (see the literature reviews by Kasza 1996; Castles 2010 and Wimmer 2014).

Why, when and how does war affect social policy? Disentangling war impacts on welfare state development and the underlying mechanisms is complicated as war affects more or less all the factors driving social policy emphasised in comparative welfare state research. More specifically, wars

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impinge on economic development and public revenues, create social needs, trigger political regime change and electoral reform, affect state capacities as well as actors' power resources.

In an effort to disentangle the impacts of *interstate wars* on social policy more systematically, Obinger et al. (2018) distinguish between indirect effects (e.g. war impacts on political regime transformations, the build-up of state capacities or shifts in power resources and public revenues) and direct impacts of warfare such as war-induced social needs, shifts in risk patterns (Rehm 2016) and coercive social policy transfer related to military occupation. War impacts can also be classified as to whether they affect the supply-side (e.g. state capacities and taxation) or the demand-side (e.g. social needs and risk patterns) of the political system. Finally, it is not sufficient to focus only on the social policy repercussions of war and its aftershocks. Military rivalries and power ambitions of nation states may also trigger welfare reforms *ante bellum*.

Only recently, scholars started to examine the warfare–welfare nexus more systematically and in comparative perspective. However, the bulk of research focuses on Western countries and the two world wars which were waged as industrialised mass wars between economically developed countries. The overall evidence is clear-cut and suggests that both world wars have accelerated welfare state development in the long run. Specifically, war was a push factor for the rise of the tax state (Scheve and Stasavage 2016), strengthened the planning experience of governments (Klausen 1998), triggered the introduction of new welfare programmes for civilians (Obinger and Schmitt 2020) as well as war victims and veterans (Skocpol 1992) and pushed, in consequence, social spending (Dryzek and Goodin 1986; Obinger and Schmitt 2018). Finally, war was the main impetus for the establishment of welfare ministries in Western countries (Petersen et al. 2021). In addition, there is evidence that concerns about the physical fitness and educational attainment of soldiers or worries about low birth rates informed welfare and educational reforms already in the run-up to war. Specifically, military rivalries and military defeat prompted reforms in primary education (Aghion et al. 2019), (pronatalist) family policies (Dörr 2020), labour protection legislation (Dörr et al. 2020) and public health measures for children (Dwork 1987). Finally, war left a tremendous imprint on the distribution of income and



wealth. Scholarly works by Piketty (2014) and Scheidel (2017) have convincingly shown that war led to greater income equality, at least over a longer transitory period.

Despite these improvements there are still many blind spots. Research has mainly concentrated on interstate wars in the Western world. Much less is known about war impacts in Eastern Europe, Asia and the Global South where *civil war* is the most frequent type of violent conflict. There is evidence that social policy impacts of civil wars differ from interstate warfare. Skocpol (1992), for example, has shown that generous (and expensive) veterans' pensions have impeded the emergence of old-age pensions in the US. In contrast to interstate war, civil wars destroy state capacities in the long-run, undercut national solidarity and give rise to long-term political instability. A Western bias is also evident with regard to the social policy implications of the *Cold War*. While there are few studies for the northern hemisphere (e.g. Obinger and Schmitt 2011; Petersen 2013; Inglot 2013), much less is known about the social policy ramifications of the Cold War in the Global South.

Similar to warfare, the impact of *colonialism* as a further form of violent interdependencies on social policy development was widely neglected for many years. This is astounding when considering the fact that most countries on the globe have a colonial history and social protection programmes in former colonies were often introduced before those countries gained independence (Schmitt 2015). However, the omission of the colonial legacy in the analysis of the determinants and consequences of early and postcolonial social protection precludes a systematic grasp of contemporary social problems in the Global South.

But why, when and how does colonialism affect social policy? Colonial powers did not become engaged into social aspects of the labour question and the provision of social services in their colonies until the first decades of the twentieth century (Midgley and Piachaud 2011). This changed by midway through the twentieth century when pressure on the colonial powers, not only from inside the colonies in the form of rising demands for social protection but also from outside in the form of soft pressure by international organisations, strongly increased. Combined with the increase in their ideological and human rights vulnerability after World

War II and their need to maintain regime legitimacy, colonial powers became more and more engaged in social policies in their colonies.

However, the influence of colonialism on social policy was far from homogeneous. Colonial powers had distinct notions and concepts of the state, the labour question and social security (Mahoney 2010). For example, France practised a pro-active colonial policy, emphasising the decisive role of the state in enhancing social and economic prosperity (Cooper 1996; Iliffe 1987), whereas Britain pursued a decentralised and less universal approach.

As in the case of war, we can distinguish direct and indirect effects. Direct impacts comprise the coercive implementation of certain social security schemes in colonies. For example, the French *Code du Travail* passed in 1952 was the keystone for social protection legislation in the French colonies. Indirect effects include the influence of colonial powers on politics, coalition-building, formal and informal political institution-building, economic affairs, the structure of the labour market and social stratification.

The empirical evidence regarding these direct and indirect impacts of colonialism reveals several short- and long-term effects on social policy. In the short term, colonialism influenced the introduction of specific social security schemes (e.g. Midgley and Piachaud 2011; Cooper 1996; Schmitt 2015, 2020). Colonialism also shaped the economic system (Suret-Canale 1971; Mahoney 2010), the tax state (Frankema 2010, 2011; Frankema and Booth 2019) and political institutions (Mahoney 2010). This in turn affected political, economic and social outcomes in the long run. The literature provides evidence that the colonial legacy, for example, in the form of the institutions, implemented during colonial times, influences contemporary economic growth (Acemoglu et al. 2001; Lange et al. 2006), social outcomes (Lange et al. 2006) or the performance of health and education services (Huillery 2009).

Even though existing research provides empirical evidence that colonialism matters for early and contemporary social policies, we still know little about the concrete underlying causal mechanisms, in other words, under which circumstances colonialism does play a role for social policies, for which aspects of social policy concretely and through which channels. Moreover, most studies focus on the influence of colonialism without

elucidating the interplay with national contextual factors and actors. Whether and how colonialism has shaped social protection is conditioned not only by the strength of local political parties and labour unions, but also by domestic financial, administrative and political circumstances.

The following nine chapters study the impact of war and colonialism on social policy in different settings. Herbert Obinger, Carina Schmitt and Laura Seelkopf provide a condensed overview of the multifaceted impacts of the two world wars on welfare state development in the Western world. Andreas Heinrich examines how revolution, war and coercive policy transfer gave rise to the spread of the so-called Semashko healthcare system in the Soviet Union and Eastern Europe. From a Western perspective, Klaus Petersen, Michele Mioni and Herbert Obinger discuss the nexus between the Cold War and welfare state development. They argue that this latent conflict swayed welfare state development via domestic coalition-building and the necessity to enhance political legitimacy under conditions of fierce bipolar system competition. Delia Gonzalez de Reufels shows for Chile how a coalition between doctors and the military has pushed for reforms related to public health. Amanda Shriwise sheds light on the British Colonial Development Act passed in 1929, which for the first time provided funding for public health in British colonies. Elsada Diana Cassells, Gabriela de Carvalho and Lorraine Frisina Doetter examine the British influence on healthcare policies in Jamaica after independence. Aline Grünewald examines how the French colonial legacy has shaped the coverage of pension schemes in Francophone Africa. Since many colonies emulated principles enshrined in French Labour Code after independence, there is a substantial discrepancy between legal and effective coverage in social protection due to widespread informal labour markets. Anna Wolkenhauer traces the bifurcation of the Zambian social protection system into demand-driven social insurance and top-down social assistance schemes to the colonial era. She argues that the colonial copper-based enclave economy resulted not only in protracted informality and inequality, but also in a long-term bias of political organisation, where only a minority of the workforce are able to politically articulate claims to social security. Finally, Alex Veit sheds light on the postcolonial reforms of school education in South Africa in the 1990s.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 3

## Mass Warfare and the Development of the Modern Welfare State: An Analysis of the Western World, 1914–1950

Herbert Obinger, Carina Schmitt, and Laura Seelkopf

### 1 Introduction

The impact of war and other emergencies on the development of welfare states in the Western world has recently attracted growing attention (Castles 2010; Rehm 2016; Obinger et al. 2018). Interstate war is a highly interdependent event that simultaneously affects several countries not only by combat activities but also by the repercussions of war on trade relations and migration flows. This particularly holds for the two world wars. The totalisation of warfare in the twentieth century led to unprecedented levels of mobilisation of military supplies and manpower

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and a massive territorial expansion of warfare. At the end of World War I (WWI), for example, the Allied side included 70 percent of the world's pre-war population and 64 percent of its pre-war output. A total of sixty-six million soldiers were mobilised by the warring nations during this conflict (Broadberry and Harrison 2009). The Second World War (WWII) was even more global and brutal, and caused hitherto unknown levels of destruction and unprecedented high numbers of casualties.

This chapter examines the impact of both world wars on the development and reshaping of social policies in the Western world along three dimensions, which also structure this chapter. More specifically, we discuss the effects of war on (1) welfare legislation and programme adoption, (2) fiscal policies and (3) state capacities. We demonstrate that both world wars unleashed a deep transformation of the welfare state. The immense costs of mass warfare led to the introduction of new taxes and massive hikes in existing taxes. These new revenue sources were not only needed to finance the overall war effort and war debt, but also generated revenues to finance welfare programmes such as unemployment insurance, family benefits and other social security schemes that were introduced to cope with the tremendous social needs generated by the horrors of war. In addition to policy innovations and welfare reforms, both world wars fuelled the centralisation of government and institutional innovations, notably the establishment of welfare ministries. Together with the destruction of the capital stock and private property caused by war and its aftershocks (hyperinflation), these effects had a massive and lasting impact on income distribution and social spending.

## 2 The Impact of War on Welfare Legislation

The key mechanism through which war influenced welfare state development was the massive impact on social needs and (preferences for) redistribution. Beginning with Richard Titmuss (1958), several scholars have argued that the horrors caused by warfare, military demobilisation, and post-war economic and political crises created a huge demand for social protection that states were well-placed to fill. All belligerent countries needed to provide income support to disabled veterans and to the

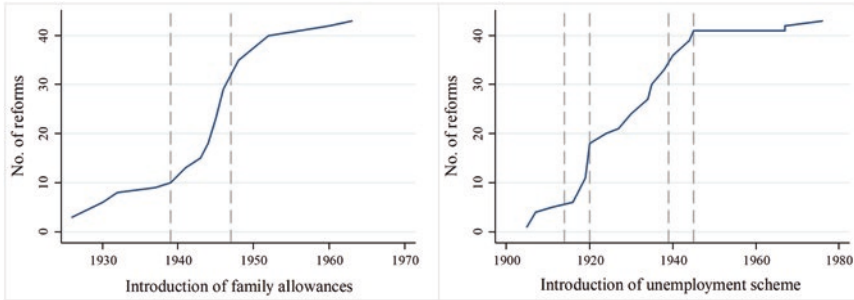


dependents of killed servicemen. Millions of veterans also needed health-care and assistance for successful reintegration into society and labour markets (Obinger et al. 2020). This included, at least for a transition period, the provision of unemployment benefits, housing programmes, education, and vocational training.

Social needs were even greater in countries that suffered from acts of war on their home territory. Apart from the military war victims, these countries experienced large numbers of civilian casualties, notably during WWII. Combat activities on the home territory often had a tremendous impact on the economy. Destruction of production sites and infrastructure, military demobilisation and the lay-offs in the munitions industry led to high levels of unemployment and poverty at the end of war. In addition, large segments of the population were exhausted in war-torn countries and suffered or died from infectious diseases. Against this backdrop, the horrors of war changed individual preferences and nurtured a higher demand for *public* social protection. Rehm (2016) argues that national emergencies massively change the distribution of risk in society. Mass warfare, for example, quite likely leads to a substantial “risk flip” towards a more homogenous risk distribution in society. The fact that large parts of the population are exposed to higher social risks in wartime generates a higher demand for social protection and makes, in consequence, the adoption of welfare programmes or the expansion of existing schemes more likely (Rehm 2016: 24).

In fact, there is a close nexus between war and welfare reform. This is demonstrated in Fig. 3.1, which shows the introduction and reform of unemployment compensation schemes and family allowances for fifteen Western countries.

There is a clustering of reform activities during and particularly right after both world wars. In terms of family benefits, there is a legislative boost in the immediate aftermath of WWII, which is related to efforts to cope with the destitution of families and to counter the negative war impact on birth rates. A similar agglomeration of reform activities can be seen for unemployment compensation in the aftermath of WWI. This spread of unemployment compensation is connected to demobilisation,



**Fig. 3.1** Introduction and reforms related to unemployment compensation and family allowances. (Notes: Data are coded based on the information provided by Hicks et al. [1995]. The y-axis shows the cumulative number of adoptions and reforms across countries, while the x-axis refers to the year of introduction or reform.)

economic crisis and social unrest.<sup>1</sup> Econometric analyses strongly corroborate this descriptive evidence and find war impacts on other programmes such as healthcare and pensions as well (Obinger and Schmitt 2020a, b). A key finding of these studies is that it was not war per se but rather the intensity of war (e.g. the length of war involvement, combat activities on the home territory and the number of war victims) that fuelled welfare reform.

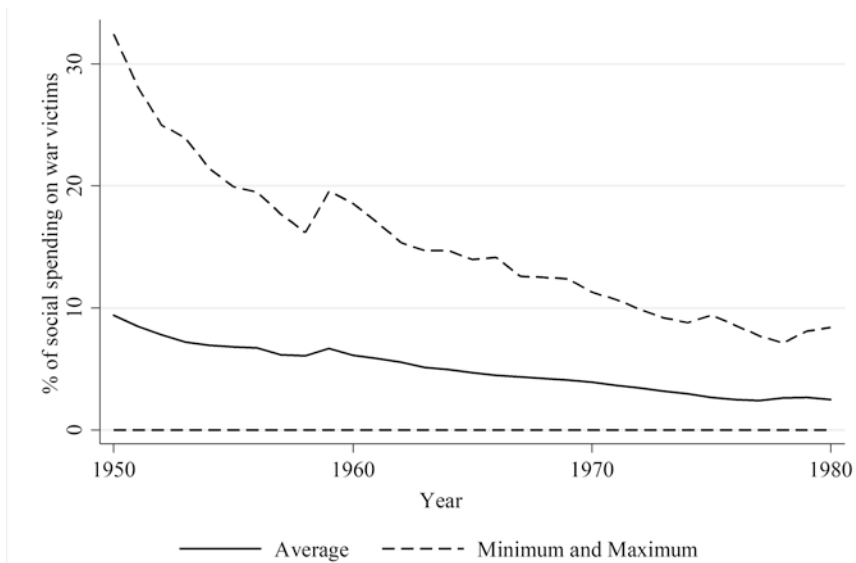
We show in the next section that the war-induced expansion of the welfare state had not only a strong and long-term impact on social spending, but also on the public revenues needed to finance the growing welfare states.

<sup>1</sup> Other reform waves were triggered by the Great Depression and the Second World War (see other chapters in this volume).

### 3 The Fiscal Impact of War and Its Aftershocks: Social Spending and Taxation

The provision of welfare benefits and services for a huge number of war victims led to a substantial increase in social spending in all belligerent countries in the direct aftermath of WWII. Figure 3.2 shows the cross-country average (solid line) as well as the minimum and maximum value per year (dashed lines) after WWII. The figure illustrates that war-related spending represented a considerable share of total social spending in many countries.

In 1950, the share of social spending devoted to war victims ranged from zero to over 30 percent of total social expenditure. It was highest in



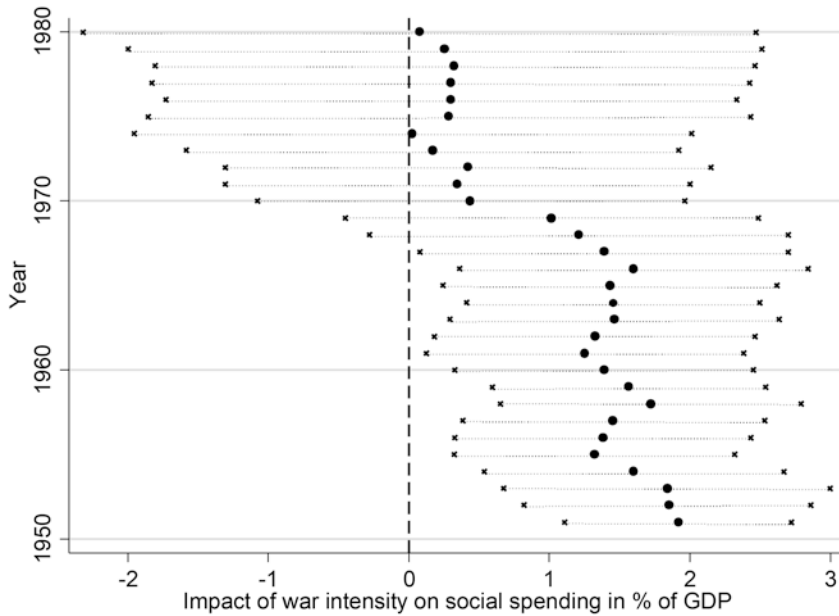
**Fig. 3.2** War-related social spending, 1950–1980. (Notes: War-related social spending as a percentage of total social spending. The average [solid line] refers to eighteen Western countries [Austria, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom and the United States]. Source: Obinger and Schmitt [2018].)

belligerent countries that were welfare state laggards (e.g. the United States, Canada and Japan) and lower in warring nations that had a more comprehensive welfare state at the onset of war (e.g. Germany, Austria). Figure 3.2 also reveals that spending on war victims only slowly decreased over time. Thirty-five years after the end of military conflict, war-related spending still accounted for almost 10 percent of the total social expenditure in some countries.

However, war also affected civilian social spending. This effect is related to programme introduction and welfare reforms discussed above. Its size, however, was not similar across belligerent countries but rather varied with the intensity of war (Obinger and Schmitt 2018). This is shown for WWII in Fig. 3.3, which shows point estimates for the impact of war intensity on social spending over time and the related 95 percent confidence interval (dotted line). The figure illustrates that war intensity significantly increased social expenditure until the late 1960s. This effect becomes statistically insignificant thereafter and virtually disappears in 1980.

This increase in social spending was mirrored by a massive growth of the tax state (Fig. 3.4). One of the main findings in fiscal sociology and (political) economic history is that war is “the usual reason for imposing new taxes and increasing old ones” (Spencer 1898, 567). Several mechanisms are invoked to explain this.

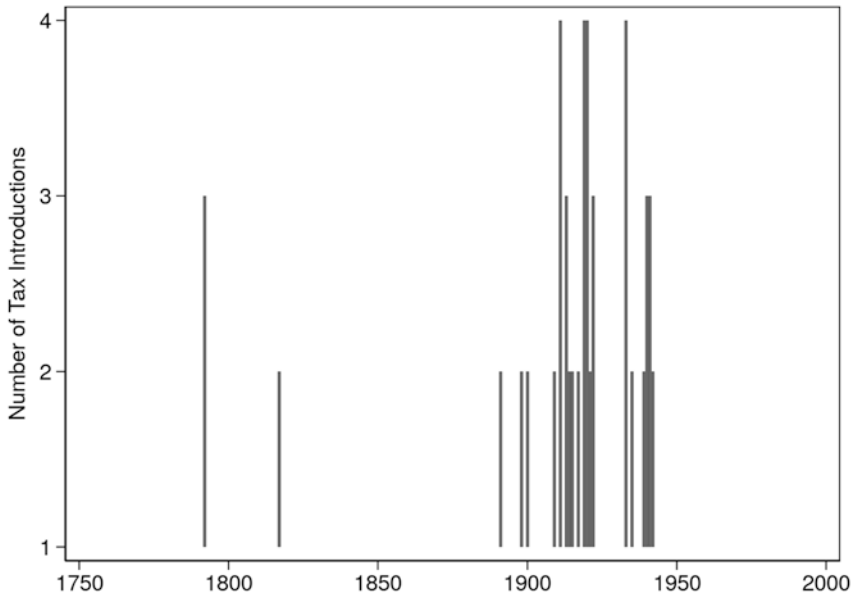
First, wars are expensive. Governments need to find extra revenue to fund them. If wars are short and small-scale, borrowing, currency devaluation, emergency duties and a rise in existing taxes may do (Ames and Rapp 1977, 177). Yet, expansive and drawn-out conflicts may require the introduction of new, revenue-efficient taxes. The two world wars were especially powerful drivers of tax introduction in the West. While most European countries already experimented with modern taxes such as inheritance tax or personal income taxes before the Napoleonic wars, they were in most cases only permanently introduced during or shortly after the world wars to pay off the war debts (Seelkopf et al. 2010). Even in Germany, where the individual states had successfully fought off Bismarck’s efforts to introduce personal income tax at the national level, World War I led to its introduction, as well as the introduction of general



**Fig. 3.3** Impact of the Second World War on post-war social spending. (Notes: Repeated cross-section regressions for all years over the period 1950–1980 in eighteen Western countries [see Fig. 3.2]. The main independent variable is the war index, with total social spending as a percentage of gross domestic product [GDP] as dependent variable. In addition, the following four control variables were included—trade openness, the percentage of elderly, GDP per capita (log.) and the share of cabinet members from left-wing parties—and the age of the welfare state as independent variable [lagged by one year]. For details and panel regressions, see Obinger and Schmitt [2018].)

sales taxes. Once adopted, these new taxes tend to stick around long after the financial exigencies of war have subsided (Peacock and Wiseman 1961).

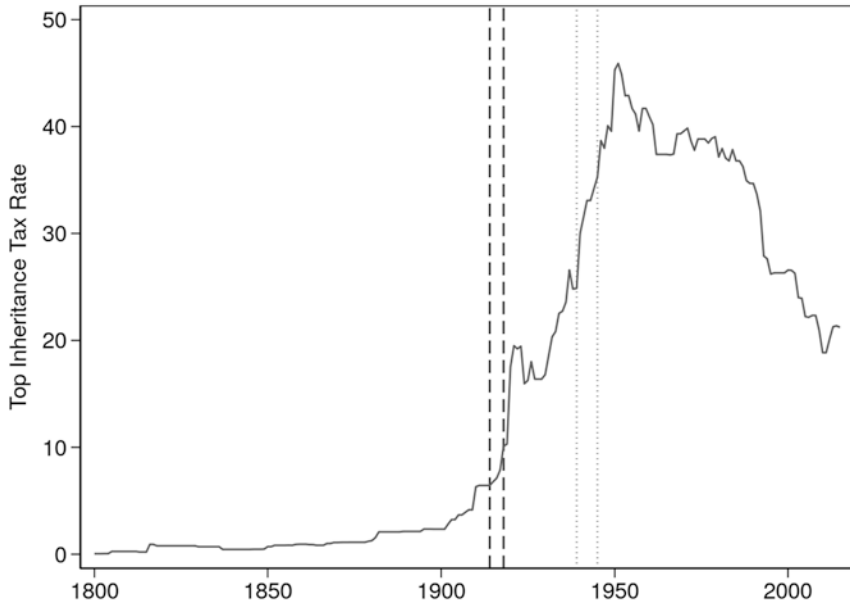
Second, not all taxes have equal effects as some are more redistributive than others. The different levels of progressiveness matter especially in times of war. War requires commitment from the soldiers fighting it. More often than not, these soldiers are relatively young and poor. Their commitment to letting themselves be shot at on the battlefield depends crucially on the feeling that their sacrifice is not exploited by “fat cat” capitalists at home benefiting from the war economy. Thus, the universal



**Fig. 3.4** Introduction of five major modern taxes over time. (Note: These taxes are inheritance tax, personal and corporate income taxes, social security contributions and general sales tax in twenty-one Western countries [Austria, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States]. *Sources:* Seelkopf et al. [2010]; Genschel and Seelkopf [2019])

conscription of young men during WWI and WWII led to political demands for a compensatory “conscription of wealth” that ushered in more progressive taxation (Scheve and Stasavage 2016). Not only did many Western governments introduce redistributive taxes such as personal and corporate income or inheritance taxes, they also strongly increased the rates during and in the aftermath of the wars. Figure 3.5 illustrates this for the most progressive tax of all, inheritance tax. In Japan and Korea, the top inheritance tax rate even went up as high as 90 percent in the immediate aftermath of WWII.

Similar to social spending, the war-induced tax hikes stayed for quite a while. Only now have we reached the average inheritance tax rate that prevailed in the inter-war period. Interestingly, the petering out is



**Fig. 3.5** Average top inheritance tax rate. (Notes: Tax rates in eighteen countries [Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Netherlands, New Zealand, Norway, Sweden, the United Kingdom and the United States]. Once abolished, the rate is counted as zero. Top nominal rates for children. Dashed lines indicate WWI, dotted lines WWII. Sources: Scheve and Stasavage [2012], Plagge et al. [2010].)

strongest for the most progressive tax, namely inheritance tax. While countries also lowered their rates on personal and corporate income taxes, no state has yet abolished them—despite much stronger pressure from international tax competition.

Third, war requires organisation. Governments have to mobilise soldiers, weapons and machinery. They have to organise supplies, improve transport infrastructures and manage wartime production. Mass wars thus create incentives to increase administrative capacity (Tilly 1990, 75). This capacity, in turn, facilitates tax administration and allows for the introduction of more complicated taxes. Without major military challenges, governments may lack incentives to modernise their administration, thus slowing down tax innovation. The establishment and

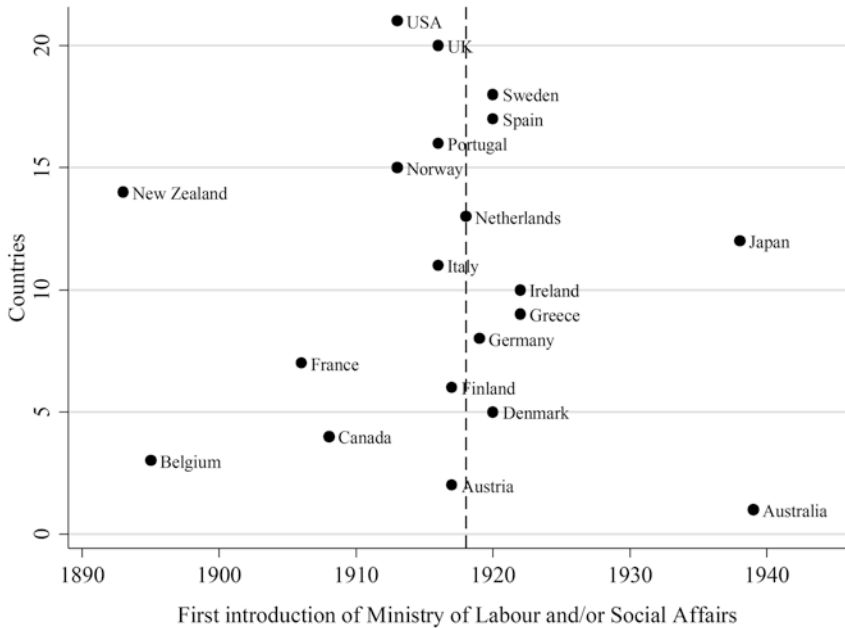
development of administrative capacities can also be observed in the field of social policy.

## **4 The Impact of War on State Capacities: The Institutionalisation of Welfare Ministries**

Mass warfare did not only require a large amount of resources but also influenced institution-building and state transformation. Together with the changes in tax policy these transformations created the means necessary to respond to the war-induced social needs. The most important aspects for social policy were the establishment of welfare-related ministries and the centralisation of policy jurisdictions.

All the facets of industrialised mass warfare contributed to these institutional transformations. Large-scale military mobilisation and demobilisation required coordination and preparatory planning, an ever-increasing number of war victims (soldiers and civilians alike) needed social protection, whereas the war-induced interruption of established trade and financial relations and the massive extraction of economic resources and labour by the military caused shortages of goods, services, foodstuffs and labour. In consequence, the market economy was heavily regulated, often described by contemporary observers as “war socialism”. The crucial point is that this massive intrusion of government into economic and social affairs and the management of the overall war effort required the build-up of administrative capacities and bureaucratic specialisation. In addition, local governments and private charity organisations were simply overburdened in dealing with the manifold challenges and problems induced by total war. The political response was the centralisation of policy jurisdictions and state capacities. Even in federal countries, where constitutional amendments are notoriously difficult to implement, new social policy responsibilities were transferred to the central state in wartime. In terms of administration, this was mirrored by the creation of national welfare ministries in





**Fig. 3.6** First establishment of Ministries of Labour and/or Social Affairs. (Notes: Data coded based on Petersen et al. [2021]. The dashed line represents the end of World War I.)

an effort to address and master the socio-economic repercussions of warfare (Fig. 3.6).

Apart from early birds such as France, New Zealand, Belgium and Canada, there was a dramatic burst of establishments during and after the Great War. This development was accelerated by the formation of the International Labour Organization (ILO), which likewise was a product of the Great War (Wallin 1969). Laggards such as Australia and Japan introduced a labour or social ministry in the course of the Pacific War (Japan 1937) and WWII. This pattern clearly suggests that both world wars, and WWI in particular, were crucial catalysts for the institutionalisation of national welfare bureaucracies.

## 5 Conclusion

In sum, the two world wars have affected welfare state development by accelerating the introduction of new social security programmes and taxes as well as the establishment of administrative capacities. All this led to higher levels of social spending for several decades and had important impacts on social outcomes. Progressive taxes, new welfare programmes but also the destruction of the capital stock and aftershocks of war such as hyperinflation have equalised Western societies in terms of income inequality for many years (Piketty 2014; Scheidel 2017). Even though income inequality has been rising since the 1980s, Western nations are only now starting to again reach inequality levels last seen before WWII (Piketty 2014). While bellicist theories agree that war has an important effect on the welfare state, the precise mechanisms are often hard to disentangle due to the all-encompassing effects major wars have on societies. It is also less clear how well the European story travels to other contexts such as colonising wars and wars of independence. And while the world wars were so intense that no side could escape the fiscal and social consequences, this might not be the same for less intense wars or civil wars. We thus encourage further studies on the war–tax–welfare state nexus.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 4

## The Emergence of the Socialist Healthcare Model After the First World War

Andreas Heinrich

One of the most influential models in healthcare organisation and finance is the so-called Semashko model. While disseminated only regionally, Kremontsov (2017, 1693) rightly points out that the Semashko system “generated innovations, models, and examples to be emulated or avoided, but certainly not ignored, around the world”. The following chapter scrutinises its origins in Russia (and later the Soviet Union) and its expansion to Central and Eastern Europe. Its creation and later its spatial expansion were both by-products of war. The Russian Revolution of October 1917 (brought about by the First World War) was the starting point for the development and introduction of the Semashko model. The first part of this chapter analyses the origin and evolution of the healthcare model in the inter-war period in the Soviet Union. The second part deals with the spatial expansion of the Soviet healthcare model precipitated by the end of the Second World War and the beginning of the Cold War after 1945 when the Semashko model was (forcibly) exported to large parts of

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Central and Eastern Europe. Even though the initial success of the health-care model ended in crisis (described in part three), its legacies still influence healthcare policies in this region today.

## 1 The First Trigger: First World War and the October Revolution 1917

Germany's military calculations for ending the First World War on its eastern front against Tsarist Russia enabled the October Revolution in 1917: by ferrying the leadership of the Bolshevik opposition from their exile in Switzerland to Russia, the Germans hoped to install a "friendly" Russian government that would sign an armistice. This war-induced "polity reconfiguration" (Obinger et al. 2018, 12) established a Bolshevik government, which, in turn, was also the starting point for the development and introduction of the socialist Semashko model of healthcare organisation and finance.

While Tsarist Russia had not developed a unified healthcare system, the Bolsheviks aimed to change this. Though short on specifics, Bolshevik leaders had a clear direction for their intended modernisation of the welfare state: the eradication of the Tsarist legacy and the creation of a welfare system along socialist lines. The Bolsheviks aimed at a fundamental social revolution for the material and cultural betterment of the workers. The new social medicine, as opposed to the medical system in the capitalist West, would primarily respond to the medical needs of the proletarian class, including a comprehensive social insurance in the hands of the working class (Rimlinger 1971, 252–257; Solomon and Hutchinson 1990, x; Weissman 1990, 98–99; Williams 2006, 206). It was the general assumption among Bolsheviks that capitalism causes ill health, and that the revolution would ultimately lead to the elimination of disease (George and Manning 1980, 104).

In June 1918, the outlines of the socialist health policy began to emerge. Nikolai A. Semashko, the eponym of the described healthcare model, envisioned the socialist healthcare system as comprehensive, qualified medical care available to everyone in the population free of charge

and organised as a single, unified service provided by the state. He especially emphasised the importance of extensive preventive care for creating a healthy population. These principles were influenced by international health initiatives: while prophylactic measures were borrowed from British health protection, the class character was inspired by the German health insurance (i.e. different insurance schemes for different occupations). On the domestic side, the idea of free and universally accessible medical care goes back to the Russian *zemstvo* (local government) medical service (George and Manning 1980, 105–106).

In addition to a free, universal healthcare service, a People's Commissariat of Public Health (*Narkomzdrav*) was established in July 1918, one of the first unified and centralised health administrations in the world. Semashko, a trained physician, became its first departmental head (Solomon and Hutchinson 1990, xi; Weissman 1990, 97–98). Dedicated to reason and science, Bolshevik medical administrators elaborated new, “rational” principles of healthcare: “As in the economic sphere, Bolshevik leaders defined rationality in terms of nationwide planning, universally obligatory norms, and technical specialization” (Weissman 1990, 110, quote 116). By ensuring government administration and control, and distributing healthcare through *Narkomzdrav*, the pitfalls of capitalism, such as the dangers of market fluctuations and volatile funding, were thought to be avoidable (Schecter 1992, 207).

However, already in the first decade, almost all of Semashko's principles were altered. This decade was characterised by a vicious civil war that lasted nearly five years, as the October Revolution caused an armed backlash of anti-Bolshevik forces. In addition to the upheavals and miseries of the First World War, the civil war led to severe destruction and disruption, internal displacements, famines and epidemics. These conditions resulted in an urgent demand for a healthcare system but, simultaneously, in an overall lack of government resources. Additionally, healthcare was a low priority; its financial endowment was subordinated to the war effort and, after the end of the civil war, to demands of the economic sector. The relatively weak and inexperienced health administration in *Narkomzdrav* “was sometimes forced to adopt measures and programs that ran counter to its desires” (Davis 1990, 148).

Consequently, the principle of universal access to healthcare based on need was never strictly adhered to. As social need was politically determined, “class” became an important determinant of access. Especially industrial workers from favoured industries were granted preferential medical treatment, while medical networks in the countryside remained rudimentary. Furthermore, despite the rhetoric to the contrary, fees for healthcare existed and rationing of services prevailed (George and Manning 1980, 112; Twigg 1998, 585; Weissman 1990, 113; Williams 2006, 211–12, 216). Additionally, the unification and centralisation of healthcare was difficult to implement due to the sheer size of the Soviet Union (established in 1922), to which the Semashko system was extended: “In many instances reforms trumpeted at the center never penetrated the periphery” (Solomon and Hutchinson 1990, xii). Despite these mostly war-related challenges, Weissman argues (1990, 102) that they “did not, however, force the abandonment of the basic principles of the new health system”. The principles continued to drive official policy reinforcing the commitment of *Narkomzdrav*’s leadership to those principles. This commitment was tested by the end of the 1920s.

With the rapid industrialisation, forced collectivisation of agriculture and the introduction of the first five-year plans (FYPs) in 1928, “health services were now quite explicitly directed towards industrial effort” (George and Manning 1980, 110). The FYP was also introduced to the healthcare sector to integrate it into the overall national economic plan and “to improve health conditions, increase the food supply, raise labour productivity, stress health and welfare in industrial centres, cut the level of industrial accidents, increase health awareness (sanitary culture) and maintain a unified dispensary system” (Williams 2006, 213). Contrary to the intentions of *Narkomzdrav*, the Bolshevik leadership saw the healthcare sector only as a means to an end, subordinated to the economic sector and primarily for the benefit of industrial workers.

This not only steered the healthcare system further away from its original principles, but also had an adverse effect on health conditions in the country. The sector was not able to cope with the very problems generated by industrialisation and collectivisation (such as work-related accidents, sanitation problems, unhealthy working conditions) due to cuts in health and welfare spending. The situation was worsened by setting



unrealistic health and welfare targets in the overall national FYP. Consequently, even in Moscow and other privileged industrial regions, medical care deteriorated (Davis 1990, 149; George and Manning 1980, 109; Williams 2006, 213–214).

In this situation, Bolshevik decision-makers became convinced that “special measures would have to be implemented to protect the medical care of the industrial proletariat from adverse consequences of economic disruptions” (Davis 1990, 150). Consequently, *Narkomzdrav*’s first proposal for an FYP for health in 1929 was criticised for its “failure to incorporate a ‘proletarian class line’ in distributional plans” (Davis 1990, 154). Instead of distributing medical care primarily on the basis of need, critics of the proposal “called for the rapid growth of a medical system oriented to providing care at the place of work, with preference given to patients in those socioeconomic groups deemed most important by political authorities” (Davis 1990, 147). Thus, these critics argued for an official non-egalitarian health policy contradicting the principles of the Semashko system. To overcome its inherent reluctance towards class politics, the *Narkomzdrav* was purged; in January 1930, Semashko was relieved of his responsibilities as People’s Commissar of Public Health and a more ambitious, class-oriented FYP for health was adopted (Davis 1990, 147, 156).

Still, by the 1930s, the Semashko healthcare system was largely in place. The entire Soviet health service was organised across a number of administrative tiers, from the national to the regional, city and district levels. Four layers of healthcare facilities existed: hospitals, polyclinics, primary healthcare, and sanitary epidemiological (public health) centres. These facilities were often funded from separate budgets, leading to the duplication of functional responsibilities. Originally introduced as a two-way planning and decision-making process, “the allocation process in the central Health Ministry in Moscow (determined) health care resources and funding at all levels” (Rowland and Telyukov 1991, 77). Soviet plan targets for healthcare created inappropriate incentives:

Hospitals were funded according to their success in fulfilling a centrally set plan for numbers of beds occupied, and polyclinics were budgeted according to “capacity”, meaning the number of patient visits its facility and staff were capable of handling. (Twigg 1998, 584)

These funding methods incentivised under-treatment in secondary institutions (polyclinics) and over-treatment in tertiary institutions (hospitals), while primary care and public health services were largely neglected.

## 2 The Second Trigger: Second World War and the Beginning of the Cold War, 1945–1947

Again, the devastation of war, this time the Second World War, strained the Soviet healthcare system. After the end of the war, the situation improved only partially. With the beginning of the “Cold War”, welfare modernisation was also only a low priority, resources were spread too thinly, and the increased isolationism kept medical innovations out (Williams 2006, 216). Nevertheless, quality in the healthcare sector was part of the Soviet desire to surpass the capitalist West wherever possible. The Soviets placed strong emphasis on quantitative targets based on input, leading to one of the highest number of physicians and hospital beds per unit of population in the world. At the same time, the health system was chronically underfunded, resulting in, for instance, a general lack of pharmaceuticals: “In the race for quantity in the number of doctors, nurses, hospitals, and beds, the quality of these assets was not a primary concern” (Rowland and Telyukov 1991; quote Schecter 1992, 209).

Nevertheless, the Second World War led to the spatial expansion of the Semashko model throughout Central and Eastern Europe (i.e. all territories occupied by the Soviet army except Austria). There, the Soviet Union imposed its own social system, even though there was no “preconceived plan for the erection of a bloc of countries with Soviet-style systems” as a new international order (Naimark 2017, 65). As “Moscow offered few explicit orders about how to build new administrations or how to work with existing civilian authorities in newly liberated territories”, Soviet military and political leaders in the occupied countries adopted Soviet policies from home as “best practices” for the organisation of societies, politics and economies (Naimark 2017, 66).

Despite some general homogeneity of the various stages of this “Sovietisation”, the process was country-specific: it

did not occur at the same pace in every country of the region nor did its processes penetrate each to the same degree. In some countries, there was more resistance to Sovietization from “domestic” communists, who tended to propound programs that suited their nationalist inclinations. In others, modernizing elites, both communist and noncommunist, supported Soviet programs that emphasized the need for rapid industrial and technological transformations. (Naimark 2017, 67)

Thus, while all the previous healthcare systems were transformed according to the Semashko model, “each country created its own variation on the Soviet original” (Marrée and Groenewegen 1997, 10). Nevertheless, all healthcare sectors were an integral part of the planned economy and characterised by state monopoly and bureaucratic centralisation. Because all governments gave the health sector a low priority, the constant lack of funding resulted in “poor quality of the provisions and [...] technical backwardness” (Kornai and Eggleston 2001, 135–136, 139, quote 137).

In Czechoslovakia, for example, a socialist government re-installed in 1948 the Bismarckian healthcare system of the inter-war period. However, the country was forced to adopt the Soviet healthcare model in 1951/1952. “A specific element of the socialist Czechoslovak health care sector, however, was the clustering of health activities in ‘Institutes of National Health’ at the district and regional level” (Marrée and Groenewegen 1997, 53, quote 10). Like in the Soviet Union, the introduction of the Semashko model resulted in significant improvements in the Czechoslovak health sector, mainly in the pooling of healthcare financing, the extension of coverage and a significant increase in the number of healthcare facilities. In the early 1950s, “malnutrition, the high infant mortality rates, and the incidence of serious infections such as tuberculosis diminished rapidly”. By the 1960s, Czechoslovakia’s health status was regarded as very good in international terms, an era considered as “the golden age” of the country’s health sector (Popić 2014, 122, quote 124).

### 3 Crisis of the Semashko System

However, the inbuilt weaknesses of the Semashko system were already by this time becoming visible in the Soviet Union. Since the mid-1960s, health conditions deteriorated with stagnating life expectancy and high mortality rates; striking disparities in health status and outcomes existed among the fifteen Soviet republics. The many problems facing the Soviet healthcare system were caused by chronic underfunding, antiquated and deteriorating health facilities, dramatic shortages of pharmaceuticals and equipment, overcrowding, and an exodus of skilled health professionals (Rowland and Telyukov 1991, 71–72; Williams 2006, 217). Overall, the Semashko healthcare system had only been able “to satisfy the early demands for better health care by staving off infections, epidemics, famines, and terribly unsanitary conditions” (Schechter 1992, 210). However, it was much less effective in the areas of non-communicable diseases and so failed to advance the health of the population and improve health services further (Rowland and Telyukov 1991, 76). Terris (1988, 539) argues that isolation of the Soviet Union during the Cold War “made it difficult to keep up with the great advances in noninfectious disease epidemiology and prevention in the United States and Great Britain”.

Thus, in the mid-1980s, the Soviet leadership came to realise that the Semashko system needed some fundamental changes, that is, the introduction of quasi-market elements. Reform efforts in the late 1980s resulted in several regional pilot projects introducing a mandatory health insurance scheme to improve the financial situation of the healthcare sector. Polyclinics became fundholders referring patients to hospitals when necessary and paying for these treatments, and patients could choose their clinic and general practice physician (Twigg 1998, 585).

The essence of the plan (was) to move away from the centrally controlled and fully public system to a system of mixed financing with more responsibility given to republics and communities. In response to the government’s previous inability to finance medical care at sufficient levels out of the government budget, the new plan would seek revenues from a variety of sources, drawing on contributions from the enterprises in their role as

employers and limited out-of-pocket payments by individuals. (Rowland and Telyukov 1991, 84)

Even though considered successful, the break-up of the Soviet Union in 1991 prevented the wider expansion of these pilot projects and a fundamental change to the Semashko healthcare system (Twigg 1998, 585–586).

The deficiencies of the Semashko model were “duplicated in practically all of the socialist countries, since they tend to follow the Soviet example; practically all of them (lagged) badly in the prevention of noninfectious diseases” (Terris 1988, 539). For example, by the end of the 1960s, the positive trend in Czechoslovakia turned as health status indicators started to stagnate before they deteriorated: “By the 1980s, the situation had become alarming” (Popić 2014, 125). This trajectory in Czechoslovakia was also found in the rest of the region. Efforts to reform the deteriorating healthcare systems and shift away from the Semashko model were also undertaken in Central and Eastern Europe; however, before 1989–1990, notable changes began to emerge only in Hungary and Poland (Kornai and Eggleston 2001, 140–141).

## 4 Conclusion

The socialist healthcare model, named after its main proponent Nikolai A. Semashko, was the predominant medical care system in Central and Eastern Europe for decades. The first universal coverage of free, basic healthcare in the world was brought into existence by war, and war enabled its spatial expansion throughout Central and Eastern Europe. Armed conflict was the starting point for both its creation and its expansion through fundamental institutional reconfigurations domestically and, later, internationally (Obinger et al. 2018). The effects of war, causing internal refugee flows, epidemics, famine, and, after the First World War, also civil war and institutional disruption, created a demand but also extremely difficult starting conditions for any healthcare system. Additionally, the effects of war had direct repercussions on the healthcare system in the form of a lack of qualified healthcare personnel, funding,

equipment and pharmaceuticals, and the war-related destruction of healthcare facilities and infrastructure. Furthermore, the Soviet governments gave healthcare a low priority and were most of the time preoccupied with (armed) conflicts.

The socialist experiment with a fully socialised healthcare system was well suited to deal with this severe situation. But while the Semashko system was able to improve basic healthcare provision for the large majority of people (especially in the post-war periods), it was not able to adequately satisfy more demanding healthcare needs and the healthcare needs created by modern industrialised societies. Notwithstanding the fact that the original ideal of universal coverage was never realised, its main crux was probably that “(a)ccess and distribution are determined by need, in accordance with central planning norms” (George and Manning 1980, 112). However, needs cannot be planned. Additionally, social needs were generally subordinated to economic needs; as a result, economic policy always has determined health policy in the Soviet Union and, after the Second World War, in Central and Eastern Europe as well. However, the underlying principles of the Semashko healthcare system had a huge impact on the global discussion on healthcare organisation and finance. Its legacies still influence healthcare policies in this region today.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 5

## The Cold War and the Welfare State in Western Europe

Klaus Petersen, Michele Mioni, and Herbert Obinger

### 1 Introduction

The Cold War and the growth of the welfare state constitute two major frameworks for understanding politics and society in post-1945 Western Europe. That war and conflict had an impact on the development of modern welfare states is well established (Obinger et al. 2018). So far, less attention has been paid to the linkages between the Cold War and social policy reform during the so-called Golden Age of the welfare state (ca. 1945–1975). In this chapter, we ask the simple question: How did the Cold War influence the development of welfare states in selected Western European countries in the first decades after 1945?

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However, simple questions rarely have simple answers. The Cold War was primarily a battle for the “hearts and minds” of the people (Westad 2017). The Socialist Eastern Bloc led by the Soviet Union competed with capitalist Western democracies (Pax Americana). Key aspects of this systemic competition were social reform, economic well-being and the development of advanced welfare states offering a brighter and more secure future for their populations. Systemic competition also positively influenced patterns of social spending (Obinger and Schmitt 2011).

In contemporary debates, the welfare state was seen as “a compromise between the two extremes of Communism on the one hand, and unbridled Individualism on the other” (Hobman 1953, 1). However, this compromise could take different forms and shapes. The Cold War influenced the development of the welfare state in multiple ways as national contexts (political, social and institutional) varied. Due to the limited space of this essay, we focus on two mechanisms linking the Cold War and the Western welfare state (see Petersen 2013):

First, social policies were important for securing mass loyalty and as an anti-communist strategy in Western Europe. Developing social security programmes offered (market-based) alternative to communism and secured the loyalty of the working class. Social reforms worked as a bulwark against communism, hand-in-hand with tougher anti-communist measures. Second, the Cold War heavily impacted political coalition-building in Western countries. We see the exclusion of Communists from the decision-making process, Social Democrats moderating their ideological positions, and Conservatives, Liberals and Reformist Socialists uniting against the common enemy of communism. There are further impacts of the Cold War, which cannot be discussed in detail, however. For example, the Cold War altered international alliances and networks as well as the routes for social policy diffusion. New transnational actors emerged (International Monetary Fund [IMF], Organisation for Economic Co-operation and Development [OECD] and later the European Union [EU]), and the influence of US social sciences on European experts was significantly facilitated by channels such as the Fulbright Program, the European Recovery Program (ERP; Marshall Aid), and the International Labour Organization (ILO).

In the following sections, we present a condensed overview of how these mechanisms played out in countries with different welfare state types: the Nordic countries, Italy and divided Germany.

## 2 The Nordic Countries

The development of the Nordic welfare states was affected by the Cold War in multiple ways. This is hardly surprising, as the major reforms and expansion of the Nordic welfare states coincided chronologically with the Cold War. The historical roots of the Nordic welfare model predate the Cold War, but it was the rivalry between the two superpowers, from the late 1940s to the 1960s, that lay the socio-political framework for the post-war expansion of the welfare state. Arguably, the Cold War–welfare state nexus cannot solely explain the routes and timing of Nordic social policy reforms, but there are clear links between ideological patterns, political competition and security considerations.

As World War II ended and the Cold War dawned, the Nordic countries found themselves in a new situation. As established liberal democracies and market economies, they ideologically oriented towards the US-dominated West, while the region was geographically close to the Soviet Union and consequently of great geostrategic importance. However, plans for a Scandinavian defence union very soon faltered and the Nordic countries chose different national security strategies. Sweden remained formally neutral backed by a strong military defence. Finland also opted for neutrality but the proximity to Russia meant that Finnish politics continuously had to maintain a positive relation and dialogue with the Soviet superpower. Denmark, on the other hand, together with Norway, joined the US-led North Atlantic Treaty Organization (NATO) alliance in 1949.

Even with this variation in national security strategies, the development of the national welfare state systems in the Nordic region followed quite similar paths (Christiansen et al. 2006), which was facilitated by close social policy cooperation in the region based on the idea of a Nordic “middle way” between US-style capitalism and socialism. The successful development of comprehensive welfare states combined free market

capitalism with state regulation and widespread public social security, which allowed the Nordic countries to take a special position within the Western bloc. The progressive (Social Democratic) market economy brand attracted international attention as a way of transcending the black and white logic of the Cold War. According to the book *Freedom and Welfare* (Nelson 1953), published jointly by the Nordic ministries of social affairs, the Nordic societies were successful precisely because they combined freedom with welfare—and Nordic ministers did not shy away from portraying this as a model for the rest of the world. Consequently, the Nordic countries successfully entered the systemic competition of the Cold War by defining a “middle way” that legitimised the development of comprehensive welfare states.

The “middle way” approach also served its purpose in domestic politics. Systemic competition not only played out on the international scene between rivalling nations, but also on the domestic level. In all Nordic countries, we find heated conflicts between Social Democrats and Communists over the hearts and minds of the working class. Social reforms were at the forefront of this battle for the loyalty of the masses in many ways.

First, social expenditure rose dramatically in post-war Nordic societies, triggering a trade-off between military and social spending. Neutral Sweden came out of World War II with a strong economy and turned military production into a profitable export venture during the Cold War. Denmark, on the other hand, found itself under dual pressure. The US and NATO were demanding higher military spending at the same time as Social Democratic governments were planning to expand the welfare state. The Danish Communists actively used this guns-butter trade-off, advocating that NATO was not only a threat to world peace but also to the social welfare of the Danes. In 1952, the then Minister of Defence, Poul Sørensen (from the Conservative Party) spent a full radio address downplaying the conflict between social security and NATO membership (Petersen 2013, 229–30). From the late 1950s onwards, when the Nordic countries entered a period with strong economic growth, the guns-butter trade-off became less important.

Second, social reforms were actively used in Social Democratic propaganda against the Communists (Petersen 2013). The combination of

growing affluence and increasing social security meant that Nordic societies compared favourably to socialist societies east of the Iron Curtain. Such systemic competition on the domestic level played a key role for the success of Nordic Social Democratic labour movements vis-à-vis their Communist opponents in the quest for loyalty of the national workers.

Third, the “middle way” also served as a platform for political alliances between Social Democrats and the Centre Right. Emphasising the divides between the revolutionary and reformist left allowed Social Democracy to become the main representative of the establishment while also gradually making the Centre Right accept the potential welfare reforms as a bulwark against communism. Whereas this way proved successful in excluding Communists politically through social reforms in Denmark, Sweden and Norway, the Finnish case was far more complex (Rainio-Niemi 2014). Finnish Communists mobilised an electoral base of around twenty percent. Parliamentary strength in combination with support from neighbouring USSR gave the Communists a more prominent role in Finnish politics. Also, Finland was the latecomer among the Nordic welfare states, and the so-called “popular front” government of 1966–1970, which included Social Democrats, the Agrarian Centre Party and the Communists, is often hailed in popular historiography for the breakthrough of the Finnish welfare state (Kettunen 2018).

In short, the welfare state was a successful anti-communist strategy which secured the loyalty of the masses to the Nordic welfare state. This played out on the domestic level as well as the trans-Nordic level, which is rooted in the Nordic region’s strong historical tradition for cooperation. Even though the Cold War set limits to cooperation due to the different national geostrategic positions, we find increased social policy cooperation driven not least by the strong Social Democratic labour movements. This also included anti-communist cooperation—such as the exchange of information and propaganda, cooperation with intelligence services, coordination—which reinforced the strategic choice of a soft version of anti-communism using social reforms and social progress as the main bulwark against local communism. Countering a genuine pressure for tougher repercussions against Communists from US actors (at embassies and international organisations), Scandinavian Social

Democrats and trade unionists maintained their preference for a soft anti-communism as the most efficient bulwark against communism (Petersen and Schmidt 2001; Misgeld 1997).

### 3 Italy

In Italy, both mechanisms discussed in this chapter affected the evolution of the welfare state and its political use during the Cold War. The 1948 general elections marked the end of the National Unity Government and the beginning of almost fifty years of uninterrupted government by the Christian Democracy (DC), while the Italian Communist Party (*Partito Comunista Italiano* [PCI]) took the lead of the left spectrum. The year before, the third Italian party (*Partito Socialista Italiano di Unita Proletaria* [PSIUP]) split on the issue of international alliances into the anti-communist Social Democratic Party (*Partito Socialista Democratico Italiano* [PSDI]), which would become the most loyal ally of the DC for decades, and the left-wing PSI—*Partito Socialista Italiano*. The divide in international positioning vis-à-vis the two bloc's cleavages was mirrored in the domestic socio-economic debates and conflicts, at least during the early Cold War.

Until the early 1970s, the welfare state was a bone of contention between the government bloc, led by the DC, and the Communists. In 1947, Ludovico D'Aragona, a former anti-communist trade unionist who joined the PSDI and the centrist government alliance, chaired a commission that was appointed to prepare a comprehensive reform of social security. In the related debates, social security was fiercely contested between anti-communist and pro-Soviet parties. While the left-wing faction within the DC and the PSDI supported the social security reforms, the Communists criticised them because they would weaken the class struggle and divide the working class (Mioni 2016).

At the end of the 1940s, DC-led governments passed important social reforms on housing and land. A prospective reform of social insurance targeting salaried and industrial workers was not enforced but played an important role in the strategy of the DC (in charge of the Minister of

Social Security) to “liberate” the workers from their links with the communist movement through social welfare (Pavan 2015). The DC’s inter-class, corporatist social views were reflected in a strategy that tried to integrate rural and industrial working classes and soften class antagonism through social reforms.

Against the backdrop of a still semi-industrial country, land reform and the development of public works and infrastructure were motivated by anti-communist goals, especially in Southern Italy. This strategy was influenced by the US plans for the economic recovery of Europe including the Marshall Plan (Bernardi 2006). The idea was to disconnect the rural masses from agitation by social-communist organisations by promoting economic growth. The reform served to hamper the workers’ quests for land collectivisation, and at the same time aimed to create a new class of small landowners, loyal to the governing parties. Welfare benefits were used by the government parties to attract votes, strengthen political loyalty and to undercut popular support for the Communists. This political dynamic shaped structures and practices of the Italian welfare state in the longer run (Ferrera 1996; Manow 2009).

In the 1950s, the Socialists embarked on a revisionist path with regard to the scope and goals of social policy. The PSI revoked its alliance with the PCI after 1956. This shift opened up the opportunity for the Socialists’ co-participation in government with the DC in 1963, which was based on a programme that also included a “welfare state from the cradle to the grave” (Nenni 1964). By that year, Italy had accomplished its “economic miracle” and became a fully fledged industrial country. This second phase of reforms was primarily confronted with increasingly conflictual industrial relations. The government’s reform programme featured the extension of industrial injury and sickness benefits, and the introduction of social pensions. In the same period, the discussions on the universalist national health service was initiated. Such reform came into being in 1978. A major reform of the centre left government was the Workers’ Statute, passed in 1970. The PSI strongly supported this legislation, which was fiercely opposed by the Communists. The statute resulted from the collaboration between Catholics and Socialists and aimed to regulate industrial strife in a period of harsh radicalisation that developed

independently from the PCI itself. After 1970, social and political dynamics in Italy changed. However, further developments crystallised the use of welfare for political struggles.

## 4 Divided Germany

System competition in the early Cold War period was particularly intense in divided Germany. Against the backdrop of a war-torn economy and post-war destitution, the sheer existence of a socialist alternative next door was challenging for West Germany (Federal Republic of Germany [FRG]), not least because the German Democratic Republic (GDR) aggressively showcased socialism as a role model for Germany as a whole. Likewise, the FRG was an important reference point for the GDR's communist regime. In the formative years, the GDR prioritised economic development and industrialisation with a view to demonstrating the superiority of socialism vis-à-vis Western capitalism. At its fifth party conference in 1958, the Communist Party even heralded that socialism would economically come out as the winner of regime competition. In terms of social affairs, the communist regime praised the right to work<sup>1</sup> and other achievements of socialism, classified unemployment as a scourge of capitalism and blamed the Western welfare state for being a "sickbay of capitalism" (Hockerts 1994).

The FRG's counter-model was the *Soziale Marktwirtschaft*, which was seen as a liberal and superior alternative to collectivism. It was developed by economist Müller-Armack in the late 1940s who saw the *Soziale Marktwirtschaft* as a third way between unfettered capitalism and socialist collectivism. Influenced by Christian social ethics, the concept combined ordo-liberal ideas in economic policy with welfare state policies designed to cushion the negative consequences of capitalism. At the same time, when the communist leaders in East Berlin announced the victory of socialism, Ludwig Erhard, Minister of Economic Affairs and one of the fathers of the *Soziale Marktwirtschaft*, promised that it would generate "prosperity for all" (Erhard 1957). In contrast to the audacious

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<sup>1</sup> Which in fact was an obligation to work.



announcements of the communist regime to outpace West Germany in terms of economic performance, this promise of a “social capitalism” was real. Accelerated by economic reconstruction and aid from the ERP, economic growth, wages and consumption significantly increased in the 1950s, while unemployment virtually disappeared. In addition, the West German *Wirtschaftswunder* laid the basis for a massive welfare state expansion. While social policy in the immediate post-war period had focused on provisions for war victims and refugees, Chancellor Adenauer announced a comprehensive welfare reform in 1953, which was also motivated by system competition. Specifically, he argued that West Germany must remain attractive to people from the GDR (Kleßmann 1991, 251) and had to be immunised against communist propaganda (Schmidt 2005, 83). Social Democrat Ludwig Preller argued in the same year that “especially in the Cold War it is welfare state generosity that marshals the biggest battalions”. In fact, Adenauer’s pension reform of 1957 massively increased pension generosity and tied pensions to the dynamics of gross wages. Welfare state expansion in West Germany thus put the GDR on the spot (Hockerts 1994, 797). However, for economic reasons the regime in East Berlin was unable to compete with West Germany, where the economic miracle also facilitated welfare state expansion in other areas (e.g. the overhaul of social assistance in 1961). In consequence, the GDR was not only outdistanced in terms of economic performance but also in social policy, particularly in the field of old-age pensions, which were the Achilles heel of the socialist welfare model (Schmidt 2001).

The Cold War also shaped party politics and ideological realignment. The Adenauer government accelerated Western integration and embarked on a harsh anti-communist course. The Hallstein Doctrine and NATO membership (1955), which were formative for international affairs, were mirrored in domestic politics by the ban of the Communist Party (*Kommunistische Partei Deutschlands* [KPD]) in 1956, which had gained 5.7 percent of the national vote in 1949. The Cold War also moderated the Social Democrats, who accepted the market economy and national defence in their new political programme, which was named after the city of Bad Godesberg and passed in 1959. Irrespective of ongoing conflicts with the Christian Democrats, this policy shift facilitated cooperation

between the largest political camps, which, however, were also required to cooperate due to the institutional checks and balances enshrined in the Basic Law. Electoral competition between two pro-welfare-oriented parties and the informal grand coalition of Christian and Social Democrats were, along with the *Wirtschaftswunder*, the key driving forces of welfare state expansion in the FRG. In consequence, both the Western living standard and the Western welfare state were increasingly out of reach for the GDR from the 1960s onwards.

In retrospect, system competition had a greater impact on the GDR and its socialist welfare system. Already in the GDR's formative years, almost three million people left the country. "Voting with their feet" was brutally stopped with the building of the Berlin Wall in 1961. However, mounting repression reinforced the legitimacy problems of the communist regime (Hockerts 2009). In an attempt to generate mass compliance and pushed by the Soviet Union, the Honecker government considerably expanded the socialist welfare state in the 1970s and enhanced the regime's consumer orientation under the slogan "unity of social and economic policy". However, all those efforts imposed a heavy burden on the command economy and eventually contributed to the breakdown of the regime in 1989 (Hockerts 2009; Schmidt 2001).

## 5 Conclusion

In this chapter, we offer an overview on the linkages between the Cold War and the post-1945 development of welfare states. The idea of such links is far from new. As early as 1946, influential pro-Soviet British historian E. H. Carr argued that Soviet Russia prompted the rejuvenation of Western democracies through economic planning and the welfare state (Carr 1946). In our chapter, we especially emphasise the importance of two social and political mechanisms. First, social policies were important for securing mass loyalty and as an anti-communist strategy in Western Europe. Second, the Cold War strongly impacted political coalition-building in Western countries. We demonstrate the importance of the two sets of mechanisms through case studies representing three different types of welfare states: the Nordic Countries, Italy and divided Germany.

Notably, the existence of these mechanisms was also recognised by contemporary academic observers. International relations scholar Klaus Knorr argued in an article from 1951 that “it is plausible that the democratic welfare state is the most constructive defense of the free world against Communist expansion, for it offers to many societies, rightly or wrongly dissatisfied with the free-enterprise economy, an alternative to the attractions of Communism” (Knorr 1951). The confrontation with communism, indeed, affected both socio-economic agendas in the West and the formation of political coalitions that eventually shaped welfare states. The domestic dynamics were interconnected with the international context, which altered international alliances and networks as well as the routes for social policy diffusion.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 6

## The Coalition Between Medical Doctors and the Military: On the Establishment of Public Health in Chile, 1870–1939

Delia González de Reufels

### 1 Introduction

This chapter examines the strategic coalition between the military and the medical profession and how it impacted social policy development in the field of public health in Chile. Both, the military and medical doctors, advocated for policies that were driven by the aspirations of modern medicine on the one hand and the necessities of modern warfare on the other. When this coalition unfolded, Latin American nation states were experiencing a decisive phase of state formation and modernisation that provides the backdrop to the events traced in the following. The interdependency reviewed here is military rivalries and the exchange of concepts and ideas across national borders, while the complex causal mechanism at play relates to the demand for able men and public health concerns

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(Obinger et al. 2018, 11). Here, social policymakers and leaders of the military become aware that poor health of soldiers jeopardises military success and weakens national defence as well as national productivity. This insight, however, was the result of the rise of medicine as a discipline that led to a re-interpretation of health as a resource of the state and established state responsibility for the health of national citizens.

Recent historical studies (Agostoni 2016; Hochman 2011) argue that Latin American public health was established by doctors and politicians, and evolved around the fight against endemic diseases, vaccination campaigns and the introduction of concepts of hygiene. They highlight the political dimensions of public health and point out that “political doctors” in particular (Cueto and Palmer 2015, 65) demanded state intervention in health matters. While this is certainly true, the military also was an important actor that is conspicuously absent from the narratives established by historians.

This coincides with welfare history research in general in which the military is not considered (Obinger et al. 2020, 8), yet this absence also reflects the assumption that the Latin American state in itself owes little or nothing to war (Centeno 2002). In this view, neither the expansion of the state nor social spending was driven by military conflict, or military rivalries. Because Latin America experienced few interstate wars (Scheina 2003; Centeno 2007), military conflict, military interest, and military rivalries have met with little scholarly attention. Nevertheless, the observation of other Armed Forces and the preparation for wars—even if these never materialised—were an important factor in the development of the Latin American state and its policies.

This chapter first traces the origins of the understanding between the military and the medical profession that lay in their professionalisation, then focuses on the discovery of health as a social problem by physicians and the military, before the case study of Chile is briefly examined.

## 2 The Rise of the Military and the Medical Profession, and Their Relationship with the Latin American State

The causal chain analysed here hinges on modernisation and professionalisation—that is, education, career paths and specialisation—of medical doctors and military officers during the second half of the nineteenth and early twentieth century. The connection of both professions expands a well-studied causal chain of how professionalisation of certain groups can foster social policy at a specific point in history.

By the time the health of men, women and children claimed political attention and health was conceptualised as a social problem (González Leandri 2013, 24), doctors and military officers had professionalised. They had employed strikingly similar strategies to consolidate as professions: medical doctors and military officers had modelled their profession on European examples by analysing and importing European approaches and ideas, and both professions had founded specialised schools and translated European textbooks. In general, medical schools preceded the military academies: Argentina, for example, opened its first school of medicine in 1852, and a military school in 1900 (Nunn 1983, 47).

All over Latin America, the two professions would recreate European training settings, hire European instructors and invest in specialised libraries, although in some countries this would begin later than in the Southern Cone. But everywhere military professionalisation focused on the officers and worked from top to bottom (Nunn 1983). Furthermore, professional journals were founded to communicate, exchange and diffuse ideas and opinions within the respective countries and abroad. In this way, the journals also served to amplify the voices of the professions at a national and international scale; they also served to promote the profession's interests. All of these similarities facilitated a meeting of minds that would lead to the coalition examined here.

When doctors “fought to establish lasting alliances with state power” (Cueto and Palmer 2015, 65), they stressed the uniqueness of their knowledge, demanded the monopoly on all matters of health, and sought the protection of their career paths and economic gains. In this they



would be supported in Chile by the military, as the case study will show. By the last third of the nineteenth century, medicine already was a new “super science” capable of taking care of individuals and of societies as a whole, while military leaders likewise envisioned a universal role for the Armed Forces in republican society. In fact, military officers strove for expertise, modernity and closeness to the seat of power just as the medical doctors did. As an institution stemming from the wars of independence and closely connected to the colonial past, the military sought to readjust its position in the nation and its relationship with the state (McCann 2004).

Also, officers had first-hand evidence of European modernity: those who were sent to France and Imperial Germany to study modern warfare and to learn more about European armies encountered modernity within and beyond the barracks. This made them look for ways to reform not only the military but also the society back home. Here, different countries took different approaches: In Bolivia, for example, the military would take on different non-military tasks to claim a new relationship with society (Shesko 2011) while in Argentina the Armed Forces claimed to contribute to the education of the male population (Ablard 2017). This “teaching function” of the Brazilian army during the nineteenth century was as or even more important than defence (McCann 2004).

Nevertheless, the ultimate mission of the military was to win wars, which first and foremost required healthy soldiers. Thus, the interests of Latin American doctors and the military converged when poor health became an obstacle to modernisation and imperilled progress, depriving states of able male bodies for labour and combat, and of healthy female bodies for reproduction.

### **3 The “Discovery” of Health as a Social Problem**

The insight that health has a medical and scientific as well as a social dimension, fundamentally changed the role of medicine in Latin American societies. Health became a complex field of state intervention

that was also understood to entail questions of social order and economic progress (Armus 2000). Therefore, Latin American countries engaged in “the transformation of health into a public good, and the establishment of broad collective arrangements to produce this good” (Hochman 2011, 4). Public health was deemed necessary to preserve order, to secure progress and the future of the nation (Armus 2000); however, the social dimension of health had to be assessed before public health measures could be designed. This proved difficult for the Latin American nation states because they lacked specialised agencies that systematically collected policy-relevant information.

Although networks of individuals, new institutions and public agencies emerged, their reach and thus the information they could provide was limited: in the early stages, public health development was focused on urban centres (Cueto and Palmer 2015). Public health was advanced by urban physicians and policymakers who knew little about the national population in general. They knew nothing about remote areas of their countries when the majority of the Latin American population still was living in the countryside. Here, the state was furthermore often present only in abstraction. This was particularly the case because the national territory and the ethnically diverse populations had not yet been fully integrated into the Latin American republics.

It is remarkable that in the 1880s and 1890s the Latin American military, however, was present in out-of-the-way areas, building barracks, roads and hospitals that catered to the troops as well as the local population. Also, the military knew much about the poor male population that made up the troops and was familiar with the health conditions not just of the troops, but of the locals in general. While physicians assessed the problems of health in the urban centres, the military was able to discern health as a social problem in the poor neighbourhoods of the cities, and in the countryside. When both professions combined their first-hand knowledge, they were able to draw a more complete picture of the situation of the national population. Thus, doctors and military officers collected complementary policy-relevant information that was used to advocate for state intervention in public health.

## 4 A Case Study: The Coalition Between Doctors and the Military in Chile

Chile is a pioneer of social policy in Latin America; it is also an early example for the shared interests of military officers and medical doctors in the field of health. Chile may be a special case because it was centralised by the 1830s (Centeno 2002) and politically stable at a very early stage of nationhood. Chile won all its wars (Centeno 2002; Nunn 1983) and implemented general conscription in 1900 before other Latin American nations did. Also, Chile was famously preparing for a war with Argentina for most of the nineteenth and part of the twentieth century that never happened. While all of this may put Chile in an exceptional position, the country nevertheless provides a telling example of how the coalition between both professions was established and impacted social policy. It also raises questions that can be considered for other countries.

By Latin American standards, Chilean medical professionalisation started early: the centralised republic established the national university and national faculty of medicine in 1842. French, Italian and German professors of medicine were hired, and they trained a foundational generation of doctors, some of whom founded in 1872 the influential journal *Revista Médica de Chile* (Cruz-Cooke Madrid 1995). The number of physicians in Santiago increased, and because other professional options were scarce, first positions tended to be in military hospitals and the barracks (González de Reufels 2020). These doctors understood the organisation of the Armed Forces and its priorities; they also witnessed the military reforms during the last third of the nineteenth century that followed the War of the Pacific (1879–1883). During this crisis the military recruited physicians in large numbers who were also called to start a commission to train doctors for future wars (Cruz-Cooke Madrid 1995).

At the end of the nineteenth century new agencies such as the National Institute of Health (1892) were established with the cooperation of the military. These provided doctors with new opportunities for employment, yet the military remained an important option for employment. Fields such as military hygiene required close collaboration between leading circles of the military and medical doctors to, among other projects, revamp barracks and establish new routines for physical training. The biography

of the first director of the National Institute of Hygiene furthermore epitomises the coalition analysed here. Federico Puga Borne (1856–1935) was an important physician who, like many others, had served during the War of the Pacific as medical doctor, and was the director of the sanitary service of the army (Cruz-Cooke Madrid 1995). While he never formally became a member of the Armed Forces, his remarkable career in medicine and in politics was marked by his closeness to the Chilean military.

It is important to note that this experience of working for the military had a lasting impact on medical doctors. It provided them with a future reference on the national poor based on the encounters with the troops. While their tasks gave the doctors access mainly to men, this nevertheless allowed them to draw conclusions for the health of women and children (González de Reufels 2020) and what to them were alarming morals and “bad habits” that undermined the health of the masses. High rates of sexually transmitted diseases in soldiers such as syphilis meant that women suffered from the disease as well. This required the control of prostitution, characterised in 1869 by a military doctor as the “shadow of the military” (González de Reufels 2020, 122), so doctors began to pressure the Chilean state to take measures. Tuberculosis and related diseases were as rampant as alcoholism that wrecked families, caused poverty and produced sick and weak national citizens (González de Reufels 2020). This also led to high infant mortality (Chávez Zúñiga 2019) that highlighted the shortcomings of welfare and medical progress. It furthermore endangered Chilean demography that also mattered to the military.

The military and medical doctors advocated for vaccination against smallpox, although liberal Chilean governments were reluctant to implement vaccination laws and the differences between the measures that were debated and the measures that were implemented became very clear (González de Reufels 2020). Here, both groups sought to protect the health of the general population and the troops of the present. When they argued for the fight on syphilis and on tuberculosis, they also hoped to secure the health of future generations, taking an active interest in the health of new-borns, young children and the training of mothers. This became a priority of the Chilean government in the early twentieth century, and an “Institute for Small Infant Care” was founded in 1906. This field of public health also was of concern to the military: in 1920 the

military journal *El Memorial del Ejército* demanded in a long article that Chilean government should implement, among others, “ample laws to protect childhood as part of a solid social constitution” (Maldonado 1920, 194). There the military also advocated for restrictions on child labour, which were considered detrimental to the health of the young.

The coalition between the two groups reached into national politics in the early twentieth century (Cruz-Cooke Madrid 1995). As part of the national government, the coalition effectually implemented institutional changes, laying the foundations for further welfare development. When a military junta assumed power in 1924, medical doctors seized the opportunity to establish a ministry of health they had demanded for many years (Bennett Argandoña 1926, 243). This *Ministerio de Higiene, Asistencia y Previsión Social* was headed by Alejandro del Río Soto-Aguilar, who was a leading figure in medicine and involved in the creation of the National Institute of Hygiene (Cruz-Cooke Madrid 1995). Clearly, the coalition of medical doctors and the military also impacted institutional and bureaucratic development.

Finally, during the first Popular Front coalition, the two professions were willing to “defend the race”, as contemporaries put it. This became a topic in the early twentieth century, and it was argued for by medical doctors and the military alike. This is furthermore exemplified by former military doctor Carlos Ramírez Bravo who in 1938 referred to his experiences in the military (Ramírez Bravo 1938, 627) to demand active intervention by the national government because the mothers of the urban poor were allegedly slowly eroding the health of the Chilean masses (Ramírez Bravo 1938, 629) and degenerating the race. This, Ramírez Bravo wrote, forced physicians to take measures as the defence and the productivity of the fatherland depended on the health of its population.

In Chile, eugenic sterilisation was openly discussed during the final years of the 1930s. While this reminds us that at this time a growing number of Latin American doctors were advocating eugenics whose ethics they did not question, this calls to mind that the military was also in favour of it. But the reach of the coalition between the two groups had its limits, and these limits were set by other actors such as the Catholic Church. Thus, Chile debated but never implemented eugenic legislation.

## 5 Conclusion

Social policy development in the field of public health was in large measure driven by medical interests and specific military concerns. When the medical and the military professions rose and professionalised in the nineteenth century, they sought to establish alliances with the state and to impose their own views on which course public health was to take. The brief case study points out how a strategic coalition between the two groups had lasting and far-reaching implications for the policy field examined here; the coalition also affected their own progress as professionals.

This coalition was made possible by professionalisation, which started the complex causal mechanism examined here. It was also made possible by the opportunities the Armed Forces offered to doctors and was then advanced by shared experiences with the poor male population, the shared experience of war and, most importantly, by converging interests. These lay in the eradication of endemic diseases, the prevention of disease and the development of measures that would improve the health of civilians and the troops. At the same time, doctors and the military sought to make Chile a modern country inhabited by healthy people on whom the nation could rely in peace and war.

The dynamics of the coalition depended on past strategies of professionalisation and their lasting influence on, among others, the self-conception of the professions, shared attitudes and expectations. Here, the interdependency of the transfer of ideas and its impact is very clear. Because other Latin American countries also imported European models to professionalise both, medicine and the military, and sought to prevent deadly diseases and to improve the health of the population in general, it is fair to assume that the coalition observed in Chile occurred elsewhere as well. It is therefore necessary to study the points in history when these groups professionalised, examine the social policy measures they were particularly interested in and look for connections between physicians and military officers in different countries and different aspects of public health over time.

The convergence of interest between both professional groups and its impact on social policy become particularly clear with the concern for the health of Chilean children. Then both, medical doctors and the military,

warned against the dangers posed to the country by sick future generations. Here the coalition between the two groups addressed the present and unfolded their vision for the future by demanding public health measures focused exclusively on children. Their nutrition, living conditions and physical training became a priority of the Chilean state whose public health development was particularly calibrated by two professional groups that joined forces.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 7

## Social Policy and Britain's 1929 Colonial Development Act

Amanda Shriwise

### 1 Introduction

In 1929, Britain passed the Colonial Development Act (CDA), codifying its obligation to the development of the great estate with which it had been “entrusted”. The CDA created a new financial instrument—the Colonial Development Fund (CDF)—and an accompanying advisory body—the Colonial Development Advisory Committee (CDAC)—that was responsible for making recommendations on how to allocate funds from the CDF to British colonies. While the CDA was not the only institutional mechanism through which Britain distributed aid to its colonies, it does represent the first time that colonial development assistance was centrally and systematically allocated across the British Empire.

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F. Nullmeier et al. (eds.), *International Impacts on Social Policy*, Global Dynamics of Social Policy, [https://doi.org/10.1007/978-3-030-86645-7\\_7](https://doi.org/10.1007/978-3-030-86645-7_7)

Drawing on reports from the CDAC, parliamentary debates and secondary literature, this chapter examines social policy in a British colonial development context through the lens of the CDA from 1929 to 1940. It argues that while the CDF was a redistributive mechanism, it was far from progressive in both concept and implementation. As this chapter will demonstrate, the CDA aligned with and built upon previous notions of colonial development as economic development rather than subverting or transforming Britain's approach to colonial development policy in pursuit of social progress. As a result, social policy was part and parcel of fundamentally contradictory claims about welfare in the British Empire. Britain portrayed itself as a duty bound and philanthropic colonial power on the one hand while simultaneously pursuing a colonial development agenda that explicitly prioritised metropolitan economic gains over the welfare of local and indigenous populations on the other. Britain began to substantiate its commitment to social policy within its colonies only after the establishment of international standards through the League of Nations mandates system and when its image as a benevolent hegemon was threatened.

This chapter begins by briefly outlining key concepts for understanding social policy in a British colonial development context. Then, this chapter empirically examines British colonial development assistance from the CDF, focusing on the politics and objectives of the CDA, the CDA's implementation, the rationales and justifications that supported the approval of CDF funds spent in social policy areas, and the geographic and sectoral allocation of CDF funds for social policy in the colonies, before concluding.

## **2 Social Policy in a British Colonial Development Context**

In the British Empire, social policy and welfare were integral to mechanisms of othering that underpinned colonialism itself. Colonies were established and perpetuated, in large part, through the annexation of territory and subsequent installation of extractive practices and racial hierarchies. As illustrated in seminal works by postcolonial scholars (e.g.

Gramsci 1971; Said 1979), the latter was accomplished through the institutionalisation of implicitly self-referential, Eurocentric social frames, which not only excluded but also obscured, disempowered and even dehumanised alternative ways of being, living and seeing, further reinforcing the dominance of colonising powers. Social policy and welfare provision were no exception:

The basic ideology of the British Empire was built around spreading Victorian notions of betterment, improvement, progress, prosperity and civilization where there was perceived to be savagery, chaos, despotism, poverty, and slavery. In this sense, the British Empire was always a *Victorian* empire with an umbrella of broad welfare benefits at the heart of its self-promoting ideology. (Lewis 2011, 26 - original emphasis)

Similar logics pervaded early conceptions of colonial development in the British Empire. Shortly after his appointment as Secretary of State for the Colonies, Joseph Chamberlain made a speech in the House of Commons on 22 August 1895 that signalled a shift from *laissez-faire* management of colonial development based on ad hoc offers of grant-in-aid to colonies experiencing financial difficulties to one in which the state took a more active role in promoting economic development:

I regard many of our colonies as being in the condition of underdeveloped estates, and estates which can never be developed without Imperial assistance. It appears to me to be absurd to apply to savage countries the same rules which we apply to civilised portions of the United Kingdom ... I shall be prepared to consider very carefully ... and then ... confidently submit to the House, any case which may occur in which, by the judicious investment of British money, those estates which belong to the British Crown may be developed for the benefit of their population and for the benefit of the greater population which is outside. (House of Commons Debate, 1895, Volume 36, Columns 640–6).

Through Imperial investment in colonial transportation and communication infrastructure, Chamberlain argued that Britain could enable private investment in its colonies, resulting in both colonial economic development and metropolitan profits.

Both Chamberlain's vision of colonial development as state-enabled, privately driven economic development and the notion of Britain having a duty and responsibility to develop the great estate with which it had been entrusted were only furthered after World War I (WWI), with greater attention to welfare. At the League of Nations, the notion of trusteeship became the dominant normative framework for the administration and development of mandated territories (Pedersen 2015). Frederick Lugard, former Governor-General of Nigeria and British Representative to the League of Nations Permanent Mandates Commission, describes this approach at length in *The Dual Mandate in British Tropical Africa*, referring to it as:

The principle that "the wellbeing and development of peoples not yet able to stand by themselves forms a sacred trust of civilization" ... The responsibility is one which the advantages of an inherited civilisation and a superior intellectual culture, no less than the physical superiority conferred by the monopoly of firearms, imposes upon the controlling Power. (Lugard 1922, 57)

During the early interwar period, ideas on how to further British colonial development began to circulate, with some suggesting that the British Government should secure loans raised by colonial administrations to spur economic development and with others calling for the extension of government grants, interest-free advances and subsidised loans, depending on the context. However, in the absence of both the right political window of opportunity and high-level support from the British Cabinet, none of these discussions resulted in the formulation of new policy or legislation to support colonial development across the British Empire in the early 1920s (Malmsten 1977).

### 3 Social Policy and the Colonial Development Fund, 1929–1940

#### 3.1 The Formative Politics and Objectives of the Colonial Development Act, 1929

Unemployment became an urgent political problem in Britain in the run up to the 1929 election, which took place several months before Black Tuesday. With considerable support in the Cabinet, an interdepartmental committee began reviewing proposals that could quickly reduce unemployment, and it was suggested that investment in colonial development could aid in this endeavour by catalysing Imperial trade and economic growth (Malmsten 1977). In the end, no formal action was taken on colonial development before May 1929, when the Conservatives lost their majority.

Less than two months after the election of the minority Labour government, the CDA became law on 26 July 1929. While it was widely known in political circles that investment in colonial development could make only a very limited contribution to alleviating unemployment in Britain (Morgan 1980), this framing positioned the CDA as one solution to the political problem of unemployment, which the new government had promised to take action upon during the election campaign (Constantine 1984, 191).

The CDA had two objectives: to aid and develop agriculture and industry in Britain's colonies; and to promote commerce with or industry in the United Kingdom (Colonial Development Act 1929, 1). The CDA applied to all British colonies and protectorates that were not self-governing, including the mandated territories Britain was responsible for administering on behalf of the League of Nations (Colonial Development Act 1929, 3).<sup>1</sup> Colonies in receipt of grant-in-aid from Britain were also eligible to apply; however, in practice, these colonies often had less

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<sup>1</sup>In essence, the self-governing Dominions—India, Southern Rhodesia (present-day Zimbabwe), Malta, the Anglo-Egyptian Sudan (present-day Sudan and South Sudan), Iraq, and the New Hebrides (present-day Vanuatu)—were all excluded (Cmd. 3540, 7). However, both Newfoundland, which shifted its status from a Dominion to a crown colony in 1934, and Malta later received funds from the CDF (Cmd. 4916, 5).

capacity to support development initiatives, making them less likely to benefit from the Act (Cmd. 6298, 9; Wicker 1958).

The CDA stipulated that its objectives were to be achieved through a number of means of economic development as well as through the promotion of public health, which presented the clearest link between the CDA and social policy in British colonies. One of the first debates with respect to the CDA on 24 February 1930 in the House of Commons suggests that public health was included, in part, because it provided a clear way to demonstrate support for the well-being of colonial inhabitants, which was a core element of trusteeship at the League of Nations and mandatory powers were wise to pay some homage (House of Commons Debate, 1930, Volume 235, Columns 1949–81). Furthermore, reducing the threat of infectious disease helped to protect international trade and colonial troops, administrations and settlers, as well as the supply of indigenous labour upon which colonial plantation owners and mining magnates depended. Moreover, improving public health through modern sanitation systems and Western medicine reinforced the image of colonialism as a civilising mission, which was doubly important given the history of European colonisers introducing infectious diseases that ravaged indigenous populations (Chakrabarti 2013).<sup>2</sup>

To support these means to colonial development, the CDA created the CDF, which received £1 million from Parliament each year.<sup>3</sup> There is evidence to suggest that the figure of £1 million was based on estimates of what colonies could reasonably absorb over the course of one year (Wicker 1958, 175). The CDF was allowed to make grants or loans to British colonies that “may be applied by the Government to which they are made either directly or through any person or bodies of persons” as His Majesty’s (HM) Treasury saw fit (Colonial Development Act 1929, 2). This clause effectively opened the door for colonial governments to channel CDA funds to private entities within their territories, whether

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<sup>2</sup>The impact of infectious disease introduced by European colonisers on indigenous populations was particularly pronounced in the Americas, where “it is estimated that up to 90 per cent of the indigenous population in certain parts of the Americas were wiped out” (Chakrabarti 2013, 73).

<sup>3</sup>Between 1929 and 1939, £1 million was, on average, the equivalent of approximately £68.9 million in 2020.

for-profit firms or not-for-profit entities, such as missions. Colonial governments were also allowed to use CDF funds to cover the interest on development loans raised independently by colonial governments for a period of up to ten years (Cmd. 3540, 21).

Parliament's annual £1 million contribution to the CDF came with two conditions: the observation of fair labour conditions (including both standard wage rates and no forced or child labour, defined as the employment of those under twelve years of age), which also aligned with standards set for mandatory powers at the League of Nations; and ensuring that colonies benefit from any profits derived off the back of CDF investments (Colonial Development Act 1929, 3). Finally, any CDF loan repayments would be paid into the Exchequer, not to the CDF specifically (Colonial Development Act 1929, 4).

The CDA also calls for the creation of what came to be known as the CDAC to make recommendations on the allocation of these funds throughout Britain's colonies. The committee was to be appointed by the Secretary of State for the Colonies subject to approval by HM Treasury (Colonial Development Act 1929, 4). The CDAC was not empowered to suggest development projects or initiatives within colonies nor did it have a comprehensive picture of the developmental needs of each colony; instead, the Committee members evaluated requests for funding in line with the Committee's mandate to stimulate economic development in the colonies in a way that increased trade and fostered job creation in the metropole.

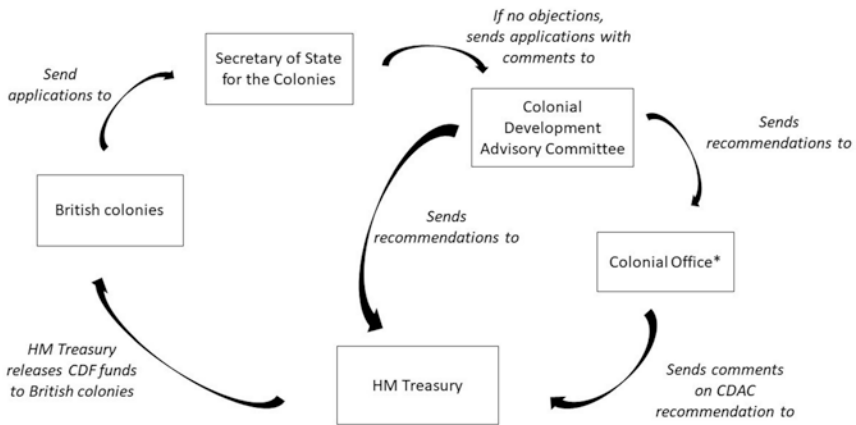
### 3.2 Implementation of the Colonial Development Act, 1929

As indicated in its first report, the CDAC derived its mandate directly from the CDA's twin objectives of promoting economic development in Britain's colonies and promoting commerce and job creation in the United Kingdom. The Colonial Office (CO) took a number of executive actions to ensure that the Secretary of State for the Colonies was in compliance with the conditions of the legislation. In addition to ensuring standard wages and the absence of forced and child labour, Sydney Webb,



then Secretary of State for the Colonies, suggested that colonial governors consider ways to acquire a share of any increase in land value that resulted from investments made by the CDF. Furthermore, in all cases where funds from the CDF were meant to be channelled through a company, Webb called for the consideration of: “(i) whether, and if so to what extent, the Government should participate, either as a shareholder or otherwise, in any profits of the Company directly attributable to that assistance, and (ii) whether it should assume a share of responsibility for the direction of the Company” (Cmd. 3540, 10). The CO also clarified that projects funded by the CDF should endeavour to place orders for imported material and equipment in the United Kingdom—a criticised, but ongoing practice across a number of countries today referred to as “tied aid”—and that colonial governments should submit bi-annual progress reports to the CDAC on the implementation status of CDF-funded projects, including reporting on associated labour conditions (Cmd. 3540, 11).

At its first meeting on 1 August 1929, the CDAC clarified the institutional mechanism supporting the allocation of funds from the CDF



\* In some cases, territories eligible for funding from the CDAC, such as Malta and the three territories of the South African Commission (Basutoland, Bechuanaland Protectorate, and Swaziland), were part of the portfolio of the Dominions Office rather than the Colonial Office. In these cases, the Dominions Office carried out these functions.

Fig. 7.1 Institutional mechanism supporting the allocation of funds from the CDF

(Fig. 7.1), provided input on guidance for colonial administrations on how to apply to the Fund, which was sent in a circular dispatch on 10 August 1929, and recommended that this dispatch was preceded by a circular telegram informing colonial administrations of the passage of the CDA, which was sent on 7 August 1929 (Cmd. 3540). In total, the CDAC held fifteen meetings during its first seven months of operation alone, not least because the first £1 million issued to the CDF needed to be allocated before the end of the fiscal year; otherwise, these funds would revert to the Exchequer, in addition to raising more fundamental questions about the viability of implementing colonial development projects (Cmd. 3540, 23).

The CDAC proved to be a functional and politically stable entity. From its first meeting in August 1929 to the end date of its eleventh and final report on 17 July 1940, the Committee met at least 125 times, or approximately once per month. During the formulation of the CDA, there was some debate over whether the CDAC should be chaired by government officials and comprised of individuals with business experience and representatives from colonies or whether it should be a more independent body without governmental representation. In the end, the Government's preference for a more independent committee that was less subject to ongoing disputes between the CO and HM Treasury but with business experience prevailed (Overseas Development Institute 1964, 16). Over time, the CDAC was comprised of individuals who together had extensive experience in the areas of finance, trade union organisation, chartered accounting, engineering and public works, and colonial governance, as well as board members of several influential firms, including Cable and Wireless and De Beers Consolidated Mines and chairmen of several chambers of commerce; while some of the committee members were sympathetic to the provision of social services, especially medical and health research, none of the committee members had extensive expertise in these areas (for names of CDAC members, please see Cmd. 3540, Cmd. 3876, Cmd. 4079, Cmd. 4316, Cmd. 4634, Cmd. 4916, Cmd. 5202, Cmd. 5537, Cmd. 5789, Cmd. 6062, and Cmd. 6298).

### 3.3 The Allocation of Financial Support from the CDF

The CDAC's first meeting report specifies a number of criteria used to decide whether or not projects should receive support from the CDF in line with its legislative mandate (Cmd. 3540). In particular, the CDAC was looking for schemes that were well placed to have a positive multiplier effect (Abbott 1971), whereby colonial economic development projects also stimulated the need for items manufactured in the United Kingdom, thereby fostering job creation in the metropole while improving the condition of the colonies. However, the CDAC also required that proposed schemes were economically sound, that they could not be undertaken by colonial governments with their own resources and that colonial governments could take on any maintenance or recurring expenditure that resulted from CDF investments. The CDAC and HM Treasury also occasionally placed conditions on colonial governments in line with the receipt of CDF funds, and, in many cases, projects were jointly financed with colonial governments and other entities.

Additionally, the CDAC made clear that they were not keen to fund anything resembling normal, recurrent expenditure in the colonies in line with the long-standing view that colonial governments should be financially self-sufficient entities. While this principle proved detrimental to funding education expenses through the CDF, as stated explicitly in the CDAC's first annual report (Cmd. 3540, 17), funding for health fared much better given its explicit inclusion as a means through which to support colonial development in the Act itself. Health was conceptualised largely as preventing negative multiplier effects and funding justifications focused in particular on preventing disease and improving hygiene and sanitary conditions within the colonies, with occasional support for expanding health infrastructure, such as hospitals and dispensaries. Over the lifetime of the Committee, the CDAC allocated 16 percent of the CDF to public health, second only to the 30 percent allocated to transportation and communications (Cmd. 6298, 11).

While the CDAC explicitly set out to avoid providing temporary assistance during times of distress without the prospect of a permanent economic benefit (Cmd. 3540, 16), welfare ultimately proved difficult for

the Committee to ignore. In particular, failures in the sugar market in the West Indies resulted in high levels of distress and instability, and eventually, a Royal Commission was tasked with examining both economic and social conditions in the region. The Commission released their report in 1940, finding that:

There is a *pressing need* for large expenditure on social services and development which not even the least poor of the West Indian Colonies can hope to undertake from their own resources. (as quoted in Wicker 1958, 180—Wicker's emphasis)

The Commission's findings played a substantial role in the reformulation of the CDA as the Colonial Development and Welfare Act, 1940. As suggested in its short title, the Act placed a greater emphasis on welfare in colonies, including the ability to finance education, in addition to increasing the funding ceiling for colonial development fivefold to £5 million a year and the forgiveness of any outstanding debt colonial governments had to the CDF. However, emphasis on welfare and implementation of the new approach was overshadowed by the onset of World War II, and Britain spent less than £6 million in total on colonial development and welfare between 1940 and 1945 (Wicker 1958, 176).

Furthermore, as argued by Malmsten (1977), high-level support for including welfare in colonial development efforts grew not only out of concerns related to poverty or social unrest—which had been persistent and ongoing throughout the British Empire—but out of the need to protect and preserve Britain's image amid its hegemonic decline. In 1938, Malcom MacDonald, then Secretary of State for the Colonies, told a CO colonial development committee that:

In the future, criticism of Great Britain would be directed more and more against her management of the Colonial Empire, and it was essential to provide as little basis as possible for such criticism. It was an essential part of her defence policy that her reputation as a Colonial power should be unassailable. (Malmsten 1977, D1283)

In a fashion somewhat analogous to the initial passage of the CDA (Malmsten 1977, D1286), MacDonald successfully made the case to

expand the Act's scope and financing in 1940 based not on the social needs of colonial inhabitants but on the grounds that colonial development *and welfare* were in Britain's self-interest—and this remains the most robust line of argumentation for development and foreign assistance to date.

## 4 Conclusion

Social policy in British colonies was representative of contradictory tensions underpinning Britain's justification for its position as a hegemonic colonial power. British colonial development policy was originally conceived to promote colonial economic development and metropolitan profits, with minimal concern for the welfare of local and indigenous populations. However, after WWI, emphasis on trusteeship and the welfare of indigenous populations in the League of Nations mandates system did lead to greater funding for public health in British colonies, which emerged as the second largest area of investment for the CDF after transportation and communication. After market failures and subsequent unrest in the West Indies, further investment in colonial development and welfare after 1940 was supported largely to preserve Britain's image as a philanthropic and benevolent hegemon amid its decline. While CDF investments in health in British colonies were likely far too small to result in substantial welfare gains for local and indigenous populations, these findings suggest that international visibility through the mandates system did nudge colonial powers towards greater accountability and constrain their ability to side-line welfare concerns in pursuit of economic development and metropolitan profits. Ultimately, arguments emphasizing why the welfare of colonial inhabitants was central to Britain's self-interest were most successful in garnering metropolitan support for advancing social policy in Britain's colonies, however minimal these gains were in practice.

**Acknowledgement** My thanks to Jakob Kaiser for his research assistance on the background and experience of members of the Colonial Development Advisory Committee.

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# 8

## The Colonial Legacy and the Jamaican Healthcare System

Elsada Diana Cassells, Gabriela de Carvalho,  
and Lorraine Frisina Doetter

### 1 Introduction

Jamaica became a British colony in 1655. For the next two centuries, Jamaica's incorporation into the British Empire was as the crown jewel, the site of a very successful sugar and slavery operation. After the abolition of slavery in 1838, Jamaica became a backwater filled with the broken bodies of the formerly enslaved, and a hotbed of destitution, disease and death. In the wake of independence in 1962, Jamaican policymakers were faced with enormous social policy challenges, particularly in the area of health, while coping with the trials of political transition and severe economic constraints. In the present study, we explore the colonial

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F. Nullmeier et al. (eds.), *International Impacts on Social Policy*, Global Dynamics of Social Policy, [https://doi.org/10.1007/978-3-030-86645-7\\_8](https://doi.org/10.1007/978-3-030-86645-7_8)

legacy on healthcare in Jamaica, casting an eye especially to the long-term policy conditions introduced by years of foreign rule. More specifically, we ask, *how did British colonialism impact the nature of choices and challenges confronting Jamaican policymakers as they grappled with a national response to healthcare post-independence?* To answer this question, we begin by exploring a number of key insights from extant scholarship regarding the intersection between colonialism and social policy, as well as outline our main assumptions. We then trace policy developments across two time periods: The colonial-era up to independence in 1962, and post-independence to the present. Our study concludes by reflecting on the consequences of colonialism and its legacy on the trajectory of healthcare policy in Jamaica.

## 2 Colonialism and the Emergence of Social Policy

Classical welfare state scholarship often explains the formation and ongoing development of social policy with reference to domestic factors, such as the role of industrialisation or economic development, as well as the ideological leanings of political parties. The last decades, however, have seen the emergence of new studies that consider external factors like globalisation and the influence of international organisations as (additional) drivers of social protection and social policy reform. This has come to include a focus on the role of colonialism in explaining welfare state development. Such literature argues that, in many instances, social security can be traced back to the colonial period and that the ongoing development of social policies is directly related to this time. The French Empire, for instance, had an active role in supporting social security legislation in its colonies, shaping both the institutional framework and the way the state would behave in countries post-independence (Schmitt 2015).

Although colonial powers have pursued different paths and approaches in relation to their territories, responsibilities in social protection for colonial populations typically arose at the beginning of the twentieth century. This mainly took the form of employment-related injury benefits as a response to the expansion of labour movements (Midgley 2011;

Schmitt 2015). In contrast to the Spanish and French, the British Empire did not follow a centralised and universal approach to social policy in the colonies. The very few common responses to social affairs came about only in 1929 and 1940, decades later than in other empires, with the ratification of the Colonial Development Act (see Shriwise in this volume) and the Colonial Development and Welfare Act, respectively. These provided financial assistance in the form of grants and loans for socio-economic programmes, such as sanitation and transport (Colonial Development Act 1929). Public health measures represented 16 percent of the total amount recommended to finance projects, totalling £1,460,388<sup>1</sup> for the 1929–1940 period (Colonial Development Act 1929). The amount of funds available for each territory, however, was quite limited: for instance, the total assistance for all programmes recommended by the Colonial Development Fund to Jamaica over the same period was only £219,000 (Colonial Development Act 1929).

The publication of the Beveridge Report<sup>2</sup> in 1942 and the massive impact it had in Britain encouraged the debate over social security systems across British colonies. However, colonial officials maintained their position against a universal response and indicated (a) the need to create programmes that could be integrated into pre-existing territorial structures; and (b) that colonies were responsible for financing any programmes, despite their constant economic constraints (Midgley 2011; Schmitt 2015). This led to highly heterogeneous and delayed developments in social policy for British colonies, with most social protection programmes only introduced post-independence and in select countries. By way of comparison, whereas healthcare programmes are currently in place in 94 percent of former Spanish territories and in 91 percent of former French colonies, only 58 percent of former British territories provide some form of health coverage for their populations (Schmitt 2015). Given such divergent trajectories in social policy in (former) British colonies, the question necessarily arises, what leads one country to adopt a specific response to addressing social protection versus another, or none

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<sup>1</sup>All figures reported as in historical Acts.

<sup>2</sup>The Beveridge Report is the most influential report in the foundation of the UK's welfare state. It advocated for flat-rate universal contribution and benefits.

at all? Moreover, are such choices shaped by the policy imprint of the colonial period?

While the present study cannot provide full answers to these questions, in what follows we take a first step at exploring the role that colonialism played in the introduction of the healthcare system in Jamaica. Our working assumption is that policy developments specific to health, however embryonic, witnessed during the colonial period left an indelible mark on the policy choices subsequently made and faced by Jamaican politicians. This might have manifested in anything ranging from the full embracing of the colonial policy legacy to the absolute rejection of all social policy modelled by the former colonial power. Moreover, we assume that the experience of colonialism, with its deeply rooted social inequalities, generated long-term consequences for the health of the people. This left national policymakers post-independence to struggle with the colossal task of having to address decades' worth of systematic neglect and abuse concerning population health. This presumably created policy-making conditions that were constraining in both their urgency, and the nature and range of choices available to decision-makers at the time. Bearing these assumptions in mind, we now turn to trace the history of healthcare in Jamaica, starting pre-independence, to explore the intersections between colonialism and the birth of a healthcare system.

### **3 The Development of Public Health Services in Colonial Jamaica**

To understand the development of healthcare in Jamaica requires an interrogation of the processes that accompanied the radical shift from a slave-based free labour economy to an independent nation state. The public healthcare system in Jamaica grew out of a turbulent and traumatic post-emancipation process during which disease and social dystopia set the framework for healthcare delivery in the period leading up to independence. This section explicates the healthcare landscape in Jamaica from the epoch of slavery through to independence in 1962.

### 3.1 Slavery and Post-Emancipation Dystopia

During slavery, estate infirmaries, sick bays, alms houses, lunatic asylums and the Kingston Public Hospital established in 1776 formed the totality of the institutional framework in place for healthcare provision for the majority of the population. Medical officers recruited from abroad attended to colonial administrators, civil servants, the plantocracy and military personnel. Post-emancipation access to healthcare for the newly freed former slaves and their descendants was conditioned upon their willingness to remain as labourers on the sites of their former enslavement. Most chose, instead, to disappear into the hinterland, in forested areas devoid of resources for sustainable livelihoods. This contributed to grave public health consequences. With the emergence of these informal settlements, poverty, poor housing and squalor, the island became a petri dish of tropical diseases, among them, yaws, tuberculosis, cholera, malaria, as well as high mortality and morbidity rates, especially among infants (Pemberton 2012).

It was not until the mid-nineteenth century that state considerations for public health policy would come into focus because of three significant agenda-setting events. First, the inhumane treatment of mental health patients was classified as cruel and revoltingly criminal in a report commissioned by the colonial government in 1861 (Jones 2008; Fryar 2016). Second, significant population loss as a result of the cholera epidemic of the 1850s signalled to the authorities that race-based public health strategies were ineffective and only led to the rampant spread of disease. The ravages of communicable illnesses, high death-to-birth ratios and uncontrollable waves of infection propelled the colonial government to establish the Central Board of Health, a short-lived entity (1852–1854), as a knee jerk reaction to the public health crisis (Roberts 2013).

Third, the Morant Bay Rebellion, a class-based revolt in 1865 which challenged the economic and social marginalisation of the Black population, led to a series of institutional reforms by the British Empire. This included the 1875 establishment of the Island Medical Services (IMS), an entity that brought together disparate elements of healthcare services

under one umbrella. Propelled by the need to provide care for the Asian indentured workers and the collapse of the estate-based healthcare system, the IMS centralised accessibility to the few medical practitioners who had not repatriated to Britain after emancipation. This culminated in the incorporation of parish infirmaries, asylums, ‘lying-in’ maternity centres, and dispensaries into a government medical service (Davidson 2013).

### 3.2 Rockefeller Intervention

The global influenza pandemic compounded the deleterious economic and social conditions in Jamaica at the dawn of the twentieth century. Together these threatened the economic base of the island as the indentured labour pool succumbed to disease and ill health. In response, the colonial government offered up the territory as a laboratory for the Rockefeller Foundation<sup>3</sup> to carry out epidemiological research. Beginning in 1918, the Rockefeller International Health Commission incorporated Jamaica into its network of studies on tropical illnesses such as hookworm infestations, tuberculosis, malaria and yaws, among others. The direct policy implications of the Rockefeller intervention manifested in the 1927 establishment of a national health education bureau geared towards providing rudimentary primary health services, particularly clinics for venereal and communicable diseases (Altink 2018).

### 3.3 Moyne and Irvine Commissions

The turbulence occasioned by the Great Depression, the waning imperial ambitions of Great Britain and unsettled questions of Jamaican humanity under the matrix of colonialism led to widespread riots and violent labour-related actions during the 1930s. Economic contractions during the inter-war years fuelled a contentious class battle between Jamaican

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<sup>3</sup>The Rockefeller Foundation is a New York based philanthropic organisation established in 1913. Although it develops activities in different fields, medical and health sciences have been the focus of the foundation since its creation (Birn and Fee 2013).

workers, landless illiterate peasants and the colonial elite. Moreover, the Colonial Development Act of 1929 increased Jamaica's foreign debt, as loan repayments well exceeded the actual loan amounts (Abbott 1971). Mass unemployment, low wages, poor living and deplorable working conditions culminated in island-wide disturbances. Several categories of workers, among them dockworkers, agricultural workers, ex-servicemen and public-works labourers, engaged in generalised work stoppages and strikes. The ensuing riots and violent disruptions proved to be a watershed moment, as it led to the formation of the labour unions and affiliated political parties that would preside over the development of national health policies after independence (Dawson 2016). Accordingly, from the 1938 riots onwards and during the Second World War, Jamaican elites, the peasantry and assorted ideologues were locked in a struggle regarding the future of the nation. The nascent independence movement was viewed with distrust by the colonial authorities (Palmer 2014). This period marked the genesis of Jamaica's political divide as the political culture that was birthed during this time continued to shape social policymaking long after independence.

Britain responded by convening the Moyne Commission (1938) to assess social, economic and political conditions, and the Irvine Commission (1943) on higher education, in its Caribbean colonies. The Moyne Commission recognised the structural deficiencies that plagued the region and offered a range of recommendations that included provisions that propelled a revolutionising of the public health landscape forward. The West Indies School of Public Health inaugurated in 1943 in Jamaica as a regional training institute for public health officers and allied health works was a product of this commission. Meanwhile, the Irvine Commission advanced the idea of establishing a regional university in the Caribbean, the University of the West Indies in Jamaica, founded in 1948. In recognition of the precarious health profile of the region, the first class at this new institution consisted of thirty-three students in the faculty of medicine. Then, the institution operated as a franchise of the University of London, with curriculum and faculty imported from abroad. The rise of political autonomy, however, with Jamaica and Trinidad and Tobago gaining independence in 1962, and the dictates of national health policy ultimately led to an indigenisation of all aspects of

the institution. Notably, in the lead-up to Jamaican self-government in 1957, the British Empire sought to decolonialise district medical offices and assorted medical departments by consolidating them into a Ministry of Health in 1955 (Campbell 2013). This introduced a novel and enduring institutional landmark into the healthcare architecture of the soon to be former colony.

## 4 Healthcare Post-Independence

The political parties formed in response to the 1938 labour disturbances—the conservative Jamaica Labour Party (JLP), which attracted agricultural and urban workers, and the People’s National Party (PNP) with its middle-class membership—would become the two dominant political entities in the nation post-independence (Bradley 1960). Following in the footsteps of the former colonial power, Jamaican political elites opted for a Westminster style parliamentary system. The JLP, the ruling party at independence having defeated the PNP in a national referendum, withdrew Jamaica from the British-influenced West Indian Federation in 1961. This set the stage for full independence in 1962. After independence, the new government was challenged by labour–management tensions inherited from the colonial period and this delayed the implementation of many social policies (Johnson 1980), including health insurance.

For the first quarter of the twentieth century, Jamaican life expectancy hovered around 35.5 years. At independence, this and other demographic trends steadily improved owing to public health interventions. The challenge for the nation was to decrease the prevalence of infectious diseases and to eradicate and prevent the re-emergence of communicable diseases while building up a public healthcare system (Riley 2005; Figueroa 2001). The first major piece of legislation ratified in the post-colonial period that concerned financing of healthcare services for specific segments of society was an addendum to the National Insurance Act (1966) approved in 1970, eight years after independence. Compensation for healthcare was initially introduced as part of a larger package of services which included “old age benefit, invalidity benefit, widow’s or widower’s



benefit, orphan's benefit and special child's benefit" (National Insurance Act 1966, 43). Funded by compulsory contributions (pay-as-you-go) by employers and formal employees, cash benefits for medical treatment and pharmaceuticals were provided to those beneficiaries who suffered work-related accidents or illnesses. The introduction of legislation protecting specific groups by regulating labour and industrial relations points to the segmented nature of the healthcare system at its starting point post-independence (Braveboy-Wagner and Gayle 1998). This feature mimics the colonial period's approach to providing rudimentary social protection in the area of health as a means of keeping the workforce active and avoiding social unrest.

One limitation of this first social insurance scheme was the narrow scope of coverage. The plan targeted employed persons, the self-employed and voluntary contributors, with no coverage for informal and unskilled labourers or the unemployed (Innerarity and Ridsen 2010). Given that rampant unemployment threatened real access to health services, high rates of strikes, industrial action and health-related grievances continued to plague the nation (Lacey 1977). It was not until the election of a democratic socialist government in 1972 that a more expansive national healthcare response would take off. The wide-ranging social programmes of the Michael Manley administration revolutionised welfare services for Jamaican citizens, especially for those descending from enslaved populations that were set adrift after 1838. More specifically, the government sought to expand healthcare services, exploring universalism in a green paper on the National Health System, which reached Parliament in 1974. However, prevailing economic conditions derailed the implementation of the provisions which included proposals for health sector development and a contribution-based financing scheme (Lalta 2009).

This derailment deferred any kind of comprehensive restructuring of the national healthcare system for more than a decade. In the intervening years, Jamaican healthcare policy was influenced largely by external engagements, especially within the region. This included cooperation around the aforementioned indigenisation of Caribbean medical education. Hemispheric partners such as the Pan American Health Organization (PAHO) provided technical assistance, while Cuba aided with the construction of medical facilities, and provided medicines, medical staff and

other technical professionals. Meanwhile, at the broader international level, the World Health Organization's (WHO) Alma-Ata Declaration of 1978 set in motion a greater focus on primary health services in Jamaica (WHO 1978). This period was marked by an altogether new kind of opening of the country to include a strengthening of regional ties and exposure to international policy ideas. Still, severe constraints on its economy limited the possibilities for more progressive reform.

It was not until the passing of the National Health Services (NHS) Act in 1997 and the National Health Fund (NHF) Act of 2003 that a dramatic shift in policy paradigms and a major restructuring of health services would take place. This led to the current tax-financed Public Health System (PHS). Whereas at independence Jamaica did not possess the resources to dismantle its colonial medical architecture, by 1997 health-care would come to be seen as a public good (PAHO 2001). Access to healthcare is now a government-funded enterprise with adjunct private sector financing, as well as individual out-of-pocket expenditure. An NHF Card subsidises pharmaceuticals for fifteen chronic diseases for a cross-section of the Jamaican population, while the Jamaica Fund for the Elderly Program (JADEP) provides access to medications for ten illnesses for those over the age of sixty. Another programme, the Government of Jamaica (GOJ) Health Card, provides general access to healthcare facilities and pharmaceuticals. The NHF also contains a funding mechanism for private sector institutions that engage in health education and health promotion, as well as funding for public sector health infrastructure. Beyond this, a network of 24 government-owned and administered hospitals, some 250 plus clinics, a national blood bank, a national public health lab and other allied institutions are the cornerstone of the Jamaican PHS.

Despite the successful expansion of the public healthcare system, achieving coverage for the majority of the population remains an unattainable goal in Jamaica: in the fiscal year 2018–2019, a total of 818,563 people or about 30 percent of the population were enrolled in these programmes (Chao 2013; Ministry of Health 2020). Crucially, what has emerged post-independence is a fragment or far more rudimentary version of the state-based NHS system found in Great Britain (see e.g. Grimmeisen and Frisina 2010). Based on the developments reported on

here, it is difficult to determine whether Jamaican policymakers actively looked to the former colonial power for inspiration, or, rather by chance, stumbled on a similar policy path out of necessity. What is clear, however, is that Jamaica stepped away from the social insurance model it once sought to advance in the direct aftermath of independence in favour of a tax-financed system. This coincided with the changing of political parties in power, from the conservative JLP to the socialist democratic PNP, as well as a growing and new form of international interconnectedness with the embracing of Alma-Ata principles and a substantial role for development assistance.

## 5 Discussion and Conclusion

Throughout the colonial period, Jamaica suffered from the absence of health policy coherence. Hastily constructed, crisis-driven policy prescriptions did little to address the myriad of public health concerns that plagued the society. Health policy considerations were driven by anti-Black biases of elites, the agendas of international public health partners and regular civil unrest. A distinctive feature of the colonial health policy landscape was the institutionalisation of crisis-driven policymaking. Major policy initiatives were designed either to react to burning health issues, such as the cholera outbreak, or to address civil unrest, as seen in the Morant Bay rebellion and the 1938 labour riots. As such, colonial health policy represented piecemeal policymaking on demand.

When it was time for independence from British rule in 1962, Jamaican decision-makers were faced with the challenges of puzzling together a policy response to generations of systematic neglect of the social needs of the people. Much of Jamaican healthcare policy since then has sought to overcome this legacy. Developments in national legislation and regional coordination, the indigenisation of medical training, reform of psychiatric services, introduction of a comprehensive primary health programme and the embracing of the Alma-Ata Declaration signal a substantive delinking from its colonial past.

Still, despite progress in many areas, issues of financing continue to plague the PHS and coverage through its various schemes remains low. The problems of the healthcare system are compounded by other issues that could not be covered here but which include: *brain-drain* involving the loss of medical personnel; the macro-economic realities of debt-servicing; the challenges posed by small island environmental and climatic vulnerabilities; as well as emerging and recurring communicable diseases (Duncan et al. 2017). While many of these issues cannot be directly attributed to the role of colonialism, the historical developments traced in our case study point to severe constraints placed on the country that are deeply rooted in the colonial period. What emerged as the haphazard policy responses of a colonial power that saw health provision as a last-resort measure to quell acute circumstances would develop into a long-lasting double-bind for its social policy agenda: not only has colonialism contributed to the social conditions responsible for exacerbating the need for a comprehensive healthcare system, but it also set the country on a trajectory of development that would hamper a robust state-led response to meeting that need. Further research is needed that can unpack the complexities of the long-term impact of colonialism on social policy in present-day societies. This may be key to moving forward with policy responses to undo this legacy.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 9

## Between Aspiration and Reality: The Effect of the French Colonial Legacy on Old-Age Pension Coverage in Africa

Aline Grünewald

### 1 Introduction

For a long time, the labour question and the associated demands for social protection were not on France's colonial agenda. But starting in the 1930s, peasants' and workers' strikes, especially in the railway sector, gained momentum in French colonies, culminating in the famously known general strike of Dakar in 1946 (Cooper 1990, 166). Amid these domestic struggles, international pressure on colonial powers increased, too. In the Declaration of Philadelphia, the International Labour Organization (ILO) noted that all human beings "have the right to pursue both their material well-being and their spiritual development" (ILO 1944, Chapter II (a)) and included a catalogue of social policy measures that should be promoted in its member states to meet these ends. Most remarkably, the ILO argued that these measures could also be applied to "peoples that are still dependent" (ILO 1944, Chapter V) and thus made

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colonial powers accountable for providing social protection in their colonised territories. Subsequently, the Universal Declaration of Human Rights finally codified “the right to social security” in 1948 (UN 1948, Article 22). This combination of both external and domestic pressures, as well as France’s own aspirations to reduce its World War II debt by implementing new economic initiatives in her colonies, culminated in the promulgation of the French Labour Code for Overseas Territories (LCOT) in 1952 (Act No. 52-1322). It was expected that the expansion of the imperial economy could only be achieved with improved welfare conditions in the colonies (Cooper 1990, 166). While the French Labour Code defined the rights and duties of workers, regulated the activities of trade unions and determined wages, it also defined social security rights comprising “a medical or health service for the workers employed” (Act No. 52-1322, Article 138), maternity benefits (Act No. 52-1322, Article 117) or payments in case of sickness (Act No. 52-1322, Article 48). In consequence, French colonies saw a rapid increase in social security legislation after 1952 (Schmitt 2015, 336). However, the Labour Code did not include an explicit regulation of social protection for the elderly. Old-age pensions were only mentioned in relation to trade unions. They were given the opportunity to establish pension funds “if they comply with the laws in force” (Act No. 52-1322, Article 21). Only after their independence did former French colonies implement their first public and statutory old-age protection schemes, which were nevertheless modelled after French social insurance (Schmitt 2015, 335). But to what extent did the French colonial legacy also affect other dimensions of old-age pension programmes?

This chapter takes a closer look at the legal pension coverage rates of the first pension systems that were implemented in all former French colonies in Africa after their independence. Particular attention is paid to the underlying wording of the respective laws to disentangle the mechanisms by which French colonial legacies prevailed and shaped the legal definitions of pension beneficiaries. Additionally, the performance of these pension systems is assessed in light of labour market structures and current pension developments.

This chapter shows that legal pension coverage rates can only be understood by examining the national labour codes that were implemented

shortly after independence and generally preceded pension legislation. These labour codes copied most of the regulations and definitions of the colonial LCOT from 1952, including the definition of a wage worker, which was later used to define pension beneficiaries in an attempt to close existing social protection gaps of the LCOT and to foster modernisation. However, targeting pension benefits on wage workers largely ignored the labour market structures of these countries as wage workers only constituted a negligible part of the workforce (Martens 1979). To this day there has been no significant change.

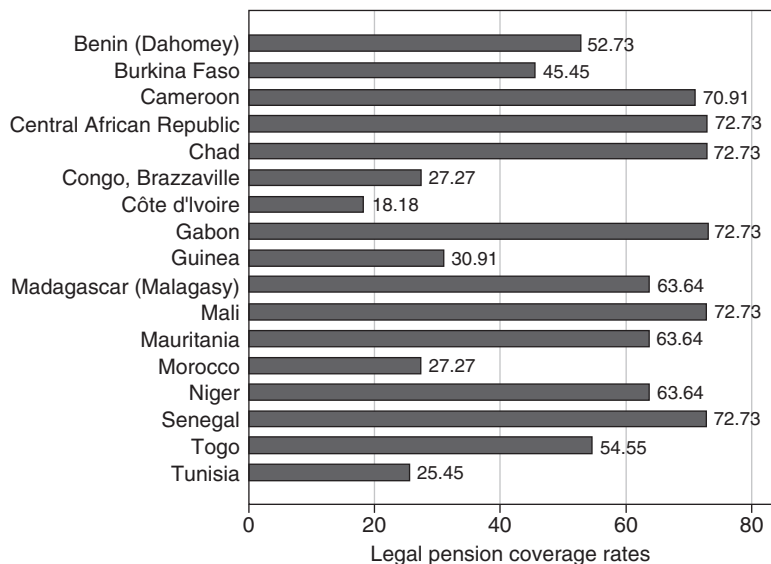
## 2 Legal Pension Coverage Rates in Former French Colonies in Africa

Figure 9.1 maps legal pension coverage rates of the first old-age pension programmes implemented in the former French colonies in Africa. Data have been derived from the novel PENLEG dataset (Grünwald 2021a), which defines a programme that covers at least one out of eleven predefined occupational groups<sup>1</sup> outside of the public sector as the first pension scheme. Additionally, the pension programme must either be defined as a mandatory insurance scheme or must offer benefits as a matter of social rights (Grünwald 2021b, 94). To code legal pension coverage rates, the original pension laws were consulted. The constructed indicator, thereby, merges information on horizontal and vertical coverage.

To code the horizontal dimension of the indicator, the number of occupational groups covered by a pension law are counted. Subsequently, the percentage share in relation to the total number of predefined occupational groups is calculated. The vertical coverage dimension, by contrast, “estimates the extent to which each occupational group (... is) covered and assigns values from 0 (not covered at all) to 5 (completely covered)” (Grünwald 2021b, 97) to all of the eleven occupational

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<sup>1</sup> These occupational groups comprise: (1) agriculture, (2) extractive and manufacturing industry, (3) commerce and finance, (4) students and apprentices, (5) domestic and family workers, (6) home workers, (7) employers, (8) self-employed, (9) temporary and seasonal workers, (10) foreign workers, and (11) all citizens.



**Fig. 9.1** Legal pension coverage rates of the first pension systems in French Africa. (Morocco and Tunisia were protectorates of France. Cameroon was colonised by France and Great Britain)

groups. If an occupational segment (e.g. industrial workers in the steel industry) of an occupational group (extractive and manufacturing industry) is excluded, one point is subtracted. A vertical score of 1 corresponds with the coverage of a single occupational segment. Subsequently, the vertical scores are summed and the percentage share in relation to the total vertical coverage that the covered occupational groups can achieve, is calculated (Grünewald 2021b, 97). Finally, both dimensions are merged to a single legal pension coverage indicator (see footnote for precise calculation).<sup>2</sup>

While the legal pension coverage rates of the first pension systems around the world were highest in Europe (Grünewald 2021b, 106), the

<sup>2</sup> Example: A pension law covers commercial and industrial workers, which corresponds to a horizontal coverage rate of 2, or 18.18 percent  $[(100/11) \times 2]$ . While the commercial sector is covered completely, the pension law excludes industrial workers in the steel industry from the pension system, which results in a vertical coverage of 9 (5 + 4), or 90 percent  $[(100/10) \times 9]$ . By merging both dimensions, we arrive at a legal pension coverage rate of 16.36 percent  $[(18.18/100) \times 90]$ .

legal pension coverage rates of the first pension systems in former French colonies in Africa were only 3.07 percentage points lower than the European ones and covered 53.37 percent of the predefined occupational groups on average. A closer look at the exact wording of the first pension laws reveals that twelve<sup>3</sup> out of seventeen former colonies adopted the French definition of a worker enshrined in the colonial LCOT from 1952 to define the beneficiaries of their first pension programmes. The LCOT defined a worker as

any person, irrespective of sex or nationality, who has undertaken to place his gainful activity, in return for remuneration, under the direction and control of another person (including a public or private corporation) called the “employer”. For the purpose of determining whether or not a person is to be regarded as a worker, no account shall be taken of the legal position of the employer or of the employee (Act No. 52-1322, Article 1).

This broad and unspecific definition of a worker is the root cause for the high legal pension coverage rates in many former French colonies (Grünewald 2021b, 106). However, all countries adopting this definition also excluded specific occupational groups or delayed their access to the pension system, so that variance can still be observed (see Fig. 9.1). The first pension laws enacted by Benin (Dahomey), Niger, Togo and Mauritania, for example, stated that apprentices and trainees were generally allowed to join the pension system, but that the precise conditions for their inclusion would be specified in the future (Grünewald 2021a). The Cameroon pension system, by contrast, excluded all people “subject to customary law and (who) work (...) within the traditional framework of the family” (Law No. 67-LF-6, Article 1).

But why did former French colonies adopt this legal provision to define pension beneficiaries?

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<sup>3</sup>Mali (1962), Senegal (1975), Benin (1970), Mauritania (1965), Niger (1965), Togo (1965), Gabon (1963), the Central African Republic (1962), Chad (1977), Cameroon (1969), Congo, Brazzaville (1962) and Madagascar (1969) referred to the Labour Code. Since for some countries such as Benin and the Ivory Coast only secondary information on their legal pension coverage rates was available, conclusions about the impact of the French colonial legacy cannot be drawn, yet.

### 3 The Persistence of French Legislation

In the following, I argue that the persistence of the LCOT's definition of a worker can only be understood in the light of the national labour codes enacted shortly after independence, which emulated the legal provisions of the LCOT, including the definition of a wage worker. Using the LCOT's definition to define pension beneficiaries mainly reflected (1) bureaucratic pragmatism of the newly independent states, (2) attempts to close existing social protection gaps among the emerging working class, and (3) efforts to promote industrialisation.

As Table 9.1 depicts, the first pension laws were often passed immediately after the adoption of the first national labour codes. Only in Togo and Congo (Brazzaville) had the colonial LCOT not yet been replaced by a national labour code when the first pension laws were passed. The Malian labour code of 1962, for example, was strongly connected to the first pension law that was enacted ten days earlier. In Article 118 on wages, the Malian labour code mentioned deductions of a "social nature" (Act No. 62-67 A.N.-R.M., Article 118) instituted to finance the public pension system. This temporal coincidence in legislation suggests that both laws affected each other with regard to the choice of legal provisions.

**Table 9.1** First pension laws and adoption of national labour codes in French Africa after independence

Country	Year: Labour code	Year: Pension law
Benin	1967	1970
Cameroon	1967	1969
Central African Republic	1961	1962
Chad	1966	1977
Congo, Brazzaville	LCOT 1952	1962
Gabon	1962	1963
Madagascar	1960	1969
Mali	1962	1962
Mauritania	1963	1965
Niger	1962	1965
Senegal	1961 and 1975	1975
Togo	LCOT 1952	1968

This table only includes those countries whose definition of pension beneficiaries refers to the 1952 LCOT's definition of a worker

Source: ILO Legislative Series (2020a), own compilation

In sum, the first national labour codes in Francophone African countries were strongly inspired by the LCOT of 1952. With the exception of some local adaptations, the labour codes relied on identical definitions and regulations (Florkowski 2006, 26), including the definition of a worker. It therefore comes as no surprise that pension laws, which were typically passed shortly after the introduction of the national labour codes, emulated these provisions for defining pension beneficiaries.

In countries such as Gabon, the imposition of French legislation during colonial times was not even seriously questioned after independence. The first president, Léon Mba, often praised the colonial legacy by arguing that France paved the way for Gabon's future prosperity and independence (Kombila-Iboanga 1985, 33). Gabon therefore saw no reason to repeal the existing laws but retained the French legislation, including the LCOT's definition of a worker (Emane 2005, 200). However, some legislation was adapted to national requirements.

Retaining the definition of a wage worker stipulated in the 1952 LCOT also fostered legal coherence with regard to existing welfare commitments that originated from the LCOT. By tailoring pension benefits to wage workers, the provision of old-age protection that was originally missing in the LCOT finally complemented existing social rights. As early as 1947, a meeting hosted by the Ministry of Overseas France was held in Dakar to address the problem of old-age security in Francophone Africa. The officials argued that it would be illusory to expect that in old age an emerging working class could rely on its customary milieu, with which it most probably would have lost all its ties (Cooper 1996, 281). Thus, offering old-age protection to the working class defined in the LCOT after independence was just a next step to closing this social protection gap.

Why the LCOT's definition of a worker survived colonial times and thus inspired the definition of pension beneficiaries cannot solely be attributed to bureaucratic pragmatism or attempts to close existing social protection gaps for the new working class. In pre-colonial societies, in which the family constituted the nucleus of productivity, the category of a "wage worker" was largely unknown (Pougoue 1987, 5). Often interpreted as "part of the civilising mission of the imperialist powers" (Auvergnon 2005, 119, own translation), the legal codification of wage

work fostered a change in mentalities and social order, which prepared African societies for industrialisation (Pougoue 1987, 14). As the Senegalese case shows, the move towards a legally identifiable working class was perceived as a modernisation. Using the LCOT as a blueprint for the national labour code was a logical consequence of this line of thought (Auvergnon 2005, 126). Moreover, as an elected member of the French National Assembly during colonial times, the first President of independent Senegal, Léopold Sédar Senghor, played an active role in the legislative process of the LCOT. He vigorously promoted a definition of a wage worker that did not explicitly exclude customary work, which was later codified in the LCOT of 1952 (Cooper 1996, 294, 296). Thus, legislation tailoring pension benefits to groups other than wage workers was not likely to emerge.

While most Francophone African states feared their independence would spark an economic decline that could endanger political stability (Auvergnon 2005, 128), many countries were keen to maintain or foster their economic ties with France. Instead of shaping their economies to be more responsive to social needs, Senegal, for example, attracted French investors with liberal foreign investment laws (Abdelal 2005, 188). In the Central African Republic, France became the most dominant foreign investor, holding central positions in domains like telecommunications or oil and timber distribution (Bagayoko 2018, 26). In light of the industrialisation that was expected to accompany these policies, it is no surprise that welfare commitments were centred on the newly defined working class. But to what extent did and do these pension systems correspond with the social and economic realities in these countries?

## 4 Between Aspiration and Reality

Since 1957, the number of wage workers in the nine West African countries—Mauritania, Senegal, Guinea, Mali, Ivory Coast, Burkina Faso, Niger, Togo and Benin—has increased slowly. In 1974 they only constituted 5 percent of the (potential) working population (Martens 1979, 22). Even though the economies in Francophone Africa expanded during the 1950s, this process stagnated soon after independence due to the

persistence of colonial trade patterns. With France retaining a monopoly for exported goods, former French colonies mainly served as providers of raw materials (Martens 1979, 23–24). There were some exceptions such as Senegal, which possessed mineral resources and an established industrial base, but in total the potential for economic development and industrialisation was rather weak (Martens 1979, 25). Thus, more than ten years after decolonisation the hopes for an industrialised economy had not materialised in most Francophone African countries.

Recent trends in wage work show that this pattern has not changed tremendously. Table 9.2 depicts the number of wage and salaried workers as a share of total employment during the past three decades, focusing on all former French colonies whose first pension programmes applied the LCOT's definition of a worker to define pension beneficiaries. It must be noted that the definition of wage and salaried workers used below also comprises workers without formal employment contracts, who, therefore, are sometimes exempt from social protection.

Since 1991, the share of wage and salaried workers has, on average, increased by 0.21 percentage points annually. Today, still only about 22 percent of the working populations are wage and salaried workers, which reflects only modest advances in economic development. Their share is lowest in countries like Niger, Chad and the Central African Republic,

**Table 9.2** Wage and salaried workers as percentage share of total employment

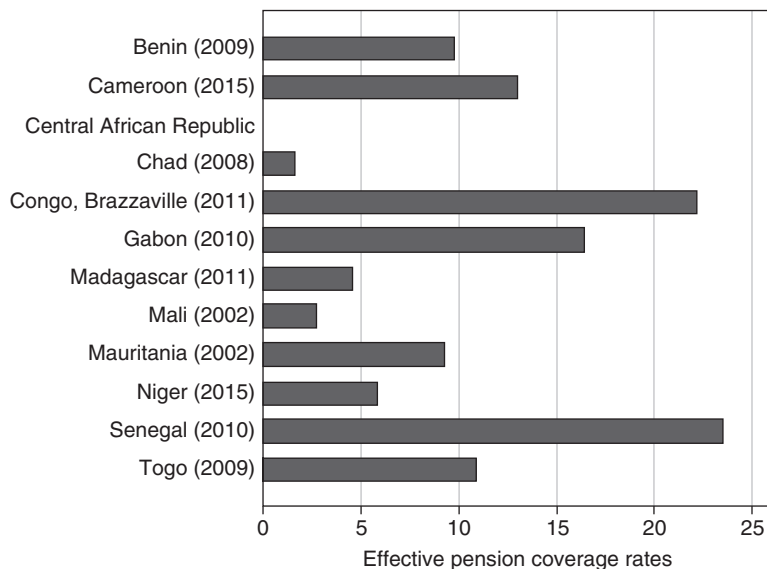
Country	1991	2001	2011	2019	Average annual growth
Benin	8.47	9.21	9.98	10.96	0.09
Cameroon	14.95	20.36	20.67	23.34	0.29
Central African Republic	6.83	6.97	7.34	7.46	0.02
Chad	5.11	5.44	6.54	6.74	0.06
Congo, Brazzaville	21.13	21.42	22.52	22.95	0.07
Gabon	49.41	58.13	66.08	66.16	0.60
Madagascar	13.43	15.02	10.14	11.10	-0.08
Mali	14.72	16.32	18.09	18.41	0.14
Mauritania	39.51	40.45	42.93	44.85	0.19
Niger	8.57	8.97	9.69	5.65	0.10
Senegal	12.35	21.74	29.65	34.51	0.79
Togo	10.24	10.54	13.97	17.28	0.25
<i>Average</i>	<i>17.06</i>	<i>19.55</i>	<i>21.47</i>	<i>22.45</i>	<i>0.21</i>

Source: World Bank (2020)



while it is highest in Gabon, Mauritania and Senegal. As the case of Senegal reveals, the favourable economic conditions after independence spurred wage work in the long run. In Mauritania, the dominance of the public sector contributes to high shares of salaried workers (Jewell 2015). In contrast to these countries, further industrialisation in Niger was strongly hampered by the country's low electricity production and lack of policies fostering processing industries (African Economic Outlook 2017, 280). Instead of working in the industrial sector, most workers in Niger are predominantly employed in agriculture and artisanal trade (ILO 2020b). In sum, the majority of the labour force in Francophone Africa is self-employed and part of the informal economy (Mbaye and Gueye 2018).

The protracted increase in formal wage work and the dominance of the informal sector are also reflected in low effective pension coverage rates (Fig. 9.2). On average, only 11.87 percent of the population over statutory pensionable age currently benefits from old-age protection. While



**Fig. 9.2** Effective pension coverage rates, current years. (Source: ILO World Social Protection Report 2017/–19, 2019)

many countries reformed their pension systems in the past decades, social insurance schemes and their connection with the national labour codes are still the guiding principles of French African pension systems (USSSA 2020). Even in countries with high rates of wage workers, such as Gabon or Senegal, the effective pension coverage rates are often much lower than the number of wage workers. Administrative weaknesses associated with the registration and identification of beneficiaries or the transfer of benefits are additional factors that contribute to low coverage rates in many countries (Gillion et al. 2000, 522).

## 5 Conclusion

When implementing their first old-age protection schemes after independence, former French colonies opted exclusively for social insurance designs following the role model of France (Schmitt 2015). This chapter has taken a closer look at legal pension coverage rates of the first pension systems in Francophone Africa. Legal pension coverage rates were quite high because most former French colonies used the broad definition of a wage worker stipulated in the LCOT from 1952, which served as a blueprint for their national labour codes after independence. However, by restricting pension benefits to wage workers, African leaders strongly ignored the social and economic conditions of their countries. Even ten years after independence the emergence of industrialised societies was far removed from the actual realities as the low rates of wage workers revealed. Their numbers have not even increased substantially over time. The existing pension systems, which are still based on Western social insurance principles and connected to the national labour codes, therefore, fail to provide effective social protection for the elderly. In recent years, many developing countries have moved towards non-contributory financed pension schemes that grant pension benefits as a matter of social right (Schmitt 2020). To address the problem of low effective pension coverage rates and to counter the detrimental effects of informal labour markets, this could be a promising possibility for former French colonies, too.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 10

## The Colonial Legacies of Copper Dependence: Inequality and Bifurcated Social Protection in Zambia

Anna Wolkenhauer

### 1 Introduction

There is a growing consensus that colonial legacies need to be factored into analyses of African social protection and welfare regimes (Mkandawire 2016). While different institutional set-ups and social ideologies might have left their marks until the present day, I argue that another crucial legacy that has influenced subsequent social policies merits more attention: The way in which former colonies were integrated into the world economy. This shifts our focus onto the social questions that arose from colonial exploitation, and the ways these were politically addressed in subsequent years. Samir Amin (1972) has offered a broad typology of African countries that is as relevant today as it was at the time of its publication, and the chapter at hand delves into, in Amin's words, one of the former "labour reserve economies" (Amin 1972, 519). The chapter focusses on Zambia, a British colony until 1964, for understanding how

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colonial economic legacies have been able to shape the development of social protection systems even after formal independence.

The chapter identifies two overall mechanisms. Firstly, the dependence of the Zambian economy on copper exports, which was ushered-in during the colonial era, has left the state's budget highly vulnerable to world market copper prices. This has not only created public finance constraints but also led to a concentration of economic activities in a narrow geographical area that has remained inaccessible to most citizens so that wealth has not been broadly shared (Hinfelaar and Archberger 2017). Secondly, the enclave character of mining and industrial activity has equally resulted in an enclave structure of political organisation and representation. This has manifested itself in a bifurcation of demand-driven social insurance in the centres, and supply-driven social assistance in the peripheries (Kumitz 2016). While in the new millennium, targeted social assistance programmes, such as a cash transfer, have been scaled up, employment-based social insurance schemes, such as old-age pensions, remain limited to the small formal workforce.<sup>1</sup> This helps to understand how the country's dependence on an enclave copper sector has remained an obstacle for a state-led, broad-based and adequate social protection system ever since (Mhone 2004). In the following, the colonial impact on Zambia's economic structure is briefly introduced, after which the two identified mechanisms are further described.

## 2 The Colonial Legacy of the Copper Enclave Economy

During Zambia's colonial occupation, first by the British South Africa Company (BSAC) and then by the British Colonial Office, the foundation was laid for a stark centre–periphery divide that has lasted up until the present.<sup>2</sup> The origin of this was the opening of several large copper

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<sup>1</sup> Social insurance schemes cover around 10 percent of the working-age population and their dependants (Barrientos et al. 2005, 23).

<sup>2</sup> The resulting centre–periphery inequality somewhat overlapped with an urban–rural distinction, but due to fast urbanisation without sufficient employment opportunities as well as rural class differentiation, there is also a periphery in the urban centres and a centre in the rural periphery.

mines, owned by British, South African, and American companies, in the early 1930s, which led to the geographical concentration of economic activities along the so-called Line of Rail. Besides mining, industries and commercial agriculture also came to be focused there, as production linkages were created close by. For feeding the mine and industry workers, large-scale agriculture was practised by European commercial farmers, who established powerful links with the colonial government. To facilitate this system, the latter supported Europeans' access to good soils. Thereby, a further distinction was initiated: On the one hand, good and accessible land was reserved for the European settlers, while on the other hand, Africans were forced to move to more remote and, by and large, less fertile land. This was underpinned by a dual legal land administration system and, in combination, this era created not only an enclave-like economy but also a lasting inequality within the rural sector.

Zambia was ruled without the willingness to invest much money and profit-making was the priority of both the BSAC and the Colonial Office. The emerging mining sector needed migrant labour, for which Africans were forced out of rural areas by varying means of coercion and driven by the need to earn a wage. This resulted in a further long-term deterioration of rural livelihoods (Mhone 2004, 315–16). Meanwhile, the mines paid their royalties and tax in London (Roberts 1976, 186–93). Social security was granted to organised European employees in the mines, and to African mine workers once they had become more politically vocal in the late colonial period, especially after the Second World War (WWII). Schemes for smallholders were initiated in that period, too, but were limited in geographical reach and overall coverage, and tended to be biased towards better connected farmers, thereby creating a differentiation among African farmers (Momba 1985). At independence, hence, there was a bifurcation between workers at the centre with formal social security coverage, and the majority of citizens in the periphery who had fallen through the cracks. These were the initial conditions that the new state faced in 1964. In Zambia, as in many African countries, a window of opportunity for structurally transformative state interventions existed in the early years following independence, thanks to a favourable ideational and economic international environment (Mkandawire 1988). This, however, ended very soon when, from the mid-1970s, a mutually



reinforcing mixture of economic crises and neoliberal reforms began to sustainably undermine the capacity of the state to significantly transform socio-economic conditions.

### 3 A Short Post-Independence Window of Opportunity

In the years following political independence, the United National Independence Party (UNIP) government under President Kenneth Kaunda undertook several interventions aimed at improving the socio-economic situation of the population. It nationalised the copper sector, set up new industries across the territory and invested in agricultural productivity. These measures were underpinned by an ideology of “Humanism” that revolved around nationalism, solidarity, communalism and a mixture of liberalism and socialism (Bowman 2011, 95), and enabled by favourable terms of trade and relatively high gross domestic product (GDP). Between 1964 and 1969, real annual growth stood at an average of 10.9 percent, largely thanks to copper exports (UNCTAD 2016, 2), and hopes among the population were high (Ferguson 1999). The task of changing the inherited structures, however, was enormous and several challenges impeded success.

In the first five years after independence, the copper mines were still in foreign companies’ hands, but the government started to take the royalties, raised income tax and introduced an export tax, so that it eventually earned around three-quarters of the mines’ profits (Roberts 1976, 230–31). This, however, disincentivised the mining companies from making substantial investments, which is why Kaunda declared in 1969 that the mining industry would be nationalised in order to be better able to carry out mining policy decisions and to prioritise long-term investments. The government bought 51 percent shares of the companies, which it promised to repay from the revenue that was soon to be expected considering the good world copper prices in the second half of the 1960s. The government also took back the mining rights from the companies as well as rights for future explorations (Roberts 1976, 230–31).

Unfortunately, between 1970 and 1974, the price of copper per tonne dropped from 748 British pounds to 500, and, moreover, the attempt to set up an Organization of the Petroleum Exporting Countries (OPEC)-like alliance between copper exporters, that could have stabilised world prices, was ineffective due to a limited number of members (Larmer 2010, 40). The period in which copper was able to finance public policy was hence short.

Some economic diversification was achieved in the first years after independence, and the value of manufacturing grew threefold between 1964 and 1968 (Roberts 1976, 232). But costs for setting up new industries were high as Zambia incurred high trading costs due to being landlocked and depending on routes through neighbouring countries where liberation struggles were going on (Roberts 1976, 232). Most state enterprises and import substitution focused on consumer goods such as textiles or beverages, as well as chemicals, plastics and rubber (Lombe 2018, 5). Where they were set up outside the usual centres, industrial plants incurred high transport costs and faced severe market constraints (e.g. Peša 2014, 95). Moreover, the new income opportunities were not equally shared but tended to accrue to those who already had some links to privileged strata such as through colonial education or the new state structures (Baylies and Szeftel 1982). Business owners often came from within the state, so that a “bureaucratic bourgeoisie” emerged (Seidman 1979, 43). Thus, in the first years after independence, the formerly white ruling and business elite had been replaced with an emerging class of wealthy Africans, who had better access to the new social and economic infrastructure (Seidman 1979, 44).

In agriculture, some progress in productivity was achieved, too, but smallholder farmers struggled with poor soils, a lack of technical knowledge and the need for expensive machinery (Roberts 1976, 233). Production was still concentrated in 400 commercial farms that were largely still owned by expats, and efficient and marketable African production remained confined—again—to the better-off Southern, Eastern and Central Provinces (Roberts 1976, 233). While Kaunda appealed with great conviction to the cooperative spirit among smallholders and invested in primary producer societies with an adjacent multi-layer apex body, actual spending on rural development was limited, as mining

revenue was reinvested in the mining sector itself as well as in the Line of Rail region (Larmer 2010). In this time, remittances were an important informal redistributive mechanism between the centres and the rural periphery (Larmer 2010). Interventions such as the Agricultural Marketing Board, created in 1969, were meant to keep consumer prices for food low and benefited the mine and industry workers (Chiwele et al. 1996, 7–8), who, it was feared, would otherwise have been in a position to threaten the peace in the country's economic centres (Bowman 2011, 21). Nonetheless, the Marketing Board and the state-created cooperatives did provide an important social contract between the state and small-scale farmers as they offered some income security, and access to transport and storage (Putzel and DiJohn 2012, 14). Because the Marketing Board made losses from this arrangement, the government, however, began to incur debt and the arrangement was not sustainable in the long run.

Overall, the social question posed by urban–rural inequality was not resolved during the early post-independence period. In fact, as productivity did not rise as fast as the cost of living in the countryside, inequality even increased during this period, and the peasantry began to feel left out of the nationalist project (Muntemba 1978, 85). Where Africans took over jobs vacated by Europeans, they also took over the relatively higher wages, while in more outlying areas, people lived at “sub-subsistence levels” (Roberts 1976, 235). Eventually, in the mid-1970s, the economic basis of the state began to be eroded as the oil price rose and copper prices fell. The average annual growth rate dropped to 1.5 percent in the 1970s, 1.4 percent in the 1980s and 0.2 percent in the 1990s (UNCTAD 2016, 2). Zambia thus had to enter into several loan agreements with the International Monetary Fund (IMF) and structural adjustment programmes with the World Bank; and since then, the international financial institutions “have tightly policed Zambia's economic policies” (Fraser and Lungu 2007, 9). In combination with limited budgets, neoliberal policy prescriptions effectively dismantled the state's ability to increase economic opportunities and support formal employment creation as a basis for broad social insurance coverage.

## 4 Demand-Driven and Supply-Driven Social Protection

The above has shown how short the window of opportunity was for the Zambian government to solve the social questions created by colonial exploitation. But the inherited economic dualism, with a concentration of wealth in a few centres, was also manifested through a second mechanism. Social policies and their uneven distribution have been locked-in through feedback effects with uneven political organisation. Workers at the centre (first Europeans, later Africans) have always been relatively well organised and able to make demands, while the dispersed peasantry remained dependent on benign schemes thought out at the centre and implemented in a supply-driven manner. This began in the colonial era, when the economic dualism, at first an unconscious process driven by “economic and autonomous factors”, was further entrenched by economic interest groups that emerged, and who lobbied the colonial government to maintain the status quo and protect their privileged access to resources (Mhone 1982, 25).

During the late colonial phase, African mine workers’ unions became more vocal and powerful. They were able to make demands on the mining companies, who were forced to provide a limited amount of social services (Larmer 2010, 34). During the anti-colonial struggle, miners retained their specific identity as mine workers, rather than letting the nationalist movement subsume them for overall national development, and retained their specific lobbying power also vis-à-vis the Kaunda government. The government, in turn, was torn between giving in to their demands—knowing the importance of the mining sector for national development—and the need to redistribute mining revenue to the rest of the country (Larmer 2010, 43–44). While Kaunda did not give in to mining unions’ demands for pay rises, the sector itself provided a relatively generous social environment to mine workers and their communities. In 1969, the mining companies were nationalised and subsequently provided free education for the children of miners, subsidised water, housing, and food, and “literally operated ‘a cradle to grave’ welfare policy” (Fraser 2010, 8–9). Their services benefited the wider areas through

the maintenance of roads, waste collection, the provision of farm shops, youth skills development schemes, women's clubs, and hospitals (Fraser 2010, 8–9). These spillovers were limited to mining regions, however, where a “labour aristocracy”, represented by the unions, was able to exert political pressure (Roberts 1976, 245). Other formal sector workers established unions, too, and the trade union movement in Zambia became a strong political force under UNIP (Rakner 2001). The large majority of informally employed Zambians, however, has remained unrepresented by the unions (Kumitz 2016).

Inequality existed within the agricultural sector, too. Europeans had not only created unions in the mines but also among commercial farmers. During the colonial era, they successfully lobbied the government to protect them from competition from African farmers by creating a Marketing Board that worked in their favour (Chipungu 1987). After independence, the European National Farmers Union became the Commercial Farmers Bureau and later the Zambia National Farmers Union, which retained its base among the bigger, commercially viable farms (Muntemba 1978, 61). Smallholders, for their part, were organised mainly through cooperative structures during the Kaunda presidency (Rakner 2001, 530). While UNIP's origin and support base had been largely urban (Momba 1985, 292), Kaunda encouraged the formation of a cooperative movement and set up a multi-level support structure that assisted smallholders with accessing inputs and marketing their products (Chiwele et al. 1996, 23). Even though theoretically voluntary and bottom-up organisations, the cooperatives remained dependent on support from the state (Chiwele et al. 1996, 23). Politically, too, peasants were dependent on UNIP, which had created them, for communicating their demands to the centre. This avenue crumbled during the 1990s after a change in government and privatisation and liberalisation reforms led to the dismantling of the Marketing Board and cooperative structures.

## 5 Conclusion

This chapter has zoomed in on Zambia's early post-independence period when high copper prices allowed the government to attempt to remedy the colonial legacies of inequality and a dual economy. The inherited economic structure made this task massive, and efforts were curtailed by an ensuing economic crisis that would last until the end of the century. Looking at the early years allows for a better understanding of the mechanisms by which colonial legacies persisted. This chapter has focussed on two of them. One is the inherited economic structure that has limited economic opportunities and formal work to a minority of Zambians, meanwhile keeping the state vulnerable to world copper prices and, overall, too poor to substantially address the social questions this structure poses. The other is a political one. The lopsided organisation of interests has been a result of, as much as an amplifier of, the socio-economic structure, where workers at the centre were able to pressure companies and the state for social services while those outside the centres have, by and large, remained dependent on a benign state. This makes them more vulnerable to changing ideologies at the centres and ultimately on the willingness of the state to allocate a share of its budget to social assistance.

This short chapter has demonstrated that analyses of present-day African social protection systems need to factor in colonial economic structures. Not only for understanding where social problems of inequality and exclusion come from but also for understanding the range of imaginable political responses to them. If bottom-up demands are not carried into the political arena, the repertoire of policy options at the centre will remain limited to those that are in line with dominant ideologies. Even though social assistance programmes have been significantly scaled up in the new millennium, they reflect what has become taken for granted: the inevitable imperative to save the state costs. While the new social protection agenda of governments and donors reflects a much-needed return to social questions, they are unsuited to overcome long-trenched legacies of exclusion and marginalisation. Ultimately, the demand for meaningful redistribution and structural transformation will need to be voiced from the bottom up.

**Acknowledgements** This chapter is based on the author's PhD thesis "State Formation after Retrenchment: Social Policy in Zambia", submitted to the University of Bremen in 2020. The research was funded by the Bremen International Graduate School of Social Sciences. The author thanks all her research participants in Zambia, as well as the editors of this book for helpful feedback on an earlier draft. All remaining errors and omissions are her own.

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# 11

## Class-Based Communities: The Postcolonial Reform of School Education in South Africa

Alex Veit

### 1 Introduction

The belated decolonisation of South Africa—more than three decades after the African independence wave of the 1950s and 1960s—created a singular predicament for the newly democratic state. On the one hand, South Africa followed in the footsteps of many independent former colonies and settler-dominated states eager to turn the claims and dreams of the anticolonial struggle into reality. The foremost anticolonial claim in South Africa, as elsewhere on the continent, was deracialisation. As far as schools were concerned, deracialisation in South Africa in 1994 meant offering the oppressed non-white population and the privileged white minority similar educational opportunities, teaching children of all racialised groups in the same schools. “The doors of learning and of culture shall be opened!” proclaimed the 1955 Freedom Charter, which summarised the ANC’s postcolonial vision for the country. “Education

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F. Nullmeier et al. (eds.), *International Impacts on Social Policy*, Global Dynamics of Social Policy, [https://doi.org/10.1007/978-3-030-86645-7\\_11](https://doi.org/10.1007/978-3-030-86645-7_11)

shall be free, compulsory, universal and equal for all children” (The Freedom Charter 2011).

On the other hand, the decolonisation of South Africa in 1994 took place in a radically different global economic and ideological climate than the independence of its fellow ex-colonies to the north. At the time of Africa’s wave of independence between 1956 and 1968, the international political climate was fully favourable to the expansion and extension of public welfare. States in Western Europe and North America as well as in Eastern Europe and the Soviet Union invested steadily in welfare provision, including the education of underprivileged youth. Across the Global South, states from Cuba to South Korea, regardless of their socialist or capitalist overall orientation, embraced state-centric models of development and welfare. Newly independent African states became part of this global climate and invested in free public education (Aina 2004, 12; Mkandawire 2009, 142).

Deracialisation thus meant expansion, and expansion meant much bigger budgets. The bills for this expansion were covered by global economic growth, the nationalisation of major economic assets, and comparatively generous credit facilities and grants. By contrast, South Africa’s decolonisation took place during the heyday of global neoliberalism. Across the globe, the commodification of welfare, including the marketisation of school education, was one important element in a larger context that promoted the privatisation of state assets and fiscal austerity. Most former colonies underwent severe economic crises and implemented “structural adjustment programmes” that cut deeply into education budgets. International credit and grants had become scarce. Moreover, economic growth was stalling globally, putting the brakes on South Africa’s export-oriented industries.

For South Africa’s school education policies, the conflicting demands of a postcolonial welfare expansion and a neoliberal welfare contraction posed a substantial quandary. The democratic government inherited a racially divided public school system, which provided well for the white minority, but offered only dismal education facilities to the large majority of citizens. In this contribution, I aim to analyse the attempts made to square the circle of postcolonial and neoliberal imperatives.

My focus here lies on the political ideas and options discussed in South Africa in the transitional period, which also took up, mirrored and responded to transnational political discourses of the time. Deracialisation and neoliberalism have been dominant, but contradictory elements in South Africa. A third programmatic and globally significant line of thinking complements the contradiction between deracialisation and neoliberalism, namely concepts of “community” and communitarianism.

In the Anglophone world, the idea of “communities” as both engines of change and guarantors of social cohesion can be traced back to the British colonial invention of “community development” (Smyth 2004), for example. Various thinkers have tried to come to grips with the term’s analytical value and empirical meaning (Elias 1974).

Communities, while usually understood to imply groups of people enjoying geographical proximity, mutual affection and commitment, and a set of shared values, are summarised by Kymlicka (2002, 208) as a mere ideal appearing in “different forms, from class solidarity or shared citizenship to a common ethnic descent or cultural identity,” serving to produce, transmit, justify and enforce “shared conceptions of the good” (Etzioni 2016, 1).

Communitarianism, as a political philosophy, is a set of different, often contradictory ideas rather than a coherent school. Nonetheless, debates about communitarianism attracted attention in the 1980s. As Miller (2000) suggests, three broad political variations exist, each conceptualising communities differently: liberally, as value-based voluntarist groups whose members take part in a plurality of communities; conservatively, as an inclusive group whose members are born into rather than voluntarily join the group, which plays a crucial role in preserving social cohesion and hierarchy; and on the progressive left as associations of materially and politically equal citizens engaging democratically in collective self-determination.

In South Africa, these different conceptions of community played a role throughout the twentieth century. Especially in the decade before and during the transition (1990–1994/96), the term “community” in South Africa became used as ubiquitously as elsewhere in the Anglophone world. And while it meant different things to different people, one common denominator was the idea of shifting power from centralised state

institutions to local, nonstate institutions. This promise cushioned the anxieties of white middle-class parents facing a first black-majority government. It also inspired progressive antiapartheid activists who had been tormented by the all-powerful militarised state and now hoped for the democratisation of society on all levels.

During South Africa's decolonisation, the idea of community-run schools served to reconcile the contradictory demands of economic neoliberalism and political deracialisation. Schools formerly reserved for the white population were officially deracialised; however, school fees determined by school communities effectively excluded the poor (and overwhelmingly non-white) population. While the progressive and liberal variations of communitarianism in particular promised empowerment through the devolution of power, in South Africa's apartheid-shaped structures school communitarianism reproduced segregation. Race, as a category of exclusion, was replaced by class. This arrangement worked well for both the white and the emerging non-white middle classes, which as "school communities" gained the right to shape "their" schools.

## **2 Setting the Path: Neoliberalism and Communitarianism in the Late Apartheid Period**

In the second half of the 1970s, South Africa's racialised school education system, like the apartheid system in general, experienced a profound crisis that was driven by two interconnected dynamics. First, the apartheid state had radically underfunded the schools of the non-white majority. Beginning in the 1960s, however, there was a lack of skilled workers for the country's growing manufacturing sector. The educative marginalisation of the majority turned into an impediment for industrial growth. From 1972 onwards, the government opened more secondary schools (while preserving racialised segregation between the schools), and also put them on a slightly sounder economic basis. The ratio of monetary expenditure for white and African children decreased from 18:1 to 15:1.

Nonetheless, schools for the non-white population remained severely overcrowded and underfunded (Hyslop 1999, chap. 7).

The rejuvenated resistance movement was a second factor. In 1976, anger about apartheid in general and the education system in particular exploded in the Soweto student uprising. Secondary school students became central actors in the opposition, and schools became central sites of struggle. Throughout the 1980s, recurring national school strikes shattered the non-white education system in the townships. Inside the resistance movement, discussions about the costs of unlimited school boycotts ensued. While the camp arguing for “Liberation before Education” prevailed, the political conflict had devastating and enduring consequences for the existing schools in African townships (Hyslop 1999, chap. 8–9).

To counter the deepening crisis, the regime gradually phased out its state-centric development model as well as its most blatant racism, and instead embraced neoliberal concepts pursued by governments in the USA, the UK and elsewhere. In the education sector, the Department of Bantu Education responsible for the education of Africans outside the homelands was renamed Department of Education and Training (DET) in 1984. The human capital approach, which understands education as an economic investment, became the new leitmotif. Pupils would be channelled into academic institutions, technical schools or directly into the job market according to their “capacities.” Given the vastly different quality of education provided at an early stage, this arrangement preserved the racialised educative hierarchy with reference to merit rather than biological racism (Chisholm 2002, 98–101). At the upper end of the education hierarchy, the government recognised the contribution of private schools, which before had been viewed with suspicion, and afforded them state subsidies (Du Toit 2003, 382–83).

Another ideological trait gaining traction both in South Africa and across the globe was communitarianism as the idea that “communities” rather than a central authority were best placed to organise social life. As early as the late 1940s and 1950s, the apartheid regime had developed conservative communitarian notions of European and “Bantu communities” (Levy 2011, 177–81), which were to be educated separately for their own good, as their different “levels” of development demanded discriminate treatment (Dubow 1992, 231–32). Such conceptions borrowed

from and responded to transnational ideas of modernisation, development and scientific judgement (Kros 2010).

Reforms introduced in 1984 aimed to modernise this system of segregated learners. Primarily, the reforms created many more institutions, each tasked with providing school education for a racialised “community,” divided between the white, Indian and coloured populations, the ten ethnically defined homelands or Bantustans (formally autonomous or independent states), and the DET for the mostly urban African population outside the Bantustans (Christie 1990, 38; Chisholm 2012, 87–88).

The ANC and the liberation movement meanwhile increasingly embraced the progressive communitarian discourse of decentralised governance, and sought to mobilise “grassroots” groups in collective action against the regime (Hirson 2017). During the 1970s and 1980s, the ANC’s leadership in exile was heavily exposed to the communitarian thought and community development discourse popular in their host countries, especially in the United Kingdom and Anglophone African countries. Inside the country, the United Democratic Front—the major opposition organisation closely related to the outlawed ANC—similarly embraced a social movement approach based on the notion of community organisation. Crucially, Parent Teacher Student Associations attempted to use schools as a site of political mobilisation, while also developing postcolonial forms of education (Karlsson et al. 2019, 154). These discourses and practices obviously were radically different from the racialised communitarianism of “self-government” espoused by apartheid ideologues. The principle of involving school members in democratic decision-making, however, was not that far away from the neoliberal notion of “stakeholders” participating in governance processes. Once apartheid’s racist discourse had become politically unacceptable, the liberal and progressive notion of community became a common ground for viewpoints that originally diverged widely from one another.

### 3 Model C: A South African Third Way

The ideological marriage of neoliberalism and communitarianism continued to inform school reforms during the introduction of the postcolonial democracy. In 1990, the government agreed to negotiate a transition. The days of racially segregated schools obviously were numbered. The prevalent educational concern among the non-white population was the attainment of quality education. Among the privileged white population, it was the loss thereof. These concerns brought the top end of the public school system, the schools so far reserved for white students, into focus. Their reform by the outgoing apartheid government proved decisive for the postcolonial period.

In the spirit of devolving power to school communities, in 1991 the outgoing government's education ministry allowed white state schools to select their future status by a parents' vote. All options included a clause opening the schools to a limited number of non-white pupils. The choice menu included full privatisation (Model A), continuance as a state school (Model B), or semi-privatisation (Model C). Model C proposed the transfer of school real estate and buildings from the state to the school, to be administered by a school-governing body (SGB). Effectively, this constituted an embracing of liberal over racialised notions of community. School budgets would be covered by a state subsidy (at the time, about 80 percent of operational costs), user fees paid by parents and other school-generated income. After the parents proved slow to embrace change, in 1992 the government issued a decree turning all white state schools into Model C schools if parents had not voted against this. By April 1992, 96 percent of white schools had changed to Model C (Christie and McKinney 2017, 9; Karlsson et al. 2019, 146).

The ANC initially rejected this decisive reform of the outgoing government. At the same time, the ANC found itself in a period of transformation from liberation movement to the governing party and had no ready-made alternative policies to hand. Beyond public criticism, the ANC did not attempt to stop or change Model C during the negotiation period. After all, the reform also began with the racial desegregation that was of crucial importance to the ANC, and the imminent



democratisation of the political system would include an overhaul of the school system as a whole in any case.

This democratic, postcolonial overhaul began with the 1994 interim constitution, which abolished the various racialised ministries and departments of education in favour of national and provincial administrations and culminated in the South African Schools Act No. 84 of 1996. In the discussions about the Act, for an extended period, it seemed that the elected government would reverse Model C semi-privatisation. The ANC-led Department of Education argued as late as 1996 that Model C “ensured a perpetuation of substantial advantages and privileges,” such as the best facilities and most highly qualified teaching staff, to those groups “who had historically been most advantaged by the policy and practise of racial preference in this country” (Department of Education 1996).

Besides a large number of different stakeholders involved in the contentious policy-making process, two foreign consultants are ascribed a major influence, especially concerning the maintenance of a semi-privatised, community-run school system. Christopher Colclough, a British academic working on education and development, and Luis Crouch, a US expert in the economics of education, provided “perhaps the most persuasive case for school fees” (Fiske and Ladd 2010, 136), arguing that the quality of former white schools would deteriorate if fees could not be used to hire teachers and maintain facilities. They predicted that “key opinion- and decisionmakers” would move their children into the private school system. Future governments, uncontained by a powerful civil society group interested in quality public education, would hardly invest appropriately when resources were scant. The public system’s quality, catering only for the poor, would continue to deteriorate. The solution was fees used to keep the middle class in the public system. Resulting savings in the state budget could be invested in schools in former homelands and townships. Fees, originally regarded by the ANC as detrimental to those who could not afford to pay, would then actually help to raise up the poor (Fiske and Ladd 2010, 136–37; Jansen 2001, 276).

The 1996 Schools Act, which formally ended Model C, expanded many of its features to the national public school system. Crucially, it allowed schools to set an individual fee structure. Enormous differences

between schools developed: while especially schools in the most impoverished rural areas, the former homelands, charged either very low fees or none at all, the leading Model C primary schools in the mid-2010s would often charge around 25,000 Rand per year (about 2,000 US dollars at the time) (Businessstech 2016). In 2015, this amounted to 18 percent of the average South African household's annual income, but less than 6 percent for white households, and almost 27 percent for the average black household (average household incomes according to Stats SA 2017, 14).

To counter the resulting educational inequality between rich and poor and white and nonwhite students, a 1998 provision exempted poor households from fee payments (Fiske and Ladd 2004, 65). In 2006, schools were allowed to apply for additional public funding and become fee-free schools (Ahmed and Sayed 2009). Primarily schools with a poor student population qualified for increased funding and moved back fully into the state fold. This restructuring reproduced the pre-existing bifurcation between semiprivate, community-run schools on the one hand and fully funded public schools on the other.

The politics of continuity, despite the ANC's commitment to postcolonial equality, reflected the country's complex economic and social legacy and the new governing party's complicated relationship with different groups. Inside the ANC's core constituency, the non-white population, class divisions emerged. Diverging class interests needed to be addressed without being formally acknowledged. Beyond its electoral constituency, the ANC government also sought to uphold the compromise solution at the root of the postcolonial transition and find common ground with the business sector interested in highly skilled workers, the white middle class who still made up the best-educated strata of the workforce, and not least the administrative apparatus inherited from the previous regime that kept the state machine going. Charging fees from those who could afford them freed up scarce public resources to be spent on the education for the poor—effectively a promise to raise the quality of schools for the poor to the level of former white schools in the distant future—while reassuring the old and the new middle classes in the immediate present. The retention of Model C allowed the new political elite and the “emerging black middle class, including legislators and officials, to silently permit their

own class interests to be taken care of without confronting (or clashing with) their own, largely poor, constituencies” (Karlsson et al. 2019, 150).

The break with earlier promises and the ongoing glaring educational inequality resembling the social structures established by the apartheid system called for a legitimating angle acceptable to a wide array of constituents and partners. The overlaps between different communitarian variations provided the ideological glue between these diverse groups and constituencies, as well as between postcolonial and neoliberal ideals and ideas. The structural epitome of this convergence is the school-governing bodies (SGBs) introduced in Model C schools, which resemble the parent teacher student associations born in the antiapartheid struggle. The extension of SGBs across the public school system in 1996 was “surprisingly uncontroversial,” as they built on the shared ideal of school community self-government (Karlsson et al. 2019, 154). Their ability to use fees to improve school attractiveness allowed schools with a wealthy parent body effectively to shield their educational advantage against the poor, overwhelmingly non-white population. In poor communities, SGBs worked much less effectively, as parents lacked the time and capacity to engage with schools.

## 4 Conclusion

The story of the persistence of Model C schools highlights the importance of global historical timing for postcolonial social policy. The belated deracialisation and democratisation of South Africa posed a question similar to other decolonisation projects: how to achieve both equity and quality in the school system? In the first three decades after World War II, both the discourses and structures of the international system allowed newly independent states to pursue a vision of free public schooling. By 1994, discourses and structures had fundamentally changed. Political discourse favoured a much-reduced role of the state and the marketisation of education. Economic stagnation added material authority to ideology: losing newly won sovereignty to international financial institutions was a threat that loomed over the incoming postcolonial government. Communitarianism, an increasingly influential concept both inside the

country and internationally, provided a compromise between different expectations and approaches: it made it possible to impose a fee on the middle class that could be understood as a tax, while in return devolving power to emerging class-based school communities.

These school communities changed over time. The attractiveness of former Model C schools among the striving non-white middle class—and among some poor parents who would make additional sacrifices to send their children there—changed these schools' composition over time (Msila 2005; Hunter 2010). Today, former Model C schools are the schools that most closely resemble the country's overall "racial" demography. At the extreme ends of the spectrum, meanwhile, are the much more expensive private schools with an overwhelmingly wealthy and white student body, and the struggling schools in former townships and especially in former homelands, whose students are almost uniformly non-white and poor.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center "Global Dynamics of Social Policy" at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# Part II

## International Organisations and Transnational Diffusion





# 12

## Introduction: International Organisations and Transnational Diffusion

Kerstin Martens and Dennis Niemann

For many years, almost all fields of social policy have been considered an exclusively national domain. The international level used to play only a minor role when it came to matters of healthcare, pensions, social protection, education policies and the like. In many social policy fields, supranational problems did not manifest to such an extent that international solutions were needed. Furthermore, changes in a social policy field in one country did not have direct consequences for that field in other countries. The welfare state was only affected by international developments insofar as they constituted a problem that spilled over into the national sphere. In addition, international institutions, such as international organisations (IOs), were not deemed to be as important social policies actors as they were in other areas, such as security, environment, or trade, which are policy issues that easily cross borders. Although several IOs that deal with social policies issues have existed for several decades, the actual policy-making and regulation seem to take place

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within nation states. Hence, the diffusion of social policies across borders was considered to be less likely, too.

However, IOs have long participated in international life and they have played significant roles in managing cooperation, providing forums for multilateral exchange and disseminating norms. The International Labour Organization (ILO), which celebrated its centennial in 2019, has been dealing with the social question for workers since its inception. Also, the ill-fated League of Nations strongly recommended improvements in social policy areas as a keystone for peaceful coexistence and prosperity. Several contributions in a recent volume (Martens et al. 2021) show that IOs have been significantly shaping discourses about social policy since the Second World War (see for example Yeates and Pillinger 2021 on migrant workers, or Heneghan 2021 on pension policies). With globalisation processes increasing and with domestic borders becoming more and more permeable, national social policies in turn have been affected, opening windows of opportunity for IOs for them to gain significance and influence. It is, however, somewhat surprising that we know little about IOs in the realm of social policy.

In general, scholarly research on IOs has been the domain of International Relations (IR) that regarded IOs as a distinctive form of international institutions (see e.g. Keohane and Nye 1974; Hurd 2011; Barnett and Finnemore 2004; Nielson and Tierney 2003). In general, the study of IOs has advanced significantly in recent decades, and thus, today, we have a far better understanding of different types of global actors, including IOs, and their mechanisms of influence. Research on IOs has examined “why these phenomena exist, how they function and what effects they have on world politics” (Martin and Simmons 2013, 326), while recent research projects have also examined the design of IOs in regard to their assigned authority (Hooghe and Marks 2014, Hooghe et al. 2015; Zürn 2018; Abbott et al. 2014), or studied IOs’ performance and policy output (Tallberg et al. 2013, 2014). By now multiple theoretical lenses exist that are applied to studying IOs and their roles in international affairs. Accordingly, the perception of IOs differs from the respective perspective of IR theory, and scholars conceptualise IOs as either “instruments”, “arenas”, “actors”, “bureaucracies” or “resources” (e.g. Hurd 2011; Barkin 2006).

However, our knowledge about the involvement of IOs varies significantly according to the policy field. Too often, research on IOs focuses on issue areas such as security, economics or environmental policies, while we still know comparatively little about the specific impact of IOs on social policies. Although IOs have been identified as major actors in global social policy (Deacon 2007; Deacon et al. 1997; Kaasch and Martens 2015, Yeates 2008) we need more and deeper research about which IOs are active here, and how they act in the realm of social issues as such. Further research would thus help us to better understand their impact and to assess which changes may be attributed to them. For example, we need to address questions such as which social issues IOs have been promoting actively in global social policy. How do they seek to impact states and other actors? What are their main concerns and goals, and by which mechanisms do they achieve their effects?

Existing research on IOs and social policy has emerged to a large extent from studies on transition and developing countries. For developing countries, different modes for the conditionalities on loans or specific social protection schemes (e.g. Conditional Cash Transfers, CCT) have been identified (for a literature review on CCT, see Ladhari and Sitter 2018). Moreover, we find a variety of contributions focusing on the role of one specific IO in social policy. Such work includes studies on the World Bank (Vetterlein 2007), the ILO (e.g. Deacon 2015) and the OECD (Armingeon and Beyeler 2004). Also specialised UN agencies, such as UNESCO or UNICEF, are well researched in individual case studies (Lerch and Buckner 2018; Holzscheiter 2010). The World Bank, for example, has had a significant impact on social policy development in Central and Eastern Europe as well as in Latin America with regard to the set-up of national pension systems (Orenstein 2003). Also, the OECD considerably impacted the German debate on reforming its education system (Niemann 2010).

However, IOs are not monolithic entities, but rather complex bureaucracies with cooperating but also potentially competing departments (Barnett and Finnemore 2004). As shown by Seitzer, Niemann, and Martens (2021) the OECD, particularly known in education for its preoccupation with data on secondary schooling with regard to its Programme for International Student Assessment (PISA), has actually been published

on a much wider range of education issues. It speaks with a diversity of voices since education as a field forms part of various departments and other institutional contexts of the IO. In addition, one and the same IO may appear with different faces in different social policy fields and may transmit multiple messages that play out differently: “(T)he World Bank, for example, can be the good guy (providing support for implementing social policies) or the bad guy (forcing states to introduce certain reforms) depending on what policy field we look at” (Niemann et al. 2021). Recent research efforts on IOs and global social policies have shown that different social policy fields are occupied by multiple IOs that compete and cooperate (Martens et al. 2021). Hence, social policies are a contested area and current research increasingly looks beyond single IOs, instead analysing diverse social policy fields with respect to the IOs involved.

As a matter of fact, IOs use a variety of channels or mechanisms to influence international spheres and national policy-making processes. A few (mainly the internationally operating banks, and regionally or globally operating multi-purpose IOs, such as the EU or the UN) are able to distribute financial resources and implement projects which directly affect people’s lives, however, they may also (re)direct national social and education policies as their funds are tied to particular projects and programmes to be implemented according to the IO’s vision. Many other IOs active in global social policy rather exert soft governance and act as regionally or globally active think tanks that develop and diffuse ideas and norms about social policy issues. This does not mean that they are toothless tigers, but rather such ideas can be powerful, especially once they are transmitted into national systems, law and policy. Moreover, such IO-induced norms may also become global norms and affect not only the member states of such IOs but all states.

Thus, IOs can be vibrant actors that influence global social governance, and the chapters in this part of the volume shed light on our understanding of IOs and on transnational diffusion processes of social policies. These contributions provide narratives on single IOs, on IOs in a particular field of social policy, and on diffusion processes in which IOs are often a fundamental actor or nodes that tie together relevant stakeholders. The contributors use the term IOs to refer to “public” organisations or inter-governmental organisations (IGOs), in which states are the principal

members and the term transnational diffusion refers to relational ties between states.

Focusing on education policy as their field of analysis, *Fabian Besche-Truthé, Helen Seitzer and Michael Windzio* study the diffusion of compulsory education in a global perspective. Based on the context of cultural spheres, they argue that countries are tied to each other by sharing cultural characteristics, while they also point out that exposure in terms of close cultural ties to other countries with compulsory education, significantly and substantially increases the rate of adoption.

*Jenny Habs* focuses on the expansion of labour legislation towards universalism by tracing in her chapter the adoption of ILO conventions. Her findings generally remind us that even if IOs were “born” in the Global North, they can still unfold considerable importance for states of the Global South.

*Dennis Niemann, David Krogmann and Kerstin Martens* trace the general development of the IO population in the policy field of education. In fact, since 1945 the number of IOs dealing with education policy has constantly grown, and IOs whose mandates were not originally concerned with education have entered the field, a development that at least potentially could induce competition.

In his chapter on child allowance in Japan, *Naho Sugita* analyses how the debate on family policy gained influence during the 1960s through the UN’s concept of social development. He highlights that the diffusion of social policy ideas by IOs often depends on and is filtered by domestic stakeholders and institutional contexts.

*Gabriela de Carvalho and Lorraine Frisina Doetter* shed light on the question of whether and how policy ideas from IOs become co-opted in domestic social policy by looking at the case of Columbia and the impact of the World Bank on healthcare reforms.

In her chapter on social health insurance in Albania, *Ertila Druga* studies how international influences shape domestic public policy. She investigates the influence of the World Bank in the formulation of law in post-communist healthcare reforms in the early 1990s.

With her chapter on Mozambique, *Sarah Kassim de Camargo Penteado* provides a historical account of the roles of the International Monetary Fund (IMF) and the World Bank in designing, implementing,

evaluating, measuring and shaping social protection programmes while she also highlights the tension and competition between IOs in developing national political and economic structures.

*Irene Dingeldey and Jean-Yves Gerlitz* in their chapter on labour market segmentation and the regulation of non-standard employment investigate whether membership in the EU has made a difference. Their analysis focuses on whether its concept of flexicurity becomes translated into national legislation.

In their chapter on pathways to family policy, *Tobias Böger, Sonja Drobnič and Johannes Huinink* trace how population policies were internationally legitimised, yet implemented through national programmes. The authors examine the three UN conferences on population between 1974 and 1994 to show how population control policies became a global topic by linking it to family policy and reframing it as dependent on the realisation of individual social rights. China and Kenya are examples of contrasting cases with regard to their responses to population questions.

Finally, *Heiko Pleines'* contribution deals with the IMF and social policy reforms in post-Soviet Russia. While financial collapse forced Russia into an agreement with the IMF in 1998, only six years later it had repaid all debts and was able to pursue its economic policy independently.

Taken together, the chapters in this section show that the relationship between IOs and states in different fields of social policy is complex and multi-layered, in particular, because there is no straightforward answer to the question of how cooperation takes place. It is not always top-down, nor is it always mutually benign. Furthermore, the relationship is multi-layered in the sense that at different levels different dynamics can unfold that feedback to the outcome of the IO–state relationship. Furthermore, competition can arise when different IOs are involved. On the national level, political configurations and actor compositions can enable or impede IO influence. Hence, when studying the social policy influences of IOs it has to be kept in mind that the international level almost always exists in tandem with national politics.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Centre “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche

Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 13

## Global “Cultural Spheres” and the Introduction of Compulsory Schooling Around the World

Fabian Besche-Truthe, Helen Seitzer,  
and Michael Windzio

### 1 Introduction

Compulsory education corresponds with the reproduction and change of a country’s culture and drives the process of modernisation. As we know from international comparative cultural research, however, there are different pathways into modernity. The role of education in the reproduction and change of a nation state’s culture might thus differ as well (Weymann 2014).

*Culture* is of crucial importance for a society’s social and economic order (Rose 2019): “(...) cultural formations are significant because they both constrain and enable historical actors, in much the same way as do network structures themselves” (Emirbayer and Goodwin 1994, 1440). Yet, global cultural differences are still a neglected issue in studies on the development of education systems. In the present study, we regard

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cultures in the world as “cultural spheres” and analyse their importance for the diffusion of education policy. Our concept of “cultural spheres” results from ideas in relational sociology, as well as from our methodological approach of combining a set of nation states’ cultural aspects in a valued two-mode network. We consider recent arguments from anthropology and sociology on the importance of culture and global cultural differences in a global perspective. In the empirical section, we analyse the diffusion of compulsory education by focusing on the effect of a country’s membership in fuzzy clusters defined by cultural characteristics.

Global cultural clusters of countries do not necessarily have rigid, clear-cut boundaries or “fault lines” (Huntington 1996). According to our approach, countries are tied to each other by sharing a multitude of cultural characteristics. In this network, connections between countries increase, the more cultural characteristics they share. We measure “cultural spheres” by standardised indicators and apply network-based methods that account for the fuzzy character of boundaries between these spheres. In addition, we test the impact of cultural spheres as the underlying structural framework for the network diffusion process of compulsory education, controlling for economic development.

## 2 Culture and Diffusion of Education Systems

A Marxist view on the development and change of societies regards culture as a superstructure, which is determined by productive forces and the organisation of property rights. Class conflict, for instance, results from class consciousness as an outcome of a progressively simplified class structure in capitalist societies (Lockwood 1992, 165). While Max Weber did not deny the importance of economic organisation for the development of societies, he explicitly highlighted the impact of religious orientations towards the world and the afterworld for the evolution of occidental rationalism, economic motives and forms of authority (Weber 1972).

Culture is often defined as a set of norms, symbols, values, and meanings which are part of a shared stock of knowledge in a given society or community (Rose 2019) and are reproduced via intergenerational transmission in families and educational institutions. In addition to this “inner” aspect of culture, which endows the actor with a system of orientation, culture also exists in an objectified state (laws or traditions) that is non-influenceable by a single individual (Parsons and Shils 1951, 58, 66). In liberal-pluralistic societies, interpretations of norms and symbols are flexible and there is no clearly defined “essence” of a culture (Wimmer 2013). On the other hand, properly operating societies need some minimum consensus on values, normative expectations and the meaning of symbols (Parsons and Shils 1951; Rose 2019).

Relational sociology agrees with the view that culture is not an “essence”. Rather than having clear boundaries, elements of cultures are related to each other like fuzzy-set clusters, as we know from social network analysis (Emirbayer 1997, 299; Emirbayer and Goodwin 1994). Surely, culture exists at different levels—in romantic relationships, small groups, but also in nation states or supra-national entities such as the EU. When analysing cultures at a global level, the challenge is thus to allow a sufficiently high level of abstraction, but at the same time to avoid the essentialist trap.

Culture and identity have become increasingly important issues in domestic politics in many Western countries, but also at the global level (Huntington 1996; Fukuyama 2018) as well as in debates on multiculturalism in culturally diverse immigration societies (Murphy 2012). Long before Huntington, cultural typologies were common in the field of business administration, particularly in the wake of Hofstede’s famous study (Hofstede 1984). Already in 1835, Tocqueville cautioned in his *Democracy in America* against simply copying the American political institutions if these institutions do not fit to the morally binding norms, values, customs and practices of citizens (*mores*) of other nations. In Tocqueville’s view, the Protestant culture the British colonisers transferred to the US, Canada, Australia, and New Zealand is very special and for example, South America and Northern Africa are characterised by considerably different *mores* (Basáñez 2016, 33). Tocqueville’s ideas on the cultural foundations of political institutions inspired Weber’s (1972) concept of

the legitimacy of authority. Weber's comparative analysis of the coevolution of religious thinking and political orders paved the way for Eisenstadt's (1986) studies on the multiplicity of world histories. According to Eisenstadt, different cultural spheres emerged in the wake of the breakthrough of ancient civilisations during the Axial Age between 800 and 200 BC, starting with early Israel and Greece, early Imperial China, the Christian late Roman empire and medieval Europe, Hinduism, Buddhism and, later, Islam. The course was set for different development paths into modernity.

Recent studies based on the World Values Survey reveal cultural differences between countries with respect to values and personality traits (Schulz et al. 2019). Western people tend more towards individualism and independence, to impersonal prosociality (e.g. trust in strangers), and less towards obedience and conformity (Hofstede 1984). In a global comparative perspective, Westerners are WEIRD people (western, educated, industrialised, resourceful, democratic) and seem to be rather the exception than the rule (Schulz et al. 2019). Westerners became WEIRD in the long run, because the Catholic Church imposed restrictive marriage policies directed against cousin marriages, thereby undermining historically prevailing clan structures. Indeed, length of exposure to the Western Church around the world correlates positively with indicators of the WEIRD culture (Schulz et al. 2019).

Introducing compulsory education is a useful policy to create literate citizens governed by the rule of law and formal bureaucracies (Weymann 2014). At the same time, however, compulsory education is to some degree also an individualiser and equaliser. The early adoption of compulsory education might thus correspond with the Western model of rational, bureaucratic order. In other words, the timing of adoption of compulsory education might depend on the respective civilisation or cultural sphere. There are numerous examples of how "cultural spheres" might have influenced the adoption of compulsory education.

In the mid-seventeenth century, a few years after the city of Boston was founded, the Massachusetts Bay Company, which was responsible for colonial administration, enacted a law for the financing of primary schools by means of local taxes (Brock and Alexiadou 2013; Rickenbacker 1999). This constitutes the first case of a colony creating the precursor to

state-financed education systems and showed that innovations developed in the colonies can also affect the colonial powers. With the Education Act of 1870, the British government turned minimum education until the age of ten into a public matter and took over the innovation of financing education by means of local taxes.

Prussia introduced compulsory education in order to ideologically consolidate the hierarchical structure of its society as well as to optimise the principle of order and obedience in the military. Further southeast, compulsory education was a means to build a coherent Ottoman culture and populace (Cicek 2012) in the Ottoman Empire when it was introduced in 1869. Instead of socially and culturally integrating the Empire, however, the legislation even “(...) helped the minorities to develop their own national education system” (Cicek 2012, 227).

Nevertheless, some nation states resisted the wave of compulsory education for a long time: After almost thirty years without any law in Singapore, the government supported ten years of compulsory education. However, home-schooling parents and especially the Malay/Muslim community attending mostly madrasah schools exerted pressure on the instigated committee to limit compulsory schooling to a minimum of six years, which was then, in the end, the duration of compulsory education introduced in 2003 (Tan 2010).

Sociological neo-institutionalism (Meyer et al. 1997) agrees that humans live in, and strongly depend on, self-created social and cultural environments (Henrich 2016). In the globalised world society, individuals and organisations are interested in common institutionalised standards when they interact across different national institutions. Due to the activities of international organisations, but also because of organisational efficiency (Weber 1972), the modern Western-type bureaucracy tends to spread around the world (Meyer et al. 1997). By converging to the Western standard, organisational forms become more and more similar, indicated for example, by the global diffusion of compulsory education. The implementation of institutions like formalised education serves just as much a political as a humanitarian purpose (Steiner-Khamsi 2013). The legitimisation of countries through the implementation of these institutions fosters their diffusion from Western “big league” countries to the Global South (Meyer et al. 1997). However, not only the compulsory

nature of schooling but also certain institutional structures thereof have spread around the globe: Ideals of education as a human right, basic organisational structures such as the organisation of schooling through ministries of education and statistical data collection and lastly the classroom principle as well as content and instructional forms all diffused over time from a Western origin outward (Anderson-Levitt 2007).

Is there indeed a global spread of Western culture and rational forms of social organisation world, so that, in the long run, different global cultures converge towards the Western rational and bureaucratic model? Or do we observe cultural diffusion within cultural spheres, rather than between them, because these spheres are separated from each other by (fuzzy) barriers?

If the theory of neo-institutionalism was right, the entire world would become WEIRD in the long run. We would expect no substantial effect of “cultural spheres” concerning the spread of compulsory education when we take state economic development into account. If “cultural spheres” were relevant in shaping diffusion patterns, however, we would find in our empirical study at least a moderate effect of cultural clusters on the diffusion of education policy.

### 3 Data and Methods

In the empirical part of our study, we analyse the worldwide diffusion of compulsory education from 1880 to 2010. To this end we collected a comprehensive dataset on cultural characteristics of  $N = 164$  countries, including indicators of political liberties, the rule of law, gender roles, dominant religion, language groups, government ideology, classification of civilisation, and colonial past (Besche-Truthe et al. 2020). In the case of continuous measurements, for example, the index of gender relations, we generated quartiles. We organised the data as a valued two-mode network. Two countries are connected when they share a characteristic, for example, the same level of political liberties. Countries can have multiple relations to each other, for example, when they share the language group “Atlantic-Congo” in addition to the same dominant religion. A projection of the two-mode network on the vertex-set of countries results in a

valued network of countries, connected by their proximity in terms of cultural characteristics. The higher the cultural proximity between two countries, the higher the number of ties between them. Rather than homogenous clusters and clear-cut “fault lines” this method yields a network of “cultural spheres” with fuzzy boundaries and relations of varying intensity between countries. Since many of our binary cultural indicators are time-varying, the network is time-varying as well. Metaphorically speaking, the network is the underlying dynamic “pipe structure” for the diffusion process, and the number of ties in a dyad indicates the “pipe diameter”. We hypothesise that the higher the pipe diameter, the higher the “cultural exposure” of country A to country B, and vice versa. We also expect that with increasing “pipe diameter” the likelihood of “contagion” and adoption of similar policies should increase, given that this specific policy has not yet been adopted.

To test this, we use a discrete-time logistic hazard model. Our dependent variable is the absorbing destination state of the introduction of compulsory schooling (*no compulsory schooling* = 0, and *introduction of compulsory schooling* = 1). Once a country has introduced compulsory schooling it drops out of the risk set. Introductions before the window of observation begins (before 1880) are excluded from the risk set but contribute to other countries’ exposure. Introductions after 2010 are right-censored. We take our “cultural spheres” network as the underlying structure for calculating exposure to countries which already have implemented compulsory schooling. We apply the R package *netdiffuseR* (Vega et al. 2016) and calculate exposure by taking the ratio of weighted connections with countries that have adopted compulsory schooling and those that have not. If a country is only connected to those that have adopted compulsory schooling, exposure is 1; if none have adopted, exposure is 0. To be precise, we calculate the exposure weighted by the tie strength and lagged by one year, in other words, the exposure one year before we observe a possible introduction.

We hypothesise exposure to be a relevant driving force behind the introduction of compulsory schooling. However, the introduction of compulsory schooling might also depend on a country’s level of economic development. The process might be time dependent, at least it might show time dependency as a result of unobserved heterogeneity. We thus



control for time as a piecewise constant step function. As a control variable, we introduce GDP per capita (in 10,000 USD) and levels of democratisation (Bolt et al. 2018; Lührmann et al. 2018).

## 4 Results

The world maps in Fig. 13.1 show the introduction of compulsory education around the world as snapshots for the years 1850, 1900, 1950 and 2010. The global diffusion process started in a few countries in Northern and Central Europe spreads then to the Americas and Australia. By 1900, Japan and the Philippines have adopted compulsory schooling. By 1950, it becomes apparent that countries in sub-Saharan Africa have not yet introduced compulsory schooling, but by then China and Russia had adopted the policy. By 2010, only twenty out of the observed 165 states had not introduced compulsory schooling.

Overall, Fig. 13.1 shows a diffusion pattern of compulsory schooling which supports Meyer et al.'s (1997) argument of a spread of Western

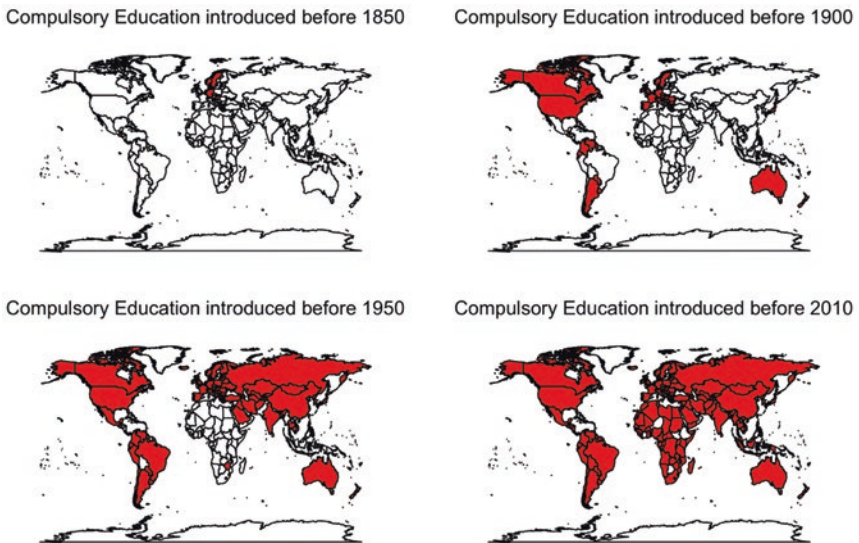


Fig. 13.1 Diffusion of compulsory education around the world, 1850–2010

institutions across the globe. Compulsory schooling as an institutional concept originates in Western Europe. Diffusion follows the path of colonialism, especially in the English-speaking realm. This diffusion not only signifies the diffusion of institutionalised socialisation of the population, but also the diffusion of the interdependence of education, democracy and capitalism, of socialisation and the market. Alphabetisation through standardised education fosters a culturally homogenised civil society, and, at the same time, ensures the survival of state power by emphasising the importance of education for individuals’ participation in the labour market and identification with the state.

The initial hegemony of Western state formation can be visualised through the pattern of diffusion of compulsory schooling, originating in Europe, slowly covering the globe. The hegemony of the Western education states has since then run its course (Weymann 2014).

Table 13.1 shows four discrete-time logistic hazard models of network diffusion. Since we excluded countries that have adopted compulsory education before 1880, the analysis is based on  $N = 153$  countries. We control for GDP per capita and levels of democratisation. Moreover, we control for time dependence using a piecewise function by dividing the

**Table 13.1** Diffusion of compulsory education—cultural spheres network, discrete-time logistic hazard model of network diffusion,  $N = 153$  countries

	Introduction of compulsory schooling			
	(1)	(2)	(3)	(4)
Rate $t$ (0–24)	0.001***	0.001***	0.001***	0.001***
Rate $t$ (25–49)	0.003***	0.003***	0.003***	0.003***
Rate $t$ (50–74)	0.001***	0.001***	0.001***	0.001***
Rate $t$ (75–99)	0.001***	0.001***	0.001***	0.002***
Rate $t$ (100–130)	0.001***	0.001***	0.001***	0.001***
Cultural spheres netw.: w. exposure (lag 1 year)	135.441***	133.678***	180.853***	74.594***
GDP per capita/10000 USD	–	1.034	1.028	–
Democratisation	1.054	1.055	–	–
Observations	8798	8798	8798	10098
Log likelihood	-558.696	-558.585	-559.115	-586.536
Akaike Inf. Crit.	1131.393	1133.171	1132.23	1185.071

Source: CRC 1342, Project A05, WeSIS data base

Note:  $+p < 0.1$ ;  $*p < 0.05$ ;  $**p < 0.01$ ;  $***p < 0.001$

process time in approximately twenty-five-year intervals. While GDP and levels of democratisation do not show any significant effects on the adoption rate, there is a strong and robust effect of exposure in the network of cultural spheres. The higher the (weighted) share of countries that have already adopted compulsory education, and to which the focal country is tied, the stronger the propensity to adopt compulsory education in the subsequent period, given that the focal country has not yet adopted. This result of the macro-quantitative network diffusion model is an empirical test of whether the short showcase narratives presented above represent the overall pattern of diffusion within cultural spheres. The cultural spheres network is indeed a crucial underlying structure for the diffusion of compulsory education. However, such large hazard ratios, which we see in Table 13.1, can indicate endogeneity—which is not the case here. We also find similarly strong effects of spatial proximity (not shown here), which is, unsurprisingly, confounded with the cultural spheres. Rather, the diffusion process follows quite strictly the relational structure given by the weighted exposure in the cultural spheres network, that is, cultural proximity of countries.

## 5 Conclusion

In line with studies from evolutionary and cultural anthropology, we argued that cultures differ at the global level for example in terms of individualism, impersonal trust and autonomy—which are personality traits of modern, WEIRD individuals. Consequently, today's WEIRD culture relies on properly operating and legitimate state institutions, which are the modern form of social order, in contrast to pre-modern clan societies. There is a multitude of cultural indicators such as dominant religion, gender role orientations, political liberties and language groups, which co-vary with these traits. Culture in terms of literacy and basic education is a prerequisite of the modern state (Weymann 2014). Standardised public education often increased the WEIRDness in the population and it is not surprising that the propensity to establish such educational programmes differed considerably over history between nation states.

The global diffusion of compulsory education started in the late eighteenth century in Central and Northern Europe. It is almost complete today, as expected by the proponents of neo-institutionalism (Meyer et al. 1997). Public education systems organise the reproduction of culture and often provide efficient governability of the literalised population by legitimising state activity. These theoretical considerations motivated our hypothesis that the global diffusion of education policy, in this case the introduction of compulsory education, depends on “cultural spheres”. We developed this concept as a response to classifications of cultures that ignore their fuzzy-set nature and their overlapping boundaries. Valued two-mode network analysis connects countries via shared cultural characteristics, which is a highly promising approach to measure and analyse culture. Countries resemble each other to varying degrees, depending on the number of shared cultural characteristics. In our analysis, we proved that an increasing share of ties in the “cultural spheres” network to countries which already had adopted compulsory education increases contagion and the rate of adoption. Shared cultural characteristics increase the likelihood of diffusion of this basic educational institutional policy, which means that cultural spheres strongly mediate the global diffusion of rational state organisation.

Future research should enhance our theoretical and empirical approach, for example, by simultaneously including different kinds of networks, for instance networks of transnational trade, or two-mode networks of membership in international organisations active in the field of education.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 14

## The ILO Beyond Philadelphia

Jenny Hahs

### 1 Introduction

When the president of the United States Franklin D. Roosevelt invited the International Labour Organization (ILO) to the White House in 1941, he prepared the ILO for a post-war task in which the organisation would “have an essential part to play in building up a stable international system of social justice for all peoples everywhere” (Deacon 2015, 46). The ILO responded by creating a comprehensive portfolio of standards ready to be ratified by every member. The subsequent expansion of norms until the mid-1970s remained unique in the history of ILO’s labour standards. Moreover, in the Declaration of Philadelphia from 1944, the ILO declared that labour is not a commodity (International Labour Conference 1944, I, a) and committed to an inclusive understanding of labour rights

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in combination with global and universal coverage. The Declaration recognised that ILO's mission also meant to further full employment (III, a), a clear division between subordinated workers in occupations needing to collaborate with employers as their counterpart to bargain for living wages, working time, etc. (III, b, d, e, g). Interestingly, many of these topics were characteristics of what was later analysed as standard employment relationship (SER). Although not a single coherent concept, the SER reflected the diversity of Global North<sup>1</sup> countries' experiences of industrialisation and variations in their industrial relations frameworks (Deakin 2002; Mückenberger and Deakin 1989). Being both enshrined in the Declaration of Philadelphia, the resulting tension between the universalisation of labour rights and the swift distribution of a specific privileging concept of an employment relationship, the SER, is the subject of this chapter.

Covering a period starting from 1945 with the Declaration of Philadelphia and ending in 1970, shortly before the end of "the Golden Age of Capitalism", the chapter traces the global proliferation of international labour regulations through the adoption of ILO conventions.<sup>2</sup> The article argues that by fostering an ideal concept of employment, namely the SER, these regulations stemming from the Global North are spread worldwide through ILO conventions. To that end, the chapter quantitatively assesses the ratifications by ILO members of SER-relevant categories within newly adopted conventions in the aftermath of the Declaration of Philadelphia.

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<sup>1</sup>There is no agreed scholarly definition of the terms or a defined list of countries that are part of either the Global South or Global North. For the purpose of this article the usage of the term Global North relates to high-income countries according to the World Bank classification 2020. Global South refers to countries in Africa, Asia, Oceania, and Latin America classified by the World Bank as low- or middle-income countries.

<sup>2</sup>The article concentrates on the analysis of conventions because within the set of ILO legal instruments they entail profound legal obligations accompanied by an elaborated reporting and supervisory system. Ratification of a convention marks a clear formal expression by the member state to legally binding engagement.

## 2 From Particularism to the Tension Between Universalism and a Standard Employment Relationship

The expansion of labour legislation towards universalism has a long history. According to Engermann (2003, 32), who refers to Shotwell (1934), labour legislation developed towards universalism in three phases. Inherent to the first phase was the “development of standards internal to a nation, with legislation and enforcement established by the sovereign nation.” This meant the introduction of policies contractualising the exchange of labour against monetary remuneration. Starting from the second half of the nineteenth century, during the second phase, a series of international conferences and agreements led to attempts at imposing international standards. Engermann (2003, 32) emphasises that “international” during this period meant applicable exclusively to “the developed countries of Western Europe, countries that were geographically contiguous, with similar climates, and with levels of economic development that were somewhat similar, at least compared to those in the rest of the world”. Although colonialism was prevalent, colonial labour markets could be partially or fully excluded from separate protective treatment by utilising a “Colonial Clause” in the ILO constitution from 1919. This clause allowed for partial or full exemption of certain territories of the colonial powers from the application of ratified standards. Due to this introduction of a separate labour code for colonial labour, standards from the metropolis were also not applicable and did not cover “native” labour. The result was a particularist colonial doctrine by creating a separate “Native Labour Code” through the adoption of the conventions of the time (Maul 2008, 33). The establishment of the ILO in 1919 as part of the League of Nations and later as an agency of the United Nations in combination with the independence movements in the aftermath of World War II meant that the third wave of labour legislation expansion took the shape of universalism. It was only after the Declaration of Philadelphia that the ILO broadened the scope of labour regulation by including “all nations, developed as well as less developed, with

worldwide coverage, including former colonies as well as independent nations” (International Labour Conference 1944, II, a).

Besides the redefinition of the ILO’s aims, the conference of Philadelphia had another remarkable result. It extended and broadened the scope of its activities regarding labour standards, by promoting in particular the initiation or the further development in the less developed member countries. The colonial reform programme of Philadelphia marked the beginning of a new framework for connecting economic and social development with basic human rights. Rodgers et al. (2009, 44) conclude that the adoption of the Declaration of Philadelphia in 1944, and its incorporation into the ILO Constitution in 1946 launched a new phase of standard setting. The instruments adopted following the decade after World War II formed the “intellectual foundation of much of the subsequent human rights standard-setting in the UN and in various regional instruments, as well as in the ILO” (Rodgers et al. 2009, 45). The basis of the future peacetime order was supposed to consist of universal social rights of the *individual*.

Although the Declaration of Philadelphia marked the ILO’s shift towards universal, individual human rights, it can also be read as containing claims of structures of labour predominantly connected with the Global North. In addition to measures intended to boost production and consumption in general, there was also a clear commitment to social development in less developed regions of the world: “including measures to expand production and consumption, to avoid severe economic fluctuations to promote the economic and social advancement of the less developed regions of the world (...)” (International Labour Conference 1944, IV). The Declaration thus inaugurates an understanding of development as a unilateral trickle-down of ideas from the developed towards the less developed members.

The SER became a salient example of these developmental processes. Vosko (2010) defines the SER as a male breadwinner-oriented, continuous, full-time, bilateral employment relationship based on standardised working time. It became an expression of a seniority-emphasising regulatory pattern in the national labour regulation of former colonisers from the Global North, such as France, the United Kingdom, and Germany (see, inter alia, Mückenberger 1985). Lutz (1989) and Fudge (2017) have

shown that the SER is based on post-World War II prosperity in Europe. In close connection, collective bargaining was discussed as being tied to the successful organisation of workers in primarily formalised work relationships such as the SER (Bosch 2004; Schoukens and Barrio 2017). Freedom of expression and association, as well as collective bargaining, were also deemed crucial to the effective implementation of the goals of the Declaration (III, e). These were new rights not only in former colonies but also in former communist and socialist countries and helped to distribute an understanding of workers' representation stemming from the industrialised member countries of the Global North.

The Declaration also recognised the solemn obligation of the ILO to further the reality of full employment (International Labour Conference 1944, III, a). However, not the only aspect of an SER, full employment incorporated the power to structurally pave the way towards most of SER's constituting aspects. At least in European countries, there was already experience with full employment in the wake of World War I, which coincided both with the "successful" exclusion of women from the labour markets as a result of maternity protection regulations and working time restrictions and with the general introduction of the eight-hour day in 1918. This form of full employment was not based on good jobs with fair working conditions and wages but was a reaction to the rapid increase in unemployment resulting from demobilisation, overheated inflation, and measures to restrict further labour supply. Confronted with the new labour markets of the countries of the Global South, it is surprising that this concept became an unquestioned mainstay of future ILO regulatory efforts. Still an influential principle today, it was prominently reaffirmed several times.

### **3 Of Old and Not So New Members: Changes in the Membership Structure of the ILO**

Given that in 1945 most ILO member countries were not Western democracies, it was not apparent that their labour rights could become a normative guideline. However, Maul (2008) has already shown for colonialist labour regulation patterns that normative persistence after World

War II became ensured by the Declaration in a twofold way. On the one hand, it comprised a call for the formation of a welfare state in the “motherlands” and independent member states. In contrast, a shift towards “welfare colonialism” safeguarded to broadcast the colonisers’ goodwill to develop their still dependent colonies, but only to the desired level defined by the colonial powers (Maul 2008, 34).

As shown in Fig. 14.1, the end of World War II marked the accession period of former colonies and Asian countries to the ILO. Several countries, which had previously left in solidarity with Russia, or which had ended fascist or dictatorial regimes re-entered the ILO. This resulted in a quantitative reweighting of the worlds from which the members originated. Since 1960, the number of members from the Global South has exceeded those from the Global North. This opened a window of opportunity for the integration, (re-)regulation and transformation of their labour markets within the set of norms offered at that time by the ILO.

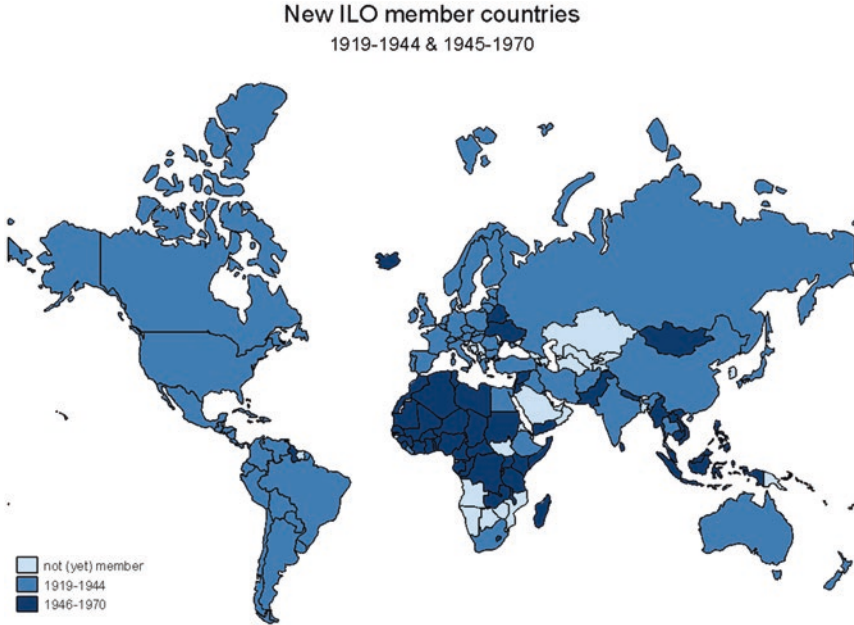
## 4 Structure of Adopted Instruments that Came into Force After 1945<sup>3</sup>

The ILO’s response to this window of opportunity was establishing and substantively broadening the corpus with new international labour standards. To this day, no more instruments have ever been adopted and put into effect than during this period. From 1945 to 1970, a total of sixty six new conventions (cf. Fig. 14.2) covering nearly all regulatory fields (cf. Table 14.1) were adopted and came into effect. From 1945 to 1950, thirty-one conventions were adopted and ratified, while the period from 1950 to 1960 has seen seventeen conventions. From 1960 to 1970, this figure stabilised at a total of eighteen adopted conventions.<sup>4</sup>

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<sup>3</sup> Because no data was available for the following instruments they are not represented in the results: C051—Reduction of Hours of Work (Public Works) Convention, 1936 (No. 51), C061—Reduction of Hours of Work (Textiles) Convention, 1937 (No. 61), C066—Migration for Employment Convention, 1939 (No. 66) and C076—Wages, Hours of Work and Manning (Sea) Convention, 1946 (No. 76).

<sup>4</sup> Direct reference to parts of the Declaration of Philadelphia was given in four instruments: C087—Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), C107—Indigenous and Tribal Populations Convention, 1957 (No. 107), C111—



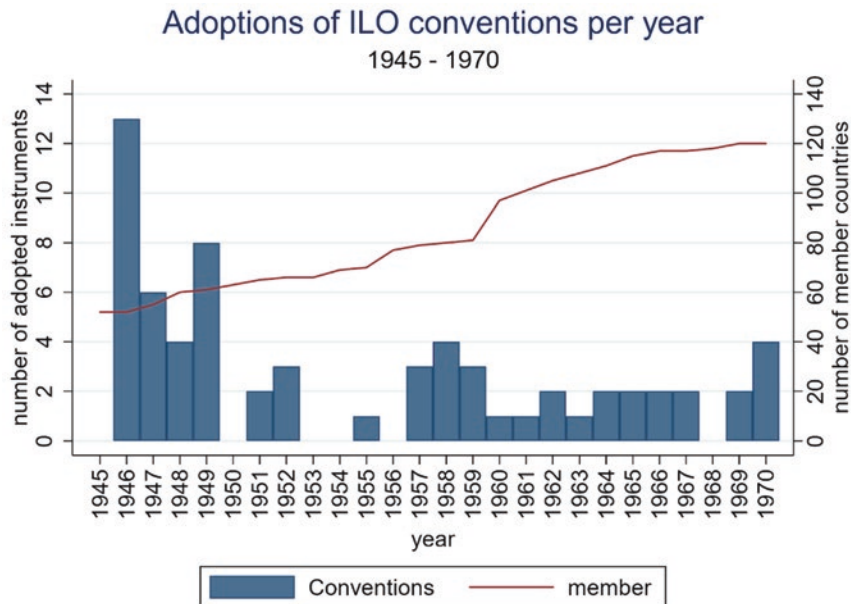
**Fig. 14.1** Change in ILO membership 1945–1970. (Own representation based on International Labour Organization 2020a)

Still, twenty-four of the adopted instruments from this period are classified as “up-to-date instruments”<sup>5</sup> and are pending ratification by the members. Likewise, five of the eight fundamental conventions of that time—a set of instruments that are regarded as elementary by the ILO for the structuring of a world of work in conformity with human rights—originate from this period. Also, three out of four governance conventions originated from the period. They govern the fundamentals of the functioning of the international labour standards system and are essential instruments in terms of governance. As a result, the ILO encourages member states to ratify them as a matter of priority. Instruments from

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Discrimination (Employment and Occupation) Convention, 1958 (No. 111), C122—Employment Policy Convention, 1964 (No. 122).

<sup>5</sup> The up-to-date status of these conventions indicates them being ready for ratification and having been examined by the ILO Governing Body and deemed to be still relevant.



**Fig. 14.2** Adoption of ILO conventions per year and rise of membership, 1945–1970. (Source: International Labour Organization 2020a; own calculations)

that time thus continue to have a long-term impact on the ILO's desire to regulate.

However, these figures also indicate that the adoption of the majority of instruments during this period happened before the vast upswing in the accessions and re-entries of members to the ILO in 1956 and 1960. Accordingly, the identification of topics and the negotiations on the content of the new instruments were primarily the responsibility of the old members (Gheballi et al. 1989, 27). It was first and foremost in their hands to negotiate the issues and the understanding of regulation within the conventions.

**Table 14.1** All newly adopted conventions by ILO's topical categorisation, 1945–1970

Topic/subject of instrument	Conventions
1 <i>Freedom of association</i>	C084 C087 C098
2 <i>Forced labour</i>	C105
3 <i>Child labour</i>	C077 C078 C079 C090 C123 C124
4 <i>Equality of opportunity and treatment</i>	C100 C111
6 <i>Labour administration and inspection</i>	C081 C085 C129
7 <i>Employment policy and promotion</i>	C088 C096 C122
10 <i>Wages</i>	C094 C095 C099 C131
11 <i>Working time</i>	C089 C101 C106 C115 C132
12 <i>Occupational safety and health</i>	C119 C120 C127
13 <i>Social security</i>	C102 C118 C121 C128 C130
14 <i>Maternity protection</i>	C103
15 <i>Social policy</i>	C082 C117
16 <i>Migrant workers</i>	C097
18 <i>Seafarers</i>	C068 C069 C070 C071 C072 C073 C074 C075 C091 C092 C093 C108 C109 C133 C134
19 <i>Fishers</i>	C112 C113 C114 C125 C126
21 <i>Indigenous and tribal peoples</i>	C086 C104 C107
22 <i>Specific categories of workers</i>	C083 C110
23 <i>Final Articles Conventions</i>	C080 C116

## 5 A Universal and Global Proliferation? Structure of Ratifications of ILO Conventions and Spatial Distribution 1945–1970

Ratifying a convention marks the highest formal expression of the commitment of a member country to the international labour standards of the ILO. It accordingly imposes the strongest obligations.<sup>6</sup> From 1945 to

<sup>6</sup>Article 19, paragraph 5(d) of the Constitution of the ILO defines obligations stemming from an implementation of the ratified Convention in practice, giving it effect in law or other means, and



1970, there was a total of 2686 ratifications. The member countries of the Global South accounted for the greater number: they ratified instruments 1789 times during this period. This is a remarkable figure given the new duties and the adjustments necessitated thereby. One explanation for the enthusiasm for ratification was the access to ILO's Technical Assistance Programme, which offered countries financial and knowledge-based support for national implementation and hence provided an incentive for ratification (for a more detailed analysis, see Maul 2008, 39). This contrasts with a much lower figure of 897 ratifications by the countries of the Global North. The annual ratification rate peaked for the Global North in 1956 (eighty-eight ratifications), while the year was 1960 for the Global South (300). This should be seen in conjunction with the earlier mentioned growth of members.

Furthermore, Table 14.2 also provides an insight into the spatial differences in ratification behaviour. Ratifications were carried out to a much greater extent by members of the Global South from Africa or the Americas. This group is mainly composed of former colonies. This indicates that the aforementioned unilateral trickle-down of ideas towards the members of the Global South was not only normative theory but became a reality in the ratification behaviour.

This central finding also holds for the *ratification practice of SER-relevant conventions*:

Topic 11, regulations concerning working time, accounts for the highest number of ratifications by the Global South (208 ratifications). This category entails the SER-relevant dimensions *standardised working time*, *male-breadwinner orientation*, and *seniority-emphasising regulations* such as C014 on weekly rest, the first (C004), and revised convention (C089) on the prohibition and later restriction of night work of women. Interestingly we find no ratification of C047, which sets out the principle of the forty-hour workweek. However, seven members ratified C001,

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ensuring that these obligations are in accordance with national practice (such as court decisions, arbitration awards or collective agreements) (cf. International Labour Organization 2019, 20). From ratification onwards, member states also agree to start regular reporting on those obligations. Observance of the regulation becomes subject to regular supervision by the supervisory bodies of the ILO. (International Labour Organization 2019, 41)

**Table 14.2** Ratifications of ILO conventions by full members, by topical classification and Global North/Global South divide, ILO regions, and SER-relevance 1945–1970

Topic	Global North		Global South				Total SER relevance			Relevant conventions (C089, C087)
	Total Global North <sup>a</sup>	Africa	Americas	Arab States	Asia and the Pacific	Europe and Central Asia	Total Global South <sup>a</sup>	Dimension(s)		
1 <i>Freedom of Association</i>	67	86	46	7	12	2	153	220	(Collective bargaining)	
2 <i>Forced labour</i>	41	61	38	10	18	1	128	169		
3 <i>Child labour</i>	99	98	61	9	17	1	186	285		
4 <i>Equality of opportunity and treatment</i>	43	45	30	8	11	2	96	139		
6 <i>Labour administration and inspection</i>	35	27	20	6	7	1	61	96		
7 <i>Employment policy and promotion</i>	56	32	24	6	7	4	73	129	Full-time employment	C088, C122
10 <i>Wages</i>	44	89	44	9	9	3	154	198	Bilateral employment relationship/subordination	C026, C094, C095

(continued)

Table 14.2 (continued)

Topic	Global North		Global South				Total Global South <sup>a</sup>	Total SER relevance	Relevant conventions
	Total Global North <sup>a</sup>	Africa	Americas	Arab States	Asia Pacific	Europe and Central Asia			
11 <i>Working time</i>	65	109	64	21	13	1	208	273	C001, C004, C014, C047, C089
12 <i>Occupational safety and health</i>	56	64	35	10	7	2	118	174	Standardised working time, male-breadwinner orientation, seniority
13 <i>Social security</i>	98	99	54	7	11	1	172	270	Male-breadwinner orientation Bilateral employment relationship/subordination
14 <i>Maternity protection</i>	9	8	5		1		14	23	
15 <i>Social policy</i>	6	10	5	3			18	24	
16 <i>Migrant workers</i>	14	8	12				20	34	
18 <i>Seafarers</i>	160	62	63	6	12	1	144	304	
19 <i>Fishers</i>	32	14	18	1			33	65	
20 <i>Dockworkers</i>	15	8	8	1	4		21	36	

Topic	Total Global North <sup>a</sup>	Africa	Americas	Arab States	Asia and the Pacific	Europe and Central Asia	Total Global South <sup>a</sup>	Dimension(s)	Relevant conventions
21 <i>Indigenous and tribal peoples</i>	10	65	40	6	11		122	132	
22 <i>Specific categories of workers</i>	1	2	5		1		8	9	
23 <i>Final Articles Conventions</i>	46	22	22	6	8	2	60	106	
<b>Regional Total</b>	<b>897</b>	<b>909</b>	<b>594</b>	<b>116</b>	<b>149</b>	<b>21</b>	<b>1789</b>	<b>2686</b>	

<sup>a</sup>The five most ratified instruments are shown in bold  
Source: International Labour Organization (2020b); own calculations

which set the general standard at forty eight regular hours of work per week, not exceeding eight hours per day.

Topic 13, regulations concerning social security account for the third-highest ratification figures (172 ratifications). Instruments in this category address the *bilateral employment relationship* and the *legal subordination*, for example, placing the employee under the employer's authority and control. Further, we find instruments restricting access and compensation in, for example, cases of accidents to formally employed employees (C017) and universalising this logic by creating equal treatment rights of other ratifying members' nationals or their dependents in case of industrial accidents which took place during times of work abroad (C019).

The SER-relevant dimension of *full-time employment* is realised in topic 7, regulations concerning employment policy and promotion. Instruments here call for employment services helping to structure the national employment markets alongside the achievement and maintenance of full employment (C088) and the aim to achieve full, productive, and freely chosen employment (C122). Although one of the weaker ratified categories, still seventy-three ratifications did occur.

It is striking that the Global South ratified instrument groups associated with the SER. Simultaneously, they also caught up on the ratification of groups that could be allocated to the first and second wave of labour regulation: child labour, forced labour, working time, and maternity protection rate count among the highest total ratification numbers. This strengthens the evidence that these countries were reproducing former regulatory modes and ratification practices of the originally far more European-originating founding members of the ILO.

## 6 Conclusion: Universalism in the Aftermath of the Declaration of Philadelphia—A Global Proliferation?

The ratification of instruments by countries of the Global South during the period from 1945 to 1970 shows that the newly adopted instruments fulfilled the universalistic agenda originating from the Declaration of Philadelphia only on the level of access. Moreover, this also only after it finally abolished its colonial clause and the associated “welfare colonialism”, thus opening the possibilities for former dependent territories to become independent full members of the ILO. From that point on, the ILO facilitated universal access to its new labour standards for all members. Meanwhile, the emerging new versatile set of conventions ready to be ratified continued to be inspired by the normative underpinnings of labour standards of the Global North. Neither collective bargaining nor the regulation of working hours was adequately able to capture the mostly informal, mostly rural labour market structures of many former colonies and new members from the Global South. Nevertheless, the countries of the Global South ratified norms to a considerable extent, which, by means of SER-typical segmentation and privileges, even had the potential to contribute to a further internal legal segmentation of their labour markets.

The ILO has been perceived as organisation that strives “to dignify labour and create a socially peaceful capitalism” instead of abolishing the exploitation of working people like the communist-inspired projects and revolutions (Deacon 2015; Tosstorff 2020). During the period from 1945 until 1970, it has universalised access to these more dignifying labour standards in the wake of the Declaration of Philadelphia with a delay. Further, the elaboration of the concept behind it, however, remained predominantly within the interpretive sovereignty of the Global North. In this way, the ILO helped to foster an ideal concept of employment, namely the SER, whose regulatory ideas stemmed historically from the Global North and became spread through worldwide ratifications of ILO conventions.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 15

## Between Economics and Education: How International Organisations Changed the View on Education

Dennis Niemann, David Krogmann,  
and Kerstin Martens

### 1 Introduction

In September 2018, the World Bank released its annual World Development Report titled “Learning to realize education’s promise”. What made this report special was that it put the topic of education at its centre for the first time in the history of the Bank’s flagship publication. The World Bank underscored that education is of utmost importance to secure the economic development of states and that targeting education policies is considered one of the key tasks of the international organizations (IOs). Almost two decades earlier, the Organisation for Economic Co-operation and Development (OECD) published its first Programme for International Student Assessment (PISA) study in 2001 and successively advanced to become one of the most influential IOs in the field of education by gaining regulatory governance in the field (Martens and

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Jakobi 2010). National education systems respond to new challenges posed by IOs, such as the OECD or the World Bank, in order to keep pace with a constantly growing knowledge society that views education as the key to growth and prosperity.

Interestingly, neither the World Bank nor the OECD was originally mandated to deal with education. Both IOs were primarily concerned with economic growth and development. However, at some point in time, they realised that in order to fulfil their original tasks they would also have to address the field of education. So, how did it come about that economic-centred IOs expanded into education? Are the World Bank and the OECD simply two prominent exceptions or can we observe a general pattern of IOs with a background in economic development policies (or any other non-education related issue areas) expanding into education topics? If that is the case (spoiler alert: it is the case!), what does it mean for the framing of education in the international community?

In this chapter, we show how the vertical interdependence regarding the communication of ideas spread by IOs is increasingly manifested. We trace the general development of the IO population in the policy field of education to underscore that IOs whose mandates were not originally concerned with education entered the field of education. In this context, particularly IOs with economic policy backgrounds expanded into education policy. In the second step, we illustrate how these economic IOs changed the way education is viewed today and which ideas regarding education dominate in global discourse, as exemplified by the cases of the World Bank and the OECD.

## 2 The Continuous Expansion of Education IOs

In the wake of ongoing globalisation processes and worldwide competition, education policy has become progressively internationalised over the last decades. IOs are now seen as significant actors in the education sector, being responsible for analysing policies and practices, making recommendations, providing normative guidance, and establishing

networks with like-minded actors. While education has always been a relevant issue for some IOs based on their mandate, others adopted the topic rather gradually for various reasons. Obviously, the United Nations Educational, Scientific and Cultural Organization (UNESCO) is the prime example of an IO actively promoting education ideas since its inception in 1945 as part of the UN system. But even before UNESCO was founded, the International Labour Organization (ILO) emphasised the social significance of education. All in all, there are about thirty IOs today that can be considered as dealing with education policy issues (Niemann and Martens 2021).<sup>1</sup>

However, these IOs in education policy also exhibit several different characteristics. Roughly one-fourth of them envision education as a primary activity, in other words, these organisations were founded with the intended purpose of focusing mainly, or sometimes even solely, on education topics. From their inception onward, their main issue area has always been education and most of them had already been founded between 1966 and 1975. These distinct education IOs stand in contrast to a majority of IOs that cover several policy fields, with education being only one among other issues they deal with. This pool comprises two subtypes. On the one hand, it is constituted by general IOs, in other words, IOs that have a broader purpose and focus on a wide range of issue areas over a number of fields. Examples include the European Union (EU) and the South Asian Association for Regional Cooperation (SAARC). Although several of them embraced education topics from the very beginning, many of them moved into the policy field at a later stage, at times even quite long after their inception, making education part of their programmatic mission ex-post. The group of IOs in education policy is also composed of specialised IOs which have a primary mission other than education, like the United Nations High Commissioner for Refugees (UNHCR) or the ILO, which first and foremost focus on refugee

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<sup>1</sup> By education IO, we refer to “public” organisations in which states are the principal members. That excludes NGOs, like the Gates Foundation or the Global Partnership for Education. We count IOs which are listed in either the Yearbook of International Organizations or the Correlates of War data set and which mention education in the IO’s programmatic mission statement as a designated task of the IO (be it in the IO’s preamble, founding treaty, amended treaties, or on its current websites), have their own permanent organisational (sub-) department, and address education *policy* issues.

protection and labour rights respectively. Economic IOs, like the OECD or the World Bank, also fall into this group of specialised IOs.

Generally, what we can observe is a steady rise in the number of IOs concerned with education topics after World War II (see Fig. 15.1). Several IOs discovered education as an elemental policy field for pursuing their overall mission. In particular, we find that IOs with a mandate related to financial issues transitioned into education issues as early as the 1960s/1970s. Surprisingly, and in contrast to what is widely assumed, this development predates the emergence of the global knowledge society, the internationalisation of discourse around education policy and the diversification of relevant actors in the field. Hence, IOs were not the effect of intensified internationalisation in education policy but rather the drivers of this development. At what point then did these derivative IOs consider education crucial enough to be included into their catalogue of activities after their inception?

Empirically, a number of general trends can be identified in the population of education IOs over the last seventy years. These trends are displayed in Fig. 15.1. Overall, the number of IOs working in education policy increased from a mere two organisations in 1945, namely the ILO and UNESCO, to thirty organisations in 2018. Interestingly, the course of this expansion is rather steady. Over the decades, the population of

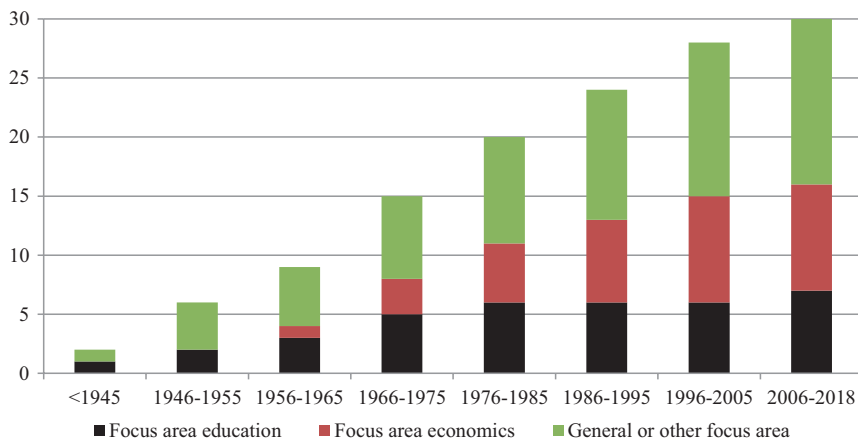


Fig. 15.1 Growth of education IOs over time

education IOs expanded incrementally, with no particular sharp turns at any point in time. By the mid-1990s, this expansion had slowed down and settled toward the end of the decade, with only two education IOs being founded after 2005. This finding suggests that after a continuous growth or discovery of education as a significant field of IO activity over the last decades, the field is now saturated.

In and of itself, this development is not surprising. Given a rising number of existing IOs, a parallel increase in IOs which deal with education policy should be expected. What is most striking about the data, however, is the fact that the internationalisation of the field of education seems to have started earlier than what is commonly assumed in the literature. Generally, research on the internationalisation of education presumes that the process began in the 1990s. Indeed, education increasingly and undeniably became a prominent policy issue in the late 1990s, as exemplified by the rise of international large-scale assessments like PISA. However, the involvement of IOs in education policy seems to have started much earlier, as shown above.

A closer look reveals that IOs with an original mandate in the field of economic policy have become the most important subgroup in education policy today: They cover almost one-third of the entire education IO population. Some of them have even become key players in international education policy. Most notably, a number of development banks now work on education. Our analysis underscores that education has become increasingly important over time for economic IOs, as education topics were linked to their original aims. This is especially noteworthy because economic IOs started including education policy in their programmatic missions somewhat more recently than other education IOs. Figure 15.1 shows that general IOs as well as specialised IOs which are not concerned with economic policy started to address education policy earlier than economic IOs. Economic IOs were latecomers, only starting to concern themselves with education policy around the late 1960s to mid-1970s. In the decade from 1956 to 1965, only one of five existing economic IOs in the reviewed sample engaged in education policy (see Fig. 15.2). By 1975, 50 percent of economic IOs dealt with education policy and by 1996, all nine economic IOs had included education in their portfolios.

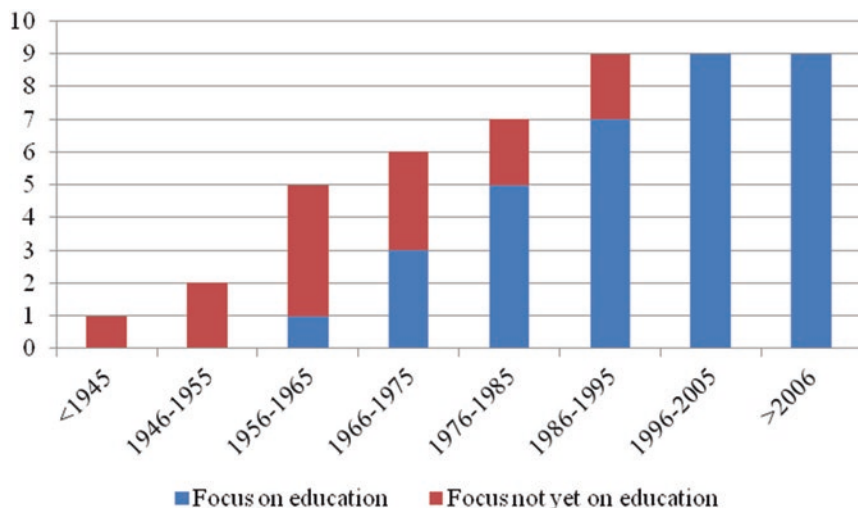


Fig. 15.2 Economic IOs in the field of education

### 3 The Impact of Economic IOs Entering the Education Field

Although they came late, economic IOs have strongly influenced the view on education. The main story of economic IOs discovering education policy is that they started their activities in the field of education with a certain understanding of the purpose of education. Economic IOs particularly pointed out that improvements in education positively affect the development of a state. In particular, the established links between economic development and well-being, human capital generation, and education skills propelled economic IOs toward the education arena. Education improvements were recognised as an investment. The World Bank and the OECD will serve as exemplary cases here. For both IOs, an ideational view on education purpose is overshadowed by the utilitarian economic perspective.

While the World Bank's concrete foci of development policies in education varied over time, its primary mission of providing development aid in order to reduce poverty and foster human development remained

constant. Since the World Bank is also a conventional bank that grants financial aid, borrowing countries have to implement certain policies and adopt the defined framework of education advanced by the Bank (Steiner-Khamsi 2012). Against this background, the Bank's discourse on education can be characterised alongside key ideas which revolve around a utilitarian understanding of education.

The World Bank's economic focus became institutionalised in its education programme in the 1960s. By addressing the "engineering problem" (e.g. skilled staff was required to operate new technology), the development of human capital was prioritised over capital goods (Heyneman 2003). The "Washington Consensus" was of particular importance in framing the Bank's education policy agenda of utilitarianism: reduce public sector spending, liberalise markets, and privatise public enterprises. With the rise of the neoliberal paradigm in the 1980s, this view was further strengthened and the economic IOs pushed for the introduction of more market mechanisms in the education sector. From 1980 onward, the World Bank together with the OECD strongly promoted the neoliberal Chicago School's preference for a global free market (Robertson 2012). This triggered a twofold development: Economic IOs sought to optimise education policies and states sought the advice of economic IOs in matters of education. In consequence, some economic IOs became key players in education. Even when the neoliberal trend in global social policy came to a partial halt in the 1990s and a "Post-Washington Consensus" began to emerge, the Bank's education ideas were still in line with neoclassical economic thinking (Mundy and Verger 2015). However, the Bank gradually widened its view to include non-economic ideas, developing a more holistic position in regard to the purpose of education.

Although the Bank nowadays emphasises education as a human right (World Bank 1999, 2018) and recognises the limits of the market model for education (Robertson 2012), the purpose of education as seen in the Bank's discourse makes clear that an economic leitmotif prevails. The utility of education is still brought to the fore. The Bank's "Education Strategy 2020" of 2011 still reflects an economic paradigm in education and promotes the global standardisation of curricula, private–public education partnerships for designing and conducting education projects, and



the decentralisation of national education systems (Enns 2015). In the view of the Bank, education affects how well individuals, communities, and nations fare, and countries need more highly educated and skilled populations. Moreover, individuals need more skills to become more productive, to compete, and to thrive in a global labour market (World Bank 1999). The level of acquired “skills in a workforce (...) predicts economic growth rates of a states” (World Bank 2011, 3) and learning is essential for human capital development (World Bank 2018).

Taken together, the utilitarian-driven view on education was always central to the Bank’s education discourse: Education should serve the purpose of fostering the economic development of states and societies. However, the notions changed from viewing education as instrumental for training technicians, to a strict neoliberal human capital approach, to the rather holistic and evidence-based understanding of education which emphasises the positive effects that high-quality education can have on economic and social development. Currently, the economic view is still central but embedded in a broader framework that also includes aspects of social cohesion and individual fulfilment. The economic core of the Bank’s education belief system became supplemented with other, more holistic views on education. However, other views are linked (and subordinated) to an economic reasoning, namely one that emphasises a return on investment.

A similar pattern can be identified when examining the education ideas that the OECD promotes. In its early years, the OECD’s education endeavours reflected the fundamental task of improving its member states’ (scientific and commercial) performances in the face of pressing challenges at that time: the reconstruction of Europe, economic stabilisation, and increasing confrontation with the Soviet Union (Woodward 2009). From the early 1960s to the mid-1970s and under the leading paradigm of Keynesianism, the emphasis of the OECD’s education activities progressively shifted toward social and equity objectives and became closely linked to issues related to the labour market and economic growth (Papadopoulos 2006). In the mid-1970s, the OECD again turned its attention to education as an essential generator of economic growth. In this phase, the social and equity components of education policy “receded to the background, giving way to economic concerns” (Papadopoulos

2006, 25). In the 1980s, the neoliberal interpretation of education was further strengthened since the OECD focused on “how to adjust education to changing economic requirements in the context of stagnating budgets” (Mundy 2007, 28) and moved to a neoclassical supply-side orientation. Social and equity concerns were dominated by utility considerations. Since the mid-1990s, the OECD proactively worked on strategies that dealt with developing human capital to counteract the negative effects of globalisation (OECD 1996). Education was defined as a driving force for growth and development, and the OECD was committed to improving the quality of their member countries’ education systems (OECD 2010–2011).

In terms of the OECD’s ideas, the advancement of education systems should contribute first and foremost to human capital formation and secondarily to the progress of social citizenship (Robertson 2005). The OECD views human capital as “a major driver of a country’s trend productivity, not least through its impact on innovation” (OECD 2010, 18). However, the OECD does not neglect the wider social aspect of education and has stated that education serves the provision of social cohesion and overall well-being, including health issues for example (OECD 2007). Remarkably, social cohesion refers to economic factors: In order to create more social cohesion, education should enable individuals to advance economically. National education systems “need to equip people with knowledge, skills and tools to stay competitive and engaged” (OECD 2010–2011, 3). The findings of the OECD’s infamous PISA analysis confirm the positive returns on employment, earnings, well-being, and contributions to society for the individual as well as for the economy at large. Education was meant to provide support for the economy and the economy is responsible for securing and fostering the well-being of the whole society. Concerning this matter, social dimensions were also included in the OECD’s leitmotif of education, however, under an economic-centred framework.

## 4 Conclusion

Our study shows an increase in the total number of IOs active in the field of education and a particular increase in economic IOs that discovered the field of education at some point after their inception. Thus, vertical interdependencies between states in the education field have become denser over time. These transnational developments with respect to IOs and their impact on education are surprising, especially since education has long been seen as a field intimately connected to the (nation) state for most of recent history.

The stories of the World Bank and the OECD show that IOs with an economic background expanded into the field of education. They also show that these IOs came with a certain idea of the purpose of education, one in which the importance of skill formation through education for economic development is emphasised over other more holistic purposes. This interpretation of education challenged IOs with opposing views, like UNESCO and the ILO, and stirred competition. Moreover, because the World Bank and the OECD deployed massive resources in their education programmes, they often overshadowed other IOs. At the same time, the economic IOs' ideas on education became universally transmitted and accepted by national stakeholders. In consequence, the international education landscape significantly changed and new ideas about the purpose of education shaped national reforms.

Economic IOs, which moved into education much later than other IOs, were already established actors in the field by the early 1990s. In that sense, the activities of IOs in education policy precede the attempts made by nation states to internationalise the standards of their education system. Thus, when it comes to education policy, it seems fair to say that the creation of IOs and the delegation of tasks related to education policy were not an effect of an ever more globalised world. Instead, IOs were a driving force behind this specific aspect of globalisation.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Centre “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 16

## The Role of the United Nations in Promoting the Policy Debate on Child Allowance Issues in 1960s Japan

Naho Sugita

### 1 Introduction

The child allowance scheme is one of the key pillars of Japan's family policy. In 1961, the same year as the health insurance and public pension schemes for every citizen came into force, discussions for introducing a child allowance scheme started in a committee established in the Central Child Welfare Council (within the Ministry of Health and Welfare). After that, in 1965, the Ministry of Health and Welfare established a preparatory office for the child allowance scheme. Then, in 1969, the Ministry founded the Child Allowance Council. After twists and turns during ten years of discussion, the government passed the bill to introduce the child allowance scheme in 1971.

Some previous studies have dealt with the child allowance bill formation process (Ohshio 1996; Kita 2008; Ono 2014). The committee set

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up in 1961 and the council organised in 1969 had long discussions about those topics, in particular about reducing the economic burden of raising children and funding sources for the proposed policy. The law provided an income-tested allowance which covered third and subsequent children until the end of compulsory education.

The formation process of the child allowance scheme in the 1960s and its provisions and limitations as an enacted bill in 1971 was influenced by the new policy idea of “social development”. This idea came from the international context as much as the unique historical context in Japan. The international policy idea was not just imported from the United Nations (UN) but was remade during the import process and subsequently used to renew a policy idea that already existed in Japan. As a result, the concept of social development in Japan diverged from the original one in the UN; but, as I show below, the UN idea was instrumental to this process.

In this paper, I discuss the role of the idea of social development in promoting the policy debate on child allowance issues in 1960s Japan. Interestingly, the concept of social development that appeared in the context of development assistance in the UN brought a dramatic change in Japanese policy debates on human resources and social security, including the child allowance issue. Social development as a Japanese concept was combined with an interest to improve “the quality of population”, in particular through the state’s role in family planning, while the UN’s concept encompassed a more general humanism or psychosocial well-being without a state shaping family planning decisions.

## 2 The Quality of Population Debates

Before moving on to the subject of social development, I explain the concept of the quality of population, which had long been the key issue in Japanese policy debate since the 1920s.

Regarding policy debates on population, there are quality issues as well as quantity issues. The concept of the quality of population historically meant both genetic quality (inborn characteristics) and non-genetic quality (acquired characteristics). From a historical point of view, increasing

attention being paid to the quality of population was fundamentally linked to eugenic-euthenic ideas that were popular in the late nineteenth and early twentieth century in Japan as well as internationally.

Going back in the history of eugenic-euthenic thought, Francis Galton coined the term *eugenics* in 1883, and Herbert Spencer advocated the theory of social evolution. It is well known that Spencer coined the phrase “survival of the fittest”, which is also known as Social Darwinism. His evolutionary thought played a prominent role as a philosophy to build a better society from the end of the nineteenth to the beginning of the twentieth century. In response to this trend, *euthenics* emerged as an opposing theory of population quality. Ellen Henrietta Swallow Richards, known for her book *Euthenics: The Science of Controllable Environment* (1910), took evolutionary thinking in an environmental direction, insisting that environmental improvement is more important than genetic improvement. A confrontation ensued between proponents of eugenics and those of euthenics. Though conflictual, the two thoughts shared a common ground in the evolutionary idea that “a better society should be built on bettering people’s lives”. I call the idea the “eugenic-euthenic principle”.<sup>1</sup> The eugenic-euthenic principle highlighted issues surrounding the “quality” of population and had a great impact on policy debates of the time, such as the maternal welfare and child protection movements. These culminated in several pieces of legislation related to the quality of future generations, including the Child Abuse Prevention Act (*Jido Gyakutai Boshi Ho*; 1933), the Juvenile Reform Act (*Syonen Kyogo Ho*; 1933), and the National Eugenic Act (*Kokumin Yusei Ho*; 1940). These became the basis for population policy in post-war Japan.

Today, we consider the term eugenics to be closely associated with Nazism and the Holocaust. We recognise eugenics as immoral because it also led to ideas and practices of forced sterilisation, which was a process for choosing which types of people were allowed to exist and reproduce in a society. Without going into details, selection based on genetic factors

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<sup>1</sup>An example of a major eugenic-euthenic thinker in pre-war Japan was sociologist Tongo Takebe (1871–1945). He proposed that the term eugenics could be used in both a narrow and a broad sense. Narrowly, he said, “Eugenics” just means a eugenic approach, but, broadly, it indicates a eugenic-euthenic perspective, which was important for practical application. It was Takebe who translated euthenics into Japanese as *yukyogaku*. For details, see Sugita (2017).



was carried over to the post-war period, for instance in the practice of forced sterilisation of people with disabilities. This unfortunate history is completely criticised today.

On the other hand, a concern for better lives for people or better future generations, which continued to the post-war period, gave rise to discussions on non-genetic factors for bettering lives and society as a whole. A concern for non-genetic factors stimulated the formation of welfare policies for women and children. This is a positive aspect in the history of the eugenic-euthenic principle. Though, from the present viewpoint, it may be better to distinguish euthenic thought from eugenic thought, participants in the debates at the time recognised the two as a unified concept.

### **3 The 1960s as the Era of Social Development**

In the 1950s, the UN began to use the concept of social development, in contrast to simply economic development, as reorienting goals to “improving people’s lives” not just economic status. An essential meaning of social development is the improvement of the well-being of every individual in a society so that they can reach their full potential, and thus fosters a family’s right to family planning decisions as opposed to the eugenic-euthenic ideas where the state dictates family plans.

In January 1961, the UN declared the 1960s as the Decade of Development. President John F. Kennedy of the USA declared the “UN Development Decade” at a speech before the UN General Assembly in New York in 1961. In response, the United Nations Secretary-General at that time, U Thant, worked hard to promote the programme of the UN Development Decade in dealing with the North-South problem. The UN officially decided on an increase in development assistance for developing countries. After that, Japan also made efforts to expand Official Development Assistance in this context.

In 1963, the United Nations Research Institute for Social Development (UNRISD) was established to design strategies for socio-economic development. Thus, the period from 1960 to 1970 brought about considerable changes in development concepts. The UN came to regard balanced

social and economic development as important in development assistance. Then, overseas assistance to developing countries had been guided by the two pillars of economic *and* social development. The success of society came to be linked to the well-being of each and every citizen (US President 1964; US Welfare Administration 1966).

Japan's president of the National Institute of Population Problems (affiliated with the Ministry of Health and Welfare), Minoru Tachi (1906–1972), attended the UN population commission in 1959 and immediately took note of the concept of social development. He soon introduced the concept of social development into the policy debate on population problems in Japan. And, it was Hideo Ibe (1921–2002), then Director of the Minister's Secretariat of the Ministry of Health and Welfare, who translated the term social development into Japanese (*shakai kaihatsu*). Tachi and Ibe made lasting efforts to introduce the theory of social development into social policy in the early 1960s in Japan. Given that their ideas can be traced directly back to the UN, it is easy to conclude that the UN was a key factor in shaping Japanese social policy, for this process was set in motion because the UN designed and promoted the concept of social development to its delegates.

Back in Japan, where the eugenic-euthenic principle had previously dominated the history of social policy discussions, the concept of social development was seen with both praise and critique. The concept of social development strongly encouraged people to remake eugenic-euthenic thought in the direction of eliminating barriers that limit opportunities for people's full participation in society. However, as the eugenic-euthenic perspective was so strong in Japan, the ideas from the UN could not be directly imported.

The concept of social development was first mentioned in "The resolution on the improvement of the quality of population" adopted by the Advisory Council on Population Problems (that is a council of the Ministry of Health and Welfare) in July 1962.<sup>2</sup> In the resolution, the concept of social development was used to refer to improvements to the health and welfare of the population in the context of measures to develop

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<sup>2</sup>At that time, the most important organisation to shape policy direction on population issues was the council, which was established in 1953 (abolished in 2000). Tachi, as the president of the National Institute of Population Problems, played a central role in the management of the council. For details about the council see Atoh (2000).

and improve human abilities. The resolution suggested eight policy issues for improving the quality of the population. One of the eight issues was “to extend the social security system, including the establishment of a child allowance scheme”. This was explained as follows: “the social security system should be extended appropriately and powerfully, for it eliminates the waste of human abilities, and is extremely effective in maintaining and improving the workforce, and also guarantees a life without fear”. In this resolution, the social security system was seen within the context of the development of human resources.

The resolution further states that “Japan now has placed too much importance on economic development”, “The idea of social development should be taken seriously”, “We should attach more importance to the development of individual ability”, “We should make an effort to increase the proportion of well-educated population”, “We place a particular emphasis on the healthy growth of the nation’s children”. On the surface, these ideas echo those from the original eugenic-euthenic thought. However, the resolution placed much importance on the euthenic approach through social policy to achieve the development of the quality of the population by improving the environment, for example, the resources available to the population to achieve greater skills, vitality and health. This was the effect of importing the concept of social development. The emphasis on human resource development was a novelty in the renewed eugenic-euthenic debate and shifted towards a more inclusive family policy agenda as opposed to one of selection.

This change was widely shared by senior members of the Ministry of Health and Welfare at that time. Tachi and his colleagues introduced the concept of social development into the Japanese social administration. The 1962 White Paper on Health and Welfare (Ministry of Health and Welfare 1963) devoted an entire chapter to the development of individual ability. The paper pointed out a growing worldwide interest in developing human ability. The issues raised in the paper enhanced interest in increasing the number of superior human beings in terms of physical strength, intellect and vitality through social policy, with less emphasis on eugenic ideas. The establishment of the Social Development Research Institute (*Shakai Hosho Kenkyusho*) in 1965 was a symbolic event in taking the first step to initiate discussions for providing high-quality social services in Japan.

**Table 16.1** Policy priorities of social administration in post-war Japan (1950–1990s)

Period	Fertility rate	Aging ratio	Policy issue	Dominant theory
1950s	3.65 (in 1950)	4.9 (in 1950)	Population control	Family planning
1960s	2.00 (in 1960)	5.7 (in 1960)	Non-economic development Urbanisation	Social development Regional development
1970s	2.13 (in 1970)	7.1 (in 1970)	Population aging	Welfare
1980s	1.75 (in 1980)	9.1 (in 1980)		
1990s	1.54 (in 1990)	12.0 (in 1990)	Low fertility	Family support

Furthermore, “social development” as a catchphrase was adopted by Prime Minister Eisaku Sato in 1964. The next Prime Minister, Kakuei Tanaka, who was elected in 1972, had become increasingly aware of the importance of social policy. Social development seems to have been established as a common value in the period of rapid industrial growth in the 1960s and became the precondition for the era of welfare in the 1970s.

## 4 Population Trends and Family Policy Debates

The concept of social development as adapted to Japan appeared in the policy debates on human resources and social security including the child allowance issue. Table 16.1 illustrates the changes in the policy priorities of social administrations in the post-war era. The theory of family planning in the 1950s and the theory of social development in the 1960s were formed through the policy debates on population. In 1970, the proportion of the Japanese population aged sixty-five and over was 7.1 percent, which means that Japan became an aging society. Following this, an ageing population became a major policy issue in the 1970s.

Entering the 1960s, interest in the policy debates on population issues rapidly shifted from quantitative control of the population to the qualitative improvement of the population following the UN’s concepts and the

euthenic strand of eugenic-euthenic ideas in Japan. In this trend, population issues began to intersect with child welfare issues as part of the concept of social development. In March 1962, Hirokichi Nadao, the Minister of Health and Welfare, consulted with the Central Child Welfare Council to request advice for the sound development of youth. The consultation mentioned the growing concern about the forthcoming shrinkage of the young population (in particular future labour shortages) and the increasing number of delinquent children. Four months later, the report by the Council proposed to reform the child welfare system to play a greater role in improving the quality of the population and to do so with an improved family policy.

In such a situation, the start of full-scale discussions on a child allowance marked a turning point in Japanese family policy. Tachi (1965), who brought the UN's concept of social development to Japan, was one of the eight members of the special committee on child allowance established in the Central Child Welfare Council. He believed the child allowance scheme was necessary because, for him, a reduction in human resources would be expected due to a decrease in the fertility rate in the future. The committee insisted that family policy should be for *all* children, not just for children in needy families. Since the 1960s, the idea of "promoting the sound development of children" has been widespread in family policy debate. Tachi, who was the only specialist on population problems in the committee, was, at that time, one of the few experts who emphasised the issue of the rapid fertility decline. He insisted that the introduction of the child allowance scheme was necessary for improving human resources across the population spectrum. He thought it was important to improve the quality of population in making up for the decline in quantity, but wanted to provide additional incentives to encourage quantity as well.

For him, the child allowance scheme was a population policy aimed at increasing a healthy young population.<sup>3</sup> During the discussions for introducing a child allowance scheme in the 1960s, a consensus among committee members emerged on the social responsibility for raising children. This was a new epoch in the history of family policy thought in Japan and

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<sup>3</sup> However, the discussion of the downward trend in the fertility rate was not the mainstream social policy debate at the time. It was only in the 1990s when a sense of crisis in the declining number of children came to be widely shared in Japan.

marked a departure from the idea centred on population control, to the idea centred on the quality of life of all individuals.

## 5 Conclusion

As I have discussed, the concept of social development that appeared in the context of development assistance in the UN brought a dramatic change to debates on population issues in Japan.

To conclude, I would like to raise three insights about the international diffusion of policy ideas. First, policy ideas are not introduced straightforwardly. Ideas born in advanced countries or international organisations are not simply “diffused”. The points stressed may be different, even when the literal definition is the same. As discussed in this chapter, the idea of social development originated in the UN, but it changed in the Japanese context. In Japan, the focus shifted to the development of human resources, which was not emphasised in the UN version. Thus, the social development basis for extending family policy included both UN and non-UN originated ideas such that it is appropriate to speak of adaptation rather than simple diffusion here.

Second, it is important to pay attention to the historical contexts in the receiving country when studying the diffusion of policy ideas. Domestic contexts always transform the meaning of policy ideas. On the other hand, accepting a policy idea also changes the domestic context. It is necessary to analyse the interaction between the two. In this paper, the context of eugenic-euthenic thought from the pre-war era was fundamental, but it is also important that, as a result of accepting the idea of social development, the point being stressed moved from its eugenic aspect to its euthenic aspect.

Third, the import of a policy idea is not an automatic process. Attention should be paid to the active role of policy intellectuals in introducing policy ideas. On the basis of the domestic context and their role there, policy intellectuals carefully select policy ideas from abroad, and sometimes introduce them with different meanings and emphasis. In this paper, Tachi’s previous career was the decisive factor. Before introducing the idea of social development into Japan, he was an expert in population studies, having been a leader of the eugenic-euthenic thought since the prewar era.

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# 17

## The Washington Consensus and the Push for Neoliberal Social Policies in Latin America: The Impact of International Organisations on Colombian Healthcare Reform

Gabriela de Carvalho and Lorraine Frisina Doetter

### 1 Introduction

In 1993, Colombia introduced a major reform to its healthcare system to address severe deficits that translated into poor access and coverage for large parts of the population (Esteves 2012). Extant scholarship points to the significance of international influences and pressures at the time arising from what would come to be referred to as the “Washington

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F. Nullmeier et al. (eds.), *International Impacts on Social Policy*, Global Dynamics of Social Policy, [https://doi.org/10.1007/978-3-030-86645-7\\_17](https://doi.org/10.1007/978-3-030-86645-7_17)



Consensus” (WC) (see e.g. Restrepo and Valencia 2002; Esteves 2012; Prada and Chaves 2018). First coined by economist John Williamson in 1989, the term refers to a set of neoliberal policies advanced by Washington D.C.-based organisations, such as the World Bank (WB) and International Monetary Fund (IMF), but also the United States’ (US) Department of the Treasury, and designed to help Latin American countries recover from the economic and financial tumult of the 1980s (Williamson 1993). The present chapter analyses the impact of this paradigm on the healthcare reform subsequently adopted in Colombia, asking *How do the policy ideas of international organisations (IOs) become co-opted into domestic social policy?* This question speaks to the complex relationship between international and national policy arenas, which, in line with *global social policy theory* (see e.g. Deacon 2007) and the *transnational interdependency approach* (CRC 2018), are increasingly in contact, contest, and in concert with one another, even in hallmark areas of domestic policy such as healthcare.

In what follows, we begin by addressing the relevance of Colombia as a case for observing the role of IOs in social policy. We argue that the country stands out as being both atypical and representative of the region at once. In the same section, we also provide a brief background on the healthcare system prior to the 1993 reform. Then, we outline the main policy principles and recommendations put forth by the WC, exploring key policy documents of the time, followed by a brief description of the reform process in Colombia. The aim of our analysis is to evaluate the degree of overlap between the policy aims expressed in the legislative acts introducing the Colombian healthcare reform and that of the WC paradigm. Our findings provide strong evidence for an alignment in the language and measures adopted by Colombia with the latter. We conclude by reflecting on the nature of interdependency between IOs and national constellations of political and economic factors, as they come together to impact social policy.

## 2 Background: What Colombia Can Teach Us

Colombia of the 1970s to the early 1990s stands out amongst its regional neighbours in some important ways, both economically and politically: whereas foreign credit plagued Latin American economies since the late 1970s, during the same period the Colombian government reduced reliance on external financing and contained inflation (Urrutia 1991). Moreover, while most countries in the region were grappling with waves of economic populism and re-democratisation (Alesina 2005), Colombia had succeeded at having a democratic political system in place for much of its history, keeping populist politicians at bay, and maintaining a stable economic policy marked by strong regulation of markets. Still, the country was neither immune to the fiscal crisis felt throughout the region, nor exempt from other severe problems that rendered it subject to international pressures, particularly by the United States. These problems comprised, amongst other things, terror by guerrilla and paramilitary groups, as well as drug cartels, rampant political corruption, and failing public services including those pertaining to health (Alesina 2005).

Prior to the 1993 reform, the Colombian healthcare system was characterised by high segmentation with public, private and social insurance schemes existing in parallel. While the National Health System (*Sistema Nacional de Salud*—SNS) had expanded considerably in the decades before the reform, with the addition of new hospitals and personnel, the 1980s saw a halt to progress: public spending decreased by 50 percent, resulting in an underfinanced, resource-scarce and geographically concentrated system (Esteves 2012). Both the Social Security Institute of Colombia and the Public Provision Funds, which provided services for formal workers, suffered from perennial deficits (Uribe 2004), as half of those required to contribute to the schemes failed to do so (Gómez-Camelo 2005; Esteves 2012). Additionally, the private system only targeted the wealthy and was affordable to just a small portion of the population (17 percent), the remainder of which was covered by the

public system (40 percent); social insurance (18 percent)<sup>1</sup>; minor schemes (5 percent); or else had no coverage or access to services whatsoever (20 percent) (Hernandez 2002; Esteves 2012).

Crucially, the underperformance or even worsening of the Colombian healthcare system at this time would soon become subject to much attention from both national politicians and IOs promulgating the WC paradigm (González-Rossetti and Bossert 2000). Indeed, healthcare professional groups and unions maintained that the 1993 reform was an illustration of the central government's neoliberal mindset, imported from abroad with the support of IOs for the purpose of privatising healthcare (Uribe 2004). Similar claims about the role of the WC have been made by other authors (Restrepo and Valencia 2002; Esteves 2012; Prada and Chaves 2018). Thus far, to our knowledge, research provides a limited structured account of how the recommendations of the WC were reflected in the actual language and measures taken up in healthcare reform legislation. That is, *to what extent does the 1993 reform align itself with the policy goals put forth by IOs?* To answer this question, we begin by taking a closer look at the principles of the WC.

### 3 The Principles of the Washington Consensus

Extant scholarship maintains that over the last decades of the twentieth century there was a general agreement among international financial institutions and the US Treasury as to the policy agenda that needed to be pursued by Latin American governments in order to stabilise their fragile economies (Stiglitz 2004; Williamson 1990). The main recommendations set by the WC revolved around liberalisation, privatisation and macro-stability in order to boost private markets and, accordingly, minimise the role of the state (Stiglitz 2004). In line with Williamson (1990, 1993), these translated into ten general prescriptions provided to low-to-middle-income (LMI) countries. Six recommendations focused

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<sup>1</sup> By public system, we refer to the arrangements financed through taxation, whereas social insurance refers to mandatory employment-based health insurance financed through contributions.

on economic policy (fiscal discipline, tax reform, competitive exchange rate, interest rates, property rights and trade), whereas four had direct implications for healthcare policy:

1. *Reordering public expenditure priorities*: public spending should move away from politically popular but economically unwarranted projects and towards neglected fields with high economic returns and the potential to improve economic distribution (e.g., primary healthcare);
2. *Liberalisation of inward foreign direct investment*: abolition of barriers impeding the entry of foreign direct investment (FDI) and foreign firms. International and domestic companies should compete on equal terms;
3. *Privatisation*: state-owned enterprises and responsibilities should be privatised;
4. *Deregulation*: governments should ease barriers and abolish regulations that impede the entry of new firms into the market or which limit competition.

This agenda, supported by all major IOs, was disseminated globally, especially by the WB which pushed for the adoption of the principles through loan conditions (Almeida 2015). Further, in 1987, the WB published the *Financing Health Services in Developing Countries* report, setting an agenda for health sector reforms. In it, four policy-specific recommendations were put forth:

1. *Charging users of publicly provided health services*, increasing or establishing user-fees for services and goods within public health facilities;
2. Encouraging *risk-coverage programmes* (introduction or expansion of programmes in which the population participates in some form of risk-sharing arrangement);
3. Strengthening the *non-government provision of health services* for which households are willing to pay through the incentivising of community-run and private sources of health services;
4. *Decentralising* the public health system, offering greater autonomy to local units of the system.

Although IOs often published country-specific documents of this kind, the policy prescriptions advanced in the 1987 WB report represented a one-to-one translation of WC principles into the policy (Williamson 1990, 1993). It, therefore, serves as an illustrative example and point of reference in the analysis of Colombian healthcare reform that follows.

## 4 Setting the Stage: The 1993 Colombian Healthcare Reform

As previously mentioned, the 1993 Colombian healthcare system reform is said to have been heavily influenced by IOs. Its basis was formulated and prescribed by a group of neoliberal technocrats under the leadership of Juan Luis Londoño, Health Minister at the time and who later assumed prominent positions at the WB and the Inter-American Development Bank (González-Rossetti and Bossert 2000; de Vos et al. 2006). According to Esteves (2012, 6), this group was mainly composed of foreign-trained economists who closely followed ideas promoted by leading IOs at the time, such as “changing the role of the State in the social sector from provider of services to regulator; promoting the role of the private sector; increasing efficiency, and using mechanisms other than those historically used in the delivery of social services, such as targeting and demand subsidies”.

What is referred to as the 1993 Colombian healthcare reform is the result of the enactment of numerous legislative acts, particularly *Decree Number 77/87*, which laid the foundation for healthcare system decentralisation, transferring authority from the central to local governments; *Law Number 10/90*, which defined the basis for public provision of healthcare; and *Law Number 100/93*, the centrepiece of the reform, which framed all subsequent changes to the country’s social security system. Similar to the 1979 Chilean reform, the Colombian government created health insurance institutions with access to health services based on individual income, in an attempt to achieve universal health coverage (Rotarou and Sakellariou 2017). More specifically, the country introduced mandatory health insurance, in which formal sector employees

and their families were insured by one scheme (Contributory Insurance), and self-employed and unemployed persons by another (Subsidised Insurance) (Prada and Chaves 2018). However, the mandatory benefit package comprised basic services only, and citizens were forced to purchase supplemental insurance if they wanted to cover any gaps.

To analyse whether and how policy agendas set by IOs were adopted and translated into the aforementioned healthcare legislation in Colombia, we explored the content of key policy documents selected in line with secondary literature. We pursued documents especially for references to policy-field specific prescriptions and general WC recommendations according to Williamson (1990, 1993) and the WB (1987). We measured the ways in which policy recommendations translated into concrete measures adopted into domestic legislation.<sup>2</sup> In what follows, we present the findings of this analysis.

## 5 The Adoption of Washington Consensus' Principles in the Colombian Healthcare Reform Legislation

The analysed legislative acts featured a total of twenty-two measures that correspond with the principles of the WC (Table 17.1). Amongst these, references to *decentralisation*, *non-public provision*, and *deregulation* processes came to the fore. It bears noting that *decentralisation*—the most frequently cited principle (thirty-four references)—represented the main goal of one of the analysed laws, which aimed to decentralise public services in order to “encourage the proximity between citizens and public services, as well civil society’s vigilance and control of the provision of services” (Decree Number 77/87, 2, own translation). Specific to healthcare, we identified six ways in which central government mandates

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<sup>2</sup>To guide our analysis of Colombian healthcare legislation, we constructed a codebook based on policy-field specific prescriptions and general WC recommendations. Taken together, our approach comprised the following steps: (1) building a codebook; (2) coding legislation according to the codebook and using Spanish-language equivalents; (3) describing the quantitative data and (4) analysing and interpreting qualitatively the content of legislation. Altogether, 182 pages and 470 legal articles were coded using NVivo software. Coded documents are available upon request.

were transferred to the local level: by (1) increasing participation of regional government and municipalities in managing and receiving taxes; (2) granting greater autonomy to local governments to administrate fiscal resources; (3) eliminating dual functions between levels of government; (4) allowing for more regulation and management of healthcare resources by local governments; as well as the (5) formulation, management and control of healthcare programmes and institutions and the (6) transfer of

**Table 17.1** Washington consensus principles and healthcare reform legislation

Principle	Measures
Decentralisation	(a) Increasing participation of local government in managing and receiving tax revenues (b) Greater autonomy for local government to administrate fiscal resources (c) Elimination of dual functions (d) Regulation, management of resources, formulation and control of programmes transferred to local government (e) Transfer of care responsibilities
Deregulation	(a) Elimination/reduction of state regulations for private and not-for-profit organisations (b) Equal rules for public and private institutions (c) Sanctioning of legal penalties that impede/restrict free competition
Liberalisation	(a) Free choice of providers (b) Relaxation of regulations for private companies (c) Equal competition
Non-public provision	(a) Free choice of providers (b) Outsourcing of public services (c) Transfer the administration of small facilities to private and not-for-profit organisations
Privatisation	(a) Individuals can pay for additional coverage to private firms (b) Private providers receive public funds (share of the contribution)
Public expenditure priorities	(a) Increasing the healthcare budget (b) Prioritisation of primary care and basic services
Risk-coverage programmes	(a) Expansion of coverage (b) Promotion of risk-sharing schemes
User-fees	(a) Introduction of co-payments and deductibles (b) Payment for high-cost health services (c) Payment for complementary schemes

care responsibilities. The latter assigned local governments the responsibility for providing primary, secondary and tertiary care, as well as regulating and managing hospitals and health centres.

As concerns references to *deregulation*, these manifested in a reduced role for the state and an opening up to private market actors in key areas of administrative regulation:

Administrative regulations of the health system will only be mandatory for public entities of the health sector but may be adopted by private entities. (Law Number 10/90, 4, own translation)

Institutions (of any nature) will have technical, financial and administrative autonomy that guarantees a more efficient service. (Law Number 100/93, 40, own translation)

Additionally, free competition, another aspect of *deregulation*, was reinforced by introducing the same rules and conditions for both public and private institutions (“the referred contracts will not demand different requirements than those requested to contract private firms”, Law Number 10/90, 17, own translation), and by legally sanctioning penalties that impeded or restricted free competition in the healthcare market (Law Number 100/93, 41). In a similar vein, *liberalisation* translated into legislation in the form of the free choice of providers (Law Number 100/93, 30); relaxation of regulation on private companies (Law Number 100/93, 4; Law Number 10/90, 6); and the securing of fair competition (Law Number 10/90, 17). The documents, however, made no reference to opening the market to FDI or foreign companies.

With regard to *non-public provision*, the Colombian reform introduced the basis for participation by private companies and persons as well as not-for-profit institutions in the healthcare system. This was observed in the legislation regulating both the public and the social insurance systems. In fact, the Colombian government defined the social security system as a “harmonious set of public and private entities” (Law Number 100/93, 2, own translation). In order to boost non-public provision, the legislation secured beneficiaries’ free choice of providers and the possibility of outsourcing public services to private and not-for-profit institutions.



Additionally, the mandate of small facilities was transferred to non-public institutions. The healthcare reform also reordered *public expenditure priorities*, increasing the healthcare budget from 7 to 8 percent of GDP (Law Number 100/93., 59) and prioritising primary healthcare services:

Transfer payments will be assigned to the provision of health services, according to the following order of priorities:

1. Basic health services and public assistance services.
2. Infrastructure to provide primary healthcare services (Law Number 10/90, 24, own translation).

*User-fees* were also established in the legal framework of the reform, mainly for those in upper socio-economic groups and/or working in the formal sector. Fees were introduced in the form of co-payments and deductibles to cover high-cost services and complementary schemes. For instance, high-cost services were only available after contributing for a pre-established period, and access to any service before contributing for twenty-six weeks had to be paid out-of-pocket (Law Number 100/93, 34). In addition, insurers could offer privately financed complementary schemes (Law Number 100/93, 36). As concerns *risk-coverage programmes*, one of the main goals of the 1993 reform was to increase healthcare coverage through the gradual expansion of the social security system, and the promotion of risk-sharing schemes:

Guarantee the expansion of coverage until all the population has access to the system, according to the constitutional principle of solidarity. (Law Number 100/93, 2, own translation)

Healthcare providers will seek risk grouping mechanisms among their affiliates, companies, unions or associations or by geographic settlements. (Law Number 100/93, 39, own translation)

Although the documents do not refer to the transfer of state-owned institutions to private enterprises, *privatisation* could be found in connection with healthcare financing and service provision, with increased spending channelled through private insurers and/or care organisations,

and the transfer of provision from public to private institutions. Altogether, all eight principles of the WC were adopted and translated into domestic legislation through the enactment of twenty-two measures. These are summarised in Table 17.1.

## 6 Lessons Learned: The Impact of IOs on Colombian Healthcare Reform

Global social policy and global governance scholarship emphasise the influence of IOs on national policymaking, including in key areas of the welfare state such as healthcare. Typically, IOs are said to provide policy models and prescriptions to national governments, whether acting as financial institutions, champions of rights and values, guideposts for ideas and normative standards, or as facilitators of policy exchange and the implementation of best practices (Kaasch 2013). In the case of LMI countries, where dependency on international development aid, as well as knowledge and technical expertise can be substantial, the role of IOs may be even more pronounced. Indeed, the neoliberal agenda of IOs such as the WB and IMF, with backing by the US government, came to permeate Latin America during the fiscal crisis of the 1980s.

Although Colombia was not subject to the same kind of financial disarray as that of its regional neighbours, other problems—both political and economic—rendered the country a subject of international attention and source for concern. This, in turn, likely generated substantial pressure on national policymakers to incorporate the WC paradigm into their own thinking when it came time to reform the resource-deprived and highly segmented healthcare system. Indeed, as the findings of our analysis demonstrate, the ideas promulgated by IOs under the banner of the WC can be found in both the language and measures co-opted into Colombia's reform. Eight neoliberal principles and twenty-two policy measures featured prominently across three legislative acts.

Whether this was the result of international pressures tied to financial incentives or a genuine paradigmatic shift towards neoliberal thinking

embraced by like-minded national politicians cannot be determined by the present study. The findings of our analysis, however, provide robust evidence of an *alignment* of domestic policy with international ideas that were already widely in circulation in the region in the lead-up to the Colombian healthcare reform. The timing and content of the latter therefore suggest that the WC did indeed have an impact. However, the adoption of WC principles and the overall healthcare reform have been the subject of much criticism. Although there was an increase in public spending on health, reaching 75.1 percent of total health expenditure in 2014, access to and quality of services remained low (Prada and Chaves 2018), health inequalities persisted, and there was no impact on the health status of the population, (e.g., mortality rate, life expectancy) (Esteves 2012). Many experts claim that these failures seem to be related to the design and implementation of the reform, and new measures have been introduced to correct these flaws (Esteves 2021). Nonetheless, a paradigmatic shift away from WC principles has not yet taken place, and national legislation passed then continues to be the main legal framework for the Colombian healthcare system.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 18

## World Bank Intervention and Introduction of Social Health Insurance in Albania

Ertila Druga

### 1 Introduction

National factors alone cannot explain the dynamics of social policy development. International influences in the form of ideas and expertise may also shape domestic public policy (Obinger et al. 2013), and International Organisations (IOs) are key actors in the process. This chapter explores this claim by investigating the role of the World Bank (WB) in the making of Social Health Insurance (SHI) in Albania. The case demonstrates the interaction between an International Organisation and a nation state as well as the impact of vertical interrelations in the early post-communist Albanian healthcare reforms.

Albania adopted the law on Social Health Insurance in October 1994 (Albanian Parliament 1994), being the only country in Central and Eastern Europe (CEE) with no prior experience with a contributory system. The other CEE countries had experienced some form of SHI in the

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period before the Second World War. Coming out of the communist state period, Albania was also the more isolated and the poorest country in the region; that was the reason for the World Bank's engagement in assisting the country's efforts for its future economic and social development. In drafting the strategy for the Albanian healthcare sector, the introduction of SHI brought about disagreement and controversies between the Albanian government and the World Bank. The government had put it forward on the healthcare agenda for reform (see Kaminska et al. 2021) and insisted on keeping it despite the Bank's advice for its later adoption. However, this chapter does not deal with the rationale behind the decision to adopt SHI in Albania. The aim here is to explore more the content of the advice and expertise provided by the Bank and accepted by the government during the formulation of SHI law. The research covers the period 1991 to 1994, and the analysis is supported by empirical data drawn from World Bank documents, Albanian parliamentary sessions, and expert interviews.

Which recommendations did the Bank make for the future of financing health in Albania, and how did they develop during the process? The case shows that the Bank strongly advised for keeping the role of the state in financing health, at least during the early years of transition. This finding contrasts with the view of the Bank which is often judged and looked at through “neoliberal glasses” (Babb and Kentikelenis 2018; Navarro 2020). Even though the WB could not influence the decision of (not) introducing SHI, its expertise was useful during the formulation of the draft legislation. Therefore, this chapter contributes to enriching the scholarship on the role of the World Bank in post-communist reforms in CEE. Moreover, it adds to healthcare policy research during the transition period in the countries of CEE and, particularly, in Albania.

## 2 The World Bank's Preference and Prescription on Social Health Insurance in CEE

Two reports by the World Bank, advocating “market-driven” or “neoliberal” ideas have served as the blueprint for transitional healthcare reforms in low and middle-income countries. In 1987, *Financing Health Services*

*in Developing Countries: An Agenda for Reform* proposed an alternative approach to financing healthcare in developing countries through four policies: (1) introducing user fees in health; (2) providing insurance or other risk coverage, and encouraging well-designed health insurance programmes to help mobilise resources for health; (3) using non-government resources effectively; and (4) decentralising government healthcare services (World Bank 1987, 6). It was, however, the *1993 World Development Report: Investing in Health*, which brought these policies together into a comprehensive approach advocating for market competition to foster service quality, system efficiency, and cost control, with the role of the government more on the regulatory side (World Bank 1993a, 7).

Researchers on the World Bank's position on the introduction of SHI in CEE provide two different accounts of the topic. The first group of researchers represents the Bank as favouring the introduction of SHI in the post-communist countries of the region (Cerami 2006, 69). In their view, the WB considered the introduction of health insurance financing systems to replace general taxation as one of the most important market changes and influenced the decision-making processes through its advisors (Nemec and Kolisnichenko 2006, 24). The second group of scholars (Roberts 2009; Sabbat 2010; Kaminska et al. 2021) provides other pieces of evidence. Roberts (2009, 314–16) states that the Bank's recommendations for the Czech healthcare reform in 1991 urged for the maintenance of many features of the old system and state funding. Even in Poland, he claims that the WB did not recommend market solutions but advocated increased efficiency within a highly centralised system and central budget financing. Sabbat (2010) attests that in Poland "(...) the introduction of health insurance was not dictated nor even promoted by the World Bank, whose experts suggested if anything, caution". Kaminska et al. (2021) give a more detailed account of the lack of WB influence on the decision to introduce SHI in three post-communist countries: Albania, Poland, and Latvia.

To summarise, there is enough evidence from previous research to indicate first what the WB advised and second that it was unsuccessful in trying to influence the decision of whether SHI should be introduced in a number of countries in the region. This contribution moves the analysis beyond that point and looks at what the WB did next. And what this



contribution discovers is that the WB continued to be involved and adjusted to the preference of the recipient (Albania) and offered advice (this time accepted) on how to formulate the law.

### 3 Historical Background: Albania at the Start of Transition

Albania was the last communist country in CEE to embark on the road of transition. The inherited healthcare system—the Soviet Semashko type, characterised by centrally planned resource allocation and highly centralised management decisions—did not differ from those in the other post-communist countries in the region. The quality of care was low, and the system offered few incentives for efficiency and cost control. However, in the early 1990s, distinct backwardness and the extreme isolation of the past combined with the difficulties of transition, such as high inflation, budgetary and external imbalances, and a sharp fall in GDP, projected a negative perspective for the Albanian health sector.

The Labour (ex-Communist) Party government that emerged from the first multiparty elections, held in March 1991, was only short lived. It was forced to resign just five weeks after taking power. The next government, named the Stability Government, was a coalition of technocrats from the Socialists (the Labour Party changed into the Socialist Party), and the other newly established parties: The Democrats, the Republicans, and the Social Democrats. The main objective of this government was the stabilisation of the economy, and it drew up an ambitious reform programme named *The Programme for the Transition to a Free Market of the Albanian Economy*, which was approved by parliament in October 1991. This programme had listed “the introduction of a social security system” (Pashko 1993, 911) among its main pillars. Regarding the healthcare system, SHI was incepted and already proclaimed in the 1991 election programme of the Democratic Party, and the work on an initial draft law started that same year (Shehu<sup>1</sup> 2019).

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<sup>1</sup> Minister of Health in Albania (April 1992–January 1994).

Before 1991, Albania had no relationship with the “Western” international financial institutions. The country joined the World Bank Group in October 1991, and shortly after membership approval, a mission on the health sector arrived in the country (October–November 1991). In March 1992, this mission presented “A strategy for the survival and long-term development of the Albanian health system in the context of the larger transformation” to the government. In future health financing, the WB projected, “public budgets will continue to be the primary source of funding for the healthcare system for much of the next ten years” (World Bank 1992, 32). This recommendation brought about a disagreement; the government was insisting on its preference, the introduction of SHI, whereas the World Bank on the argument of a postponed decision. Their dialogue developed (Shehu, 2012), until, in June 1993, the Ministry of Health presented *A New Policy for the Healthcare Sector in Albania* (mid-term strategy), aiming at “a careful introduction of a scheme of health insurance” (Nuri 2002, 69). Therefore, the work on formulating the draft continued until mid-1994. Then, the new law was approved by the Council of Ministers and on 13 October 1994 by the Albanian parliament.

## **4 World Bank’s Recommendations in Health Financing Reform and the Making of Social Health Insurance in Albania**

The WB was involved in two periods of the policy process: the early stage of setting the agenda for the future healthcare reforms in the country, and the formulation of the law on SHI.

### **4.1 The Early Stage of Disagreement**

In late 1991 and early 1992, the Bank’s main recommendations aimed at protecting financing resources in the health sector. Considering the

circumstances, this was of particular importance and the WB strived to warn the government to be aware that attempts to restore fiscal stability in the country—all efforts were towards economic stabilisation—would create a strong pressure “to cut back on all areas of public expenditure” (World Bank 1992, 32). The WB argued that in the light of the missing costs calculations, due to domestic incapability and hard-to-predict estimations because of future insecurities, “a good rule of thumb could be keeping up with the same amount of 4 percent of the GDP<sup>2</sup>” (World Bank 1992, 32) as planned for health in the previous periods.

As the next step, the WB proposed establishing SHI and developing alternative financing. In the Bank’s view, the positive projections for the economy in the following years would increase individuals’ incomes and improve prospects for the introduction of SHI. However, the Bank estimated that this period would take several years. Furthermore, until then, the government should take some preliminary steps leading to the development of such a system. The Bank illustrated that these steps would include the establishment of accounting and financial management systems at all health facilities to produce unit cost calculations, and the development of payment/reimbursement schemes and their gradual application in the system to replace the ex-ante budgeting method, while the financing was still public. Lastly, the Bank claimed that until the final step of introducing the contributory scheme, other preconditions should be fulfilled. Income stability resulting from economic growth and development, placing other social insurance schemes (the pension scheme) under control, reaching consensus on contribution schemes as well as good administrative capacities would increase the feasibility of introducing a contributory system in Albania.

## 4.2 The Late Stage of Agreement

During the years 1992 and 1993, the WB concentrated on two main objectives in Albania: macroeconomic stabilisation and pension reform. The reform of pensions and social assistance was particularly challenging,

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<sup>2</sup>Total health expenditures in 1990 amounted to around eighty-four US \$4 million or twenty-four US \$ per capita (World Bank 1992, 5).

not only because the pension fund was facing bankruptcy due to a near economic breakdown but also because the fund could not shoulder the burden of the unemployed at a time when there was no social assistance system other than the pension system. “The concern of the Bank was that there was a huge pension contribution already, somewhere around 21–22 percent (of the gross wage)” (Goldstein<sup>3</sup> 2020), and together with the other taxes, the total burden would be about 35–40 percent (World Bank 1992, 26). Adding the contribution for health insurance would translate into higher labour costs. The WB had a “bird’s-eye view” of parallel reforms planned to be implemented and considered that high labour costs would affect the country’s future development strategy.

Once the WB accepted that the government would pursue its idea of immediately introducing SHI, rather than postponing the reform for several years, two main issues featured in the “deal” between the WB and the government on the potential introduction of SHI: the contribution rate and, consequently, the coverage (Shehu 2012, 2019). The government proposed a contribution rate of 7 percent of the gross wage, but the Bank criticised it, advancing the argument that the rate was too high (Shehu 2012). The Bank’s efforts were to make sure that the economy could grow sustainably and inclusively and the cost of labour could remain competitive.

So, we (WB) put in place a 2 percent payroll tax (for SHI), and it was supposed to be a dedicated fund for the purchase of drugs, to cover people’s pharmaceutical purchases (from) a list of essential drugs. (Goldstein 2020)

The final contribution rate was defined at 3.4 percent of the gross wage, paid half by the employer and half by the employee. The initial draft law envisaged that the SHI would cover all healthcare services (Albanian Parliament 1994). Accordingly, SHI would cover healthcare services at the primary level: family doctor, specialist doctor, and ambulatory care; at the secondary level: specialised outpatient and inpatient care, dental care services for individuals up to eighteen years old, and the

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<sup>3</sup>World Bank Task Manager in Albania (1993–1995), responsible for the preparation of the Health Services Rehabilitation Project (World Bank 1994) and World Bank Director for Western Balkan countries (2013–2017).

reimbursement of a list of drugs. However, Albania was starting (SHI) from scratch, which meant that extensive preparative work had to be fulfilled, like the calculation of costs (of the healthcare services), the preparation of reimbursement schemes, and the development of administrative capacities. These were precisely the arguments the World Bank presented in its report in 1992, which formed the basis for the Bank's proposal for a later introduction of SHI while appealing for the fulfilment of some "preliminary steps leading to the development" of a health insurance system.

The coverage issue was another problem, as visible in the escalating costs in the newly reintroduced SHI in other countries of the region. After the reintroduction of SHI in the Czech Republic in 1992, healthcare costs, particularly of drugs and hospital services, were increasing fast (Shehu 1994).<sup>4</sup> Aware of these experiences, the domestic experts in Albania excluded the coverage of the services at the secondary level (hospital) shortly before the law passed through parliament and allowed for the gradual implementation of the system or rather "the scheme", which started in mid-1995. Initially, it covered the costs of a list of essential drugs and soon after that it also covered the service of the family doctors (primary healthcare service). The list of essential drugs received high priority in drafting the law as the price of drugs increased immensely due to price liberalisation and free trade reforms (Albanian Parliament, 1994).

## 5 Discussions and Conclusions

In Albania, the introduction of SHI was domestically ideated, pushed forward, and put onto agenda by domestic actors (Kaminska et al. 2021). The World Bank was not in favour of this choice. However, it adjusted its advice in relation to the wish of the government. Further research is needed to elucidate on why the World Bank did so and how the interaction with the government evolved.

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<sup>4</sup>In the period 1992–1993, one of the experts of the World Bank in the Social Safety Net project in Albania was the Czech expert, Igor Tómes. He was also involved in drafting the New Social Insurance Act adopted by the Albanian Parliament on May 11, 1993 (World Bank 1993b). In the mid-2000s, he worked for developing the SHI law and extending the coverage to hospital services.

Noticeably, the WB assisted the process and advised the government to adopt a set of technical recommendations. This finding confirms that although the external influence was not able “to determine the policy choice” (Roberts 2009, 314), it did, however, shape policy formulation.

The empirical analysis illustrates the content of the recommendations the WB provided to the government. Consistent with previous research (Roberts 2009; Sabbat 2010), the Bank strongly advised keeping the role of the state in financing health, “at least until more stable economic conditions permit the introduction of a health insurance scheme” (World Bank 1992, 2). On that basis, I may denote that the World Bank is often judged and looked at through “neoliberal glasses”, expecting that any idea uttered by the World Bank is neoliberal. What happened in the early stage of the process in Albania shows the contrary.

Finally, this case demonstrates that international influences in the form of technical assistance and expertise may shape domestic public policy (Obinger et al. 2013). The WB could convince the government to adopt a set of technical recommendations related to the contribution rate and the coverage of health services. As a result, by implementing a lower rate, the health insurance contribution rate only slightly affected the cost of labour. Thus, in mid-1995, SHI started “small” in the form of a “scheme” initially covering a list of drugs and the services of the family doctors.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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## Annex of Interviews

Goldstein, Ellen. (2020, June 19). Personal Interview (Skype Interview).

Shehu, Tritan. (2019, October 8). Personal Interview (Face-to-Face Interview).

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# 19

## Social Protection in Mozambique from the 1990s to the 2000s

Sarah Kassim de Camargo Penteadó

This chapter provides a historical account of the roles of the IMF and the World Bank in shaping social protection programmes in Mozambique. Since the beginning of their relationship in 1984, the Bretton Woods institutions have had a role in designing, implementing, evaluating, and measuring social protection programmes in the country.

Mozambique had been embroiled in war since 1964 when the liberation struggle began. The war was won by FRELIMO (*Frente de Libertação de Moçambique*) in 1974, and it assumed government. In its initial ten years, FRELIMO proposed radical egalitarianism, based on a socialist development strategy (O’Laughlin 1996, 207). Alongside newly independent Angola, Mozambique’s independence was seen as a threat by neighbours South Africa and Rhodesia’s ruling white minority. To counter this perceived threat, Rhodesia funded and trained RENAMO (*Resistência Nacional Moçambicana*), formed by disgruntled rebels who

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disagreed with FRELIMO's ascension to and hold on power. This led to a civil war that lasted from 1975 to 1992.

The Cold War and civil war dynamics led the socialist-inspired FRELIMO to strengthen ties with the Soviet Union. However, a setback to this relationship came in 1981 when the country was denied membership to the Council for Mutual Economic Assistance, the Soviet equivalent of the Marshall plan. Membership would have provided loans, which the state desperately needed to support the social sector and guarantee food rations in urban centres.

The combination of a severe drought with a war that increasingly dominated the countryside, disrupting agricultural and distribution activities made the necessity for international funding ever more pressing (Macamo and Neubert 2006, 66). Poverty increased in the country, leading to growing popular unrest. Membership to the IMF and the World Bank was seen as an alternative for Mozambique to access international funds. The conditions for loans and continued international aid were structural adjustments. They started in 1987 and called for a reduction of state functions and the state's role in society. Hospitals, clinics, and schools were closed or privatised. The government's food subsidies were to be progressively cut and substituted with food aid provided by international humanitarian agencies. Food rationing and state markets were closed in favour of private enterprises.

As a result of all these factors, poverty increased massively, in a way that the country had never seen before (O'Laughlin 1996). Salary cuts were so severe that many civil servants such as doctors, nurses, and teachers, clocked in their official jobs and left to tend their plots in order to have something to eat. Many refugees fled to urban centres to stay with relatives, putting even more pressure on family members' already diminished income (O'Laughlin 1996; Manusse 2005, 2). Poverty became so visible that the UN agencies echoed the Mozambican government's demands for the inclusion of the social dimension in redesigning the structural adjustment programmes.

The IMF and the World Bank began analysing the causes of poverty in Mozambique, bringing in new definitions of poverty. They used statistical analyses to measure where poverty was geographically located, whom it affected the most and its main causes. They also conducted

macro-economic analyses of state income and its budget. The World Bank, especially, was very committed to the addition of the social dimension to structural adjustments and sent consultants not only to the Ministry of Finance but to every other ministry involved with the social protection network to develop state capacity in bureaucratic technologies of rule.

Using these data, they concluded that poverty was an urban phenomenon caused by civil war displacements and adverse effects of structural adjustments. Those who lived in urban areas did not have access to plots for subsistence farming and thus were worse off than their counterparts in the countryside (Manusse 2005).

By 1989, the structural adjustment programme was amended to include a social dimension (WB 1989: 15; WB & IMF 1989). This marked the beginning of the internationally sponsored poverty relief strategies in the country. The food rations system was dismantled and substituted with temporary cash transfers to cushion the adjustment period. This programme was very limited in scope, targeting households in Maputo that were deemed unable to lift themselves out of poverty. The cash transfers were made with the income generated from the sale of the international food aid received. They targeted households of older persons, malnourished children, and pregnant women, and would later be expanded in the mid-1990s to include female and child-headed households (O'Laughlin 1996, 202).

Besides cash transfers, other social protection measures were adopted under the Social Protection Network. These were the *Medicine and Child Food Supplement Subsidies Programme*, offering medication and food supplements for the chronically ill and malnourished children; the *School Supply Subsidies*, providing school supplies to impoverished children; the *School Meals Programme*, offering meals to all students in primary education; a cash transfer programme for low-earning government employees with many family members; the *Milk, Oil, and Sugar Programme*, offering these staples to extremely malnourished individuals, and lastly the *Emergency Programme*, another cash transfer scheme that sought to help displaced persons. These programmes were all established between 1989 and 1990, with different ministries running them (Manusse 2005).

The international community viewed the provision of cash instead of food or in-kind benefits as a better option to reduce poverty. This way, beneficiaries could use the money more efficiently and perhaps even invest it in income-generating activities. However, the value of the cash transfers was generally quite small and sufficed only to meet some of the basic needs.

It is essential to point out that these social protection programmes started a few years before the Brazilian Social Protection Network (which included the *Bolsa Escola* 1995) and the Mexican *Progresá* (1997). They were regarded as the forerunners of cash transfer programmes; the travelling models whose designs were later copied by international organisations as policy recommendations and adopted by many other developing countries (Olivier de Sardan 2018). Leisering 2019), for instance, states that global actors rejected the idea of cash transfers during the 1990s. Moreover, until the year 2000, there was no clear picture of how social protection and poverty reduction strategies might look. The Mozambican case, however, indicates that already during the 1980s and within the context of the first structural adjustment reforms, the government spear-headed social protection measures in the form of cash transfers, with these being taken up by international organisations as well.

By 1995, the Mozambican social protection network needed reformulating. The only programmes still running were the Food Subsidies and the School Supplies programmes, which involved direct cash transfers. The others, all based on in-kind subsidies, were deemed to be less efficient and more costly (Low et al. 1999). International donors pressured the Mozambican government to scale up the food subsidies to reach more people in other urban centres. This expansion happened amidst the second structural reform, which refashioned poverty as a result of the impact of war on agricultural output and the rural economy. Then, corruption allegations started to appear.

The governmental institution created to run all these subsidies was the GAPVU (*Gabinete de Apoio à População Vulnerável*). It was a network involving the Ministries of Finance, Health, State Administration, Labour, and the Coordination of Social Action. A lack of legislation for creating permanent staff for GAPVU meant that it spent years without proper administration. Therefore oversight, assessment, and evaluation of

the social protection programmes were very inefficient. Higher-level staff had little to no control over lower staff in the field (Low et al. 1999). The number of beneficiaries grew far more than projected, expanding costs. Reports of leakages appeared as the administrators' salaries were eroded by state cuts and inflation (O'Laughlin 1996). In an overview of the Food Subsidies Programme's expansion, numerous ghost beneficiaries throughout the country were found in the database. The Ministry of Planning and Finance reduced its support for the cash transfer programmes to a minimum and refused to finance further expansions. International donors were also critical of corruption and no longer prioritised this sector (Datt et al. 1997). The Food Subsidies thus remained the only cash transfer programme in the country for the next decade, but in a frozen state, with no further expansion, funded solely by the state budget. Beneficiaries were reduced to older people with no one of working age in their households.

During this period, the World Bank was the leading international organisation in the country. It was deeply involved in the production of knowledge not just of the economic structures in the country, but also in designing programmes to solve perceived problems. By then, poverty had become quite chronic, with Mozambique ranking among the world's poorest countries despite following policy recommendations designed specifically to bring about development. In 1995, 65 percent of the population were living below the poverty line (Datt et al. 1997).

To address this problem, the World Bank and IMF started the Poverty Reduction Strategy, in which a country draws up its priorities for combating poverty. They revised the strategy, and the government was held accountable every five years by international organisations and donors. The government selected the sectors to focus investments in, and donors provided budget support to develop these strategies.

In the early 2000s, the UN led a new push to deal with poverty and promote social protection in the country (Buur and Salimo 2018, 8). This drive opened the path to the expansion of the cash transfer programme and coverage, establishing social protection as a fundamental right.

In 2008 and 2010, two significant events threatened political stability and led to an increased donor commitment to social protection. In 2008

the government cut fuel subsidies, which led to an increase in fuel and transportation prices leading to riots throughout the country. The IMF deemed social protection an essential element to ensure political stability and to appease rioters (Interview with IMF country officer, December 2019). International donors committed once again to financing social protection. The Food Subsidies Programme was restructured with the help of the United Kingdom and the Netherlands to become the *Programa de Subsídio Social Básico* (PSSB). This reform increased its reach to the whole country, to be administered by the Institute of Social Action (INAS), a branch of the Ministry of Gender, Children, and Social Action. INAS had taken over from the now-defunct GAPVU.

In 2010, the government announced further cuts to subsidies that would lead to an increase in food, electricity, and transport prices. The international financial institutions saw them as necessary because they benefitted mainly the urban population, leaving rural areas unaddressed. As a result, riots broke out paralysing the country once again. While the international community interpreted them as merely food riots, allowing the aid flow to continue, the government understood them as a challenge to the regime. To counter this threat, the PSSB was restructured to become even more inclusive and efficient by harmonising the administration and coordination of different programmes (Buur and Salimo 2018, 21). The government aimed to create more social protection programmes and increase the number of beneficiaries and coverage of existing ones.

A new concert for social protection was formed, based on a division of labour. The IMF produced macro-economic analyses to find the fiscal space for the increased social protection spending and kept donors up to date on Mozambican state finances and administration of development aid. The ILO and UNICEF designed programmes for institutional capacity building for social protection. These were developed in cooperation with INAS.

The World Bank was highly critical of this social protection architecture and did not participate in it. It criticised how poverty was now being measured, and how beneficiaries were randomly identified, seeing cash transfers as enabling patronage links and state corruption (Buur and Salimo 2018, 19). To counter this, the Bank created the *Program de Acção Social Productiva* (PASP), which focused on seasonal public works for

low-income families with working capacity. The programmes ran in the off-seasons of subsistence agricultural production when people migrate to other regions to find work. It is also to be administered by INAS.

This new international push for social protection did not come without government resistance. The government perceived the cash transfers as something that would create dependency of the poor on the state and would do little to stimulate recipients to work their way out of poverty (Interview with IMF country officer, December 2019). Nonetheless, donors were committed to social protection, and budget support to the sector remained strong until the secret debts were uncovered (Buur and Salimo 2018, 22).

In 2016, it became public that the government had secretly taken a loan of US\$ 2.2 billion without the approval of congress. The money was designated to save a national fishing company, but it disappeared, and the company went bankrupt. With this news, the IMF immediately interrupted budget support, with the World Bank and bilateral donors following suit (Hanlon 2016, 753). The condition to resume international development aid was an investigation of the money's whereabouts and settling of the debt (which as of September 2020 has not yet occurred).

The government could not service the secret loans, leading to massive downsizing of the state structure and its subsequent declaration of bankruptcy in November 2016. Despite the situation, social protection was deemed a safe place by donors to continue investing in the country (Macuane et al. 2017), so the existing cash transfers were able to continue.

In 2019, two natural disasters struck, leading to emergency aid resumption despite the ongoing unresolved secret debt scandal. In March, Cyclone Idai hit the Beira basin, leading to flooding that extended to Malawi, South Africa, and Zimbabwe. One month later, Cyclone Kenneth hit the north of the country. As a result, over 600 people died, and 2.5 million people were displaced. Cholera outbreaks were frequent in the months after the floods, and food and shelter shortages persisted long after (UNICEF 2020). Some bilateral donors provided emergency food aid, and funds for temporary cash transfers and seasonal work programmes. The World Bank also released funds for emergency cash transfers and infrastructure reconstruction. UN agencies worked on providing social protection and humanitarian relief to displaced victims.

Although there is agreement that reconstruction after the extensive destruction of infrastructure is dependent on development aid, there is a lack of trust in the government's ability to manage funds correctly. Donors are now lobbying for aid money to be administered by non-governmental organisations, bypassing the state (Hanlon 2017, 1). The Mozambican government is not in agreement with this practice.

The COVID-19 pandemic did not make a challenging situation any easier, creating a \$700 million budget hole. Although emergency funds have been mobilised by bilateral donors, the IMF and the World Bank, they specifically target the health sector and poverty relief; budget support is still under negotiation without a forecast for resumption.

In conclusion, international organisations have a long history of shaping social protection in Mozambique. They have been present in developing national political and economic structures. There is also continued tension and competition between international organisations in how social protection should be provided, for how long, and to whom. These tensions are translated into different and sometimes conflicting programmes to be administered by the Mozambican government. The lack of trust on the part of international donors and organisations in the government's capacity to correctly manage funds and demands to counter what they deem as corruption adds an increased layer to the government's difficulties in providing essential services to its population.

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# 20

## Labour Market Segmentation, Regulation of Non-Standard Employment, and the Influence of the EU

Irene Dingeldey and Jean-Yves Gerlitz

In the wake of the 1970s oil crisis, labour markets in Organisation for Economic Co-operation and Development (OECD) countries changed considerably: deindustrialisation, low economic growth and high structural unemployment went along with tertiarisation and increasing female labour market participation—all challenging the standard employment relationship (SER), in other words, an institution built around the permanently full-time employed male breadwinner working for a fixed employer. Furthermore, in the 1990s, the OECD’s “Job Strategy” promoted labour market flexibilisation to combat unemployment (McBride and Watson 2019) and furthered the spread of non-standard forms of employment (NSER) such as fixed-term, part-time, and agency work. In the early 2000s, the European Union (EU), turned to favouring *flexicurity*—a combination of flexibility and security (Deakin and Reed 2000). Lately, the OECD has changed its goals towards education and training

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of the workforce and a more preventive protection against labour market risks (McBride and Watson 2019).

In line with these contradictory goals, we find diverging results regarding the development of labour regulation. Using OECD data on employment protection legislation, Gebel and Giesecke (2016) identify a decline in protection levels in European countries between the 1990s and 2008, while Allard (2005) indicates an increase in labour regulation between 2000 and 2005. The latter has been confirmed by several studies (Fenwick et al. 2015; Adams et al. 2017) that look at the last two decades and collect their own data. Most quantitative research assesses the effects of labour regulation on unemployment or economic development. Only recently have studies in political economy questioned whether regulatory patterns are accompanied by particular forms of empirical labour market dualisation (Emmenegger et al. 2012) or segmentation (Emmenegger and Marx 2020; Barbieri and Cutuli 2016). However, they often focus on the development of dismissal protection and the liberalisation of non-standard forms of employment but hardly look at regulations concerning equal treatment by gender and non-standard forms of work. Moreover, the story about whether EU membership has had any impact on national NSER regulation in the OECD still has to be told.

## 1 Labour Market Development and Segmentation Since the Oil Crisis

In the 1950s and 1960s, the modern welfare states of most OECD countries were built around the construct of a SER (Mückenberger and Deakin 1989). Institutions connected to the SER upheld strong labour standards such as dismissal protection, working time restrictions and family wages, but also social protection such as health and unemployment insurance. As it was the first time in history that blue-collar workers were able to achieve modest prosperity, the post-WWII period was termed the *Golden Age of Capitalism* (Esping-Andersen 1999). On the downside, the SER was associated with a gendered division of paid and unpaid labour expressed by a male breadwinner model that to a great extent made women economically dependent on their husbands (Orloff 1993).

After the oil crisis in 1973, labour markets changed considerably and the *Golden Age* came to an end. The period was marked by low growth, increasingly saturated product markets, and skill-biased technological change that taken together resulted in deindustrialisation, in other words, a strong decline of the manufacturing sector, and relatively high levels of structural unemployment. In the context of strained fiscal balances, welfare states resorted to retrenchment policies and the flexibilisation of labour markets (Eichhorst et al. 2008). At the same time, societal change resulted from a general expansion of educational attainment and the rise of women's movements supporting increased female labour market participation. This both reacted to and created an increasing demand for non-manual routine occupations mostly located in the expanding service sector (Oesch 2006). Since the provision of childcare facilities lagged behind demand, the different trends resulted in an overall increase in female part-time employment, although with large differences according to country-specific models of defamilialisation (Esping-Andersen 1999).

As NSER were used by employers to “circumvent” direct and indirect costs associated with the SER, labour market segmentation increased. NSER did not fulfil the criteria for social protection in the same way as the SER, which shifted risks and responsibilities back from the employers to the workers. Hence, fixed-term employment and agency work clearly served employers' flexibility needs, while part-time employment met the needs of women who tried to balance the double burden of paid labour and care work. In conservative welfare states, part-time employment was nevertheless associated with insufficient individual protection with respect to social security entitlements (Esping-Andersen 1990). Furthermore, lower wages often reflected a devaluation of “female” occupations and the perception of women as secondary earners (Minkus and Busch-Heizmann 2018).

Growing unemployment and deindustrialisation generally weakened unions' power. However, the manufacturing sector and the public sector remained strongholds of union organisation. In the private services, the mobilisation of the growing share of flexible employees and women was more difficult. Declining union power was accompanied by lower collective bargaining coverage and lower-wage floors in countries without specific legal support for unions' representation or organisation (Müller et al.

2019). In many countries, protection of so-called “insiders” was still strengthened, but rising social inequalities also raised demands for better protection of the so-called “outsiders” (Rueda 2014).

The EU promoted a policy of labour market flexibility based on a deregulatory, neoliberal approach combined with security measures. The neoliberal aspects were expressed in the Council’s recommendations in 1997 on the framework for the European Monetary Union and in the Stability and Growth Pact in 1999. At the Luxembourg summit in 1997, guidelines for European employment policies also envisaged collective solutions to reconcile flexibility and security and stressed the equal opportunities pillar (Deakin and Reed 2000). When the concept of flexicurity was proposed in the Lisbon Strategy in 2000, experts perceived it as a softening of the purely neoliberal approach.

Looking at equal treatment, the EU launched directives to combat several kinds of discrimination in the new millennium (2000/43/EC; 2000/78/EC). Demands for more gender-equal employment (von Wahl 2005) were answered shortly afterwards with policies emphasising equal treatment of men and women in employment, vocational training and promotion (2002/73/EC). Starting already in 1993, this was framed by measures that enhanced the equal treatment of NSER (Walby 2004), such as directives on part-time (1997) and fixed-term employment (1999) as well as agency work (2008; 2008/104/EC). It is important to highlight that NSER equal treatment policies were intended to protect not only non-standard employees from abusive employment conditions but also SER workers from being undercut by NSER workers (Peers 2013).

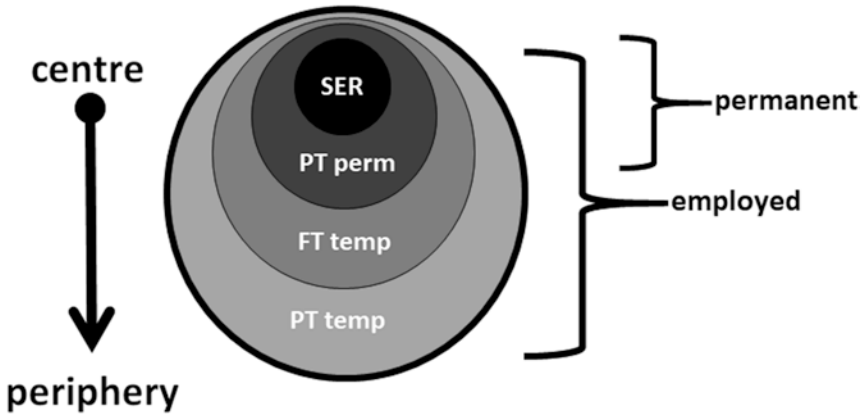
We ask how EU policies translated into national legislation. We look at the strength of SER and NSER regulation in selected European countries and whether it coincides with the share of NSER in national labour markets. Furthermore, we explore whether EU membership is associated with particular regulatory patterns in contrast to other OECD countries. As the EU played a decisive role in addressing demands for more gender-equal employment (von Wahl 2005) and equal treatment of non-standard employees (Walby 2004), we assume that the membership in this supranational organisation made a difference in the development of national employment regulation patterns.

## 2 Methods, Data, and Indicators

In the following, we retrace how the development of NSER regulation and labour market segmentation played out in selected European countries. For this purpose, we combine labour market data from the 2017 European Labour Force Survey (EU-LFS) with indicators from the 2017 Cambridge Centre for Business Research Legal Regulation Index (CBR-LRI; Adams et al. 2017).

We use the share of different forms of NSER in contrast to the SER as an indicator for labour market segmentation. We focus on all employees aged twenty to sixty-five years and base our analysis on weighted, aggregated microdata from 1984 to 2013, the period both datasets cover. We chose an approach that combines contract and social space and depicts employment relationships based on their “distance” from the SER, for example, the permanent full-time employee. Putting the SER at the centre, we distinguish permanent part-time, temporary full-time, and temporary part-time (see Fig. 20.1); data limitations prevented us from considering agency workers. Depending on the social protection system, this differentiation of employment relationships might cover the full range from protected integration to unprotected marginalisation, where the spread of NSERs might indicate the increasing vulnerability of employees in the labour market.

We capture labour regulation with data from the CBR-LRI 2017 which measures de jure labour regulation based on individual labour law and similar norm-setting documents such as collective agreements. It covers the period from 1970 to 2013 and applies leximetrics—an approach that quantifies the strength of law. In the following, we focus on three dimensions: *NSER equal treatment*, *NSER restriction*, and *dismissal protection*. In the case of the latter we replicated Adams et al. (2017) and measured it using the mean of equally weighted indicators; it indicates the general level of protection enjoyed by the SER. In the case of NSER regulation, we split up the CBR-LRI dimension *different forms of employment* according to the function of norms. The dimension NSER equal treatment captures whether the law stipulates that part-time, fixed-term, and agency workers are treated in the same way as employees with an SER. In contrast, NSER restriction reflects to what extent non-standard employment is controlled or even prohibited and the degree of



**Fig. 20.1** Contract-spatial concept of labour market segmentation. (SER = standard employment relationship, PT = part-time, FT = full-time, temp = temporary, perm = permanent. Source: own conception)

labour market flexibilisation. The scale of the three dimensions ranges from 0 to 1, and values closer to 1 indicate high regulation or highly restricted NSER; the indicators for the three dimensions are presented in Table 20.1.

Figure 20.2 combines our indicators for labour market segmentation and NSER regulation for a selection of the few countries for whom almost three decades of information is available, but nonetheless represent most divergent cases according to various typologies: the three types of *legal labour regulation* (Mückenberger and Supiot 1999; Deakin 2000) are represented by France (rights according to citizenship guaranteed by the state), the UK (rights according to the market based on equal competition) and Germany (rights according to status ascribed by the collective); different *worlds of welfare capitalism* (Esping-Andersen 1990) are represented by the inclusion of conservative (Germany, France), liberal (UK), social-democratic (Denmark), and southern (Italy) welfare states; *varieties of capitalism* (Hall and Soskice 2001) are represented with coordinated (Denmark, Germany, the Netherlands), liberal (UK), and ambiguous (France, Italy) market economies; and role models of the *flexicurity discourse* with the Netherlands and Denmark (Wilthagen and Tros 2004). To demonstrate the influence of membership in the supranational body



**Table 20.1** Indicators for the dimensions of labour regulation

Dimensions	Indicators
NSER equal treatment <sup>a</sup> ( <i>high value = equal treatment to SER</i> )	<ul style="list-style-type: none"> <li>part-time workers have the right to equal treatment with full-time workers</li> <li>the cost of dismissing part-time workers is equal in proportionate terms to the cost of dismissing full-time workers</li> </ul>
NSER restriction* ( <i>high value = high restriction</i> )	<ul style="list-style-type: none"> <li>fixed-term workers have the right to equal treatment with permanent workers</li> <li>agency workers have the right to equal treatment with permanent workers of the user company</li> <li>fixed-term contracts are allowed only for work of limited duration</li> </ul>
Dismissal protection ( <i>high value = high protection</i> )	<ul style="list-style-type: none"> <li>maximum duration of fixed-term contracts</li> <li>agency work is prohibited or strictly controlled</li> <li>legally mandated notice period</li> <li>legally mandated redundancy compensation</li> <li>minimum qualifying period of service for the normal case of unjust dismissal</li> <li>law imposes procedural constraints on dismissal</li> <li>law imposes substantive constraints on dismissal</li> <li>reinstatement normal remedy for unfair dismissal</li> <li>notification of dismissal</li> <li>redundancy selection</li> <li>priority in re-employment</li> </ul>

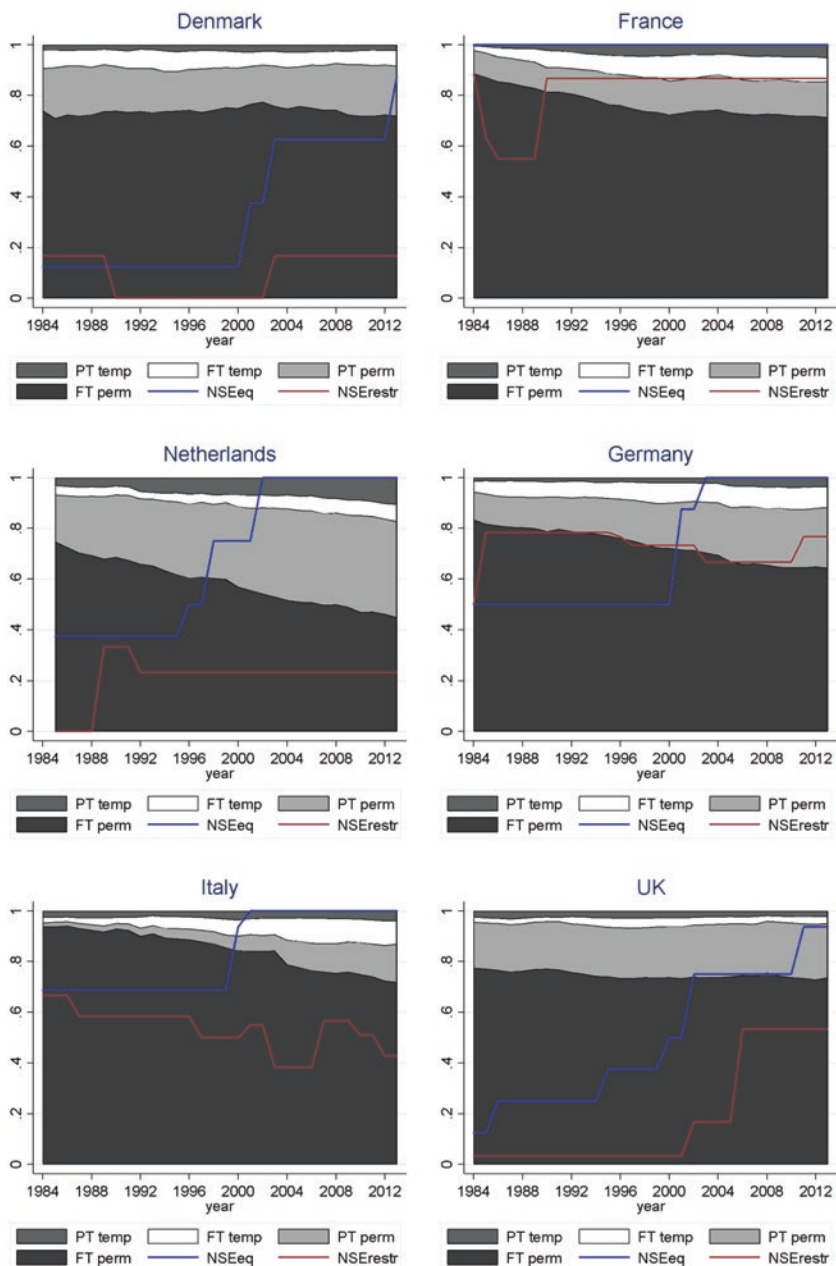
Source: CBR-LRI

<sup>a</sup>Own classification

on national labour regulation, we contrast the development of labour regulation in EU member countries with that of other OECD countries. Because of data restrictions, we cannot show trends for Eastern European countries, Chile, and Israel.

### 3 Labour Market Segmentation and Employment Regulation in EU Countries

We find a general trend of expansion of NSER since the 1980s with different impacts in the various countries: The most drastic change in employment forms can be observed in the Netherlands where SER shrank from 75 percent in 1985 to 45 percent in 2013, while permanent



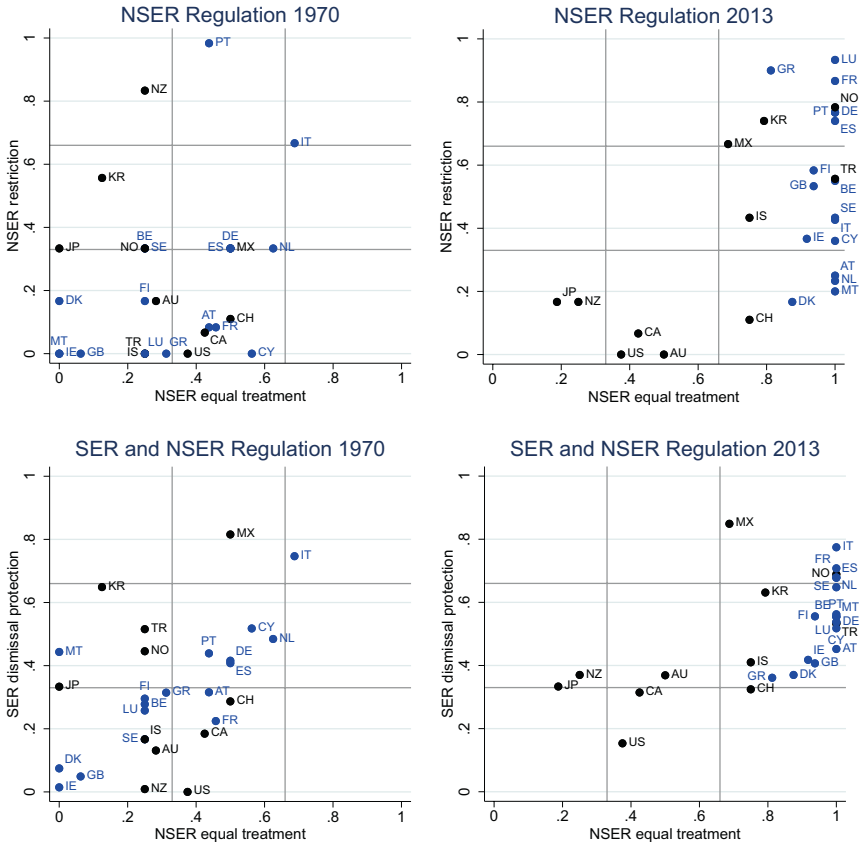
**Fig. 20.2** Labour market segmentation (rate) and NSER regulation (index value) by country. (Sources: EU-LFS 2017, CBR-LRI 2017; own weighted analysis; PT = part-time, FT = full-time, temp = temporary, perm = permanent, NSE = non-standard employment, eq = equal treatment, restr = restriction)

part-time employment doubled (from 19 to 38 percent) and temporary part-time employment tripled (from 3 to 10 percent). A more moderate development occurred in France, where the SER declined from 89 to 71 percent, while temporary full-time employment quadrupled (from 2 to 9 percent). In contrast, we find a more or less stable SER in Denmark and the UK.

The variation in this trend of more or less strengthened labour market segmentation is not unilaterally related to NSER regulation. Interestingly, both between-country and within-country comparisons of the impact of NSER restriction on the share of NSER yield no conclusive results: both the UK and Denmark demonstrate low restriction levels for NSER, but nevertheless have high SER shares, while highly restricted France and Germany show relatively high shares of NSER. Furthermore, the development of NSER seems to be independent of changes in the restriction level: in Germany and the Netherlands, temporary employment was rising between the mid-1980s and mid-1990s, although there was an increase in aggregated restriction levels, while changes in NSER restriction did not affect the distribution in Denmark and the UK. However, we can see that NSER equal treatment regulation was strongly increased in all countries during the mid-/late 1990s (with the exception of France, where it was constantly at an all-time high), and that the increase in NSER clearly preceded that event. It demonstrates that equal treatment regulation was rather a reaction to than a cause of increased NSER.

## 4 Comparing Particular Elements of Employment Regulation in EU and Non-EU Countries

With an enlarged sample of OECD countries, we can find clear distinctions between EU and non-EU countries with respect to equal treatment regulations over time. Figure 20.3 shows scatter plots of NSER and SER regulation for OECD countries in the years 1970 and 2013. Comparing the upper two plots, in 1970 we see low NSER restrictions in most countries, while NSER equal treatment levels are low to medium. South Korea, New Zealand, Portugal, and Italy were outliers, displaying medium



**Fig. 20.3** Individual labour regulation (index values) by country and year. (Sources: CBR-LRI 2017; own weighted analysis; blue = EU member countries, black = other OECD countries)

to high restriction levels, while the latter even had strong equal treatment laws. During the late 1990s, equal treatment regulation strongly increased in all European countries. In 2013, we observe high NSER equal treatment levels among all EU member and affiliated countries, while NSER restrictions ranged from low to high with Luxembourg and Greece at the top and Switzerland and Denmark at the bottom. In contrast, all non-European liberal welfare states with liberal market economies still display low levels of NSER restriction and low to medium NSER equal treatment. While the US and Canada have not moved at all, New Zealand has

drastically reduced restrictions, and Australia slightly decreased restrictions but increased equal treatment legislation. Thus, the move towards high equal treatment regulation of the liberal market economies UK and Ireland can be perceived as an indication of EU influence. Among the non-European countries, only South Korea and Mexico also show high NSER regulations, both with regard to restrictions and equal treatment.

The lower part of Fig. 20.3 connects NSER equal treatment laws to the core of SER regulation, in other words, the strength of dismissal protection. Focusing on the year 2013, we observe that the high equal treatment legislation in European countries was unrelated to the level of dismissal protection, which covered a wide range of values. For the non-European countries, however, there seemed to be a link between the level of SER regulation and the strength of equal treatment: countries with high to medium SER dismissal protection showed medium to high levels of NSER equal treatment (South Korea and Mexico), while countries with low to medium dismissal protection had also low to medium equal treatment levels (e.g. Japan, the US, and Canada). This makes sense, as in countries with low SER regulation, NSER are “by default” treated equally, for example, all employment relationships are equally unprotected. Equal treatment laws become necessary where SER regulation is high. To a certain extent, we can perceive high equal treatment laws in European countries with low SER regulation as an artefact driven by the equal treatment directives of the EU.

## 5 Conclusion

Our findings emphasise that the strength of NSER regulation is surprisingly not associated with its frequency in the labour market: highly-regulated countries do not necessarily display low shares of NSER and vice versa. We observe that the restrictions on fixed-term contracts do not effectively limit the discretionary power of employers to use such forms of employment. We assume that the spread of part-time employment is rather related to gender role models or cultural values, and the enabling of mothers’ labour market participation through defamilising measures such as the provision of (public) care facilities. Furthermore, our findings suggest that intensified NSER regulation is a reaction to the spread of non-standard

forms of employment especially in countries with high SER regulation where inequalities in employment protection become blatant.

Looking at international interdependencies, there seems to be a direct influence of EU membership on patterns of legal regulation. Most EU countries have increased their NSER restrictions. This stands in clear contrast to the constantly low regulation in liberal countries outside of the EU—although in 2013 there is still a huge variation between restriction levels within the EU. The pattern of extremely high NSER equal treatment regulations in all EU countries is far more apparent. Here, EU members and affiliated countries clearly stand out from other OECD countries.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841–SFB 1342.

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# 21

## Pathways to Family Policy in Half a Century of Population Control: International Paradigms and National Programmes

Tobias Böger, Sonja Drobnič, and Johannes Huinink

### 1 Introduction

The size, structure, and productivity of populations have been major issues in politics since the emergence of the state in history, that is since the first ancient empires. Population growth was an important advantage since a larger population meant stronger military power and economic growth, but population issues were not a global concern. However, the demographic transition that began in the eighteenth century resulted in sustained, long-term population growth, and population policy has since become a concern of global social policy. After World War II, fears of global overpopulation started dominating the international discourse. Global policy actors, such as international organisations as well as NGOs and private institutions, became salient players in the domestic policy arena in developing nation states.

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Thus, population policy is rich with international interdependencies. However, these have played out in vastly different contexts. Not only did political regimes differ, but global policy actors also encountered countries at different stages of their demographic transitions and proceeding at different paces. Naturally, these differences produced diverging interests, even among the countries of the Global South. Presently, many countries of the Global South have not yet completed their demographic transitions, while others have joined the developed welfare states in aiming to stabilise or even increase birth rates.

Countries also differ in their approaches and emphases on population policy and family policy. When the now-developed countries experienced their first wave of fertility decline, with total fertility rates dropping steeply from the 1870s until the 1930s, states responded with negative population policy: outlawing contraception and banning information about birth control. But they also started to regulate fertility through state interventions, which provide time, money, or services to families, leading to the development of family policy as a discernible area of social policy. To compensate for the economic cost of having children, countries institutionalised mandatory family-wage systems or family allowances financed by taxation or employer contributions (Montanari 2000). Rather than easing the burden of childrearing, such measures often pursue pro-natalist goals by taking into consideration the birth order either as a qualifying condition or to differentiate the extent of benefits. In general, measures that reduce the opportunity cost of parenthood can be classified as pro-natalist if they encourage working mothers to have another child. Other family policy measures, such as leave and care policies that combine incentives for mothers to engage in paid work while at the same time keeping infrastructural support for reconciliation at a low level, can serve anti-natalist goals as well.

Developing countries have been confronted with a vastly different international environment and were expected to play a proactive role in lowering their fertility rates. Did this international policy model leave room for measures aimed at the socio-economic well-being of families or did the goal of controlling population growth crowd out family policy? Were national governments impacted by newly emerging policy models and did they align their family policy with them?

Building on established narratives of population control as a global model (Barrett and Frank 1999; Connelly 2008), we trace how population policy was legitimised and understood globally and enacted nationally. To this purpose, we analyse the three major (that is political) UN population conferences (1974, 1984, 1994) as platforms of interdependence. On the one hand, they serve as “forums where ideas are shaped and disseminated, where experts present theories for world betterment” (Barrett and Frank 1999, 200). On the other hand, they are also the arenas for countries to signal commitment, criticism, or distance from global norms. While intended to be events of global consensus, often carefully orchestrated, they are also full of conflict, even when couched in the conciliatory language of diplomacy.

In this analysis, we focus on two countries, China and Kenya, whose demographic situations provide sharply contrasting cases. Still the most populous country on earth, China has completed its demographic transition and its population will start to shrink within the next ten years. Kenya is still a fast-growing society and according to current projections, population growth will not stop for some time to come. These differences not only reflect different legacies (McNicoll 2009), but they are contrasting cases, as will be shown, with regard to their ideological and political response patterns to population questions.

## 2 Population Control and Family Policies: Three Conferences

When the *World Population Conference* took place in Bucharest in 1974, the global movement advocating for curbing population growth was at the pinnacle of its success. In the three decades after WWII, the UN Population Division had turned population growth into a measurable problem by designing censuses and calculating projections. India had become a model country, embracing population control in its first five-year plan in 1952 and receiving ample support from American funded NGOs (e.g. the International Planned Parenthood Foundation). And in 1966, heads of state of countries with such different economic and

political systems as South Korea, Morocco, Finland, and Yugoslavia, along with eight others, signed a “Declaration of Population”, which acknowledged global population growth as a global problem demanding swift national responses. Population control had become firmly institutionalised as a model at the global level, with the UN Fund for Population Activity, founded in 1967, acting as a central funding agency and active in a growing number of countries that were adopting national population policies (Barrett and Frank 1999, 215; Connelly 2008, 232).

These milestones, which had turned birth control from a topic of moral suspicion into the obvious answer to a measurable and imminent global problem, rested upon a new rationalisation of population control in terms of collective as well as individual development. Its core idea, referred to as neo-Malthusianism, aligned family planning with the standardised goals of modern statehood (Meyer et al. 1997), promising economic development through population control.

The *World Population Plan of Action* (WPPA) to be adopted in Bucharest was supposed to further this agenda by enshrining a global goal of fertility reduction. Even though explicit targets were undermined by unexpected resistance from developing countries that strove to establish a New International Economic Order (NIEO) and concomitantly held the belief that “population problems are not a cause but a consequence of underdevelopment” (Finkle and Crane 1975, 105), the link between development and population remained the overall framework under which global norms of fertility control were operating.

However, in the final WPPA, the global population control for development agenda was circumscribed by two other frameworks, each aligned to world-cultural norms: First of all, the protest by countries of the Global South led to the inclusion of the “sovereign right of each nation” to formulate and implement population policies. Secondly, an emphasis on human rights and especially the right of “couples and individuals (...) to decide freely and responsibly the number and spacing of their children” brought the individual back into a framework from which they had been mostly absent and which had been primarily concerned with collective welfare.

While this broadened agenda could have opened the possibility to conceptualise family policy as an explicit element of population policy,

the WPPA itself understood population policy rather narrowly in terms of family planning and posited a conflictual relationship with family policy measures such as family allowances. In the preparatory session of the Population Commission, it was emphasised that “there might be conflict between population policies and family policies which, at another level, might be seen respectively as explicit and implied policies” (United Nations Economic and Social Council 1974). The plan, under the heading “Reproduction, family formation and the status of women”, mitigated these anticipated conflicts by advising against the curtailing of family policies with the aim of reducing fertility.

The 1984 conference in Mexico City reaffirmed the WPPA in its *Declaration on Population and Development* and therefore did little to reframe the link between population and family policy. The accompanying set of recommendations made more explicit calls for family policies, which were seen as complementary to family planning.

A vastly expanded *Programme of Action* adopted at the 1994 *International Conference on Population and Development* in Cairo signified a new paradigm (for its history see McIntosh and Finkle 1995). Even though development remains the broad context in which the population question is discussed, the emphasis shifted markedly from collective development to individual rights. This change is most evident in the many safeguards against coercive family planning programmes and the range of human rights invoked. The role of family policy, which is supposed to protect the stability of the family through addressing the “cultural and economic factors behind increasing costs of child-rearing”, on the one hand, and to “achieve equality and equity based on harmonious partnership”, on the other, was thus strengthened, especially when compared to the 1974 WPPA. While the programme’s long list of principles, objectives, and recommended actions allows that a “diligent researcher will be able to find language supporting almost any course he or she may wish to pursue” (McIntosh and Finkle 1995, 226), it still integrates family policy into the realm of population policy by way of re-framing the latter as dependent on the realisation of individual (social) rights. The flip side of this is that family planning with demographic targeting, once legitimised through the collective aspirations of “development”, is no longer a consensual policy model.

The successive plans and declarations place population control within an increasingly complex set of expectations with regard to national institutions: China and Kenya serve as cases that illustrate how national population policies interacted with global norms.

### 3 China

By the time of the first World Population Conference, the People's Republic of China not only already had rudimentary elements of family policy, namely maternity leave and benefit policies (legislated in 1951) as well as a childcare system directed at urban women workers, but it had also embarked on a massive expansion of its family planning programmes starting to set population targets in its economic plans in 1973. Under the slogan "Marry a little later, space a little more, have a little fewer, raise a little better", the Chinese authorities pushed birth control using intra-uterine devices and female sterilisation, as well as providing opportunities for abortions, which outnumbered live births during the 1970s (Connelly 2008, 339; Therborn 2004, 278). However, China had little interest in becoming a model case with regard to its population policy. Following the Sino-Soviet split, it positioned itself firmly in the camp of the developing countries, supporting the demands for an NIEO and emphasising respect for the principle of sovereignty as a basis for international cooperation. It is against this backdrop that its statement at the Bucharest conference, which at first glance seems to contradict its own policies, must be understood. The Chinese representative polemicised against the neo-Malthusian framework originally espoused by the developed countries and emphasised that "of all things in the world, people are the most precious". The notion that population growth itself posed any social or economic problem at all was rejected. "Along with this development, the population has grown rather quickly. This is not at all a bad thing but a very good thing". If anything caused population problems, it was "unemployment" and "imperialism". However, the statement did still leave room for population policies. They could and should be implemented if national sovereignty was respected, aid was not made conditional, and the "complete voluntariness of the parties concerned" secured. China

committed itself to “planned population growth” (Wei 1994), a phrase that perfectly expresses its commitment to a large-scale policy of population control while at the same time disavowing the legitimacy of prevailing global discourses of neo-Malthusianism.

By the time of the 1984 World Population Conference, when the one-child policy, introduced in 1979, was widely known, China had to defend itself against the suspicion that its policy contravened the recommendations set forth at the conference, which clearly demanded that couples should “exercise their basic human right to decide freely, responsibly and without coercion, the number and spacing of their children”. In a rhetorical sleight-of-hand, the Chinese delegation committed itself to the “principle of integrating state guidance with the masses’ voluntariness”. Similarly, Chinese officials at the 1994 conference in Cairo emphasised that population policies “should help couples to freely and responsibly make decisions concerning child-bearing. All forms of coercion must be opposed” (UN Department of Public Information 1994).

But even as China’s diplomatic stance within the UN shifted from emphasising national sovereignty as an organisational principle towards paying at least lip service to the idea of substantive shared world-cultural norms, the link between population policy and the social rights of families was not taken up in official statements. Likewise, family policy measures to encourage couples to have a second child after ending the one-child policy are gaining relevance but are still rudimentary and ineffective (Yang and Huang 2020).

## 4 Kenya

On paper, Kenya is a pioneer of population policy among the countries of Sub-Saharan Africa (Therborn 2004, 280). When Tom Mboya, Minister of Planning and Development, pushed for the adoption of a population policy in 1966, he was following a script set forth by a global epistemic community: experts from the US-based Population Council had arrived in 1965 and recommended a highly standardised step-by-step programme which was applied in countries across the Global South, “(T)he government should declare a policy to reduce population growth;

set up a family planning council with representatives from different ministries and NGOs; start the programme where success was most likely; and ‘rely heavily on the intrauterine device’” (Connelly 2008, 234). But between 1967 and 1978, when President Kenyatta died, national commitment remained low, bar the adoption of neo-Malthusian rhetoric in national development plans. Under the Moi presidency (1978–2002), the efforts to curb population growth gained more traction, even though this was mostly due to the utility of neo-Malthusian logic for blaming low economic growth on high population growth. Considerable pressure by donors who insisted on the creation of the National Council for Population and Development in 1982 was an additional factor (Chimbwete et al. 2005). Correspondingly, its delegates reported, “progress towards implementing the recommendations of the Plan of Action” at the 1984 conference in Mexico City and reaffirmed how population growth placed “serious constraints (on) the country’s socio-economic development” (UN Department of Public Information 1984). In reality, progress was half-hearted at best and fertility had barely budged. Why then did Kenya show so much commitment to the idea of population control? Financial incentives, especially the prospect of using the funds meant to expand rural family planning to build facilities that could (not quite in line with donor expectations) be used to provide maternal and child healthcare, are an obvious explanation. Yet, as reported by Chimbwete et al. (2005), 92), honest belief in neo-Malthusian ideas as a path towards becoming a modern nation state was present among bureaucrats in the Ministry of Economic Planning and Development.

At the 1994 conference, the Kenyan delegation reaffirmed its belief in the causal link between population growth and development, while at the same time disavowing coercive policy models,

I disagree with the simplistic argument that fertility control will solve the problems of poverty (...) caused by population growth. The concern of this view is only the achievement of population targets and runs the risk of the application of physical, economic or intellectual coercion. (UN Department of Public Information 1994)



As with population policy more generally, Kenya was eager to espouse the newly enshrined symbiosis of neo-Malthusian population control with the rhetoric of reproductive rights. Kenyan delegates adopted the idea that national as well as individual welfare and the rights of women and children within the family depended on population policy:

The population policy thus aims at improving standards of living and quality of life; improving health and welfare through information and education; further reducing fertility and mortality rates; encouraging Kenyans to adhere to small family size; promoting family stability while recognising the rights of women and children; and eliminating social and cultural practices that have a negative impact on women and girls. (UN GAOR 1999)

The third national population policy, enacted in 2000, was explicitly framed as integrating the 1994 Plan of Action into national policy. In its latest “Population Policy for National Development”, adopted in 2012, Kenya did not include such boilerplate signifiers of international norm acceptance. However, Kenyan representatives were eager to show commitment to the 1994 plan when discussing the post-2014 agenda for population policy at the UN. As evidenced by growing contraceptive use, which rose from 17 percent of women aged 15–49 in 1984 to 58 percent in 2014, and falling birth rates, showing a significant decline of total fertility from 7.1 (1984) to 3.9 (2014) births per woman, national aspirations to follow global norms are also no longer decoupled from national priorities.

Even though Kenya throughout its history has been strongly influenced by external models of population policy, neither in its national policy frameworks nor in its international statements does it include family policies of any kind.

## 5 Two Ways of Dealing with Interdependence: Instrumental Policy-Making and Selective Norm Dilution

Our reading of the national developments and international proclamations of our two cases show two contrasting variants of interdependence within world society. Whereas one can trace how global ideas of neo-Malthusian population control directly impacted national policy in the case of Kenya, China struggled to legitimise a family planning programme that had originated endogenously, with reference to global norms. Incoherence and decoupling, widespread wherever global models are adopted (Meyer et al. 1997, 154), thus took different shapes in these cases. Kenya's wholesale commitment to a global model led to *instrumental policymaking* in its first phase (up to the mid-1980s): While donor money funded projects that were not immediately linked to family planning but rather paid for infrastructure which could be used for other purposes, the actual policies of curbing fertility were at first relegated to development plans (Chimwete et al. 2005). In the case of China, the actual policies show a great deal of coherence and conformity to policy models envisioned by the international birth-control movement, but China opposed a global norm that would have imposed population targets on developing countries. China thus supported the circumscription of the original thrust of the WPAA through the emphasis of sovereignty as a countervailing principle: It engaged in *selective norm dilution*. In both cases, any connection between family and population policy, as far as it was present within international discourse, fell prey to the practice of selective legitimisation or instrumental adaption of global policy models.

National family policy developed independently of international population discourse in both cases: the nationwide adoption of maternity leave provisions in China originates in a different kind of interdependence. As in many other socialist countries, China emulated the Soviet model of social insurance (Hu 2015). When its national policies changed from aiming at the reduction of fertility to increasing it in 2015 (UN Population Division 2015) and family policy measures were extended

concomitantly, it reacted to the (perception of) increased demographic pressures. Kenya, however, exhibits only minimal family policy measures. Its main instruments are a limited maternity benefit scheme adopted in 1976 and a small cash transfer to orphans and vulnerable children, which has existed since 2004. Both barely qualify as family policy measures since they are primarily aimed at either the health of working mothers or the mitigation of extreme kinds of poverty brought about by the HIV crisis. While interdependencies have played a role in bringing about embryonic types of family policy, the Chinese case suggests that the development of family policy as a discernible area of social policy presupposes a political interest in positively influencing fertility, not unlike the developments in early twentieth-century Europe.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841–SFB 1342.

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# 22

## Opposition to the Washington Consensus: The IMF and Social Policy Reforms in Post-Soviet Russia

Heiko Pleines

### 1 Introduction

In Central and Eastern Europe, the socialist welfare state had established a comprehensive system of social security which was run as part of the planned economy. However, insufficient financial support meant that it increasingly failed to live up to the promised ideal. The situation worsened dramatically when the socialist system collapsed in the late 1980s. The post-socialist states faced what at the time was the worst economic decline ever recorded outside war. While the Central East European countries that would later join the European Union started to recover in the mid-1990s and began to consolidate their social security systems on a lower level, the post-Soviet countries did not. Russia's gross domestic product (GDP), for example, declined by more than 40 percent over the course of the 1990s. As their creditworthiness on international financial markets suffered, these countries increasingly turned to international

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financial institutions, most prominently the International Monetary Fund (IMF), as lender of last resort.

The IMF, in tandem with the World Bank, promoted a set of neoliberal economic policies commonly referred to as the “Washington Consensus”. In addition to the general neoliberal policy prescriptions related to free markets and a “lean” state, the IMF strongly focused on the state budget. This was not just the logic of neoliberalism, but also the logic of a bank, as which the IMF in fact acted. In order to ensure that countries with unsustainable debts could repay IMF loans, their budget deficits had to be reduced substantially. As the idea of a lean state—as well as the dire economic situation of the countries turning to the IMF—did not allow for large tax increases, and as privatisation often failed to provide a boost to the budget in the short run, much of the budget balancing the IMF demanded had to be done through spending cuts. Subsidies and spending on welfare were common targets of IMF conditionality. The main aim was to significantly reduce the generosity and degree of inclusion of social policy measures in order to consolidate public finances (Deacon and Hulse 1997).

However, up to the 1980s the IMF had mainly dealt with low-income countries that lacked complex and universal social security systems. As Orenstein (2008, 84–85) summarises, for post-socialist countries

the end of subsidies, full employment, and enterprise-based social provision created enormous pressure for welfare-policy reform. Yet neoliberal economic advisors—long used to dealing with developing countries that lacked extensive social policies—largely ignored state welfare programs aside from unemployment insurance (a key element of neoliberal reform programs in Central and Eastern Europe). (...) The neoliberal ‘Washington Consensus’ was clear on trade policy, market liberalization, and privatization, but had little to say on the social-sector restructuring that was to become such a large part of postcommunist transformation.

As the countries turning to the IMF for loans often did not have any alternative bar default, “the structural adjustment policies of the World Bank and International Monetary Fund (IMF) have long been criticised as a coercive form of economic reform measures” (Stone 2012, 491).

## 2 Russia's Dealings with the IMF

Russia joined the IMF shortly after the break-up of the Soviet Union and agreed on its first IMF loan just a month later, in July 1992. But already in the following year the IMF suspended its lending programme to Russia, citing insufficient reform measures. The first big IMF loan to Russia was then agreed in 1995. The 6.8 bn USD loan was the second largest the IMF had made at the time. It was followed by an agreement in 1996 to provide a total of 10.2 bn USD over three years.

However, economic turmoil in Russia reached a climax in 1998. GDP fell by 5 percent in that year. Inflation reached 84 percent. Unemployment stood at 12 percent, while the average monthly wage amounted to a mere 100 USD. The government found it increasingly hard to finance state debts and declared default in August. As a result, the exchange rate of the national currency fell by 60 percent against the USD. Facing default, in July 1998 Russia agreed to a twenty-three bn USD financial package with the IMF and World Bank (Gould-Davies and Woods 1999).

The conditions the IMF demanded prior to the agreement were summarised in a confidential IMF report. They were confirmed by a letter of intent from the Russian government. Both documents have since been declassified. Concerning social policy, the three major demands were to “take measures to restore balance to the Pension Fund”, “reduce the overall expenditures of the (Social Insurance) Fund by 25 percent” and “bring the Employment Fund on budget” (IMF 1998b, 4). To achieve these targets, the Russian government promised a substantial reduction in pension payments, while at the same time increasing the respective payroll tax. The cut in spending by the Social Insurance Fund included “eliminating all expenditures that (were) not directly related to providing insurance related benefits (e.g., sick leave or maternity benefits)” (IMF 1998a, 23).

Moreover, the demands by the IMF and World Bank included the restructuring of uncompetitive industries, like coal mining, which would lead to large layoffs. In this context, the Russian government also promised a liberalisation of the labour market, including a law to establish



a realistic minimum of social guarantees, enhance the role of individual labor agreements, including a more simplified procedure for dissolving individual labor agreements (such as excluding the need for consent of trade unions and the requirement of finding alternative employment) and expand the ability to enter into fixed term and multiple work contracts. (IMF 1998a, 35)

Thus, as Manning (2003, 20) stated, “for (...) Russia, the heavy hand of the International Monetary Fund (IMF) made loans and credits dependent on following a liberal ideology in which an American-style residual welfare state was paramount”. Such a policy was in sharp contrast to popular expectations, as the population in the post-Soviet countries, including Russia, was still used to comprehensive social support from the state. Of the top five priorities for state spending named in a representative public opinion poll, a total of three were related to social policy, namely healthcare, education and social security payments including pensions. At the same time, two-thirds of the population shared a negative view of the IMF (Levada 2000a), while only 18 percent believed the claim by the Russian government that IMF loans were important to avoid economic collapse (Levada 2000b).

This public mood dominated politics in 1998. In protest, coal miners blocked the country’s major long-distance transport links in what was known in Russia as the “rail war”. From mid-June until September 1998, coal miners from different regions also protested nonstop in front of the government building in Moscow, demanding the resignation of the president and the government. In October 1998, the biggest opposition party and the Federation of Independent Trade Unions organised a nationwide strike. The government was struggling to find a line. In 1998/1999 the country had six prime ministers. In May 1999 parliament tried to impeach President Boris Yeltsin, who resigned by the end of that year, before his term had officially ended.

Given these circumstances, no parliamentary deputy dared to defend the IMF when legislation addressing its demands was discussed in 1998 and 1999. The left and right of the political spectrum were equally opposed to any cooperation with the IMF, referring to bad advice and even accusing it of intentional destruction. Additionally, they blamed the

Russian government for collaboration, conspiracy and embezzlement. While deputies from liberal parties had a share of 10 percent in parliament, their share in IMF-related statements stood at only 2 percent. The representatives of the state executive, when appearing in parliament, mostly limited their arguments to the IMF as a source of financial support (Pleines 2021). As a result, many of the original reform plans were not fully implemented.

For example, the draft law “On State Social Benefits” originally offered the option to abolish in-kind social benefits. These benefits were a legacy from the Soviet Union where direct access to goods and services had often been preferred to monetary compensation, as many goods had been in short supply. After the end of the Soviet Union, Russia had continued to introduce in-kind benefits. At the time of the reform debate in the late 1990s national legislation regulated over 150 different forms of in-kind benefits for over 200 different categories of recipients. The most important in-kind benefits were related to transport, healthcare, housing (including reduced utility payments and repair services) and also leisure time and recreational services (from free entry to museums and parks to health resort vouchers). Recipients were defined by three different logics. First, in-kind benefits were provided to those in social need, including pensioners and disabled people. Second, benefits were also provided in return for special services to the country, for example to war veterans or heroes of labour. Third, in-kind benefits were used as bonus payments for public servants. As a result of this complexity, the state could neither establish the number of citizens entitled to support nor the financial costs to the state budget. According to a survey of Russian households financed by the World Bank, a quarter of the population and half of all Russian households were entitled to in-kind benefits. The World Bank estimated the overall costs of the in-kind benefits at around 4 percent of GDP. However, actual costs were much lower as many of the in-kind benefits were in fact not available to those legally entitled to them. Abolishing the in-kind benefits was meant to improve the targeting of social support and at the same time to reduce the costs to the state budget. (The most detailed overview of the system of in-kind benefits is provided by Sinitsina 2008.)

However, after strong resistance from parliament, the abolishment of in-kind benefits was dropped during the second reading of the law in September 1998. Commenting on the overall anti-crisis measures of the Russian government, the IMF spoke of a “significant step back” from market reforms. Still, Russia managed to get another stand-by credit of 4.5 bn USD from the IMF in July 1999.

### **3 Emancipation from the IMF**

The situation changed remarkably in 2000. The Russian economy saw a long-lasting economic recovery based on strongly rising world market prices for its exports of natural resources. From 1999 to 2008 the country’s GDP rose by 7 percent per year on average. In the same period, average monthly wages increased from little more than sixty USD to nearly 700 USD. Unemployment fell from 13 to 6 percent. Russia had fully repaid its debt to the IMF by 2005.

Vladimir Putin, who had been elected as Russia’s president in 2000, swiftly moved to consolidate political power. He managed to marginalise influential business tycoons, regional governors and the political opposition. He used his popularity to implement major reform projects.

In line with a more assertive policy stance, Russia also made a point of being independent of Western aid and advice. This limited engagement manifested itself in many forms. The number of high-level meetings between IMF representatives and the Russian government, for example, which added up to twenty in the period from 1997 to 1999, stood at only one per year after 2004. At the same time, references to policy advice from international organisations all but disappeared from national debates.

### **4 The Domestic Approach**

However, this did not mean a break with neoliberal ideas. Putin promoted prominent advocates of economic liberalism to leading positions in the presidential administration and in government. They developed

several large reform projects, including a comprehensive tax reform, administrative reforms cutting red tape and liberalisation of the land market. In 2003 Putin announced reforms of the social security system.

In 2004, when his party commanded a vote share of 70 percent, it took parliament just three months to pass a law which abolished most in-kind social benefits—a project which had failed six years earlier despite IMF conditionality. The draft law revising each in-kind benefit for each social group entitled to it was over 400 pages long. The main idea was to replace in-kind benefits with cash pay-outs. Thus, in public debates and media reporting the reform was generally called “monetisation of benefits”. But as one aim was still to consolidate the state budget, for most of the recipients the monetary compensation fell far short of the value of the in-kind benefits. In fact, the broader aim of the reform was to introduce “logics of cost effectiveness, accountability and transparency” (Wengle and Rasell 2008, 753).

Reform projects like this have led to a reinterpretation of the role of the IMF. Bönker et al. (2002, 5–6) were among the first to realise that it

cannot be said that the neoliberal discourse was forced on the post-communist countries from the outside, even though the international financial institutions very soon assumed the mandate for overseeing the economic reform process in Eastern Europe. The ‘elective affinity’ between East European reformers and Western advisers probably runs deeper than is often assumed.

However, despite the government’s control over parliament and an improved economic situation, a large part of the Russian population was still strongly opposed to social reforms which reduced benefits. In a representative opinion poll, about half claimed that in their place of living dissatisfaction with the political leadership was growing (Klimov 2010). In January 2005, when the law came into force, demonstrations erupted country-wide, developing into Russia’s biggest protest wave of the decade. Again, national and international promoters of the neoliberal reform were ill prepared (Maltseva 2016). The IMF commented: “The fierce resistance to social benefit reforms had come as a surprise and was tempering the pace of further reforms in the social area” (IMF 2005, 25).

After a period of silence, Putin publicly criticised the reform. The government reacted with an increase in pensions, guaranteed discounts on public transport for recipients of in-kind benefits and a delay of further social reforms. The responsibility for in-kind benefits was transferred to the regional level. While this helped to diffuse public anger, it increased social inequalities between Russia's regions as their resources for the provision of social support measures differ widely (Sinitsina 2008).

## 5 Conclusions

The Russian debate of 1998 demonstrates how toxic IMF involvement in domestic politics can become. Although in its self-perception the IMF was about to save Russia, it could not command a single supporter of its policy in the Russian parliament. The IMF was, of course, aware of the problems faced by the governments it was dealing with. Though the initial conditionality was very strict, its implementation was rather pragmatic. The case of Russia is typical in this respect. Though many of the IMF conditions had not been met in 1998, a new loan was nevertheless agreed in 1999. Moreover, it came with an understanding that cuts to social spending were not desirable.

The problem with this pragmatism on the part of the IMF was and still is that, first, national governments do not really know which conditions are negotiable. As a result, loan agreements become much less predictable. Second, the IMF often only retreats after the damage, in the form of popular protests, has already been done. The room for manoeuvre of national governments is much smaller by then. Moreover, the IMF loan may be too late. Russia received the new loan only after its default had already plunged the country into turmoil.

In the early 2000s, the conciliatory approach was summarised as the "post-Washington consensus". The former chief economist of the World Bank, Joseph Stiglitz (2008, 53–54), named as key elements the involvement of local actors and their ideas, the consideration of local circumstances instead of a "one size fits all" policy, the need to strengthen states' regulatory capacity as well as the market, and also the idea that success goes beyond purely economic indicators.

The second part of Russia's experience, however, clearly illustrates that the IMF may sometimes not be the cause of neoliberal reforms, but rather a scapegoat. National governments can be as zealous in their pursuit of neoliberal policies as the IMF. Russia's domestic policymakers in the economic and social sphere were highly influenced by the Washington Consensus. Accordingly, they continued to promote neoliberal policies even when the country's relation with the IMF had already cooled down.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center "Global Dynamics of Social Policy" at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841–SFB 1342.

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# **Part III**

## **Globalisation, Economic Interdependencies and Economic Crises**



# 23

## Globalisation, Economic Interdependencies and Economic Crises

Ivo Mossig and Michael Lischka

Since the early 1990s, globalisation has become a major subject of research in the social sciences. However, its impact is contested in academic and public discourses and no clear, uniform or consistent concept of globalisation has been established so far (Jahn 2016). Common views concern the increase of global connections and interdependencies of ecological, social, political and economic systems. The intensification of worldwide social relations links distant places in a way that local events are affected by events occurring far away (Giddens 1991). In this chapter, we conceptualise globalisation as a process of intensification and expansion of multidimensional cross-border relations that are shaped by powerful actors, especially transnational corporations, political actors at the level of nation states and international organisations (Giese et al. 2011).

With regard to the following chapters, we focus on economic globalisation processes and economic interdependencies leading to increasing

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global integration of economic sectors and production systems. The aim of this introduction is presenting the causes and effects of economic globalisation. By analysing long-term data on trade, economic growth and foreign direct investments (FDI), we identify three different waves of economic globalisation separated by far-reaching emergencies such as wars and economic crises. Subsequently, we discuss specific causes and manifestations of economic globalisation and economic crises in each phase and briefly outline their impact on the dynamics of social policy.

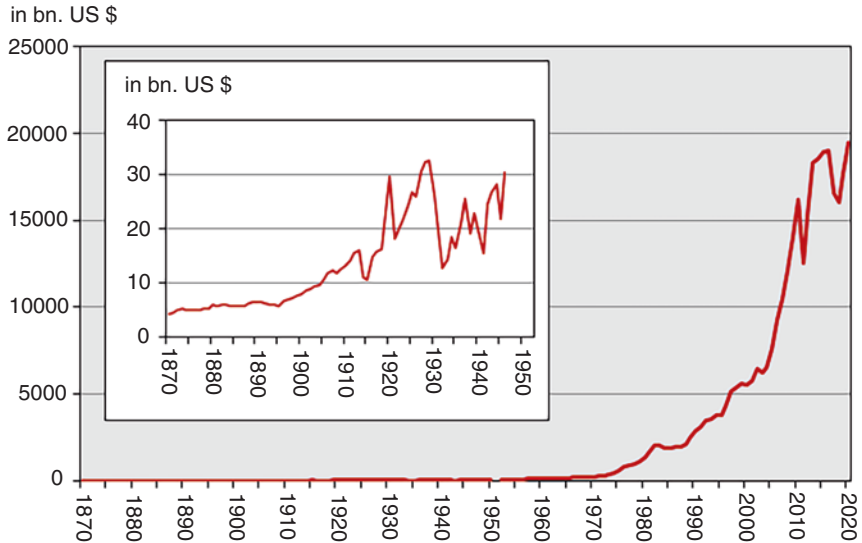
## 1 Three Phases of Economic Globalisation and Economic Crises

According to international trade theories, economic trade has a positive effect on wealth. Due to differences in the technologies used and the structures of demand and supply of production factors, some countries have a relative price advantage in manufacturing certain products. Following the Heckscher–Ohlin model, countries specialise their production according to these price advantages. Through international trade in goods, trading partners can buy the required goods at the lowest possible price and sell their own products transnationally due to their own relative price advantages (Krugman et al. 2018).

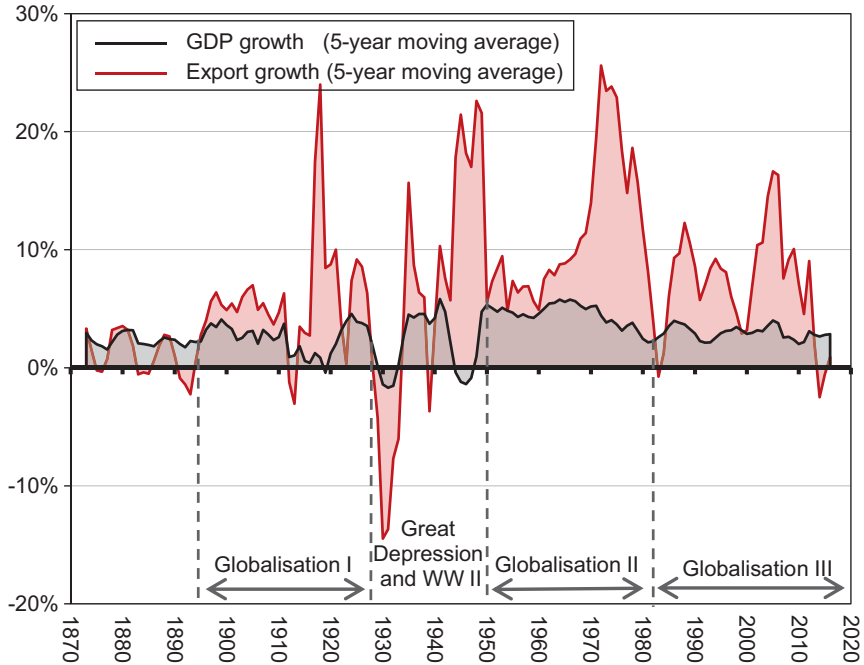
International economic interdependencies are not a recent phenomenon, however. Throughout time, closed economies have barely existed. Already in ancient times, spices, fabrics or gold were traded. Nonetheless, economic historians disagree about what point in time an economic globalisation started. Some point to the discovery of America as the crucial turning point, others claim it only started at the beginning of the nineteenth century (O'Rourke and Williamson 2002). At least, there is a consensus that the extent of international interdependence changes over time and that different phases can be identified depending on the intensity of trade relations and respective economic philosophy (e.g. mercantilism, economic liberalism or protectionism), international conflicts, or economic crises (Giese et al. 2011). The available data allow an analysis from 1870 onwards and thus begins immediately before the establishment of the first transfer-oriented social security systems in the 1880s.

An important indicator of economic globalisation is the global trade of goods, notably the ratio of exports and the gross domestic product (GDP) (Dreher 2006). Figure 23.1 shows the non-linear growth of global exports since 1870. Different growth phases can be identified that are separated by significant economic slumps related to the two world wars and the Great Depression from 1929 onwards. More recently, the financial and economic crisis in 2007/2008 or worries about the economic development in China, the United States and Europe in 2015/2016 led to a decline in global exports (cf. Fig. 23.1). The inset in Fig. 23.1 is a magnification of the curve between 1870 and 1948 to show details of global trade in this period.

While trade increased in absolute terms, the comparison with global GDP proves that an increase in trade is associated with an intensification of economic interdependencies. For comparing these two indicators, annual growth rates were calculated (cf. Fig. 23.2). We use five-year moving averages to improve the identification of long-term developments and



**Fig. 23.1** Development of Global Exports 1870–2018. (Sources: Own calculations using data from <http://correlatesofwar.org>, <https://unctadstat.unctad.org> (accessed January 21, 2020))



**Fig. 23.2** Growth rates of global exports and economic growth measured by GDP 1870–2018 shown as five-year moving averages. (Sources: Own calculations using data from <http://correlatesofwar.org>, <https://unctadstat.unctad.org> (accessed January 21, 2020) <http://www.gdc.net/maddison/Maddison.htm>, <https://data.worldbank.org> (accessed March 2, 2020))

to eliminate extreme short-term deviations. A phase of increasing global interdependence is evident when export growth rates exceed the growth rate of global GDP. Different phases of economic globalisation can be identified by intersections of both lines. Negative growth rates of GDP indicate global economic crises, which are often the starting point for interventions in social policy (Obinger 2019).

The average annual growth rate of global exports from 1870 to 2018 is 6.77 percent, while global GDP only increased 2.93 percent on average in this period. Overall, three waves of globalisation and one longer phase of economic crisis can be identified. During all waves, the average growth rate for exports exceeded the growth of GDP (cf. Table 23.1). In the following, we discuss particularities and causes for each phase as well as relevant effects regarding social policy.

**Table 23.1** Average growth rates of global GDP and global exports for different time periods

	Entire period 1870–2018	Before globalisation I 1870–1895	Globalisation I 1896–1928	Great Depression 1929–1939	Globalisation II 1950–1980	Globalisation III 1981–2020
<b>GDP, annual growth rate (%)</b>	<b>2.93</b>	2.40	2.54	1.74	4.63	2.91
<b>Exports, annual growth rate (%)</b>	<b>6.77</b>	1.30	6.41	-0.51	12.63	6.56

Sources: Own calculations; data sources see Fig. 23.2

## 2 The First Wave of Globalisation from 1895 to the Great Depression

The first phase of globalisation stretches from 1895 to 1928. The Great War was a significant break in the growth rates of GDP and exports, although the high growth rates of the following years compensated for this decrease. According to the Heckscher–Ohlin model, price differences and the associated country-specific specialisations made trade over long distances lucrative, despite the associated transport costs. Decreasing freight rates in the nineteenth century had a favourable effect in this first phase. Through the expansion of railways and inland waterways hinterland connections improved, providing access to remote production sites and sales markets. In North America it was primarily farmers who benefited, while in Europe it was industrial companies. Compared to previous trade relations, price differences no longer remained stable—commodity price convergence rather indicated an increasing integration of the markets. Therefore, the argument of relative price differences causing foreign trade lost its validity. Instead, producers now faced the challenge to achieve productivity improvements, especially through technological innovations, in order to maintain competitiveness in global markets (O’Rourke and Williamson 2002; Torp 2005). The concomitant economic and social transformations in the course of rapid industrialisation

created social needs that explain why states adopted social policies during this phase. Large differences between states regarding the timing and form of introduction still demand in-depth explanations (Obinger and Petersen 2019).

### 3 The Great Depression and World War II

The period between the Great Depression and World War II was a significant break. Caused by the New York stock market crash in October 1929, the global economy collapsed. In 1932, global exports were at a mere 40 percent of their 1929 level, while global GDP shrank more than 4 percent per annum. Industries in many countries demanded protectionist measures to support domestic producers. Adhering to the belief that exports create jobs while imports destroy them, governments subsidised exports and imposed high import restrictions. This economic policy—known as “beggar-thy-neighbour”—tried to shift the burden of the economic crisis onto other countries, triggering a cycle of competitive market foreclosure (Weintraub 2007). A change in economic policy only came with the Roosevelt administration which supported a stronger liberalisation of global trade and signed numerous bilateral trade agreements (Giese et al. 2011). Although the global growth rates of GDP and exports stabilised in the second half of the 1930s, they were still far below the long-term average over the period from 1929 to 1939 (cf. Table 23.1).

The industrial crash caused by the Great Depression led to mass unemployment and catastrophic living conditions. In some countries such as Sweden, New Zealand and the United States this situation prompted welfare state expansion. This is exemplified by the U.S. Social Security Act which was enacted in 1935 as part of the New Deal. By contrast, the right-wing autocracies in Europe responded with austerity and welfare state retrenchment. This bifurcated development in social policy demonstrates that governments might respond very differently to similar economic problems (Obinger and Petersen 2019).

## 4 The Second Wave of Globalisation after World War II Until 1980

Already during World War II, the United States and its Western allies developed plans for a new economic order. The 1944 Bretton Woods conference, in which forty-four states participated, was a landmark event. Key decisions were the establishment of the International Monetary Fund (IMF) and the World Bank (Tetzlaff 1996) as well as the system of fixed exchange rates linked to the US dollar. The dollar was tied to government gold balances to prevent states from devaluing their currencies in crises (e.g. the Great Depression) in order to gain advantages in foreign trade. In 1971, the United States revoked its guarantee to exchange US dollars for gold, leading to the collapse of the Bretton Woods system. In 1973, the exchange rates for the most important currencies were liberalised. On the other hand, the General Agreement on Tariffs and Trade (GATT), which came into force in 1948 and was replaced by the World Trade Organization (WTO) in 1995, boosted the rapid growth of global trade. In eight rounds of negotiations, trade tariffs were reduced from an average of 40 percent in 1947 to below 5 percent in 1994 (Giese et al. 2011).

The liberalisation of markets for goods and services led to a massive increase in global trade (cf. Fig. 23.1). In particular, from the 1960s onwards, the annual growth rates of exports were significantly higher than the global growth rates of GDP (cf. Fig. 23.2). Overall, from 1950 to 1980 exports grew by an average of 12.63 percent per year, while GDP grew “only” by 4.63 percent per year (cf. Table 23.1). However, not all parts of the world were equally embedded in international trade. Rather, there was a communist bloc under Soviet leadership, united in the Council for Mutual Economic Assistance (Comecon), and the group of the capitalist-oriented Western nations. The latter, also known as the Triad, consisted of North America, Western Europe and the Asia-Pacific economic area, often dominated by Japan (Dicken 2007). However, during the second wave of globalisation, large parts of the world population did not live in either of these two blocs but in countries of the Global South which were far less integrated into global trade activities. A genuinely worldwide economic integration, as the term globalisation suggests, did not take place during this phase.



The second globalisation wave coincided with the so-called Golden Age of the Western welfare state. Immediately after World War II, there was an immense need for social protection to counter the enormous consequences of the war. Many Western countries increased social benefits and extended social protection to larger segments of the population which, along with demographic ageing, caused a disproportionately high increase in social spending vis-à-vis economic growth. Cameron (1978) demonstrated for eighteen Western countries that differences in the expansion of the public economy can be attributed to the varying degrees of integration in global trade between 1960 and 1975. Since small open economies are vulnerable to fluctuations in world markets, they expand the public (welfare) sector to mitigate the risks associated with their high trade dependency. The disproportionate expansion of the welfare state in smaller countries such as Belgium, the Netherlands or the Scandinavian countries can therefore be explained by their economic openness. This argument lies at the heart of the “compensation hypothesis” (Rieger and Leibfried 2003; Starke and Tosun 2019).

However, economic interdependencies also shaped social policies in non-Organisation for Economic Co-operation and Development (OECD) countries. From the 1940s onwards, many Latin American states for example pursued a strategy of import-substituting industrialisation. Social policies were designed for the industrial workforce, specifically in the areas of education and health. The agricultural sector received little attention or was not included at all. This gave rise to increasing inequalities. Financial problems, cyclical downswings and inflationary policies favouring exports contributed to a lack of investment in social infrastructure and to the decline of the population’s living standards. Consequently, such strategies came to a halt in the 1980s (Cortés 2009).

## 5 The Third Wave of Globalisation Since the 1980s

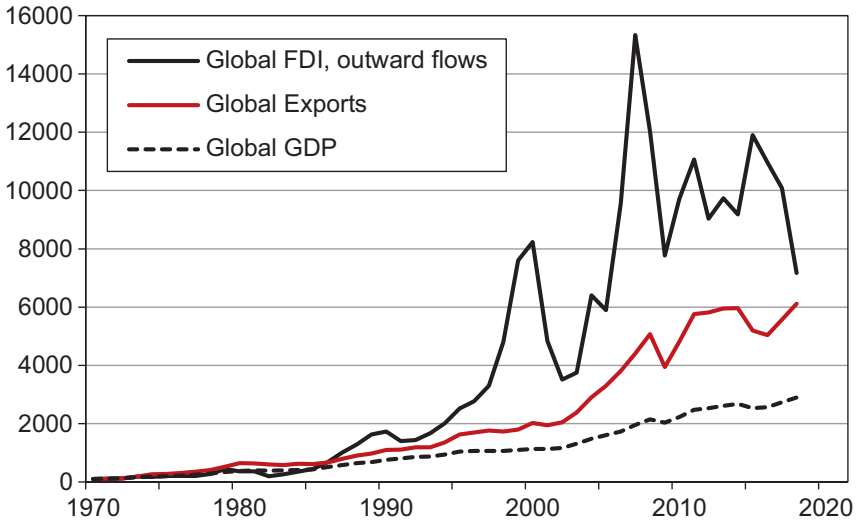
The third wave of globalisation from the 1980s onward is defined by an increasing international division of labour and the massive restructuring of production processes and organisational structures of transnational enterprises (Dicken 2007). In the second wave of globalisation, economic

growth was based in particular on productivity increases through Taylorist mass production. In order to realise economies of scale, as many production steps as possible were concentrated at a central production site, from which the finished products were exported to global sales markets. This production method, also known as Fordism, fell into crisis in the 1970s. It started with the oil crises, but these external shocks cannot explain the far-reaching changes. On the contrary, it became clear that the possibilities for increasing productivity through economies of scale had reached their limits. Furthermore, consumer habits changed so that standardised mass products less and less met the demand and more flexible production systems had to be established (Bathelt 1994). Searching for new ways to reduce costs, the largely integrated production process was split up in order to relocate parts of the production to cheaper locations. Differences in labour costs played a central role in this process. In contrast to the second wave, economic integration was less driven by trade than by the establishment of global production networks of transnational companies (Henderson et al. 2002) and the accompanying integration of financial markets. The rapid growth of foreign direct investments as a driving force of the third wave of globalisation illustrates this point. FDI stocks and flows are a suitable indicator of the progressive expansion of the international division of labour and the relocation of formerly domestic jobs to foreign production sites (Giese et al. 2011).

Figure 23.3 shows the development of outward FDI flows compared to global exports and GDP. The values were indexed in relation to the base year 1970 (index 1970 = 100). Obviously, the FDI volume has grown faster than global exports and GDP since the mid-1980s and has significantly and massively increased since the early 2000s (cf. Fig. 23.3).

Technological improvements enabled the establishment of global production networks. The development of programmable computer-integrated machines replaced the rigid principles of Fordist mass production with flexible forms of production. New time-space-shrinking technologies were essential prerequisites for effectively organising production processes across production sites. They allowed the transfer of larger amounts of information at ever-lower prices and over ever-shorter time (now in real time). New transport technologies facilitated savings in terms of costs and time. And increasing digitalisation allowed for new

Index 1970 = 100



**Fig. 23.3** Development of Foreign Direct Investments (FDI, outward flows), Exports and GDP 1970–2018. (Source: Own calculation using data from <https://unctadstat.unctad.org> (accessed March 10, 2020) <https://data.worldbank.org> (accessed March 10, 2020))

logistical concepts with the precise tracking of cargos and their coordination with production processes (Dicken 2007; Giese et al. 2011).

However, the third wave of globalisation is also characterised by other landmark events. First, the collapse of the Soviet Union and the “Eastern Bloc” and the subsequent integration of these states into the capitalistic global economy occurred. Second, there was the rise of China as a new economic power. And third was the recurrence of severe economic crises—such as the financial and economic crisis of 2007/2008 or the bursting of the dot-com bubble in March 2000—quickly leading to global disruptions due to increasing economic interdependence. It is apparent that the COVID-19 pandemic will massively reshape economic interdependencies. Already at the beginning of the crisis, a noticeable transformation or even a significant reduction of previous globalisation structures has become visible, with consequences for prosperity and welfare that are inestimable as yet.

As a result of these upheavals, the impact of globalisation on social legislation has been discussed more intensively but also more controversially. While the compensation thesis argued that a high degree of integration into the global economy leads to an expansion of the welfare state, the efficiency thesis—its antipode—postulates that increasing world market integration goes hand in hand with a dismantling of the welfare state. According to an “economic logic of globalization” (Swank 2010), economic openness pushes states into a global competition for the lowest wages, lowest production costs, as well as lowest tax rates and regulations. In this view, for succeeding in this competition, welfare state retrenchment by lowering social standards and social contributions seems inevitable in Western democracies. On the other hand, the gains in prosperity that are currently being achieved in the catching up countries offer the opportunity to expand social policy.

## 6 Conclusion and Outlook on the Chapters of This Section

Using long time data on the development of global economic growth, trade and foreign direct investments, we distinguished different phases of economic globalisation and identified episodes of deep economic crises. Besides the Great Depression as a long-lasting global economic crisis, three waves of globalisation can be identified, which markedly differ in terms of causes and manifestations alongside different phases of social policy development.

The term globalisation suggests an economic integration covering the whole world. Yet, for many countries of the Global South this has not happened (yet). The centres of power and control, represented by the headquarters of large transnational corporations or by the centres of the global financial sector, are still located in the Global North (Giese et al. 2011). Nevertheless, studies on Global Production Networks (GPN) show how the Global South is integrated into the chains of global value creation, thereby reproducing global inequalities and rendering it difficult to alter these conditions. When analysing global social policy, the GPN approach seems promising, since it takes nation states and

transnational enterprises into account, but also other relevant actors like consumers, workforces or NGOs that actively shape the economic globalisation process and social policies in the countries of the Global South (Mossig and Düpont 2020).

The different phases and waves of economic globalisation represent the background for the following eight chapters examining key aspects of the effects of economic interdependence and economic crises on the introduction and design of social policies.

In Chap. 24, Nils Düpont, Ivo Mossig und Michael Lischka focus on the third wave of globalisation. It is less shaped by trade relations, but rather by the establishment of global production networks and capital market integration. Inspecting the ratio of inward to outward FDI stocks, they show that FDIs do not have a uniform impact on welfare efforts. Instead, it makes a difference whether a country is a net recipient or sender. Rather lending support for the “compensation hypothesis”, their short history also shows that we may witness a renaissance of functional and institutional explanations with a time-shifted evolution of less developed countries and their road to welfare—fuelled by inward FDIs.

Herbert Obinger and Carina Schmitt (Chap. 25) tell the story of the introduction and spread of unemployment compensation schemes across the globe until 1950. In the first half of the twentieth century, the adoption of unemployment compensation was limited to less than thirty economically developed countries. Even today only ca. 50 percent of countries in the world have adopted this programme. Still, their short history is a story of warfare and economic crisis as driving forces creating tremendous social needs but also opening a (short) window of opportunity for the introduction and reform of unemployment insurance.

Examining the period of the Great Depression (1929–1939), Heiner Fechner shows in Chap. 26 that the global economic crisis represented a turning point for labour regulations in the colonies of European imperial powers in sub-Saharan Africa preparing the ground for major reforms in colonial labour legislation after World War II. Tracing the main features of labour-related legislation, he draws a nuanced picture of how the Great Depression marked the end of the era of post-slavery labour “market-making”, characterised by a move away from forced labour, first steps towards protection of employees as well as a more generalised move towards collective labour relations and worker protection.

Similarly exploring the period of the Great Depression, Simon Gerard-Iglesias' short story on Argentina illustrates how trade interdependence affects social legislation (Chap. 27). Labour regulation was perceived as a disadvantage in international competition. Before the Great Depression, Argentina's economy had rendered much of its wealth from the export of agricultural products. The fear of economic backlash from other countries ultimately led to the inclusion of agricultural work as one of the last sectors into social protection schemes in Argentina.

Cornelius Torp (Chap. 28) focuses on pension policy in Britain and Germany after World War II. He demonstrates how mutual influences shaped British and German pension policy ever since. The *modus operandi*, however, constantly changed during the period under study. Until the 1970s, pension policies were characterised by bilateral knowledge transfers. Immediately after World War II, German politicians saw the British welfare state as a role model, while a few years later the Labour Party's pension plan was influenced by the German income-based pension system. In recent decades, transnational interdependencies gained importance as a factor of influence, increasingly replacing the bilateral character. Multilateral and supranational discourses as well as transfer patterns have gained ground, not least due to the influence of international organisations such as the World Bank and the EU.

Johanna Kuhlmann and Frank Nullmeyer (Chap. 29) explore the connection between expansive social policies in the field of old-age provision and the economic strategies of South Korea and Malaysia. In the two countries, contribution-based pension systems—a social insurance scheme in South Korea, and a provident fund in Malaysia—were established and expanded over the years with large sums of money being accumulated in the systems for paying out pensions. However, in both countries these capital stocks have been used not only for social policy but also for economic purposes, such as investments in large companies or infrastructure. The pension systems are thus part of both countries' export-oriented economies, and the expansion of social policy is supported by their governments for economic reasons.

Focusing on the socio-economic effects of crises, Magnus Brosig and Karl Hinrichs take the EU as an example in Chap. 30 to show the extent to which the global economic crisis of 2007/2008 affected national and

supranational budgets and subsequently triggered reforms of the pension systems in the three most severely affected EU countries. Their story shows that the consequences of the crisis and the reforms depend on the design of the national pension system. Overall, the pension reforms implemented in the years since 2008 have often made the systems financially more sustainable, but jeopardised their adequacy and social sustainability in terms of legitimacy and acceptance. While recent reforms in a number of countries have led to short-term improvements, they were directly aimed at current or soon-to-be pensioners rather than at ensuring pension benefits that reliably prevent poverty and maintain decent living standards for younger cohorts at and during retirement.

Finally, Martín Cortina Escudero's short history (Chap. 31) tells a story about the interdependence of immigration and trade in Argentina for two phases of economic development, 1880–1929 and the period after 1929. During the first phase, integration into the world market led to an orientation toward an export-oriented economy specialised in agricultural products, accompanied by immigration of European workers. At that time, social policies focused on early retirement funds for powerful professional groups within the agricultural export economy. After the Great Depression of the 1930s, Argentina undertook a rapid process of industrialisation causing internal rural–urban migration and the formation of a working class. Global trade and integration into the international division of labour impeded a comprehensive social security system. Still, bilateral trade and protectionist measures encouraged industrialisation which in turn strengthened the working class and led to the construction of Argentina's modern welfare state.

As diverse as their approaches and foci are, all authors nonetheless tell a story of how social policy development and dynamics are linked and interwoven with (phases of) economic globalisation and crises.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841–SFB 1342.

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# 24

## Economic Interdependencies and Social Expenditures Revisited

Nils Düpont, Ivo Mossig, and Michael Lischka

A short history of economic globalisation and welfare state development is indeed short with respect to several dimensions: economic globalisation in terms of trading goods is not a new phenomenon but has slowly increased over centuries; in contrast, foreign direct investments (FDI) as a driver of the third wave of globalisation gained momentum rather late and global production networks have only become much denser in recent years (Chap. 23). Compared to nearly a century of welfare state development, three decades of intense economic globalisation rather rapidly left a mark on social policies. Also, some countries “fall short” of economic globalisation as it is not equally distributed across the globe. It is highly concentrated at a core with massive flows and interdependencies between certain countries or groups of countries, while others at the periphery are hardly affected. Unsurprisingly, analyses of economic globalisation and welfare state development have not come up with distinct empirical evidence.

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Following a brief debate, it soon became clear that neither a globalist, nor sceptic or revisionist position prevailed (Genschel 2004). The former argued that internationalisation of the economy threatens the welfare state, undermining its viability (Cerny 1995). This position culminated in its probably best-known “race to the bottom” hypothesis. The sceptics questioned the impact of globalisation as many indicators of welfare state development did not show a downward trend—not to speak of convergence to the lowest common denominator aka a “neoliberal” model—nor did it restrict government’s room for manoeuvre (Korpi and Palme 2003; Garrett 1998). Instead, welfare spending even increased to “compensate” or indemnify citizens for the risks of economic globalisation. The revisionist school, in turn, argued that economic globalisation helped “save” the welfare state from itself by triggering reforms and retrenchment of disproportionate demands and excessive financial liabilities (Rieger and Leibfried 2003). Focusing merely on the second phase of economic globalisation and on highly industrialised countries, the debate neither theoretically nor empirically led to conclusive results. In fact, economic globalisation does not have a short-term and direct impact on welfare states. It unfolds its impact through a chain of conditions, constraints and actions. Thus, states differ in their exposure, but foremost in their (political) response (Kwon and Pontusson 2010; Hays 2003).<sup>1</sup> This is even more true for less developed political economies and their road to welfare (Haggard and Kaufman 2008; Segura-Ubiergo 2007).

Yet, hardly anyone would argue that economic globalisation has gone unnoticed. Especially since economic globalisation has further intensified and global crises showed how dense the international integration of markets has become. Building on Campbell’s (2004) notion that globalisation rather has a subtle effect on institutional change, Busemeyer (2009) indeed finds evidence for the OECD countries that the globalists were probably right after all, with economic openness having a negative impact on social spending. But what is more: “The reason why most of the pertinent studies have not picked up on this effect is that they (...) focus

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<sup>1</sup> For a discussion of an even longer causal chain of globalisation working via electoral demands and party competition, see, for example, Kayser (2007); Ezrow and Hellwig (2014).

on a time period in which globalisation effects have not played out yet” (2009, 456).

In line with Busemeyer’s notion, we extend Campbell’s (2004, 167) question “What if we wait a little longer?” and add “What if we broaden our scope?” Reviewing the globalist perspective, we confront it with descriptive statistics for the third phase of globalisation, looking at FDIs and public social expenditure in seventy countries from 1995 to 2015. Our tentative results suggest that different modes of integration into the global economy—depending on whether a country is a net recipient or sender of FDIs—trigger two processes: rich countries with a surplus of outward stocks and/or increasing engagement abroad compensate their citizens, resulting in increased social spending. At the same time, FDI inward stocks and/or increasing inflows help less developed countries to implement and fund social policies. This short history reminds us of the need to reassess the globalisation–welfare state nexus from time to time in line with Streeck’s (2007, 544) notion that a “historical perspective must allow for the possibility that the present may be governed by different laws than the past”.

## 1 Changing Times

The third phase of economic globalisation fundamentally differs from the second phase (Chap. 23). While the latter was characterised mainly by trade relations, the former was and still is shaped by the establishment of global production networks and a progressive integration of the financial sector and capital markets. According to the “economic logic of globalization” (Swank 2010, 320), choices made by companies—relentlessly and globally looking for the highest return rate on their investment—“force” governments to engage in a global competition for the lowest production costs, lowest labour costs, fewest regulations and lowest tax rates to “attract” capital investments and hold mobile assets. Resident, but export-oriented companies may also call for retrenchment to become more competitive on the global market. Accordingly, governments should cut back their welfare efforts and reduce any disincentives to work and invest. Yet, there neither was nor is clear-cut empirical evidence for a neoliberal “race

to the bottom”. While the “efficiency hypothesis” has been criticised for being too simplistic, it also neglects non-cost-based factors emphasised by location theorists that affect companies’ locational choices, such as knowledge-based motives and access to human capital (Giese et al. 2011). Certain welfare policies like active labour market policies, training and education actually do play a role in “attracting” investments as well.

Leaving the critique of theoretical shortcomings aside, one cannot deny the fact that FDIs massively increased in the third phase—partly motivated by “production cost criteria” and rent seeking but also due to strategic merger and acquisition activities of transnational companies—and that governments have to (re)act. As such, FDI flows have often been used in macro-comparative studies to approximate the “integration” of a country into the global economy. But Scruggs (2004, 10) rightfully cast doubt on the simple use of FDIs: “Does a high level reflect that said government is accommodating to capital?” Likewise, would FDI outflows signal a country is *not* amenable to capital, despite its investment abroad? He proceeds: “Measures of FDI stocks (assets held by foreigners) might provide a better indicator of vulnerability to ‘external’ imperatives”. Even then, one must consider that FDIs have a source and a destination and therefore may have countervailing effects that go unnoticed in pooled analyses estimating average effects across samples.

## 2 4+2 Modes of Integration into the Global Economy

Picking up Scruggs’ suggestions, Fig. 24.1 plots the ratio of FDI inward to outward stocks for seventy countries from all continents for which data from the World Bank on FDIs and from the ILO on social expenditure is available. Covering countries with different levels of economic development, in 1995 (our starting year) fourteen countries had a GDP per capita <1000 US\$, thirty countries had a GDP per capita between 1000 and 10,000 US\$, and thirty-six countries had a GDP per capita >10,000 US\$. All in all, 4.3 billion people were living in these countries in 2015. The  $x$ -axis shows the ratio for 1995 and the  $y$ -axis for 2015 on a logarithmic scale to capture extreme observations (Turkey, e.g. had a ratio of

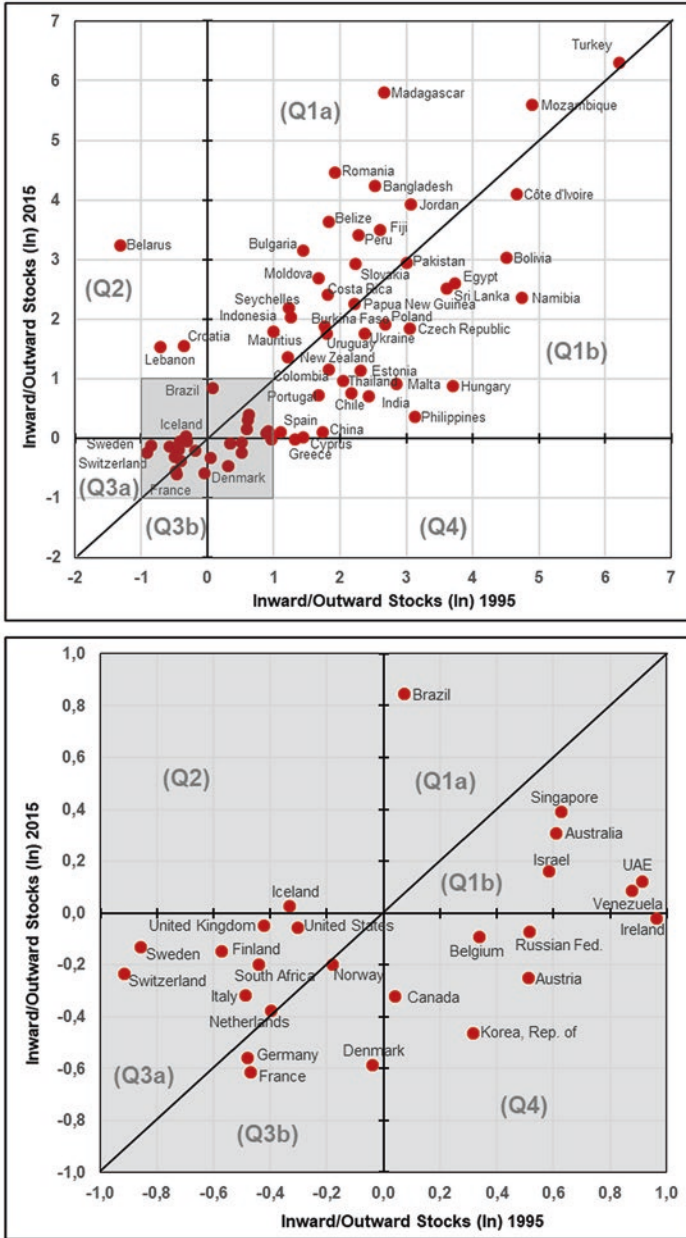


Fig. 24.1 Ratio of FDI inward/outward stocks 1995 and 2015. (Sources: World Bank <https://data.worldbank.org>; Accessed March 8, 2021; own calculations)

546:1 in 2015). Positive values indicate target countries where equity held by foreign investors in enterprises resident in the focal country is higher than domestic investors' assets in foreign economies. The reverse is true for negative values reflecting source countries of FDIs. Figure 24.1a provides the "grand picture"; Fig. 24.1b zooms in on the range  $(-1,1)$  for unpacking the countries clumped together at the centre.

The plotting reveals several notable developments over the last two decades: Only few countries are close to the diagonal line meaning their ratio of inward/outward stocks hardly changed. The bulk of countries, however, experienced shifts in their FDI stocks ratio. In general, countries above the diagonal line "attracted" more foreign capital compared to their foreign investments between 1995 and 2015, strengthening their position as preferred destinations for investments. Countries below the line increased their outward stocks from 1995 to 2015 in relation to inward stocks, reinforcing their position as source countries of FDIs. With the diagonal line splitting quadrants 1 and 3, we can identify 4+2 modes of integration into the global economy. Those countries, in principle, retained their ratio of inward/outward stocks but took different paths.

- Quadrant 1: more inward than outward FDI stocks, i.e. "attractor countries".
  - *Raising attractors* (Q1a): While countries like Brazil, Romania, Bangladesh, Madagascar or Peru already had a surplus of inward stocks in 1995, this "imbalance" further intensified until 2015, meaning those countries rely even more on FDIs from abroad.
  - *Decreasing attractors* (Q1b): Countries like Bolivia, Portugal, Czech Republic, Namibia, Egypt, China or India still lean on FDIs but their relevance vis-à-vis outward stocks decreased, meaning those countries became more engaged in countries elsewhere.
- Quadrant 3: more outward than inward FDI stocks, i.e. "investor countries".
  - *Decreasing investors* (Q3a): While Q3 mostly hosts European countries, some, like Switzerland, Sweden, Finland, Italy, but also South Africa, UK and USA reduced their excess of outward FDIs.

- *Raising investors* (Q3b): On the contrary, Germany, France, Norway and Denmark even increased their relative surplus of outward stocks from 1995 to 2015.

Only few countries shifted their balance either from being a sender to becoming a destination (*inverted attractors* [Q2]: Belarus, Lebanon, Croatia and Iceland) or vice versa to becoming a source of FDIs (*inverted investors* [Q4]: Canada, South Korea, Colombia, Belgium, Austria, Russia, Ireland and Greece).

The plots corroborate Scruggs' notion as to why the effects of FDIs in empirical studies may cancel each other out. Depending on whether countries are net recipients or senders, FDIs pose different imperatives or incentives on governments, leading to diverging (social) policy responses. According to neo-classical economics, it is rich countries that can especially "afford" to invest in poorer countries as labour is cheaper there, capital scarce and, consequently, the return on investment higher. At the same time FDI inflows have been identified as strong drivers of GDP growth. Therefore, FDIs may have at least two effects: for less developed countries, a high(er) level of inward stocks helps growth. Following Wilensky (1975), this, in turn, affects the demand for social policies but also enables these countries to implement and fund social policies. In line with the "efficiency hypothesis", for rich countries, however, outward investments often go along with relocation of production sites, job losses and decreasing tax bases. This brings us back to the initial starting point of the globalisation debate: whether FDIs in *developed* countries have a negative effect on social spending due to "efficiency reasons" or rather trigger an increase to compensate those who "lose" from economic globalisation.

Taking a bird's eye perspective, we therefore look at the development of GDP and aggregate public spending on social protection. Table 24.1 reports descriptive summary statistics for the 4+2 groups identified above. At first glance, social spending increased remarkably in all quadrants, both per capita and as a percentage of GDP. Even for the rich countries there is no fundamental dismantling of the welfare state or a "race to the bottom"—at least not in terms of spending. While being tentative, there are hints that we indeed witness two developments at the same time:



Table 24.1 Descriptive statistics on FDI stocks, social expenditure and GDP, 1995 and 2015.

Quadrant	Attractors				Investors			
	Above diagonal	Below diagonal	Q1a	Q1b	Q2	Q3a	Q3b	Inverted ~
No. of countries	32	38	20	26	4	8	4	8
Development	Dest. +	Source +	Dest. +	Dest. -	Δ to Dest.	Source -	Source +	Δ to Source
FDI stocks								
Ratio inward/outward 1995	24.2	16.7	38.4	23.5	0.5	0.6	0.8	2.5
Ratio inward/outward 2015	50.2	5.3	78.2	7.2	9.0	0.8	0.6	1.1
Ln(ratio) 1995	1.1	1.8	2.2	2.4	-0.7	-0.5	-0.3	0.7
Ln(ratio) 2015	2.2	0.8	3.2	1.2	1.6	-0.2	-0.5	0.0
Gross domestic product								
Per capita in US\$ 1995	9562	11,697	2986	7189	9055	26,255	32,232	16,081
Per capita in US\$ 2015	18,507	22,784	7836	16,339	19,463	44,704	51,270	31,491
Δ 2015–1995	94%	95%	162%	127%	115%	70%	59%	96%
Public social protection expenditure								
As percentage of GDP 1995	11.6	12.9	8.1	10.1	12.9	19.9	25.4	15.8
As percentage of GDP 2015	13.4	15.6	9.5	12.5	14.7	22.3	27.3	19.7
Δ 2015–1995	+1.7	+2.7	+1.4	+2.5	+1.7	+2.5	+2.0	+3.9
Per capita in US\$ 1995	1767	2087	363	833	1273	5524	8126	3143
Per capita in US\$ 2015	3629	4418	1080	2388	3019	10,305	13,730	6535
Δ 2015–1995	105%	112%	198%	187%	137%	87%	69%	108%

Sources: ILO <https://www.social-protection.org/gimi/gessi/ResourceDownload.action?resource.resourceId=54614>; Accessed March 8, 2021), World Bank <https://data.worldbank.org>; Accessed March 8, 2021; own calculations

Notes: Unweighted group averages for all columns; Development: Source = Source countries of FDI, Dest. = Destination countries of FDI, + indicates an intensifying development, - indicates a diminishing trend

Countries below the diagonal line were already a source for FDI in 1995 and/or increasingly engaged in investments abroad since then. Compared to countries above the line that already were and/or increasingly became a destination, GDP developed almost on par. Yet, spending as a percentage of GDP and per capita markedly increased for the richer, sending countries. Thus, a surplus of outward stocks goes hand in hand with increased spending, lending support to the “compensation hypothesis”.

More importantly though, FDI inflows positively affect GDP with the highest growth rates observable for countries in Q1a. They already relied on inward stocks in 1995 and have “attracted” even more inflows since then. Still leaning on inward stocks as well but becoming more engaged abroad, countries in Q1b show an above-average GDP growth, but less so than Q1a. Likewise, countries that shifted their balance and became a destination (Q2) more than doubled their GDP. While social spending as a percentage of GDP only slightly increased, there is a notable peculiarity: Countries in Q1 and Q2 started from a very low level but massively increased their social spending per capita. Supporting Wilensky’s notion, with increasing development these states not only have a higher need to provide but can also afford more social policies. Furthermore, spending “laggards” catch up; whether this leads to a convergence of economic, political and social structures, as Wilensky (1975) also suggests, remains to be seen.

Looking at the richer source countries there is further support for the “compensation hypothesis”: Countries in Q3b actually spend more on social protection both as a percentage of GDP and per capita than those in Q3a. The former are countries with a large surplus in 1995 that even increased their outward stocks. Finally, few countries that switched from destination to source show the highest increase in social spending, again supporting the idea that states need to indemnify citizens for the risks of economic globalisation.

These figures suggest that there are two processes underway related to FDI: First, either relying on or increasing FDI outward stocks seems to entail compensatory measures. At the same time, we witness a time-shifted modernisation of less developed countries triggered by inflows and inward stocks.

### 3 The Road Ahead

As Genschel (2004, 626) noted, “it appears most likely that a globalization-induced increase in the permeability of national borders will give rise simultaneously to more tax competition and greater demands for social compensation for external economic risks”. This is still true when looking at the third phase of economic globalisation that is less shaped by trade relations, but rather by the establishment of global production networks and capital market integration. Inspecting the ratio of inward to outward FDI stocks, it becomes clear that FDIs do not and cannot have a uniform impact on welfare efforts. As Scruggs (2004) rightfully argued, one needs to consider FDIs more carefully. Our descriptive account shows that it will make a difference whether a country is a net recipient or sender, whether it increases its imbalance, matches its ratio or even shifts its stocks. In addition, one cannot deny the (increasing) importance of FDIs but the “Lucas paradox” also calls the neo-classical assumption into question that capital flows from rich countries to poorer ones. Instead, institutions matter for attracting and holding mobile capital from rich countries (Alfaro et al. 2008).

While our short history rather lends support for the “compensation hypothesis” (again), it also shows that we may witness a renaissance of functional and institutional explanations with a time-shifted evolution of less developed countries and their road to welfare—fuelled by inward FDIs. For this reason, we agree with Busemeyer, Campbell and Streeck: sometimes, we just need to wait, revisit and re-specify our hypotheses allowing for the possibility that the past is governed by different laws than the present.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 25

## Black Swans and the Emergence of Unemployment Insurance in the First Half of the Twentieth Century

Herbert Obinger and Carina Schmitt

### 1 Introduction

Compared to other branches of the welfare state, unemployment compensation differs in at least two respects. It was enacted later and in far fewer countries and was the first social protection scheme that was subject to massive retrenchment before 1945. This chapter examines the introduction and spread of unemployment compensation schemes across the globe up to 1950. We argue that unemployment insurance was (and still is) the most controversial social protection scheme which, in addition, is intimately tied to the existence of complementary institutions such as capitalist labour markets and employment exchanges. Programme adoption therefore only occurred in economically developed countries and its introduction was crucially facilitated by “black swans” (Castles 2010) such as interstate war and deep economic crises. Both world wars

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and the Great Depression set off shock waves across the globe which not only created tremendous social need but also opened a (short) window of opportunity for the introduction and reform of unemployment insurance.

## 2 The Controversies Over and Prerequisites of Unemployment Insurance

The introduction of unemployment insurance was highly controversial with moral, political and economic objections being voiced against programme adoption. Historically, the most important *moral* objection was that unemployment compensation would provide income support to able-bodied people who are capable of working. Unemployment was typically attributed to individual characteristics such as idleness or moral misconduct (e.g. alcoholism). Welfare provision to the “work-shy” was therefore considered a reward for indolence (Alber 1981). *Politically*, employers feared that unemployment insurance would increase the power of the unions by imposing a “reservation wage” and filling their strike funds. Agrarian interests also strongly opposed unemployment insurance because unemployment was considered an urban problem for which farmers refused to pay. In *economic* terms, the discussion revolved around the question whether “unemployment is insurable” at all (Stewart 1932, 36). The key issue was moral hazard. Many insurance experts argued that unemployment “is not random in general, but is in the majority of cases willingly and deliberately caused by employees or employers” (Schaertlin 1904, 4–5, own translation). A related problem was adverse selection. The only solution to cope with this problem is mandatory insurance which, however, was politically contested. Finally, it was argued that business cycle fluctuations are unpredictable, which would complicate any sound funding of this programme.

Apart from these controversies and technical difficulties, the introduction of unemployment insurance is only likely under particular economic and institutional conditions. Unemployment is a phenomenon that is intimately tied to the rise (and crises) of modern capitalism with its contract-based formal labour market. While unemployment insurance

was more or less superfluous in agrarian subsistence economies, the rise of capitalism detached workers from the social networks of the old agrarian-artisanal world. If they became unemployed, urban factory workers were therefore left with virtually nothing. Certain institutional prerequisites for programme adoption are closely related to economic modernisation, notably labour statistics offices and employment exchanges. In other words, a critical threshold of economic development, a well-established legal framework and administrative capacities are crucial preconditions for the adoption of unemployment insurance.

### 3 The Argument

Given all these objections and requirements, the question arises when and under which conditions unemployment compensation schemes have been introduced. We argue that programme adoption is more likely (i) in economically developed nations and was (ii) crucially catalysed by the massively pressing problems generated by transnational shocks such as the two world wars and the Great Depression. As highly interdependent events these emergencies affected many countries simultaneously so that each crisis triggered a wave of welfare legislation. The crucial causal mechanism at the domestic level is that these emergencies generated massive unemployment and, in consequence, tremendous social need which forced governments to act. More specifically, severe crises can be conceptualised as shocks to risk pools (Rehm 2016). The fact that larger parts of the population were exposed to a higher risk of unemployment led to a growing demand for risk pooling, in other words, public social protection. The specific policy choices, however, depended on political factors (e.g. the power resources of labour) and existing institutional legacies.

Two qualifications are in order, however. First, the pressure caused by socio-economic problems varied with the extent to which a country was affected by these emergencies. In terms of war, for example, the number of war victims or the impact of war on the economy differed sharply depending on whether a country suffered from acts of war on its home territory, whether it was fighting in war theatres overseas or was not involved in combat at all (Obinger and Schmitt 2020). Second, the ways



in which governments responded to these transnational emergencies also depended on whether or not unemployment insurance was already in place when a country was hit by an emergency. While depression and war should lead to welfare innovations in countries without unemployment compensation, retrenchment is more likely in countries which had already implemented unemployment insurance.

## 4 Harbingers of Modern Unemployment Insurance

The advent of national unemployment insurance did not occur in a vacuum but drew on the out-of-work benefit schemes set up by workers' associations and friendly societies in several highly industrialised countries (Kumpmann 1923). These institutions for mutual self-help exemplified that "insurance" against unemployment is in principle feasible. However, they also faced several difficulties<sup>1</sup> which prompted state intervention at the local level. The crucial turning point was the economic depression in the late nineteenth century. Local state interference occurred in two forms: Municipalities either provided subsidies to the voluntary unemployment funds operated by workers' associations (a system that later became known as the *Ghent system*) or they established *public insurance schemes*. With regard to the latter, Swiss cities took the lead. However, these early experiments seemed to corroborate the critics of unemployment insurance. The unemployment insurance established in St. Gall in 1894 collapsed two years later, whereas the voluntary insurance in Bern introduced in 1893 suffered from adverse selection. Since the scheme only offered insurance against unemployment in wintertime, it mainly attracted construction workers and unskilled labourers. In consequence, an injection of public money was needed to avert a breakdown of the scheme.

The approach established by the Belgian city of Ghent in 1900 was much more successful. The municipality provided subsidies to the benefit payments made by unions which were tied to several conditions concerning eligibility and the level and duration of benefits. The Ghent system

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<sup>1</sup>The main problem was that the contributions of workers alone were insufficient to finance adequate benefits.

rapidly spread across European cities. Compared to mandatory insurance, it had several advantages. The Ghent system was appealing for employers because they did not have to contribute to its funding. Benefit provision by cities and unions also pacified agrarian interests which considered unemployment mainly an urban problem and therefore strictly opposed national insurance. The unions, by contrast, supported the Ghent system because it protected their autonomy and secured their control over the unemployment funds. From the state's point of view, the Ghent system was considered cheaper in terms of administration. As a result, the Ghent system was politically much less contested compared to public unemployment insurance. For most experts it was the "first successful method of organizing social unemployment insurance" (Rubinow 1913, 422; see also Gibbon 1911) and it is therefore not coincidental that the first *national* unemployment schemes relied on this model. *France* was the first country to adopt the Ghent system at the national level in 1905. *Norway* followed in 1907 and *Denmark* introduced the Ghent system one year later. *Britain*, by contrast, was the first country to introduce mandatory unemployment insurance in 1911, after state-run employment exchanges had been established in 1909. However, compulsory insurance was restricted to six trades characterised by frequent employment fluctuations. Benefits were flat-rate and the state covered one-third of the total costs.

However, these four pioneering national laws were mainly "experiments" (Franklin 1969, 294) and coverage was very low. In Norway, only 9000 workers were insured in 1907, the Danish scheme covered 105,000 workers in 1910 and the French system only included ca. 50,000 workers in 1913 (Obinger and Schmitt 2020). Even the British compulsory insurance only covered one-tenth of the labour force or 2.2 million workers.

## 5 Black Swans and Unemployment Insurance Legislation up to 1950

The major breakthrough for more comprehensive unemployment insurance schemes only emerged after nations were hit by national emergencies. By 1950, only 26 nations had established a national scheme. With

**Table 25.1** Introduction and type of unemployment compensation schemes, 1900–1950

Early birds	World War I	Great Depression	World War II
France 1905 (1914)	Netherlands 1916	Sweden 1934	<b>Canada 1940</b>
Norway 1906	Finland 1917	<b>USA 1935</b>	<b><i>Australia 1944</i></b>
Denmark 1907	Spain 1919	Yugoslavia 1935	<b>Greece 1945</b>
<b>UK 1911 (Ireland 1922)</b>	<b>Italy 1919 (1918)</b>	<b>South Africa 1937</b>	<b>Japan 1947 (1945)</b>
	<b>Austria 1920 (1918)</b>	<b><i>New Zealand 1938</i></b>	
	Belgium 1920		
	<b>Luxembourg 1920</b>		
	Czechoslovakia 1921 (1918)		
	<b>Poland 1924 (1918)</b>		
	Switzerland 1924 (1917)		
	<b>Bulgaria 1925</b>		
	<b>Germany 1927 (1918)</b>		
	[Russia/Soviet Union 1917/1922–1930]		

Source: United States Department of Labor (1931); ILO (1955), own amendments

Notes: Bold = compulsory insurance; non-bold = Ghent system; italics = universal but targeted scheme. Years in brackets denote the introduction of unemployment assistance. The Soviet Union abolished its scheme by decree in October 1930. Apart from ideological motives this was mainly due to labour shortages in a period of rapid industrialisation and efforts to strengthen work discipline (see Rimlinger 1971, 270–271)

the exception of Japan, all were European countries or settler societies. Table 25.1 illustrates that programme adoption occurred in three waves which, in line with our argument, are closely related to three national emergencies. The first and biggest wave of programme adoption was unleashed by World War I.<sup>2</sup> The second trigger was the Great Depression

<sup>2</sup>A further outcome of the war was the establishment of the International Labour Organization (ILO). Already at its first General Conference in 1919 the ILO recommended the introduction of unemployment insurance and free employment exchanges. Technical advice by ILO experts and international information exchange were important factors underlying the spread of unemployment insurance.

and the last group of countries introduced unemployment insurance during and after World War II.<sup>3</sup>

## 5.1 The Great War and Its Aftershocks

If we look at the belligerent countries entering the Great War *without* unemployment insurance, we find a consistent pattern: All countries (including the successor states that emerged from collapsed empires) that experienced combat activities on their home territory (Italy, Austria, Russia,<sup>4</sup> Bulgaria, Germany, Belgium, Poland and Czechoslovakia) adopted unemployment insurance *after* the Great War.<sup>5</sup> Typically, programme adoption occurred in two steps. Immediately after demobilisation, a means-tested emergency benefit was introduced which later was replaced by compulsory insurance or a Ghent system. In several countries (e.g. Germany, Poland, Czechoslovakia), however, insurance legislation and law enforcement were postponed for some years due to a severe political and economic crisis and/or state-building.

However, also non-belligerent and mostly smaller European countries introduced insurance during or after the Great War. Although not involved in combat, war had a negative impact on their export-oriented economies through trade distortions caused by military conflict. The *Netherlands* adopted a Ghent system in 1916 in response to mounting unemployment (Brok 2012, 348). Neutral *Switzerland*, encircled by four belligerent nations, also suffered from war-induced trade distortions and unemployment continuously increased. In 1917, the federal government provided subsidies to local unemployment funds. What had started as a provisional wartime solution became federal law in 1924 against the

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<sup>3</sup> See Obinger and Schmitt (2020) for an econometric study on the impact of war on the introduction of unemployment insurance. Apart from war intensity, left-wing governments were identified as driving forces for programme adoption.

<sup>4</sup> In Russia the Bolshevik revolution meant the end of the Russian war effort. Unemployment compensation was the first social protection scheme that was introduced by the Bolshevik regime on 11 December 1917 (Gregorian calendar). In practice, it remained mainly a dead letter due to war communism and severe economic crisis (Rimlinger 1971, 259–260).

<sup>5</sup> In sharp contrast, nations fighting in war theatres overseas such as the United States, Canada and the Antipodes did *not* enact unemployment insurance legislation at all. The economies in these nations were booming in wartime and the economic aftershocks of warfare were less dramatic.

backdrop of post-war depression.<sup>6</sup> In *Finland* the political and economic turbulences of the Bolshevik Revolution and the end of the Russian war effort caused a massive economic crisis with unprecedented levels of unemployment. The layoffs in the war industries (70,000 workers) and the economic crisis prompted the introduction of a Ghent system in November 1917. However, the scheme had no major practical relevance in the inter-war period due to the huge agricultural sector.

The development in countries that had already introduced a rudimentary national unemployment scheme *before* the war also supports our argument that crisis triggers welfare state expansion. Denmark and Norway raised state subsidies in wartime, whereas the French Ghent system was replaced in August 1914 by a means-tested scheme in response to military mass mobilisation and the related shutdown of factories. In *Britain*, compulsory unemployment insurance was extended to 1.4 million workers in the munitions industry in 1916. During military demobilisation, the government introduced a temporary and non-contributory out-of-work donation for discharged servicemen. Since this benefit was more generous than the ordinary insurance benefit, the out-of-work donation paved the way for a major reform of unemployment insurance law in 1920 which extended coverage to more than eleven million workers. Dependents' benefits were introduced in 1921.

## 5.2 The Great Depression

The second wave of inaugural legislation occurred in the wake of the Great Depression. The crash of the US stock market in 1929 set off shock waves around the world and led to a dramatic increase in unemployment which not only put policymakers under pressure but also changed the political landscape. In Northern Europe, the crisis gave rise to corporatist agreements in industrial relations which were mirrored by cross-class coalitions between left-wing and agrarian parties. Against this backdrop, Sweden (1934) introduced a Ghent system, Norway switched to compulsory insurance in 1938,<sup>7</sup> whereas Denmark extended state intervention

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<sup>6</sup>In addition, several cantons declared unemployment insurance mandatory.

<sup>7</sup>This led to a tenfold increase in coverage.

and made unemployment benefits more generous (Edling 2006). Unemployment insurance in the *United States* was introduced as part of the New Deal. Established under the Social Security Act in 1935 it was, in essence, a state-regulated but federally funded scheme. Rehm (2016) shows that the programme adoption at state level (stretching from 1932 to 1937) occurred earlier in states where many people faced a higher unemployment risk.<sup>8</sup> In *New Zealand*, a largely unsuccessful work relief programme was enacted in 1930 to cope with economic crisis. In 1935, a Labour government took power for the first time and passed the path-breaking Social Security Act in 1938 which, among other things, introduced universal but income-tested and tax-financed unemployment benefits. The Great Depression also prompted policy change in *Canada*. However, federal unemployment insurance was declared unconstitutional in 1936. Yugoslavia introduced unemployment benefits in 1935. *South Africa* enacted compulsory unemployment insurance in 1937, which was strongly modelled on the British scheme. However, coverage was restricted to eight industries and the law included racial discrimination as native workers were excluded from insurance.

In many nations that had already introduced comprehensive compulsory unemployment insurance, mass unemployment led to ballooning welfare costs. Here, the reaction was dramatically different and government ideology played a major role. In Germany and Austria, the political response to the Great Depression was austerity and right-wing governments imposed harsh benefit cutbacks, which contributed to political radicalisation and eventually to the demise of democracy. The Italian scheme was already dismantled by the Fascists in the 1920s. In Britain, spending on unemployment benefits skyrocketed but the Labour cabinet refrained from cutbacks. In 1931, a National Coalition Government imposed benefit cuts of 10 percent by decree, raised contributions and introduced a means test for the so-called transitional benefit. These changes were revoked under a new unemployment insurance law in 1934. Two years later, however, unemployment insurance for agricultural workers was established (Gilbert 1970, 175–182).

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<sup>8</sup>In Rehm's terminology, programme adoption occurred earlier in states where risk inequality was lower.

### 5.3 World War II

World War II unleashed the third wave of unemployment insurance legislation. In *Australia* and *Canada*, the federal governments lacked jurisdiction in this field before the war. This was why the first attempt to introduce unemployment insurance failed in 1936 in Canada. In both federations war was the crucial pacemaker for policy change. While previous attempts in Canada to amend the British North America Act had repeatedly failed, a consensus for a constitutional revision was reached in wartime and compulsory unemployment insurance was enacted in 1940. A similar pattern can be found in *Australia*. In contrast to the Great War, when voluntary Australian and New Zealand Army Corps (ANZAC) forces fought in war theatres overseas, the Pacific War increased the threat of a Japanese invasion. The danger of a homeland war prompted a significant extension of the Commonwealth's policy jurisdictions. Among other things, tax-funded unemployment benefits were introduced in 1944. As in New Zealand, this scheme provided income-tested and flat-rate benefits to all needy residents of working age. In *Japan*, the introduction of unemployment insurance resulted from a coercive policy transfer imposed by the US military government. To cope with high unemployment and widespread destitution after the end of war, an unemployment allowance was introduced as a temporary relief measure (Blaustein and Craig 1977) and was eventually replaced by unemployment insurance in late 1947. *Greece* introduced unemployment insurance in 1945, it initially remained restricted to the Athens region but was later extended to other regions and professions (ILO 1955). Finally, *Belgium* switched from the Ghent system to mandatory insurance in late 1944.

## 6 Conclusion

This brief overview of the historical emergence of unemployment insurance in the first half the twentieth century has shown that programme adoption was closely connected to warfare and economic crisis. These transnational episodes of violence and economic decline simultaneously

affected many countries. Mass unemployment generated by these emergencies caused tremendous social need. Workers and unions pushed for reforms and liberal and left-wing governments were more responsive to these pressures. The magnitude of the pressure from socio-economic problems and the aftershocks of war and depression, such as political instability and revolutionary threats, weakened the opponents of unemployment insurance and opened a window of opportunity for welfare state expansion. In addition, mass unemployment prompted ideational change and a paradigm shift in economic thinking; unemployment could no longer be considered voluntary, and Keynesianism challenged the classic view that market mechanisms always clear the labour market.

However, in the first half of the twentieth century the adoption of unemployment compensation remained restricted to less than thirty economically developed countries. Even today only ca. 50 percent of countries in the world have adopted this programme and most of them did so in the aftermath of a national emergency (Rehm 2016; Obinger and Schmitt 2021). The spread of unemployment insurance after 1950 reveals a clustering of legislative activities around major macro-economic crisis or regime transformations such as the breakdown of the Eastern bloc in the 1990s. More recently, the massive increase in unemployment generated by the COVID-19 pandemic has also triggered reforms related to the level and duration of unemployment benefits in several countries (Moreira and Hick 2021).

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841–SFB 1342.



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# 26

## Standard-Setting in Colonial Labour Regulation and the Great Depression

Heiner Fechner

The Great Depression (1929–1939) can be seen as an international turning point in labour regulation in the colonies of European imperial powers in Sub-Saharan Africa. The context of the Great Depression essentially marked the beginning of the end of the era of post-slavery labour “market-making”, witnessing the move away from forced labour, first steps towards protection of employees and changes in form, length, administrative and penal framing of individual labour relations as well as a more generalised move towards collective labour relations and worker protection. By contrast to early legislation, but also due to path dependency, this phase, ending in the pre-independence years after World War II, highlights the racist and hardly emancipatory roots of modern labour relations in the European colonies.

In the following, the main features of labour-related legislation and changes to it, reflecting modes of production, racial labour relations, the changing role of colonial administration and the contribution of the

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F. Nullmeier et al. (eds.), *International Impacts on Social Policy*, Global Dynamics of Social Policy, [https://doi.org/10.1007/978-3-030-86645-7\\_26](https://doi.org/10.1007/978-3-030-86645-7_26)

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International Labour Organization to legal developments especially in British, French and German Sub-Saharan colonies will be traced.

## 1 Labour Between the Abolition of Slavery and Market Making

At the beginning of the imperial conquest of heartland Africa in the 1870s, large parts of the continent were marked by a “slave mode of production” (Lovejoy 2012, 267–271), in other words, non-capitalist economies depending upon slave labour. The European slave trade to the Americas had not only led to a demographic bloodletting affecting an estimated 12.8 million Africans (Lovejoy 2012, 19), but also contributed strongly to the forms and extent of slavery in Africa, where especially, but not exclusively in Islamic territories slavery was of fundamental relevance. Although the slave trade and slavery had formally been abolished in the British (Slave Trade Act 1807 and Slavery Abolition Act 1833) and French (Decree of the Abolition of Slavery, April 27 1848) colonies, the legal construction of colonisation in most African territories avoided the immediate and complete abolition of slavery.

European imperial powers used slavery as a central pretext for conquering Africa, claiming the necessity to protect indigenous peoples from slavery via “protectorates”. Slavery was also used as a pretext for the development of socio-economic relations, as can be read between the lines in international treaties like the treaty on the prohibition of slave trade adopted by European imperial nations (General Act of Brussels, 1890) which included the Western duty to “support (...) the native population, (...) to initiate them in agricultural labor and in the industrial arts so as to increase their welfare; to raise them to civilization and bring about the extinction of barbarous customs” (Article II).

If the international formula to raid Africa was thus the advertisement of a combination of “protection” and “development”, this “justified” extensive use of the territorial and human productive sources for the generation of revenues, including export orientation. For the long-term member of the British Colonial Office, Lord Olivier,

practically the whole of our recent colonisation in Africa (...) has been essentially capitalist colonisation (...), financed by European syndicates and investors, and the active directing work of it done by men who go out as landowners or farmers and employers and organisers of labour, the labour which they expect to employ being not specifically chattel slave labour, but the labour of native black men. (Olivier 1929, 14)

The abolition of slavery hardly played an important role in the immediate winning of waged workers. First, certain traditions of slavery in the Muslim world as complex systems of rights and duties including social security in case of sickness, old age, the impossibility of dismissal were often even more “attractive” for slaves than “free labour” for low wages in short-term contracts. Second, in most colonies metropolitan administrations were little engaged in actively ending slavery. In order to avoid conflicts with slave owners, colonisers prohibited slave trade and enslavement, but left existing slavery largely untouched, partially regulating only rights and duties of slaves and slave owners (for the German case, see Zorn 1913, 479–495). Often “anti-vagrancy” legislation was used to return escaped slaves to their masters, while slavery was respected and even enforced as traditional indigenous law (Lovejoy 2012, 259–266). With the introduction of capitalist economies and the prohibition of slave trading and enslavement, the “slave mode of production” in all European colonies was successively, but not at once replaced by capitalist economies with special colonial features.

## 1.1 Forced and Compulsory Labour

Since the sale of the capacity to work had no tradition in rural Africa, wages and working conditions offered by European settlers and investors were bad and the indigenous people hardly identified themselves with the European conquerors; in most territories where a workforce was needed, supply ran short of demand. For their own administrative interests, but in early colonialism also at least de facto in the interest of private actors, all European colonial administrations introduced legislation for almost

all territories that permitted the use of forced or compulsory labour, although with differing content (ILO 1929).

Forced labour was regulated and used differently for general public, local public and private purposes. The first group included public works like the construction of roads and railways, harbours, telegraph and telephone lines, or public buildings; portage; compulsory labour in emergencies like famines or infectious diseases; compulsory cultivation of trees for reforestation or cash crops for exports, and other purposes decided by the administration (ILO 1929, 22–138). To illustrate the importance of these tasks in terms of manpower: in 1908, German administrators estimated some 36–40,000 porters just in the recently founded Yaoundé district in Cameroon, mostly transporting rubber, without differentiating between compulsory and free labour (Reichstag-Drs. 271, 597).

With regard to local public purposes, unpaid compulsory labour was regulated by a diverse set of rules (ILO 1929, 139–189). In their standard-setting, all colonisers typically foresaw up to one month of such unpaid labour for men of workable age. The work was often restricted to building and maintenance of communication infrastructure, and frequently could be commuted to money payments, thus being defended by some governments as a form of taxation.

The use of forced labour for private means existed in most colonies in Africa during early imperial colonialism. Sometimes this was openly regulated by law like in Botswana (“Bechuanaland”), where Sec. 115 of the Prison Regulations, 1927 ruled that “(e)very prisoner shall be employed every day in such work as the magistrate may direct”, with the special provision that this should not result in privileges for public administration, as laid down in Sec. 117: “Government officials shall not employ prison labour for private purposes, except on payment and on the same terms and conditions as private individuals are allowed the services of prisoners.” In French colonies, colonial administrations made use of forced labour not only for public works but also for private employers (Cooper 1996; Maul 2007, 479).

European recruiters not only in British colonies often made use of systems of indirect control based on “native authorities’ ordinances”, which provided for the institutionalisation of indigenous administrators (“chiefs”) as partially self-governing actors with certain duties, but also

several privileges. “(T)he British policy is to rule subject races through their own chiefs,” the former governor of Nigeria, Frederick Lugard (1922, 194) quoted Lord Alfred Milner, one of the masterminds of British imperial policy. A common way to effectively obtain compulsory labour for “free labour contracts” was for public authorities to ask chiefs, or for private agents to bribe chiefs, to produce a certain number of men (Lugard 1922, 412; Okia 2019).

In agricultural enterprises owned by European settlers, especially in British colonies, contracts resembling medieval serfdom were still widespread in the first half of the twentieth century. In South Africa, Kenya and Nyasaland (today Malawi), laws regulated the exchange of indigenous workers’ labour for their use of land owned by the European settlers. “Labour tenants” thus bound themselves with their families to work for the “employer-landlord” a certain number of days per year—for example—between 180 and 270 in Kenya (ILO 1937, 21–22). Furthermore, France used forced recruiting for military service as a pretext to employ a part of the military recruits as so-called *deuxième portion du contingent* for any work under military supervision (Maul 2007, 479).

## 2 Compulsion to “Free” Labour

Especially in the 1920s, the shortage of labour evolved as a central issue for economic growth in Sub-Saharan Africa (Hailey 1938; Orde Browne 1967 (1933)). In order to obtain “free labour”, the threat of force was rapidly expanded to a complex, effectively differentiated system of incentives to participate in waged labour. Central instruments were the taxing of indigenous males, the more or less forced “inducement” to work by local administration by means of indirect control, the introduction of passes and registration of workers, and finally the registration of labour contracts and their enforcement with the threat of fees and imprisonment in case of abandonment, as well as damages. Administration, legislation and missionary work equally position women in traditional community relations and the subsistence economy. Women assumed the work of males who left their village temporarily and also had the role of

upholding traditional order, whereas men were expected to serve colonial labour interests.

Since the late 1890s, a central instrument in most colonies for inducing men to work was the introduction of hut taxes and later also poll taxes. Hut taxes taxed men who owned their own hut, whereas poll taxes had to be paid by men of workable age independently of hut ownership. These taxes implied the need to participate in a money-based economy, either by labour or by means of self-employment, especially by producing cash crops. Instead of payment, several pieces of legislation allowed the performance of (public) labour, varying roughly between eight days and one month per year. When contractual work for European employers surpassed minimum thresholds, taxes often were reduced (Lugard 1922, 256).

For the case that working conditions did not meet the expectations of the men induced to work, long-duration fixed-term contracts with restricted rights to termination were reinforced by rules forcing employees to stay at work. Laws designed to control the movement of indigenous people within and beyond the borders of colonies aimed to avoid desertion in many colonies. In “German South West Africa” (Namibia), ordinances from 1907 introduced the obligation for indigenous people to register and always carry their registration marks with them. No labour contract could be concluded without a registration mark. Those who were not able to produce their registration marks and could not prove waged or self-employment were treated as “vagabonds” and were subject to punishment, including fines, imprisonment and forced labour. In Kenya, the 1915 Registration of Natives Ordinance, put into effect in 1920, introduced a workbook (*kipande*), keeping track of all labour relations, which every men of workable age had to carry with him in a metal case around his neck (Okia 2019, 28–29).

In conjunction with long-duration fixed-term contracts, labour pass systems also helped to keep wages low, as employers attracted workers to sign contracts by paying attractive advances and then paying low “local rate” wages afterwards, using the pass system to avoid desertion (Anderson 2000, 477). Wages could typically be kept below subsistence levels, since labour relations were not designed to generate “living wages”, but rather fulfil the cash needs of families and communities primarily depending on



a subsistence economy, using labour migration for seasonal or otherwise short- or fixed-term contracts (ILO 1946, 37).

### 3 Colonial Labour Legislation

French colonial law on indigenous employment contracts in African colonies before the Great Depression typically differentiated between day labourers and permanent contracts, essentially regulating only the second category (Le Crom et al. 2017). The same is true for British colonies and German colonies. In early French colonial law, only fixed-term contracts are called labour contracts. Before the 1930s and often up to the 1950s, colonial labour legislation was designed for African workers only.

The content and complexity of colonial regulation on the one hand, and the similarity of norms on the other, can be seen in the French Equatorial African Labour Decree of 1911, compared with the British Kenyan Employment of Natives Ordinance 1910 and the German Cameroon Labour Ordinance 1909. Contracts with a minimum duration of more than one or three months had to be in written form, made before a colonial official or at least publicly approved and registered. Health status had to be checked, in the French and British cases by a physician. Fixed-term contracts in the latter cases were restricted to two years, but renewable without limitation. In the French case, a maximum working time of ten hours per day was set, in all cases a free Sunday was guaranteed. The kind of payment of wages, food and accommodation was specified (not the amount!), as were physical provisions in case of sickness. Finally, all three laws contain rules concerning the costs of return to the worker's place of origin.

A major formal difference between French legislation on the one hand, British and some German legislation on the other hand was the provision of penalties in case of desertion from work for the latter two. Although penalties had a long tradition in British labour legislation, when introduced in African colonies beyond South Africa at the beginning of the imperialist epoch, the penalty as a decisive feature had been abolished by a set of laws between 1867 and 1875 in Great Britain itself (Hay and Craven 2005). In Britain, penalties had been used in the nineteenth

century to suppress collective action. The upcoming trade unions had successfully campaigned for abolishing imprisonment for strike activities. Penalties for desertion were harsh. In the case of “German South West Africa” (Namibia), for example, the 1909 Law concerning Penalties for Natives because of Breach of Contract ordered chained imprisonment up to three months with or without corporal punishment or fines.

French labour law concerning breach of contract was restricted to the payment of damages, keeping civil and criminal law formally distinguished. In practice, nonetheless, the French *indigenat* laws which were valid in all exploitative colonies were used to punish workers for breaches of contract such as desertion, since workers liable to pay damages for breach of contract or fines for lack of resources usually could not pay. The colonial state in this case often resorted to forced labour during imprisonment (Asiwaju 1978).

Colonial labour legislation before the 1930s thus is centred around fixed-term contracts and recruitment of fixed-term workers. Casual contracts were hardly regulated, “normal” labour contracts were restricted in duration to the pay period, although automatically renewable. Exaggerating slightly, early colonial labour legislation could be described in today’s language as the regulation of the posting of workers, of labour migration and of private employment agencies. Fixed-term contracts were designed especially for seasonal work in plantations and temporary work in mines. Especially male workers were expected to leave and return to their villages, to live mostly from a subsistence economy and use waged labour for partial participation in the money economy, especially in order to pay taxes.

The set of regulations essentially concerned “able-bodied males” who were expected to pay taxes, work away from their villages for limited periods of several months to a few years, and return with some money to be dedicated to European products. The women (together with older and weaker men and children) were expected to supply the food in the subsistence economy and take care of the families’ and communities’ social reproduction. Labour regulation thus did not start as a means for the protection of workers, but as an administrative tool for the control and “quality management” of domestic or inner-African migration processes for labour supply on the one hand and “sustainable development” of

rural areas on the other hand. The structural difference between employer and employee, the *raison d'être* of worker-protective labour legislation, was tipped even more towards the employers' side with the help of compulsory measures. Protective measures concerning health and minimum living conditions are aimed at the public interest in sustainability and health management rather than workers' protection. Protective norms concerning the use of time and fair remuneration, or restricting the use of the workforce, hardly existed, nor could collective agency fill these gaps. Collective action was prohibited, and migratory fixed-term labour relations made unionising practically impossible. Private and public labour relations in this phase comprised a wide range of legal constructions including slave, forced, pawn, indentured and free labour in conditions typically marked by colonial legal pluralism.

## 4 Economic Crisis and Changes in Labour Regulation

In 1932, the Governor of Kenya introduced an ordinance which regulated the mechanism to introduce minimum wages for any occupation and territory (No. 22 of 1932). In the same year, an ordinance to regulate and control compulsory labour (No. 42 of 1932) was enacted, introducing strong material and procedural limits to the use of forced labour, including mandatory pay equivalent to voluntary payment. In 1937, under the Trade Unions Ordinance collective workers' organisations were legalised. Finally, in 1938 the Employment of Natives Ordinance was repealed and replaced by the Employment of Servants Ordinance.

Comparable legislative changes could be observed in British colonies in large parts of Sub-Saharan Africa. Minimum wage mechanisms were introduced in most British colonies, as was trade union legislation. In French West Africa, in 1937 minimum wages were introduced, trade unions were legalised, collective agreements and labour conflicts were regulated (Ehrentraut 1973, 79–83).

The 1930s and thus the context of the Great Depression can be seen as a turning point in African colonial labour legislation, where forced labour

was put on the path to abolition, and worker protection was slowly introduced. From a factual perspective, the socio-legal situation changed rapidly during the Great Depression, nonetheless hardly due to the impact of new legislation. The worldwide economic crisis led to a severe diminution of export prices for cash crops and minerals. Trying to compensate for falling export taxes, poll taxes tended to increase, while companies reduced their staff and the wages paid to indigenous workers. Rural exodus towards slums began, with sufficient labour supply for public and private employers, and social unrest grew. As a consequence of economic and tax political developments, forced labour ceased to be a macroeconomic means, although its communal relevance remained (Cooper 1996).

As the (originally bad) social situation of “free” African workers rapidly deteriorated and legislative changes showed rather a cosmetic character, the enactments in British and French territories reflect foremost the changes in political orientation and majorities in the metropolitan countries, the trade union movement and especially the International Labour Organization. Illustrative for this direction is the European Workers’ Charter for Coloured Labour passed by the Labour and Socialist International Congress in 1928. Among other things, it demands the abolition of enforced labour as well as taxation and other pressures aiming at forcing indigenous people into employment, as well as the abolition of enforcing employment contracts under sanctions of penal law, and the regulation and inspection of the recruiting and labour conditions “as to prevent industrial slavery and the economic dislocation of the life of the village and tribal communities” (Olivier 1929, 323).

Social democratic parties and trade unions in particular carried these views into governments and the ILO. The perspective on local conditions in the colonies thus seemed to depend strongly on the government in charge: major changes took place in British colonies during the two governments led by Ramsay MacDonald (the Labour government 1929–1931 and the multiparty coalition called the National Government 1931–1935), whereas for French colonies changes were initiated by the Popular Front Government led by Léon Blum, aiming to introduce equal rights for workers in all French colonies. A major factor in the search for consensus in improving labour conditions in the colonies, and thus paving the road for “progressive” governments, was the ILO.

The introduction of minimum wage legislation was related to ILO's 1928 Minimum Wage-Fixing Machinery Convention C026, ratified by the UK in 1929, and by France in 1930. According to Article 35 of the ILO Constitution (Article 421 of the Treaty of Versailles), members "engaged" to apply ratified conventions in colonies, protectorates and other dependencies, except if they were inapplicable due to local conditions. The UK reacted by introducing the possibility of minimum wages, while *de facto* minimum standards were only introduced during World War II, by which time trade unions had developed in most colonies. In French Occidental Africa, on the other hand, in 1937 decree No. 259 provided that minimum wages were to be introduced via ordinance by the regional governors.

The French Popular Front government did not intend inclusion for all workers in the colonies, though. The legalisation of trade unions in French Sub-Saharan territories in 1937 contained several conditions. Membership depended on the prerequisite of primary education and fluent French. Furthermore, women needed the written approval of their husbands if married, of the patriarch if unmarried, if they wanted to join trade unions (Ehrentraut 1973, 80).

A more direct impact of ILO can be seen in the case of the Forced Labour Convention C29 of 1930, ratified by the UK in 1931 and by France in 1937. The ILO had been acting at the forefront of a network for passing the convention (Maul 2007). The UK government rapidly adopted anti-forced labour legislation in African colonies where forced labour still existed. For France, on the other hand, which still made use of forced recruitment by the colonial administration for private undertakings in the 1930s, the official acceptance of the convention without ratification before 1937 can be rather seen as fear of the political costs of open opposition (Cooper 1996).

In the context of the Great Depression, the ILO passed its three conventions on indigenous labour: in 1936 the Recruiting of Indigenous Workers Convention (ILO C-50), and in 1939 the Contracts of Employment (Indigenous Workers) Convention (ILO C-64) and the Penal Sanctions (Indigenous Workers) Convention (ILO C-65). Especially C-65 was of fundamental importance for workers in British colonies. The context of the Great Depression helped, since from the

employers' perspective, recruitment was hardly necessary for at least for some time, and desertion was not a major problem. Especially in this crisis, long-term contracts proved to be comparatively protective for workers, since they could not simply be dismissed by employers.

The effect of the ILO conventions and international discussions was the enduring abandonment of long-term contracts and penal sanctions for breach of contract. The changes only fully took effect after World War II. Nonetheless, the context of the Great Depression opened the path to major reforms in colonial labour legislation after World War II and post-colonial relations.

The discussions in the 1930s thus mark a turning point in labour regulation in the colonies, although they were less protective in fact than on paper. The fundamental inequalities caused by imperialist colonisation in terms of labour, in other words, the fundamentally racist division of labour (unskilled labour for indigenous workers), and gender relations focusing almost exclusively on and privileging men in terms of public and labour-related rights and duties, were not addressed.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 27

## Social Reforms and the Fear of Economic Backlash: Political Debates on Social Policy and Transnational Influences in Argentina in the 1930s

Simon Gerards Iglesias

### 1 Introduction

Throughout the history of social policy in Argentina, an important argument made by the opponents of reforms has been an economically justified one. The risk that a country's economy would be impeded by labour regulation and could even be plunged into competitive disadvantage was a continuously articulated fear. Economic liberal and conservative politicians from Argentina shared this view in the early twentieth century. It is therefore not surprising that agricultural work was one of the last sectors to be included in social protection policies since Argentina's economy had gained much of its wealth from the export of agricultural products before the Great Depression. It was thanks to international coordination systems exercised by the International Labour Organization (ILO) that some social reforms were legislated in Argentina in the 1930s, a period usually known as the *Década infame* due to the fraudulent electoral

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system which favoured conservative parties. As political and economic crises altered the global political landscape in the 1930s, new international constellations enabled new forms of transnational cooperation. In the case of Argentina, we see how US geopolitical and economic interests went hand in hand with social policy initiatives by both state and private organisations. The New Deal legacy in the United States had an important effect on the perception of social policy among Argentine actors. Unions welcomed the North American approach regarding social protection as a part of economic recovery and business representatives changed their attitude towards worker protection. Cooperation with the ILO became increasingly close during this period, although the introduction of conventions and actual social legislation was gradual and slow. However, politicians, particularly those from the conservative spectrum, painted a positive picture of their social policy, which they considered to be cooperative and exemplary at the international level.

This chapter focuses on the relationship between social policy and economic and political interdependencies on the American continent, which intensified after the Great Depression, a period in which political cooperation was institutionalised by Pan-American organisations (Patel 2016, 276). After the introduction of the Social Security Act as an important component of the New Deal, the Roosevelt administration sought to spread its concept of a vital connection between social welfare and economic recovery among the Latin American states (Jensen 2011, 216–217). The mechanism which explains the relationship between both variables lays in the political debates that preceded social reforms. In Argentina, social policy was long regarded as a cost-intensive measure that threatened the country's competitiveness, but a new approach in the United States in the context of the New Deal made it possible for political and economic actors in Argentina to think differently about social policy. The historical momentum that developed in the 1930s was crucial in this. New international political and economic constellations enabled the emergence of a new thinking about social policy in Argentina. Using the example of occupational accident legislation, this chapter shows how transnational influences have brought about a change in the political awareness of social reforms.

## 2 Competitive Disadvantages

In 1915, the Argentine Congress sanctioned Law no. 9688 on work accidents. After decades of political debates, the legal principle of occupational risk was introduced into the country's legal framework and employers were assigned the primary responsibility for the safety of their employees; this in turn allowed for injury compensation. French legislation on occupational accidents had exercised the most important influence on the design of the Argentine law (Ramacciotti 2014, 25–26), as the new law drew heavily on the European example. This sparked an intense debate on the appropriateness of the law for the Argentine social reality. Critics such as Benito Pérez, then a professor at the University of La Plata and a labour law expert, emphasised the deliberate exclusion of workers in the agricultural sector as “a total neglect of the Argentine social reality” (Pérez 1943, 66). This was an accurate observation because in 1915 fifty percent of Argentine labourers were working in the agricultural sector and their accidents, particularly severe sunburn or the frequent snake bites, were not covered by labour legislation (Ramacciotti 2011, 274). Furthermore, the recognition of respiratory diseases or lead poisoning as occupational risks and the official designation of so-called unhealthy industries led to an accentuation of industrial work as an object of legal protection (272). And while industrial work was considered dangerous and unhealthy, it also became more visible and urgent than agricultural work whose dangers did not figure in the public debate.

But this exclusion of agricultural workers had important economic consequences for Argentina, as we shall see. Until the Great Depression, Argentina had developed into one of the most important export countries for agricultural products. It therefore was not in the interest of the powerful Argentine landowning elite to regulate labour in the agricultural sector. Indeed, the fear of falling behind in international competition because of unilateral measures and changes in labour standards loomed large and provided an important argument against implementing workers' protection as it was considered a cost-intensive measure for employers. In fact, concerns about the interference between labour reforms and economic competition were widespread. They were

specifically expressed in an official 1910 study by economist and social Catholic politician Augusto Bunge who vigorously pleaded for state intervention to improve working conditions in industry while underscoring the important question of economic feasibility. “Nobody”, he stated, “would be helped by more worker protection, if the resulting increase in production costs ultimately led to dismissals” (Bunge 1910, 247). He went on to stress international competition between countries which made it essential to conclude international conventions (310–311). In Argentina, this attitude would prove to be an important argument in limiting wide-ranging social reforms to mitigate any negative economic consequences of social policies.

### 3 Social Protection Across Borders

Law no. 9 688 was designed for industrial workers. In principle, all workers, regardless of their citizenship, were subject to the law on occupational accidents as long they lived in Argentina. However, many of the European immigrants returned to their countries of origin after a time or commuted across the Atlantic for seasonal work, raising the question of whether the law would cover transnational payments. To ensure such compensation payments, European countries campaigned for legal regulations in this matter and negotiated bilateral treaties. According to these treaties, both signing countries agreed to pay indemnities to entitled citizens of the other country, even when those citizens or their legal descendants left the country. This was new because it extended the right to compensation payments beyond national borders and benefited people who remigrated from Argentina to Europe. For Argentina, which was a magnet for European emigrants, these agreements were important: only a few years after the introduction of Law no. 9 688, two conventions had already been signed with Spain (1919) and Italy (1921), the countries of origin of the largest groups of immigrants. In the 1930s, other conventions were signed with countries with much smaller immigrant groups such as Belgium and Austria in 1932, while conventions with Denmark, Sweden, Yugoslavia, Poland, Czechoslovakia, Lithuania, and the United Kingdom followed in 1934. Although the treaties were reciprocal, the

European countries benefitted more than Argentina because of the larger number of European immigrants in the country. Diplomatic correspondence between Belgium and Argentina furthermore reveals that the diplomatic request to sign an agreement came from the European states that were actively seeking legal regulation (Archivo de la Cancillería<sup>1</sup>). That the contracts were signed in the early 1930s shows that the countries were concerned about the protection of their industrial workers or those who were covered by Law no. 9688. This is surprising because a majority of immigrants worked in agriculture and therefore were not entitled to compensation at that time (Presidencia de la Nación 1946). During the Great Depression, it was nevertheless important for European states to use foreign laws in such a way that compensation payments for their citizens became applicable. This is, furthermore, an example of bilateral harmonisation of the legislation on occupational accidents with regard to the crucial aspect of financial compensation claims.

## 4 Effectiveness of Conventions

In the first decades of the twentieth century, medical thinking led to a growing awareness of the need for more measures for preventing accidents and diseases rather than merely containing or treating them (Biernat 2016, 8). In Argentina, this paradigm shift attributed an active role to the state in the regulation of industrial safety: in a stark contrast to the liberal *laissez-faire* principle that had dominated the discourse of the nineteenth century, state intervention became more important in political discourse. Moreover, interaction with international actors was accepted (Biernat 2016(9) while international expert conferences and international conventions legitimised standardisation in certain areas of industrial safety (Ramacciotti 2011, 274).

According to Ramacciotti, it was only thanks to the ratification of an ILO convention that agricultural workers were included in Argentina's occupational accident law and were therefore entitled to compensation

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<sup>1</sup>Archive reference: Archivo Histórico de la Cancillería Argentina—Caja AH 0130—Bélgica. Convenio accidentes del trabajo Exped. 8, Año 1922.

(*ibid.*). Indeed, it was the Socialist Party in the Argentinean Parliament that presented a draft law of extending the inclusiveness of Law no. 9 866 to all agricultural workers, justifying it not only morally but also legally, as Argentina had committed itself to fulfil international obligations resulting from the ratification of the ILO convention (*Revista Internacional del Trabajo* 1936, 644). The amendment to the law came into force in 1940, four years after the ratification of the convention and seventeen years after the International Labour Conference adopted Convention no. 12 on Workmen's Compensation in Agriculture in 1923. However, although Argentina was one of the founding members of the ILO and, with a few exceptions, took part in ILO conferences, it took the country so much time to ratify conventions. Problems with ratifications arose mostly from domestic political conflicts. In 1920 and 1921, the Argentine government submitted ILO conventions recommending their ratification to Congress at a very early stage, but crises at the ministerial level and a lack of political interest in the Chamber of Deputies hampered a smooth ratification process in the legislature (*International Labour Office* 1925, 83). This also holds for every other convention signed during this period: in 1933, the Argentine Congress ratified conventions *inter alia* on hours of work, maternity protection, minimum working age, and night work. In 1936, several conventions on—among others—occupational safety were ratified. Héctor Ruíz Moreno, the Argentine correspondent at the ILO office in Geneva, nevertheless boasted in the late 1950s that “Argentina is one of the first countries to ratify a large number of conventions at a very early stage” (*Departamento de Asuntos Internacionales del Trabajo* 1957, 29–30). However, this statement must be qualified against the fact that the country ratified only sixteen of a total fifty-eight ratified conventions in 1936.<sup>2</sup> Even though Argentina regarded itself as apparently cooperative by international standards, the central Convention on Forced Labour of 1930, for example, was not ratified until 1950. Although the government pretended to cooperate with the ILO externally—from 1931 onwards every ILO conference was attended, and the

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<sup>2</sup> Even compared to other Latin American countries Argentina did not ratify many conventions and no more than 16 until 1950. Until 1941, Chile (thirty-three conventions), Colombia (twenty-four), Cuba (twenty-six), Mexico (twenty-seven), Nicaragua (thirty), and Uruguay (thirty) ratified many more. See: Blleloch (1941, 450–451).

delegations were given more staff—its policy was not in line with the ILO's substantive demands. Thus, the Argentine government representatives, for example, rejected the eight-hour workday, a core demand of the ILO, pointing out that the Argentine economy could not yet afford it (CGT 1938). In fact, none of the conventions approved at the 1930s ILO conferences were immediately ratified by the government. The *Confederación General del Trabajo* (CGT), a trade union confederation, criticised the slowness of the government and parliament in adopting conventions and adapting laws. It ironically stated: "It's a well-earned reputation" (CGT 1935). Indeed, Argentina's goodwill for cooperation is less obvious at a second glance. For the ILO, it was clear that only by ratifying international labour conventions could "Argentina (...) most strikingly demonstrate to the world the standard of living and the working conditions that it has to offer" (International Labour Office 1925, 88). According to the ILO Governing Board, Argentina had always been a country that attracted millions of European immigrants, but it had failed to guarantee labour conditions equivalent to those in the European countries. Rather, the CGT claimed that it was only thanks to the pressure of the socialist labour movement exerted on politicians that any ratifications had taken place during the time in question, which becomes evident in the case of the extension of Law no. 9866.

The accusation of hypocrisy was not unfounded. It can be questioned whether the ratifications and the passing of new laws on occupational accidents really had an impact on safety at industrial workplaces. Even though the right to compensation was expanded and different economic sectors were gradually included and covered by the legislation, the safety of workplaces did not automatically improve. Since employers could outsource the risk of indemnities to insurance firms, preventive measures were not always implemented. Therefore, the union of the train drivers, *La Fraternidad*, denounced the obvious lack of interest in accident prevention measures to protect workers, the absence of law enforcement and the lack of control by state authorities (La Fraternidad 1937, 24). During a visit to the office of *La Fraternidad*, ILO General Director Harold B. Butler was informed about the difficulties in Argentina of enforcing labour rights against the alliance of conservatives and employers. The union representatives pointed out that presidential decrees had rendered

many labour laws null and that it was difficult to apply the eight-hour day, the ILO's core demand, throughout the whole industrial sector (La Fraternidad 1936, 6).

## 5 A New Dawn for Social Policy

Nevertheless, the ratifications were important for Argentina's reputation, as the country appeared to comply with its international commitments. This was particularly evident in relation to the United States, which played a more important role within the ILO. The US had entered the ILO in 1934, under the Roosevelt administration. The initial scepticism of American elites was quickly overcome once the ILO was considered to be an effective means of reducing international competition through the standardisation of labour rights (Jensen 2011, 218). The ILO was, at least for some Europeans and Americans, an institution to ensure equal labour standards for reasons of economic competition (Seekings 2010, 149). The Great Depression demanded new ways of thinking while aspiring economists around J. M. Keynes gained influence. In contrast to concepts from the 1920s, Keynes and others saw the state as a regulating force that had to take action to combat the crisis. Thus, social security became an integral part of the attempts to secure economic prosperity. The Roosevelt administration recognised that a global fight against the crisis was necessary to overcome the severe recession. With the "mixed economy" approach of interventionism, the United States adopted an alternative to the fascist and communist models to fight the crisis (Patel 2016, 118). The liberal press saw the ILO as the international equivalent of the National Recovery Administration (NRA) in implementing international policies on labour standards (Jensen, 2011, 219). This had a direct impact on US foreign policy. Roosevelt's "Good Neighbor Policy", which ended a decade-long prevalence of the Monroe doctrine, enabled the US to access Argentina in a friendly and cooperative way. The very warm welcome of the President at a Pan-American conference in Buenos Aires in 1936 showed that Argentines welcomed this new approach in international relations (Patel 2016, 152). Roosevelt embodied a new spirit for Argentines and received great encouragement from the Argentine



unions. *La Fraternidad* stressed that with President Roosevelt the American unions were no longer interested in a revolutionary upheaval, but only wanted to improve the existing social and economic system, a core demand of the socialist movement (La Fraternidad 1936, 9). The unions saw their goals confirmed by Roosevelt and demanded that Argentine employers and politics followed the same path of reinventing industrial labour rights substantially within the existing economic system (La Fraternidad 1936, 10).

## 6 New Strategies of the Business Sector

Just as the Argentine unions showed solidarity with their American counterparts and advocated for the New Deal, there were negative attitudes on the part of the employers towards the US President's socio-political turnaround. During the mid-1930s, the Argentine employers' associations started to promote voluntary measures to improve working conditions while resisting the implementation of the eight-hour workday, which had already been legislated in the United States. This happened at a time when the Argentine authorities increasingly urged employers to take accident prevention measures, as the financial reserves of the funds for compensation claims were depleted and inspections by the authorities became more vigorous (Ramacciotti and Maddalena 2019, 324–325). The field of industrial worker protection opened an opportunity for employers to present themselves as caring and responsible businessmen, while diverting from bigger and, for them, occasionally harmful labour reforms such as the eight-hour day. They adopted a concept of worker protection that had already been advised by scientists for a long time: the prevention of occupational accidents. The awareness that an accident prevented could make the production process more efficient and that the costs of protective devices—protective clothing and training—were not exorbitantly high, made it an easy-to-implement measure. The positive public perception of these voluntary measures was also important. This is illustrated by the example of the sugar industrialists who in 1936 published a multi-page report of their companies in the daily newspaper *La Nación* and prominently placed worker protection and companies' own hospitals for

industrial accidents (La Nación 1938). This strategy of appropriating the public could be interpreted as an attempt to distract from other social grievances since the sugar cane industry in Argentina was characterised by violent strikes and conflicts in the 1930s.

In the following years, Argentinean employers increasingly took care to polish up their image in the realm of occupational safety for their employees. The founding of the *Instituto Argentino de Seguridad* in 1941 is an example of their transnational cooperation strategy with their North American counterparts to use their technical knowledge and marketing strategies for occupational safety measures. Expertise in hygiene and protective measures against industrial diseases and accidents was spread among American and Argentine employers by this organisation. The *Instituto* issued the periodical *Revista de Seguridad* which provided a compilation of scientific articles about the prevention of occupational accidents written by North and Latin American experts. It also offered insights into model Argentine businesses with high safety standards and was used as a medium to prove compliance with international standards (Instituto Argentino de Seguridad 1942).

The *Instituto* was incorporated into the Inter-American Safety Council, a US-based organisation that was presided by private industry. The organisation aimed at the adoption of US industrial standards in Latin American industries (Stiles 1939). The accentuation of small countries such as Cuba, Costa Rica and Panama, which were subject to strong US influence, within the organisational activities shows that political dependencies and economic interests of US companies were important in the composition of the council. The entry of Argentine representatives into the council in 1941 testifies to American business interests in Argentina. In a ranking of foreign companies in Argentina between 1937 and 1944, American-owned firms in Argentina were mainly engaged in oil refineries, electronics and to a lesser extent in meat packaging and textiles (Lanciotti and Lluch n.d.). These branches were among the expanding industries in Argentina during the industrialisation process.

In parallel with the industrialists, insurance companies also devoted themselves to an active promotion of accident prevention. An article in the branch's journal calculated the direct and indirect costs of accidents for employers occurring outside the workplace and working hours. They

concluded that employers also had a great interest in the prevention of accidents involving their staff outside the factory (*Revista Bancaria y Aseguradora* 1941a, 6085). In addition to studies from the USA, scientists from Cuba were often used as references. The Batista dictatorship in Cuba was not only politically very much connected with the USA, but it turned out to be a collaborative state closely aligned with the United States in social reforms. The Cuban Institute for Physiotherapy for Occupational Accidents gained great attention in the Argentine banking and insurance journal. Cuban experts were consulted in insurance circles, such as the engineer Manuel Moas with his discussions on the prevention of fatigue and exhaustion at work (*Revista Bancaria y Aseguradora* 1941b, 6263).

## 7 Conclusion

In the 1930s a shift in the thinking about social policy and its practical implementation took place in Argentina. This change was brought about by new ideas concerning social policy, which was increasingly regarded as an inherent part of economic prosperity. During the Great Depression world trade contracted while transnational coordination in social policy was boosted. Argentina signed reciprocal agreements with European states on the treatment of foreigners in the compensation for occupational accidents, but more political influence regarding social policy came from the United States. The Good Neighbor Policy gave the US convenient access to Argentine actors. The fast adoption of US social policy reforms by politically dependent countries such as Cuba gave Argentine employers a Latin American example for labour reforms and eased its development. The concept of a linkage between social security and economic prosperity gained traction and the American model was discussed in Argentina. The conservative Argentine governments participated in this discourse, promising themselves legitimacy for their social policies by concluding international agreements which facilitated the ratifications of ILO conventions. But trade unions still complained that a significant difference persisted between the international image of the government's actions and the real enforcement of the laws. The ruling conservative

government did not completely drop its objections against far-reaching social reforms. But concerns about loss of competitiveness were shed in favour of debates on prevention in the case of occupational accident policy. Knowledge about the economic benefits of prevention only came about through increasing transnational exchange of experience. Scientific studies and practical experience from other countries changed awareness in Argentina in favour of prevention. Not only politics but also employers adopted a new strategy toward social policy. The actors oriented themselves to models in the United States and cooperated at the private sector level with US employers' associations.

To summarise, since the mid-1930s, the Argentine government and employers increasingly cared about the introduction of certain measures to prevent occupational accidents and showed a greater willingness to care about their employees while still resisting far-reaching labour reforms. The argument of competitive disadvantage was increasingly discarded in the course of the 1930s because economic structures changed, unions and socialists exerted more pressure on the government, and the United States, as a major player, propagated a new form of social and economic prosperity to their southern neighbouring countries. This made a decisive contribution to changing the debate on social policy in Argentina.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841–SFB 1342.

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# 28

## International Transfers and National Path Dependencies: Pension Systems in Britain and Germany after the Second World War

Cornelius Torp

### 1 Introduction

From their early days as academic disciplines, history and the social and political sciences have taken the nation state as their natural unit of analysis. This corresponds to an endogenous developmental model which is based on the assumption that social and political realities can be explained solely by examining the internal structures and conflicts within national societies. The numerous national histories of social policy are only a case in point. By contrast, the transnational and global turn, which has loomed large in history lately, has emphasised the importance of transfers, movements, and spaces that transcend national borders. Hardly any historical phenomenon, transnational and global histories sometimes seem to imply, can be explained without factoring in external influences and international interdependencies. It is merely trivial to suppose that this also applies to the welfare state, which came into life during the first

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wave of globalisation before the First World War and spread throughout the world after the Second World War when global integration reached an unprecedented scale. The role that internal factors and exogenous influences play in the development of social policy, however, is neither theoretically predetermined nor necessarily constant from one branch of the welfare state to another. It can only be determined empirically by examining particular cases and it changes over time.

This chapter focuses on pension politics in Great Britain and Germany since the Second World War. It traces social policy transfers between the two countries in the form of ideas, models, and people. But it also analyses how pension reform debates in both countries were shaped by other influences from outside the respective nation state such as supranational organisations or transnational discursive formations. At the same time, I try to evaluate the impact of international interdependencies on pension policy decisions compared to that of forces from within the nation state. From a cross-national comparative perspective, post-war Britain and the Federal Republic of Germany are particularly well suited for such an endeavour. Both are highly industrialised western democratic societies and faced similar challenges, for example, the inclusion of new groups in pension systems, and dramatic demographic changes. Both were social policy pioneers—Germany in the late nineteenth century with the Bismarckian social insurance system, the UK directly after the Second World War when it set out to implement the Beveridge plan. Yet the differences between the two countries are striking as well: Germany, to begin with the obvious, had lost the war and was in turmoil, whereas Britain was among the victorious powers. Moreover, in the realm of social policy, the UK and Germany represent different models, according to the perspective of Esping-Andersen's often criticised yet widely used typology of western welfare states (Esping-Andersen 1990). Whereas Britain stands for the liberal model by giving preference to private provision and anti-poverty measures, with a striking role for means-tested benefits, the conservative welfare regime in Germany is directed towards status security, with social insurance linking contributions and benefits.



## 2 Britain and West Germany in the “Golden Age” of the Welfare State

Directly after the Second World War, British-German social policy interdependencies were clearly characterised by the dominant position of the UK. Germany lay in ruins, whereas Britain was not only one of the occupying forces, but also conducted a wholesale reform of its own social security system between 1946 and 1948 and thus seemed to be at the forefront of welfare policies. In 1946/47, the directorate of the Allied Control Council issued an outline for a comprehensive reorganisation of the German social security system which was based on the idea of transforming the traditional diversity of German social insurance into a compulsory national insurance (Hockerts 1980, 21–84; Schmähl 2018, 101–66). The Allied plan harked back to a long tradition of reform demands from the political left in Germany, but it also borrowed from simultaneous efforts in the UK. In 1946, Sir William Beveridge travelled the British occupation zone and gave a series of lectures on the UK’s welfare reform. Even though the Allied initiative failed due to opposition within Germany and the looming Cold War, the British model remained an important point of reference for the German social policy discussion of the following years. In 1953, for instance, a group of German social policy experts from academia, social security administration, and the major political parties conducted a study trip to London in order to learn more about the new British welfare state. After a conference with leading figures of the British social policy scene such as Richard Titmuss, they returned with the impression that “the Englishmen’s bold experiment can teach us a lot” (Auerbach 1953, 134). The previous year, the German Social Democratic Party (SPD) had already come out with the outline of a “social master plan” which owed much of its agenda to the Beveridge report. With regard to pensions, the Social Democrats adopted the British model of tax-funded, flat-rate benefits for all citizens, even if they topped this up with an additional contribution-funded component (Hockerts 2011).

Despite these multiple British-German transfers, the traditional German social insurance model prevailed in the end. What is more, the

Adenauer government's pension reform of 1957 even deepened the divide between the German pension system, which relied on contributory benefits, and the British standard pension that was the same for everyone: The new German pension law, which was ultimately supported by the SPD as well, strengthened the link between contributions and benefits, thus gearing the pension system towards the performance principle. At the same time, the 1957 reform increased the level of pensions significantly and linked them to the rise in wages on a permanent basis. One reason for the divergence of the British and German pension systems after the Second World War was undoubtedly the importance that key political actors attributed to the tradition of German social insurance as one of the few positive elements of historical continuity untainted by National Socialism and the Shoah. "German social insurance", as Christian Stock (SPD), former minister president of Hesse, reasoned in 1954 in a typically pathos-laden way, "was the only thing that gave the people of our Federal Republic a degree of internal stability in the darkest days following the collapse of the National Socialist madness" (Torp 2016, 242).

The fundamental restructuring of the German pension system in accordance with the model of "status maintenance", however, cannot be explained solely by referring to the continuity argument. Ultimately, the enhanced emphasis placed on the performance principle can only be understood in view of the erosion of social hierarchies by two world wars and two periods of high inflation. These had annihilated most of the assets on which particularly the middle classes had built their hopes of maintaining their social position in retirement. Against this backdrop, the pension reform of 1957 was intended to reconstruct a system of inequality in old age which perpetuated the social status attained in working life and thus aimed to undo the aftermath of the turmoil of the first half of the century.

Within only a few years, the direction of the transfer of social-policy ideas between Britain and Germany turned around. Already in the 1950s, it became obvious that the new British welfare state was not succeeding in containing poverty in old age. The flat-rate benefits of the Basic State Pension turned out to be so meagre that many elderly people had to apply for means-tested benefits. Even more disturbing, left-leaning critics

claimed, was the rising inequality in old age. They diagnosed the emergence of “Two Nations in Old Age”: the majority that depended entirely on the insufficient amount the statutory pension paid out, and the privileged minority of old people who additionally received an occupational pension which allowed them to maintain the way of life to which they had become accustomed. A small group of Fabian social policy experts who advised the Labour Party on pensions, above all Brian Abel-Smith, Peter Townsend, and their *spiritus rector*, Richard Titmuss, were most influential in endorsing a pension reform concept which was intended to counter these developments (Torp 2015, 119–28). They developed the plan for a “National Superannuation” scheme—a concept for an earnings-related pension system which aimed at “half pay on retirement”, meaning a replacement rate of fifty percent for an average earner. In their conception of National Superannuation, the British academics drew heavily on the German discussion which preceded the implementation of the *Dynamische Rente* in 1957. A year earlier, Titmuss and Abel-Smith had travelled to Bonn to meet with German pension experts and learn more about the details of the imminent reform. Both in employing the term “dynamic” and in planning to uprate former contributions in line with the rise in wages, the British concept directly imported elements of the contemporary German model. Under the aegis of Richard Crossman, the Labour Party was quick to adopt National Superannuation and made it part of the official party programme as early as 1957 (Thornton 2009).

For nearly two decades, however, the Labour Party failed to turn its pension plans into reality. In the 1950s and 1960s, there were several factors in British pension politics that fostered path dependency and blocked all attempts of a fundamental reform. Among them were the interests of the existing pensioners, who favoured an increase in the flat-rate pension instead of a systemic change only benefiting future generations. The trade unions, too, were lukewarm at best regarding a radical overhaul of the pension system. The same applied to the pensions industry, which had profited from the absence of a generous public pension scheme and now feared the new competition. Moreover, the lack of even a minimal consensus between the Labour Party and the Conservatives about the basic direction of a pension reform contributed to the logjam because, after a change of government, every small reform step of the previous

administration was quickly reversed by the new one. When in 1975 the Labour Party finally succeeded in pushing its pension reform project through after years of political stalemate and exhaustion, it established the State Earnings-Related Pension Scheme (SERPS). Like the original National Superannuation scheme and unlike its German counterpart, SERPS had strong redistributive elements and linked pension entitlements to wage increases only until the beginning of retirement, but to the rate of inflation thereafter. Unlike National Superannuation, SERPS accommodated the path-dependent development of the British pension system by maintaining the flat-rate Basic State Pension as a minimum pension and by making considerable concessions in the realm of occupational pensions. In the end, however, SERPS was rather short lived. Already in 1986, the second Thatcher government cut the future pension benefits of the earnings-related scheme substantially. The death blow to SERPS finally came in 2002, when the Blair administration replaced it with the State Second Pension which was conceptualised as ushering in a flat-rate benefit in the long run.

### **3 Pension Politics in the Era of Population Aging**

After the end of the post-war economic boom, the bilateral transfers between Germany and the UK in the field of pension politics became less and less important. Although both countries were governed by conservative parties throughout the 1980s and most of the 1990s, the willingness to learn from each other in the realm of pensions was practically non-existent. At the same time, pension politics was increasingly dominated by a transnational discourse not restricted to Britain and Germany: according to widely-held beliefs among politicians, social policy experts and the general public, the aging of the population in industrial countries led to a constantly rising and, in the end, unsustainable burden on public pension systems because the growing share of old people would depend on an ever-shrinking workforce. In Britain, this demographic argument had already been put forward by the Thatcher government in the 1980s

in order to legitimise pension cuts. In Germany, this argument had been introduced even earlier, in the 1970s, by demographic experts and the representatives of Catholic social teaching, before it played a prominent role as a central rationale for the pension reform of 1989 (Nullmeier and Rüb 1993).

It was only in the 1990s, however, that the demographic aging narrative became internationally accepted as conventional wisdom across party lines and thus was taken for granted as a general precondition whenever pension problems were discussed. Moreover, this was the time when the population aging discourse merged with the concept of intergenerational equity, which called for a greater degree of justice in the allocation of public resources between different generations (Macnicol 2015). The intergenerational equity perspective originated in the United States, where it was promoted by conservative politicians and organisations such as Americans for Generational Equity (AGE) from the 1980s onwards (Williamson and Watts-Roy 2009). In the world of pensions, the call for generational justice implied that the lifetime contributions and benefits of various age cohorts ought to be compared in a kind of generational accounting. Proponents of greater intergenerational equity contended that existing welfare states systematically distributed resources in favour of the elderly and to the disadvantage of younger people, who had to shoulder the burden of an aging society during their working life and, on top of this, had to expect much lower pensions upon retirement than the contemporary generation of pensioners. Lagging a few years behind the UK, the concept of intergenerational equity increasingly gained influence in German pension politics from the mid-1990s onwards. Its meteoric rise—which endowed the term with an even more prominent position in the aging discourse in Germany compared to Britain—cannot be explained without the lobbying activities of financial industry think tanks, neoliberal economists and, above all, the Foundation for the Rights of Future Generations (German: *Stiftung für die Rechte zukünftiger Generationen*), established in 1996. By the turn of the millennium, “intergenerational equity” had become a cross-party catchphrase in German politics. The fast transnational career of the term was aided by a discursive space which was pre-structured by the global triumph of the sustainability concept since the late 1980s. The intergenerational equity discourse

thrived on a “legitimacy transfer”, which was based on importing the principle of responsibility towards future generations from the ecological context, where it was already widely accepted (Brettschneider 2009; Nullmeier 2004).

Closely connected to the demographic aging discourse was the triumph of the multi-tier paradigm in the international discussion on pension politics (Bönker 2005). The World Bank was an important driving force behind this worldwide ideological shift against pay-as-you-go schemes and in favour of the funded old-age provision. The publication of the highly influential World Bank report “Averting the Old Age Crisis” in 1994 played a key role in this context (World Bank 1994). Starting out from a gloomy picture of the consequences of population aging for the existing pension systems, the World Bank promoted a three-tier pension model in order to render old-age provision sustainable: a basic state pension geared towards poverty prevention, a mandatory pension tier which was regulated by the state but fully funded and privately organised, and a third, voluntary tier of old-age provision. Other supranational organisations such as the EU also tried to encourage pension reforms from the 1990s onwards. In the absence of any formal competencies in the area of social policy, however, the EU initiatives, which aimed at making public pension systems demographically sustainable and fostering funded forms of old-age provision, had to rely on the Open Method of Coordination, a soft-law instrument introduced in 2001, which proposes common guidelines and relies on benchmarking procedures.

It is not easy to judge precisely how the transnational discourse cluster around demographic aging, intergenerational equity and multi-tier pension systems influenced pension politics decision-making in Germany and the UK. On the one hand, one can point out that around the year 2000, in the eyes of contemporaries, both countries experienced the deepest crises of their pension systems since the Second World War. Both welfare states reacted with profound reforms. In both Germany and Britain, advocates of far-reaching pension reforms drew heavily on the arguments of the transnational population aging debate. Referring to the idea of generational justice, they could rely on a normative model which endowed reforms with a much higher degree of legitimacy than mere fiscal constraints of cutting costs would have allowed. In proposing a

fundamental restructuring of the pension system, they could latch on to the global zeitgeist, whereas the defenders of the old system increasingly appeared as intransigent has-beens. On the other hand, a reconstruction of the pension crises in Britain and Germany at the turn of the millennium shows that they were caused by a combination of different factors in both countries which only in part overlapped with the problem of demographic aging (Torp 2021). In the UK, the system of old-age provision suffered from the ever-rising importance of means-tested benefits and the swift demise of defined benefit occupational pension schemes. In Germany, an acute crisis of pension finances produced by the consequences of German unification went hand in hand with the widespread perception that increasing social insurance contributions undermined the country's competitiveness on the global market. What is more, the pension reforms in Germany and Britain in the first decade of the twenty-first century produced very different results. In the UK, the Labour government's Pension Acts of 2007 and 2008 implied the return to the original ideas of the Beveridge plan by aiming to implement a new flat-rate pension, set at the socio-cultural subsistence level, as the only statutory provision for retirement. In Germany, in contrast, the Pension Acts of 2001 and 2004 reduced the generosity of the single-tier earnings-related pension scheme but left its basic principles untouched. Despite these differences, however, the pension reforms in both countries worked towards reducing the role of the state and privatising old-age provision.

## 4 Conclusion

External influences have always played a role in British and German pension politics after the Second World War. The character of these influences, however, has changed substantially. Until the 1970s, bilateral interdependencies in the form of knowledge transfers were paramount. Directly after the war, German social policy experts regarded the new British welfare state as a model. Only a few years later, the Labour Party's pension plan was influenced by the German earnings-related pension scheme. Over the last decades, in contrast, transnational interdependencies transcending Britain and Germany have become more important

than bilateral transfers. Particularly from the 1990s onwards, and massively driven by supranational organisations like the World Bank and the EU, the discourse about demographic aging and intergenerational equity has fundamentally shaped pension reform debates both in Germany and the UK. The actual effect of external impulses on the course of social policy, however, should not be overstated. Neither did West Germany adopt the Beveridge model of flat-rate benefits, nor did statutory earnings-related pensions turn out to be a success story in Britain. Even the profound pension reforms in both countries shortly after the year 2000 did not abandon the different institutional paths the two pension systems had been characterised by in the past. And yet, the two phases of convergence between the German and British pension systems after the Second World War cannot be explained without referring to external influences: this holds true for the short-lived British experiment with earnings-related pensions in the 1970s. But it also applies to the recent move towards the privatisation of old-age provision in view of population aging, and the international triumph of the multi-tier approach in pension politics.

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# 29

## The Formation of a National Capital Stock and the Pension Systems in South Korea and Malaysia

Johanna Kuhlmann and Frank Nullmeier

### 1 Introduction

Old-age provision is a core function of welfare state activity. However, the advantages of establishing a pension scheme are by no means limited to providing for old age. It can also serve other political, societal, or economic functions. In this chapter, we examine such an interdependence of policy areas by illuminating the relationship between expansive social policy and the export strategy of developmental states (Evans and Heller 2015). We start with the case of South Korea, which has developed into one of the leading industrial nations since the Korean War (1950–1953) and the subsequent division of the country. Through a strictly export-oriented economy under state control—initially under a military dictatorship, and since the late 1980s under a presidential democracy—South Korea has become one of the strongest economies in the world. Under the Park military dictatorship, this was accompanied by a renunciation of

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social policy. As part of the country's democratisation at the end of the 1980s, an expansive social policy that included ever larger segments of the population in the social insurance system became an integral part of economic expansion. Today, Korea's pension fund is the third-largest pension fund in the world. Our second case is Malaysia, an upper-middle-income country whose economic success is also strongly linked to its export orientation. In 1951, while still under British colonial rule, the country established a statutory provident fund to provide social protection for private-sector workers. The fund was maintained and expanded throughout the transition and is today among the twenty largest pension funds worldwide. In both countries, the pension fund stabilises large companies, promotes infrastructure, and improves national competitiveness.

## **2 The Relationship Between Building National Capital and Providing Social Security**

Lack of capital is one of the major problems in countries with less developed or emerging economies. This problem can be solved by the inflow of international capital. However, such capital inflow can cause countries to become indebted and dependent on transnational companies, banks, or investment funds. Confronted with this problem, establishing a national capital stock becomes an important strategic factor for any form of policy that is aimed at national independence, both economically and politically. One path toward establishing such a capital stock is industrialisation, which is capital intensive by its very nature. To pursue this path, it therefore becomes an attractive option for state elites, who also serve as agents of economic development, to create their own capital base or at least a capital stock that is closely linked to the state apparatus.

This need for independent sources of capital can be linked to the building and expansion of contribution-based pension schemes. If a country introduces a contribution-based pension system that includes large parts of the population, and this system does not strictly operate on a

pay-as-you-go (PAYG) basis but rather relies to a significant extent on capital funding, this creates enormous assets in the hands of the insurer within a relatively short time. If the insurer is the state, establishing and expanding such a pension system can increase the national capital base, thus indicating that expansive social policy and state-supported economic development go hand in hand. It is in the government's interest to maintain and expand the financial base of the pension scheme, as these funds can be used for different purposes, for example, as part of a strategy to foster the competitiveness of the national economy in international trade. Governments can use different measures to expand the financial base of the pension scheme, such as increasing contribution rates or expanding the group of people that contribute to the scheme. Capital assets increase in particular if contributions have already been paid but no pension payments have yet been made, for example, due to a statutory minimum savings period or waiting period. Whatever the case may be, any breakdown of the pension system is a profoundly unfavourable development, and governments will do their utmost to prevent this.

### **3 The Pension Insurance System in South Korea**

Pension policy in South Korea has clearly been driven by such considerations. Today, South Korea has a public old-age insurance scheme that is based on the principle of defined benefits and can be categorised as the Bismarckian type with contributions paid by employers and employees. The country introduced a general public pension scheme at a comparably late stage of its economic development. President Park Chung-hee, the leader of the military regime, announced the introduction of a compulsory national pension system in 1973 but postponed its establishment several times. It was not until 1988, shortly after the country's democratisation, that a general pension insurance scheme was implemented. It was then expanded rather quickly. Under the military dictatorship, the economic status of employees was guaranteed by means of a lifetime employment and seniority wage system. Strikes and a strong opposition

movement led not only to gradual democratisation but also to a more flexible labour market, for which workers were compensated with social policy measures (Peng 2012). The transition to democracy at the end of the 1980s was therefore closely linked to the expansion of health insurance and old-age pension insurance. This approach to social policy has been part of an economic development strategy that has made South Korea one of the leading industrial nations.

Initially, the compulsory pension insurance scheme only applied to employees in companies with more than ten employees. From 1992 on, it covered all employees in companies with more than five employees. This process of expansion continued in 1995 with the inclusion of the rural self-employed, farmers, and fishermen (2.1 million people; Yang 2017, 121) and again in 1999 with the inclusion of the urban self-employed. Between 2003 and 2006, coverage was expanded even further to include employees at workplaces with less than five full-time workers. Since 1999, the country's pension law has stipulated that the entire population is to be included in old-age provision at a contribution rate that has now risen to nine percent. Two basic types of mandatory membership exist: one for workplace-based insured persons (contribution shared by the employer and the employee) and one for individually insured persons (contribution completely paid by the insured person), most of whom have to self-report their income. It is also possible for individuals to be insured voluntarily. Exemptions from compulsory insurance are possible in cases of unemployment, business closure, temporary leave, or economic difficulties, as well as for students. In addition to subsidies for farmers and fishermen, subsidies for low-income earners were introduced in 2012 (Duru-Nuri programme) to increase old-age pension coverage. The effect was estimated to be a two percent increase in the number of people insured after four years (Yoo, Kang, and Choi 2016). Since the coverage rate among people under thirty-five years of age is very low and has even fallen, extending the subsidy to additional population groups is currently being discussed. When it comes to the system's performance, the proportion of insured individuals who have actually paid insurance contributions remained at 68.2 percent of the economically active population between eighteen and fifty-nine years of age (Young et al. 2016),

which is low compared to the long-term OECD member states but quite high compared to other Asian pension systems (Hujo and Cook 2012).

The system has not been very successful in terms of effective coverage and poverty prevention in old age. Although the strategy of involving more and more population groups has been maintained despite problems with its implementation, significant non-compliance on the part of employers, low-wage earners, and the self-employed has thus far made it impossible to create an effective universalist system (Moon, 2012). Moreover, one-quarter to one-third of the insured population make extensive use of exemption criteria and do so over longer periods of time (Moon 2015). As a result of low benefit pay-outs, 43.8 percent of older people (sixty-five+) live in poverty (OECD 2019, 187). Individuals in higher-income professions (Yang 2017, 142) also report significantly lower incomes than they actually earn in an attempt to lower their contribution rates. However, the most pressing problem is that low-income self-employed individuals as well as those in irregular employment do not pay contributions at all.

South Korea's strengthening of civil society organisations and unions as well as the single-member district electoral system after democratisation have certainly contributed to the expansion of old-age provision despite the relatively poor performance of the system and the shortcomings in its implementation. But among the political, economic, and administrative elites, combining social policy with the creation of a national capital stock has played a central role. The development of a capital stock was made possible by one single rule in the pension system: a waiting period before pensions were paid out. In fact, the introduction of the pension insurance system in 1988 was by no means accompanied by a PAYG system. No pension payments were made to people who had already reached retirement age. On the contrary, for twenty years there were only payments into the system. Only then did the earliest wave of employees fulfil the required waiting period. Thus, this provision enabled the state to build a capital stock over twenty years without having to pay out a single pension benefit. The first full pension payments were only made in 2008.

Even before the introduction of the pension insurance system in 1988, the building of capital stock through a funded pension insurance scheme

played a major role in political decision-making processes (Hwang 2006, 57–64), especially among executives (Kim and Choi 2014) who promoted a welfare state concept that was more focused on economic development than on addressing social problems. Within this framework, social policy was instrumentally oriented towards promoting the national economy. The creation of a pension fund and the long waiting period before pay-outs led to an enormous accumulation of capital, which resulted in a Bismarckian system with capital funding instead of a PAYG system.

The fund continues to be administered autonomously but in close cooperation with the state (Yang 2017, 140). Today, South Korea's National Pension Service is the third-largest pension fund in the world with capital equivalent to 516 billion euros. In the period from 1988 to 2020, the fund generated an average return on investment of 4.62 percent, with 34.4 percent currently invested in financial assets and development projects outside South Korea. The fund's commitments to social policy are linked to its investment principle of considering the impact on the national economy and financial markets, simply because of the size of the fund (National Pension Service 2020). It owns shares in state-owned companies, is highly involved in the financial sector, and follows a shareholder activism philosophy (Choi et al. 2018). Its importance to the state is therefore extremely high. The fund can support the foreign and financial strategy of the state, even if social policy goals have gained significance over the years.

## 4 The Employees Provident Fund in Malaysia

The Employees Provident Fund (EPF) in Malaysia is another example of the close interlinkages between social policy and international economic interdependence. Within the generally fragmented Malaysian pension system (Asher 2012), the EPF is the central institution, and today it is known to be among the oldest provident funds in the world. The EPF is a mandatory defined contribution scheme for private-sector workers (and



some workers in the public sector not covered by a public sector pension scheme). It is based on fixed employers' and employees' contributions that are accumulated in individual accounts (Asher 2012, 105). While provident funds are thus similar to social insurance systems in that they are linked to employment, they do not run on a PAYG basis and there is no risk pooling. When the EPF was created by the colonial government in 1951, the main rationale was to provide welfare to workers in the private sector through a system that was relatively easy to administer and not overly costly. Clearly, the EPF was initially viewed as a temporary system (McKinnon 1996, 47). However, despite international advice to convert the EPF into a system based on social insurance principles (McKinnon 1996, 48), Malaysia never left the path once adopted, and over the years the EPF continuously expanded to cover all formal private-sector workers. In 1977, the fund was opened to self-employed workers (Employees Provident Fund 2019, 18). In 2016, the EPF was the fifteenth largest pension fund in the world (Price et al. 2018, 7).

The EPF is supervised by the Ministry of Finance and managed by a tripartite governing board (Employees Provident Fund 2019, 18). Each individual member has two accounts, which, respectively, comprise 70 percent (account 1) and 30 percent (account 2) of the contributions. At the age of fifty-five, members can withdraw the accumulated money, and both accounts are merged. From the age of fifty, members can withdraw the money accumulated in account 2. Earlier withdrawal from account 2 is possible for purposes related to housing, education, health needs, or the Islamic pilgrimage to Mecca (*hajj*). Earlier withdrawal from account 1 is also possible for approved investments (Ramesh 2005, 193–94; Price et al. 2018, 15). Members do not have to retire and withdraw the money from the EPF when they turn fifty-five and can instead continue to work and pay contributions.

The monthly contribution rate to the EPF depends on employees' age and income. When the EPF came into being, the total contribution rate was 10 percent, but over the years it gradually increased to become one of the highest contribution rates in the world. In 2018, the general employees' contribution rate was 11 percent, and the employers' contribution rate varied between 12 percent and 13 percent depending on the employees' income. For employees older than sixty, the regular

contribution rate is halved (Price et al. 2018, 13). It is possible to pay additional voluntary contributions to account 1. In recent years, the Malaysian government has increased its efforts to open the EPF to all Malaysian citizens, including those who are not in formal employment. As an incentive, people who contribute voluntarily can receive an additional government subsidy to supplement their voluntary contributions (*i-Saraan*) (Employees Provident Fund 2019; Price et al. 2018).

Current data suggest that roughly half of the labour force is covered by the EPF, which qualifies as more or less universal coverage of formal private-sector workers. Other parts of the formal labour force—for example, civil servants or soldiers—are covered by different schemes. However, with regard to self-employed workers and workers in the large informal sector, there is still a huge coverage gap (Price et al. 2018, 42). Besides these coverage problems, the EPF's capacity to provide social security and therefore prevent poverty among its members in old age has been limited. Replacement rates are low, which is due to the possibility of early withdrawals, many EPF members' low salaries, and the relatively low withdrawal age. While annuities have been possible since 2001, the vast majority of members still prefer lump sum withdrawals, which are often fully exhausted a few years after entering retirement age. Finally, the incapacity of the fund to prevent poverty in old age is due to its design as an individual saving scheme that lacks redistributive elements (Ramesh 2005; Price et al. 2018, 40–43).

Although the EPF was created as a convenient way to provide social security for workers, Malaysian policy actors came to realise that it also provided great opportunities for the country's economic development (Ramesh 2005, 192). A key factor in the important economic role that the EPF plays is that the savings accumulated by the fund can be used by the government for economic purposes. Over the years, EPF balances have grown considerably, from 9.1 billion Malaysian ringgit in 1980 (around 17 percent of gross domestic product [GDP]) to 731.1 billion Malaysian ringgit in 2016 (around 60 percent of GDP) (Asher 2012, 109; Price et al. 2018, 10, 28). In fact, the EPF has been described as an “essentially bottomless source of long-term investment capital with which to finance state-led industrial and infrastructural development” (McKinnon 1996, 50), thus contributing to Malaysia's international

competitiveness. Infrastructure programmes have been designed to be complementary to private investments, especially in the export-driven manufacturing sector (McKinnon 1996, 56). However, the ways in which the EPF has been used as an “investment bonanza” (McKinnon 1996, 50) for economic purposes have changed over the years. When the EPF was established, all funds had to be in government securities or bank deposits, and until the 1980s, 80–90 percent of the money from the EPF was in Malaysian government securities. Especially since the 1990s, investment options have been diversified towards a variety of investments, such as privatisation and joint venture projects, equities and debentures of public companies, and the housing market (Ramesh 2005, 203). This diversification strategy not only fuelled the Malaysian capital market but further enabled the financing of large infrastructure projects (Price et al. 2018, 25). In recent years, the EPF has also intensified its investments in foreign markets, resulting in a share of foreign investments of 30 percent in 2017 (compared to only 1 percent in 2006). The rationale behind this new strategy was not only that overseas markets promised solid investments but also that the EPF had become too large for the domestic financial market (Price et al. 2018, 28; see also Asher and Bali 2015). In 2018, the EPF’s rate of return on investment was 6.57 percent (Employees Provident Fund 2019, 16).

The EPF’s crucial role in Malaysia’s economic development is explicitly formulated by the EPF:

In its initial years, the EPF was able to park all of its assets locally in Malaysian Government Securities, Loans and Bonds, Equities, Money Market Instruments and Property. In so doing, *it served to help finance a large number of major government as well as private sector projects that have contributed towards shaping the nation’s development*. More recently, it has had to look at suitable investment options outside of the country, as the local capital and money markets have not kept pace with the growth of EPF’s assets (Employees Provident Fund 2013, 3; emphasis ours).

It is therefore probably no exaggeration to say that the EPF’s importance to Malaysia’s economy today is on a par with its importance to social security.

## 5 Conclusion

In South Korea and Malaysia, contribution-based pension systems—albeit organised in different ways—have become a cornerstone of economic development. Through the accumulation of large amounts of money within their pension systems, the governments of South Korea and Malaysia have been able to use this money for economic investments within their generally export-oriented economies, thus demonstrating that social policy and international economic interdependence are in fact mutually supportive. Whereas creating and expanding the pension scheme took place only within the last thirty years in South Korea, the Malaysian EPF, which emerged during the country's colonial period, celebrated its seventieths birthday. Moreover, although the dual function of serving both social and economic purposes was integral to the Korean pension scheme right from the start, in Malaysia the EPF was initially designed to provide welfare to workers. Only later did the country's government realise that the money could also be used to boost the national economy. Both pension schemes are currently experiencing considerable problems, especially when it comes to effective coverage rates and preventing poverty in old age. Nevertheless, the crucial role of the pension schemes in the countries' economic development makes a fundamental reorganisation of those schemes rather unlikely.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 30

## The “Great Recession” and Pension Policy Change in European Countries

Magnus Brosig and Karl Hinrichs

### 1 Introduction

In autumn 2020, the coronavirus disease 2019 (COVID-19) pandemic ravages countries around the world. As yet, the effects on countries’ economic growth, unemployment or public finances are incalculable and will possibly outstrip the consequences of the economic downturn eleven years earlier. Back then, the misery evolved as a kind of cascade, starting with the so-called “sub-prime crisis” in the USA already in the summer of 2007. It also spread to Europe and ended the housing market bubble that had built up in Ireland, Spain and further countries. Ultimately, the “sub-prime crisis” led to a worldwide financial market crisis in autumn 2008 in

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the wake of the “Lehman bankruptcy”. The near-collapse of financial markets was followed by what is now known as the “Great Recession” in 2009 and which, in several European Union (EU) countries, continued during subsequent years. As a consequence, in almost all European countries public budgets were severely out of balance in 2010, invoking (or aggravating) a sovereign debt crisis and a crisis of the common European currency during which a few members of the monetary union came close to insolvency.

Usually, pensions are the largest item of states’ welfare spending and therefore a prime policy area destined for contributing to the restoration of balanced budgets and containing sovereign debt. This chapter deals with the reforms of pension systems directly related to the repercussions of the “Great Recession”. Specifically, we are interested in pension policy changes that occurred in the European countries worst affected and forced to turn to external assistance. In all EU countries, pension reforms had taken place since about the early 1990s, most often motivated by considerations of financial sustainability in view of imminent population aging. The changes predominantly meant retrenchments, refinancing or recalibration of pension systems, rarely expansions. Hence, reforms were designed so as to avoid blame for incumbent governments. The policy instruments applied and the politics of pension reforms during the 1990s and the first decade of the 2000s have been comprehensively analysed (see for example Weaver 1998; Hinrichs 2000, 2011; Myles and Pierson 2001; Whiteford and Whitehouse 2006; Fernández 2010; Kohli and Arza 2011; Immergut and Abou-Chadi 2014).

In the most crisis-ridden EU countries pension reforms gained additional momentum after 2008. The magnitude of policy changes was *large*, particularly when adding up the sequel of alterations. Thus, they caused a substantial and immediate negative impact on the living conditions of present and future retirees and contributed to the general decline in purchasing power, revealing *interdependencies* between the economic crisis and reforms. Moreover, the political process that brought about these changes deviated from previous reform efforts: There was no lengthy process of consensus-seeking and compromise-building. Rather, the post-2008 reforms in crisis-shaken EU countries swiftly passed parliaments, and mostly they were implemented with a *short time lag*. Hence, they can be considered as “rapid policy changes” (Rüb 2012).

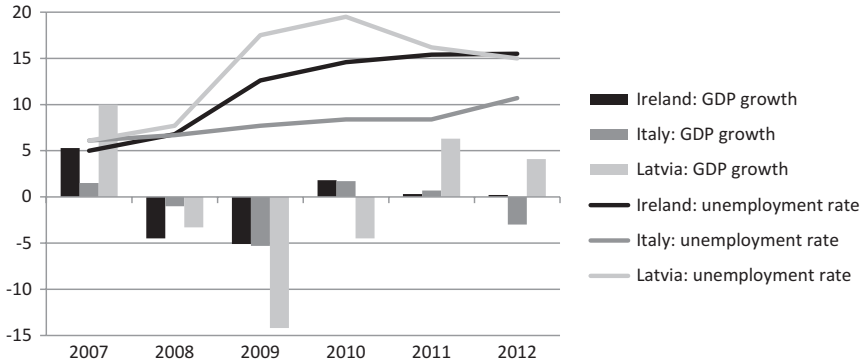
In the next section, we will explain the selection of countries and provide a few facts on the economic situation of these countries after 2008. The third section informs about the type of old-age security systems in the countries selected, while the fourth deals with the actual changes that were concluded during the crisis or shortly thereafter. Finally, we will assess some impacts of the reforms.

## 2 Eight EU Countries in Need of External Assistance

In this contribution, eight countries are scrutinised—four from Southern Europe (Greece, Italy, Portugal and Spain), three Central and Eastern European (CEE) states (Hungary, Latvia and Romania) and Ireland. All of them have implemented pension reforms after 2008 in order to ensure the financial viability of their public schemes in the short- and long-term or to realise notions of intergenerational equity. Most urgently, however, these countries have sought to regain room for fiscal manoeuvre and to obtain financial aid from inter- and supranational organisations (International Monetary Fund [IMF], EU, European Central Bank [ECB]). Seven of the eight countries had to seek such aid in the wake of the financial market crisis (2007/08), which triggered an economic slump and, as one immediate outcome thereof, a sovereign debt crisis. The causal relevance of these events for the post-2008 reforms can be deduced from concrete recommendations issued by the European Commission or detailed reform requirements attached to bailout agreements (“memoranda of understanding”). Intensified reform efforts by deeply indebted Italy were mainly driven by the rising spread over German government bonds’ interest rate, meaning that hard external pressure shaped domestic policy-making there as well (Jessoula 2012, 24–25; de la Porte and Natali 2014).

For some selected countries from the three regions, Figure 30.1 illustrates the substantial negative consequences for national economies and labour markets inflicted by the successive crises.

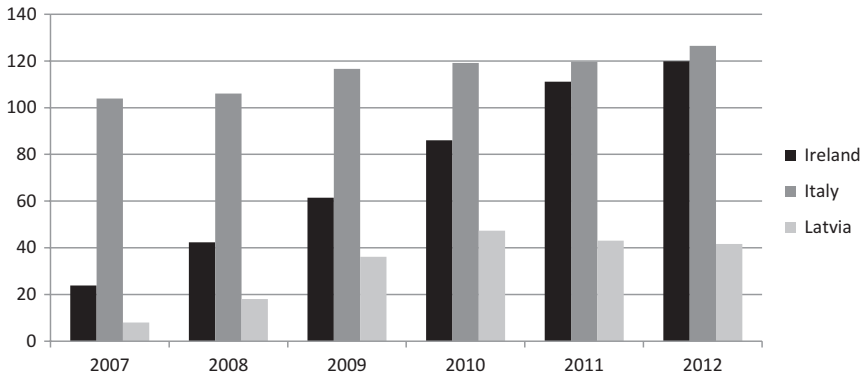
Obviously, the economic slump was a drastic one, often reversing years of quite impressive growth in countries on the “periphery” of the European Union (with Italy’s sluggish growth rates being a notable



**Fig. 30.1** GDP growth rates (bars) and unemployment rates (lines). (Source: European Commission 2019: Statistical Annex of European Economy Autumn 2019, 14, 28)

exception). As a result, official unemployment rates rose and sometimes skyrocketed—and especially so in welfare states not equipped with comprehensive short-time work schemes that proved to be helpful buffers in countries such as Germany (which only experienced a very limited number of lay-offs during the economic downturn). The costs of bailout and rescue packages for banks and industries, additional welfare spending, reduced public revenues and the shrunken economic base almost inevitably led to strong increases in national debt relative to gross domestic product (GDP), as illustrated in Fig. 30.2.

States that had previously managed to reduce sizeable debts to low levels (such as Ireland) quickly found themselves in a situation they knew all too well, while nations that had (re-)attained statehood only a few decades earlier (such as Latvia) were now also forced to issue government bonds on a large scale. Finally, countries that had already built-up high rates of debt (such as Italy) saw those levels rise even further. Consequences would differ, depending on the scale of debt and the trust placed in the affected countries by their creditors, but all these EU member states shared the fate of having to spend more on servicing debt and finding a smaller share of their—already diminished—budgets available for social spending. It thus came as no surprise that they quickly turned to cost-saving measures in this policy field.



**Fig. 30.2** Gross public debt (% of GDP). (Source: European Commission 2019: Statistical Annex of European Economy Autumn 2019, 164)

### 3 Eight Countries: Three Types of Pension Systems

The eight European countries under scrutiny belong to different welfare state regimes. Ireland represents the (Anglo-Saxon) *liberal* cluster, whereas Greece, Italy, Portugal and Spain belong to the *Southern Model* (Ferrera 1996) that has much in common with the conservative-corporatist type. Hungary, Latvia and Romania and further CEE countries are *post-socialist* welfare states. Given a substantial cross-national variation in terms of the welfare state make-up, it is problematic to speak of an (emerging) “Eastern Model” (Hacker 2009).

There is a specific arrangement of old-age security attached to these different welfare state types. Ireland (like the UK) has followed the *Beveridge* model; in other words, state responsibility is limited to universal basic old-age security, while status maintenance is left to (state-regulated) private provision by employers and individuals. However, coverage with supplementary pension schemes is far from comprehensive. In Southern Europe, social insurance schemes of the *Bismarck* type play a pivotal role. Access to and the level of public pensions depends on prior earnings-related contributions. The accruing benefits are meant to ensure status maintenance. Before the recent reforms, however, the

schemes were institutionally fragmented along occupational lines and varied with regard to benefit generosity and easy access to early retirement. Because old-age security constitutes the central component of these welfare states, the structure of expenditure is strongly “age-biased”.

Originally, CEE countries had followed the *Bismarck* model, and certain elements remained intact during communist rule. The social insurance legacy was revitalised after 1990, before Hungary (1998), Latvia (2001) and Romania (2007) adopted a multi-pillar pension system as propagated by the World Bank. They established an additional second pillar that was private, but mandatory for the younger part of the workforce. While the total contribution rate remained unchanged, the share allocated to the pay-as-you-go first-pillar scheme was reduced (and also the accruing pension level). The remaining part was transferred into the second pillar and invested in private pension funds. This systemic change was expected to deliver a higher total benefit level and to promote domestic capital market development.

## 4 The Post-2008 Pension Reforms

During an economic downturn, the institutional inertia of pension systems—they bridge long time spans and acquired rights of present and future retirees have to be honoured—may turn out to be a positive trait: When market incomes (wages, profits) decline, an unchanged level of pension benefits (and other social transfers) works as an economic stabiliser. However, containing public pension expenditure would contribute to fiscal consolidation and avoid higher contributions from employers and employees which are assumed to be detrimental to increasing employment. There is only a limited set of levers to improve the public schemes’ financial sustainability, namely changing the benefit ratio (the “generosity” in the broadest sense) or improving the system dependency ratio (the quotient of beneficiaries and actual contributors). The concrete options for parametric reforms depend on the established pension system characteristics, and the respective policy changes unfold their objective in the short run or over a longer time span.

*Nominal cuts* of pensions in payment show the fastest effect, and they happened in Hungary (thirteenth monthly payment), Ireland (for public sector workers and abolition of the Christmas bonus) or several times in Greece (although in a progressive manner). However, corresponding legislation in Latvia, Portugal and Romania was declared unconstitutional. Suspended or less favourable *indexation rules*, which came about in all eight countries, also ease financial troubles of public schemes quite rapidly and, due to the lower base effect, will ripple through subsequent years, thus yielding further savings.

Mainly long-term savings will accrue from changes to the *benefit formulae*, affecting only future claimants. In some countries, more insurance years are now required to obtain a “full pension” (Spain, Romania) or to qualify for a public pension at all (Latvia). In particular, tightening the contribution/benefit link as in NDC<sup>1</sup> schemes (Italy and Latvia) or taking into account more insurance years (up to the whole employment career) leads to lower pensions for newly retired people with a perforated or less than complete employment career. Whereas NDC schemes operate with a built-in life expectancy factor (when converting notional “assets”), all Southern European countries have introduced a *sustainability factor* that automatically changes system parameters (normal retirement age, number of insurance years required for a “full pension” or the initial benefit level) upon longevity developments.

Short- and long-term savings may occur from an improved system dependency ratio when older workers are compelled or incentivised to stay on in employment and, correspondingly, claim their pensions for fewer years. To that end, *early retirement* pathways may be closed, entry conditions tightened or decrements imposed when the pension is claimed prematurely. Such changes happened in all eight countries. In addition, a higher *normal retirement* age, depending on the length of the phasing-in period, contributes to the schemes’ financial sustainability. While CEE countries have set the target age at sixty-five, in the other countries the normal retirement age will be sixty-seven or even sixty-eight (Ireland).

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<sup>1</sup> NDC is the abbreviation for “notional defined contribution” and denotes a public pension scheme that, although still operating on a pay-as-you-go basis, mimics the working of a fully funded plan with benefits calculated in quasi-actuarial manner in relationship to contributions paid.

Thereafter, it is linked to further life expectancy gains in Greece, Italy and Portugal. These differences between the CEE countries and the rest appear comprehensible in view of further life expectancy at age sixty-five being shorter by about three years in Central and Eastern Europe.

Moreover, all eight countries have made steps towards the *harmonisation* of pension schemes, either by unifying hitherto fragmented schemes in order to lower administrative costs and/or by removing existent privileges for certain occupational groups (such as a lower normal retirement age or higher accrual rates) (see also Natali and Stamati 2014, 323). Predominantly, these equalising reforms focused on public service workers and on women if they were still entitled to a lower pensionable age (however, Hungary and Romania remain exceptions in that respect). In not a single country was the solvency of public pension schemes strengthened by raising the *contribution rate*—at least, not for employers. On the contrary, with a view to stimulating job growth, their rate was (temporarily) lowered in Greece, Ireland, Portugal and Romania, whereas employees have to pay a higher contribution rate in Ireland, Latvia and Portugal.

The pension policy changes enacted in the wake of the Great Recession described so far were not altogether new. The various reform levers had been pulled already during the 1990s and the first decade of the 2000s. However, in many cases the impact was exacerbated or the implementation accelerated (e.g. by shorter phasing-in/out rules). In addition, two developments were new: Ireland, Portugal, Spain, Latvia and Hungary (see below) attempted to gain immediate relief from their debt burden by utilising *public pension reserve funds* as a “piggy bank” (Casey 2014; Hinrichs 2015, 24). These attempts to meet strict deficit criteria imply that—since earned entitlements were not declared void—a larger part of future pension payments is moved to pay-as-you-go funding in all four countries even though exactly the opposite was originally intended.

The second new development concerns the (partial) *reversal of the multi-pillar approach*: The financial market crisis of 2008 had revealed the risks of fully funded components in the retirement income mix. Moreover, in CEE countries it brought to the fore the specific challenge of transition costs that is known as the “double payment problem”: The younger cohorts (plus the middle-aged workers who voluntarily joined the second pillar in larger numbers than expected) were also required to build up

financial assets for the private component of their retirement income out of the diverted share of social insurance contributions (see above). However, for several decades the pension entitlements of present-day retirees and older workers have to be honoured. The lowered contribution revenues of the first pillar were insufficient to meet these obligations (Holzmann and Guven 2009, 170, 230–1) while a rising revenue gap could be covered out of the state budget only as long as it was not under pressure itself. However, this was exactly the case after the economic slump in 2009 and forced the governments in Latvia and Hungary (and elsewhere) to take action. The financial market crisis had shaken the public’s confidence in fully funded pensions, and high administrative costs of the privately managed pension accounts and low returns added to this. It also furthered a rethinking among political actors in CEE countries, leading to a departure from the multi-pillar model. In Hungary (like in Poland or Slovakia—Orenstein 2011; Drahokoupil and Domonkos 2012), the second pillar was completely abolished: Contribution payments into the second pillar were stopped while the contribution revenues of the first pillar were increased accordingly. The already accumulated assets of the second-pillar pension funds were “confiscated” and transferred into the state budget, thereby immediately reducing the deficit and the amount of public debt. The entitlements the participants had earned in the second pillar were shifted to the first pillar, which increased the public pension scheme’s long-term obligations (or rather the “implicit debt”). Latvia and Romania did not go that far. Latvia temporarily lowered the share of the total contribution rate flowing into the second pillar from eight to two percent and increased it to six percent between 2013 and 2016. Since then, the partition remains stable. In Romania, the gradual increase in the second pillar’s share was merely delayed by one year.

After a period of often drastic reforms aimed at cost-cutting in the wake of the crisis cascade unfolding since 2007, European countries have often not continued on this track, but halted certain efforts or even took measures to reverse them during recent years. With the economic situation generally improving and political pressure from “reform victims” mounting (and sometimes legal issues arising as well), they saw themselves able and compelled to provide for higher and/or more accessible pension benefits especially for vulnerable groups such as low-income



earners (Moury and Afonso 2019). For instance, Greece passed legislation essentially revoking additional cuts decided on in 2016, Portugal and Italy significantly eased early retirement, Romania decided to substantially increase the replacement rate of the public pension scheme and Spain postponed the implementation of a “sustainability factor”.

## 5 Reform Impact and Outlook

Comparing projections for public pension spending today and, in the decades, to come (e. g., see European Commission 2009, 2018), it becomes apparent that many countries had been facing substantial increases in the share of GDP to be spent on public pensions, but that these projected increases have often been decreased drastically probably owing to far-reaching reforms. In many cases, this has led to “pension burdens” lying at levels below those witnessed today. Expected pension spending may now again be slightly higher than a few years ago due to interim expansionary reforms (as is the case in Italy and Spain, for instance), but the general tendency remains largely unchanged. Obviously, constant or even decreasing spending on pensions in ageing societies means that adequacy is at risk and old-age poverty may rise, given that compensation by means of funded occupational or private schemes is often not available or depends on highly volatile assets such as stocks. As it became obvious during past economic downturns and may very well be the case in the wake of the COVID-19 crisis, funded pension systems are often hit especially hard in times of economic crises, leading to harsh cuts and often not providing for getting the pensioners affected by them “back on track” in later years. While Organisation for Economic Co-operation and Development (OECD) countries were remarkably successful in reducing the share of the elderly living in poverty during the last decades, in many cases pushing this rate below the general poverty rate (OECD 2015), this tendency now seems far from certain. It is not only due to (prospective) replacement rates generally being lower than they were in the 2000s, but also because theoretical replacement rates often have very little to do with actual pension levels achieved by individuals. With

traditional careers continually spent with just one or very few employers becoming less common and some “modern”, non-standard types of employment leading to no proper pension credits at all, there is a growing risk of pensioners receiving very low benefits. That risk is aggravated by the fact that many welfare states have tightened the links between wages/contributions and resulting pensions. In consequence, gaps caused by unemployment, low wages and the like now tend to be evened out less systematically than previously. Consequently, countries such as France, Italy or Portugal, despite still offering rather generous replacement rates, witness about a third of their pensioners receiving a mere minimum pension.

To be sure, inadequate public pensions and frail or non-existent funded schemes may in some cases be counterbalanced by home ownership (which is particularly common in Eastern and Southern Europe) or a growing rate of inheritance benefitting younger cohorts, although these assets do not provide for steady incomes. On the other hand, younger and future pensioners tend to be victims of a tendency towards insufficient benefit indexation which governments have found to be a very efficient tool for cost-cutting that is conveniently unknown to most people affected. While their initial pension benefits received at the time of retirement may very well suffice, this would then change over time through a process of “creeping impoverishment”. What is more, medical progress, ongoing population ageing and societal change make medical and care services more expensive and necessary, in turn leading to higher contribution rates or co-payments depleting pension income or even savings.

Overall, pension reforms enacted in the years since 2008 have often made systems more financially sustainable, but in many cases also endangered their adequacy and social sustainability, in other words, legitimacy and acceptance. Recent reforms in a range of countries have led to certain improvements, but mostly focused on pensioners immediately or shortly to be affected and not so much on ensuring old-age benefits that will reliably prevent poverty and perpetuate living standards upon and throughout retirement for younger cohorts as well. Whether and how these goals can be reached against the backdrop of the ongoing COVID-19

pandemic cutting deeply into labour markets (and thus pension credit accrual) as well as state and social insurance budgets and devaluating assets essential for funded schemes, remains to be seen. In any case, governments should keep in mind that pension payments not only provide for individual income but also work as “automatic stabilisers” compensating for shrinking demand in times of economic crisis. A lesson learned from the last recession is that immediate and far-reaching pension cuts do harm to both pensioners and economic recovery and should be refrained from.

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# 31

## Trade and Immigration: How International Factors Shaped Social Policy in Argentina

Martín Cortina Escudero

Social policy in Argentina is usually considered to be exclusively the result of political activity. Mesa-Lago (1978) highlights the role of pressure groups as the main drivers of stratified social security schemes, whereas other scholars describe social policy development in this country as a strategy used by ruling elites to co-opt sectors of the working class (Huber and Stephens 2012; Segura-Ubiergo 2007). Even though these factors are crucial social policy drivers, research so far has paid little attention to international interdependencies, in particular migration. Between the end of the nineteenth century and the first decades of the twentieth century, demographic pressure combined with an agricultural crisis in Europe prompted mass migration from this continent to the Americas and the Antipodes (Gerchunoff and Llach 2018).

In this chapter, trade and migration are considered to be two key factors that shaped social policy development in Argentina. Trade is regarded

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here as an important factor because it had a direct effect on the economy and this, in turn, had an influence on social policy. Specifically, I argue that trade shaped both the agro-export model in the late nineteenth century and the import-substitution industrialised economy in the 1930s and that these economic models led to different social policy systems. In addition, migration is considered to be a paramount factor for social policy development because, on the one hand, immigrants and domestic migrants had a significant influence on the political arena, and on the other hand, education and health policies were aimed at shaping a society which had been altered by immigration.

The history of social policy in this country can be divided into two periods. During the first period, starting in 1880, Argentina shaped its economy in relation to the international division of labour of the late-nineteenth century. In other words, the government established an export-led model specialised in agricultural products which formed its labour market with the help of immigration. As a result of mass immigration, no strong working-class party was formed and the political arena remained dominated by the elite and by middle-class parties. Therefore, social policy was not encompassing but characterised by exclusive benefits for occupational groups which were important for the vitality of the state and the agro-export economy. In addition, health and education policies were designed to give coherence to a society affected by mass migration.

The second period started in 1929 with the interruption of trade flows during the Great Depression. As a result, the country gradually abandoned the agro-export model and followed an import-substitution industrialisation path. At the same time, international immigration, which had already come to a halt, was replaced by internal migration. The rural crisis and industrialisation after the Great Depression fostered a rural-to-urban migration which resulted in an urban working class. This emergence of a modern working class modified the political arena and paved the way for the formation of a strong working-class party. When this party won the elections, the new government was able to lay the foundations for a modern social security system.

# 1 The Emergence of a Modern Society During the Export-Led Era

The country had gained its independence from Spain in 1816, but for more than sixty years, a period of internal conflict between regions was an obstacle to the construction of a solid nation state. It was in 1880 when, under the presidency of Julio Roca, the modern nation state was established by a sector of the landowning elite which blended political conservatism and economic liberalism. Under these circumstances, the government aimed to integrate the country into the global market characterised by the international division of labour. Similar to Canada and Australia, Argentina intensified its trade with the United Kingdom (UK) by adopting a complementary trade profile: the UK exported manufactured goods and imported agricultural products, while Argentina, specialised in agrarian production, satisfied its need for manufactured goods by turning to the British market (Gerchunoff and Llach 2018).

During the civil wars between regions, the absence of a nation state was not a strong hindrance for the export of leather and wool, commodities provided by the regions which had access to the transatlantic trade thanks to their geographical position (Oszlak 1982). However, the new government launched a project to promote cereal production alongside sheep and cattle breeding. For accomplishing this goal, not only inner peace safeguarded by a strong nation state was necessary but also the active role of the state in the incorporation of the three basic factors of production (labour, capital and land) into the country's economy (Gerchunoff and Llach 2018).

It was the nascent nation state which actively promoted the massive immigration of European workers through travel agencies and foreign policies, while it also encouraged British investments for developing the key sectors of an export-led economy based on beef, wool and cereals: railways, refrigerated warehouses, infrastructure and communication. Furthermore, the expansion of the national border by conquering new lands from indigenous people was a task driven by the military. This military campaign had a twofold objective: expanding the agricultural activities and finishing, in a violent manner, with the conflictual cohabitation between indigenous tribes and Argentinean settlers (Gerchunoff and Llach 2018).



This state-building process helped to insert the country into the global market and appears to be related to the establishment of the first pension funds. Esping-Andersen (1990) uses the concept of *etatism* to describe the strategy of the state to ensure the loyalty of civil servants by bestowing exclusive social benefits on them. In Argentina, early pension funds were exclusively targeted to state-related occupations (Mesa-Lago 1978), suggesting that these benefits were granted in order to strengthen loyalties towards a nation state against the backdrop of a recently finished long-lasting civil war between regional powers. Therefore, the first pension funds were granted to the military (1865, 1895), judicial magistrates (1877, 1903), teachers working for national public schools (1886, 1901), civil servants (1887, 1898, 1904, 1905), the national security forces (1887, 1896, 1898, 1903, 1908) and plenipotentiary ministers (1905).

Moreover, the state-building process was also related to the first health and education policies. In 1884, public elementary school was established as mandatory, secular and free. The enactment of this law was crucial not only for the instruction of the labour force but also for the ideological legitimisation of the nation state by the “(institution) of beliefs, values and norms of conduct” (Oszlak 1982, 541). The creation of a national consciousness and identity through a nationwide schooling system was paramount for a country which was receiving large numbers of immigrants.<sup>1</sup> In addition, the majority of health policies were related to the sanitation and urbanisation of the main cities, which were experiencing a steep increase in their population due to immigration. A sanitary service for arriving ships was organised in 1887, the Department of National Hygiene was established in 1891 and sewer systems and water supply networks were constructed in 1903. Two important hospitals were established in Buenos Aires (1883, 1908) and the campaign against malaria (1907) also illustrates the incipient endeavour of a nation state trying to safeguard public health in order to maintain social and economic order.

The expansion of agricultural production fostered the development of limited local industry in the cities. This industry focused on the simple processing of agrarian products (e.g. flour, beer, sugar, refrigerated beef, wine, leather and wool fabrics), construction and related activities (e.g.

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<sup>1</sup> The situation was similar in Uruguay where education policies also aimed to integrate immigrants into society (Hentschke 2016). I would like to thank the editor for this observation.

wood and glass), railway workshops and the printing and publishing business. By contrast, other important industries were not extensively developed, and thus, in 1914, most of the consumption of textiles (77 percent) and metallurgic products (67 percent) was satisfied with imports (Gerchunoff and Llach 2018).

Urban activities provided employment to immigrants when rural activity plummeted because of the seasonal nature of harvesting. Most of the workers came from Europe, and their socialist and anarchist ideas travelled with them (Gerchunoff and Llach 2018). These immigrants were also decisive for the creation of the first trade unions (Mesa-Lago 1978). Due to the anarchist ideas and the recurrent fraudulent elections which limited the parliamentary activity of the Socialist Party, workers manifested their dissatisfaction with labour conditions through general strikes. The soaring social unrest alarmed the government which reacted ambiguously: on the one hand, in 1902, a law was enacted enabling the deportation of immigrants “involved in disturbance, strikes and union activities” (161). On the other hand, in 1904, some members of the ruling elite presented a draft bill for a National Labour Law, but it did not pass Congress due to business and labour opposition (Mesa-Lago 1978). Nevertheless, some laws aimed at regulating the burgeoning labour market were enacted: the Sunday Rest Act (1905, 1913), the establishment of a National Department of Labour (1912), the regulation of children’s and women’s work (1907) and protection against occupational hazards and diseases (1915).

An opportunity for the Socialist Party emerged in 1912, when the ruling elite implemented an electoral reform which eradicated fraudulent democracy. However, the Socialist Party was not able to build a strong electoral base among workers and remained a minority party. In 1916, the *Unión Cívica Radical* (UCR), the middle-class party which had been fighting for democratisation, came into power through national elections. The reasons for the lack of a strong Social Democratic labour movement in Argentina lay in the fact that voting rights were reserved for male native citizens. Therefore, immigrants, who were predominantly male blue-collar workers,<sup>2</sup> were excluded from the franchise whereas

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<sup>2</sup> Many immigrants were seasonal workers who received the name of *golondrinas* (swallows) because they only migrated to Argentina for the harvesting season (Gerchunoff and Llach 2018). Assuming that, at that time, women only migrated with their families to settle down in a new country, this might explain why female immigration was low.

middle-class male voters were overrepresented in the electorate. Between 1890 and 1920, the percentage of immigrants among over-twenty-year-old male workers in the most-populated regions of the countries was 80 percent in Buenos Aires and 50–60 percent in the Littoral region (Torre and Pastoriza 2002, 263). Nevertheless, during the 1920s, when the immigrant workers' local-born children entered the labour market as national citizens, most of them voted for the UCR (Torre 2012).

The absence of a strong Social Democratic labour movement may explain the lack of comprehensive social benefits for the working class. However, (male) suffrage set off an electoral competition between the UCR, Conservatives and the Socialist Party that enabled the establishment of some occupational-related pension funds and the granting of new labour rights. In this situation, only pressure groups that occupied a vital position in the export-led economy (i.e. transport, infrastructure, communication, financial services) could profit from electoral competition. Therefore, pension funds were established for the railway workers (1915, 1919), public utilities (i.e. trams, telephones, telegraph, gas, electricity and radiotelegraphy) employees (1921) and bank employees (1923, 1929). In sum, pension funds were granted to occupational groups related either to the export-led economy or the nation state. Therefore, pension funds were exclusively granted to those who occupied a key role in a society characterised by the interdependence between the construction of the nation state, the formation of an agro-export economy and global trade based on the international division of labour.

## 2 Industrialisation and the Modern Social Security System

Although industrialisation in Argentina was a gradual process, several international events helped to boost this process. During the First World War, foreign industrial imports stopped flowing into Argentina creating an opportunity for local industry to thrive until the end of the war (Gerchunoff and Llach 2018). Moreover, the Great Depression during the 1930s and the following Second World War were two protracted international events which reinforced the industrialisation process.

Nevertheless, these international factors were intertwined with domestic policies. For example, after the First World War ended, the president of Argentina Marcelo T. Alvear raised customs duties in 1923. This measure set off a wave of investments from the United States (US) which established the industrial capabilities and laid the foundations for the upcoming industrialisation of the 1930s (Villanueva 1972).

Even though capital exports and other industrial commodities flowed from the US to Argentina, the opposite trade flow was hindered by US protectionist laws. The exports from Argentina, mainly beef and cereals, were a threat to US farmers who could not compete with them. Therefore, Argentina found itself in a so-called “commercial triangle” (Fodor et al. 1973). In this trade scheme, Argentina exported agricultural products to the UK but received industrial commodities and investments from the US. Bilateral trade was not possible, neither with the US as a consumer nor with the UK as a provider. As mentioned above, the US had high custom duties which rendered the Argentinean exports uncompetitive. In contrast, the UK offered a good market for beef and cereals, but this country was not able to provide sufficient investments and industrial products to satisfy the new demands of the burgeoning domestic market.

Despite the fact that the First World War and US investments during the 1920s were important drivers of industrialisation, the shift in the Argentine economy was decided elsewhere: the change from an export-led economy focused on agricultural products to a domestic-led economy based on industrial commodity production was finally settled after the Wall Street Crash of 1929. In the aftermath of the Great Crisis of 1929, trade protectionist measures were implemented in Europe and the US, which led to a fall in the country's exports. Consequently, the Argentine economy fell into a recession, only worsening the fiscal deficit to which the government finally reacted by rising import duties in 1931 (Gerchunoff and Llach 2018).

The scarcity of foreign currency in the country was caused by the steady decline of exports and jeopardised the payment of foreign debt. Hence, in 1931, the government established an exchange control regime which enabled a state-related committee to centralise foreign currencies and distribute them according to the government's preference (Gerchunoff and Llach 2018). Although the government used the exchange control

regime to ensure sufficient foreign currencies for the payment of external debt, this regime and the increased import duties were beneficial for local industry as they limited the competition from imports of industrial final goods.

Furthermore, the exchange control regime was also an important tool for the reactivation of trade with the UK. In 1932, the Import Duty Act in the UK introduced a general tariff for some agricultural products which were exported by Argentina. Some months later, the British Empire Economic Conference that was held in Ottawa established the so-called Imperial Preference. This resolution meant that the UK was going to prioritise trade relations with the colonies and dominions of the British Empire. As a consequence, the UK imposed import quotas for frozen beef (65 percent of the total exported in 1931–1932) and chilled beef (100 percent of the total exported in 1931–1932)<sup>3</sup> from Argentina, which alarmed the farmers and landowners of this country (Fodor et al. 1973). The situation even worsened in 1932, when the import quota for chilled beef suffered a reduction of 10 percent as a result of lobbying by British farmers.

Under these circumstances, a bilateral commercial agreement between Argentina and the UK was signed in 1933. This agreement, known as the Roca–Runciman Treaty, was more beneficial to UK interests as it provided tangible benefits for British business sectors such as financial groups, railways enterprises, coal producers and textile industries in exchange for the guarantee of consultation with Argentina in the case that new reductions in the import quota on chilled beef were needed (Fodor et al. 1973).

As the Roca–Runciman Treaty aimed to reinforce trade relations between these two countries, this agreement included reductions on the import duties for some British products, in particular coal and textiles, and the prioritising of British imports in the allocation of foreign currency dictated by the exchange control regime. After this treaty, the government decided to devalue the national currency, establish import licences and divide the foreign currency market in two, thus setting up an “official” and a “free” market. The official market was characterised by a

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<sup>3</sup> It should be highlighted that exports during 1931–1932 were significantly lower than the exports before the Great Depression (Fodor et al. 1973).

lower exchange rate and only importers with a previous import licence were granted access. Hence, British importers, who had these import licences warranted by the Treaty, had a clear advantage as their products became cheaper in relation to imports from the US which did not have any access to the official market (Gerchunoff and Llach 2018).

This disadvantage for the US had a significant consequence on the industrialisation process. All the protectionist measures taken in Argentina, enacted for fiscal or commercial reasons, had the indirect consequence of attracting US investments into local industrial production. But it was in 1934, after the Roca–Runciman Treaty, when a new wave of direct investments started to stream into the country (Villanueva 1972). Therefore, as non-British imports of final goods were rendered uncompetitive by this treaty, new companies, financed mostly by direct investments from the US, began producing locally for the domestic market. In this way, fiscal measures and trade agreements unintentionally fostered an import-substitution industrialisation.

This gradual industrialisation process combined with the agrarian crisis, that was caused by the fall in exports after 1929, set off an internal rural-to-urban migration. According to Torre and Pastoriza (2002), the annual number of rural migrants arriving in Buenos Aires and its urban periphery rose from 8,000 in 1936 to 70,000 in 1937–1943 and 117,000 in the years from 1944 to 1947; as a result, the population in this region grew from 3,457,000 in 1936 to 4,618,000 in 1947 (Torre and Pastoriza 2002, 262). And because these migrants were attracted into the city by jobs in the industry and services sectors (Torre and Pastoriza 2002), we can consider that this rural-to-urban migration led to the emergence of an urban working class.

Industrialisation and migration flow in the 1930s developed against the backdrop of the return of the conservative forces to power. In 1930, the government of Yrigoyen (UCR) was overthrown and a military regime, pursuing a corporatist model, closed the parliament. However, in 1932, a new coup led by the liberal sector of the military put an end to the corporatist regime and reopened the parliament. Although the new government, which was led by the Conservative Party, practised electoral fraud, the limited multi-party system allowed for political competition between parties. This competition rendered the political arena receptive

to the interests of pressure groups: pension funds were established for employees of the merchant navy in 1939 and, also in 1939, for journalists.

During the first half of the 1930s, the UCR decided to withdraw from electoral competition and parliamentary activity as a strategy to oppose fraudulent democracy. As a consequence, the number of seats held in parliament by the Socialist Party rose steeply from one in 1930 to forty-three in 1932–1934; but declined to twenty-five in 1936–1938 and five in 1939–1941 as the UCR returned to the electoral arena (Matsushita 2014, 150). During this time, socialist legislators presented bills which became laws: Saturday half-holiday (1932), the right to breastfeed at work (1934), a maternity-leave fund for female employees (1934), the provision of appropriate seating for workers (1935), and the prohibition of dismissal due to marriage (1938) were approved by Congress. Although the role of socialist legislators was important for the enactment of these laws, the climate of opinion on labour reforms had changed after the Great Depression. The business sector, which had an alliance with the conservatives, became more receptive to some labour reforms as the economy became more industrialised (see the chapter by Gerards-Iglesias in this volume) and, as shown above, industrialisation was an unintended consequence of a shift in trade patterns.

Nevertheless, the emergence of a strong urban working class and political party competition did not offer sufficient conditions for the expansion of a comprehensive social security system. It was necessary for the working class to have access to power and it did so through a political coalition with a sector of the military. Although this government was led by Juan D. Perón, a nationalist military official, the trade unions had a strong position within the coalition (Torre 1989). Therefore, it was between the years of 1944–1955 when “the foundations of modern social security were laid, expanding the pension system to cover most of the labour force” (Mesa-Lago 1978, 168). In the realm of healthcare, the creation of a tax-financed national health system that was open to the whole population was combined with trade unions’ mutual insurance funds and healthcare protection programmes for some occupational groups (Mesa-Lago 1978). Regarding educational policies, the most important laws were the creation of a technical university (1948) and the removal of tuition fees from public universities (1949).

### 3 Conclusion

The interdependencies of immigration and trade with social policy development in Argentina were highlighted here. Overall, international trade shaped the economy and this, together with immigration flows, had, in turn, structured society. Consequently, societal sectors and their interests were also reflected in the political arena shaping social policy development.

In a first moment of historic development (1880–1929), entry into the global market led to the consolidation of an export-led economy specialised on agricultural products. This process was intertwined with a nation state-building process and the immigration of European workers. Therefore, early pension funds were exclusively directed to state-related occupations and occupations which were powerful due to their role in the agro-export economy. Furthermore, massive immigration shaped the political arena as it hindered the formation of a strong electoral working-class movement. This may explain why a comprehensive social security system was not established at this time and why labour laws were an attempt to regulate the world of work from above. Finally, health and education policies aimed to strengthen the nascent nation state, maintain social order and socialise a population with a strong immigrant component.

Nevertheless, during the 1930s the interruption of international trade, caused by the Great Depression, set off a strong industrialisation process which in turn fostered an internal rural-to-urban migration. In the short term, socialist legislators passed labour reforms as the climate of opinion, concerned with the new issues brought by industrialisation, became more favourable to improvements in working conditions. In the long term, a strong urban working class emerged and in a coalition with a sector of the military gained access to power. It was at that point that the foundations of a comprehensive welfare state were laid.

From this account of the matter, we might draw two conclusions. First, immigration appears to have delayed and fragmented social policy as it hindered the formation of a strong working-class party. Moreover, global trade under the international division of labour scheme also hampered the development of a comprehensive social security system, whereas bilateral trade and protectionist measures fostered industrialisation which, in turn, strengthened the working class and led to the



establishment of the modern welfare state. Nevertheless, it remains unknown whether immigration and trade relations had a similar effect in other countries. Further research exploring this question would be useful. For the time being, this chapter provides a case study where these factors were identified as important drivers of social policy development.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# Part IV

## Ideas, Expert Networks and Migration



# 32

## Introduction: Ideas, Expert Networks and Migration

Delia González de Reufels and Frank Nullmeier

Social policy in general is devised and regulated by the nation state. This explains why, in turn, the development of social policy concepts and ideas for a long time has been studied within national contexts and attributed to the national sphere and specific individual and collective actors such as politicians and labour unions. While this may be very much in line with the ways in which social policy is explained by decision-makers to the population affected by the measures, it is not accurate. In fact, social policy development and the diffusion of discrete instruments are driven by the exchange of ideas that occurs across national borders (Dobbin et al. 2007; Gilardi and Wasserfallen 2019; Kuhlmann et al. 2020). Recent research has emphasised that a national perspective is insufficient when it comes to social policy development. More often than not, the ideas that shape social policy as well as discrete policy measures are transnational in origin: they are conceived beyond national borders

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and are the results of complex processes that include but are not limited to dialogue, emulation and learning (Rodgers 1998; Kettunen and Petersen 2011; Gingrich and Köngeter 2017; Kuhnle et al. 2019). As a matter of course, nation states in their search for solutions to social problems and social imbalances tend to look to other national contexts that have dealt with comparable issues and devised effective policy instruments in response. This is especially the case during crises that put particular strains on nation states and created pressure to act; the Great Depression is an outstanding example here (Patel 2016). This search may also be a search for possible improvements to existing measures and be focused on new adjustments, concepts and nomenclatures (Béland and Petersen 2015).

Furthermore, research that emphasises the transnational in social policy enables us to put the national dimension of the policies into perspective. This not only shows *that* but also *how* nations eager to create internal social balance and to provide security against the risks of life in an industrialised society have embarked on processes of exchange of ideas and transfer of programmes across borders in the past and the present. State sponsored trips by officials to study foreign social policy and the import of relevant literature are just two examples that were used by different nations at different points in history. Over time, transnational expert networks and globally communicating epistemic communities (Haas 1992) emerge as a result. Therefore, while the dynamics and flows of these exchanges lead us to re-examine the development of the nation state in the nineteenth and twentieth century, they also are significant for our grasp on social policy formation that is yet to materialise. For example, the needs of aging societies with precarious demographic developments are prompting new social policy legislation in most nations of the Western hemisphere, and we can expect nations in other parts of the world to follow suit as soon as their populations enter similar stages (Liu and Sun 2016). In this way, the analysis of the development of social policy ideas adds to our knowledge of what has been called the “prehistory of the present” of the welfare state (Conrad 2013, 555) and informs our understanding of the directions it still may take.

The welfare state may be called a European invention (Kaufmann 2012), and in fact, Europe, and in particular Western Europe, has been at

the centre of many transnational social policy exchanges for a long time. Shared intellectual influences and historically established connections helped to establish the welfare state and its instruments in other parts of the world. Thus, the United States and pioneering Latin American countries progressively introduced social policy in the early twentieth century that in part has been seen as a response to domestic developments and pressures (Mesa-Lago 1979). In Asia, Japan was the pioneer who introduced European inspired social security whereas nations such as South Korea and China introduced extensive social policy only more recently in times of profound financial and economic crisis (Kuhnle et al. 2019). And African nations had, at least in part, inherited European social policy ideas from the colonial powers which had governed them and then transformed these ideas, whenever feasible, according to national needs.

It is important to note, however, that the search for social policy concepts in general is guided by previously established connections; these connections are the result of other developments over time such as colonialism. Also, in the late nineteenth century the expansion of transatlantic trade and the movement of people fostered the creation of the North Atlantic as a distinct physical and intellectual space of interaction. While it supported economic activities, and set goods and people in motion, it also created possibilities for the exchange of ideas. Thus, in the United States, “the reconstruction of American social politics was of a part with movements of politics and ideas throughout the North Atlantic world that trade and capitalism had tied together” (Rodgers 1998, 3). Within this new space “a new understanding of common histories and vulnerabilities” emerged (Rodgers 1998, 33), attracting travellers as well as students who flocked to European institutions of higher education, and universities in particular. Members of highly transnationally professional groups such as doctors, architects and military officers as well as groups of actors with specific interests in social policy such as educators would travel back and forth, taking social policy ideas and literature with them. Moreover, the nation states were interested in showing off their latest social policy achievements which they presented at world fairs, international congresses and other venues that functioned as spaces for exchange. Thus, social policy left national contexts and became the object of transnational representations.

Neither the space itself nor the connections have been static but changing over time. The connections included other parts of the Atlantic and the Americas but unravelled after World War II. Nevertheless, the connections remind us of the relevance of such new spaces of interaction for any study of social policy development. Fittingly, the twentieth century saw the establishment of new connections via trade that expanded and transformed over time to include nations hitherto only loosely connected such as Germany and China (Leisering et al. 2017; Liu 2015).

New spaces attract and form new actors who, in turn, exert their influence on the development of these spaces. Students were especially important because they moved abroad and returned with new books, ideas and knowledge on foreign societies and the policies that were applied there. During the nineteenth and the first part of the twentieth century, the experts, as a matter of fact all male, came from a wide array of disciplines although physicians and lawyers were among the first to claim and to be granted this special position. At a time when the term had not yet been born, experts already were a vital part of the history of the welfare state as highly influential actors who shaped the new national institutions and worked on the political measures (Rinke and González de Reufels 2014). According to their own view, they served their nation to the best of their abilities and knowledge, while they also were striving to increase this knowledge and introduce ideas that had been developed elsewhere. To this extent, the expert can also be considered a key figure in the transnational acquisition and diffusion of relevant knowledge in the field of social policy.

Because the movement of ideas is not limited to but a vital part of the movement of people, migration can be considered a major factor in shaping the consecutive emergence of discrete social policy measures in different parts of the world. Migration is part of the process of the transfer of social policy ideas, and it occurred outside the arena of expert knowledge. It is rather the experience of migrant workers that influences the emergence of social security systems in other parts of the world and is a central driver for economic development (Bastia and Skeldon 2020). The labour movement has globalised through migration and carried the interests of workers as well as the ideas of trade union and party organisation to the Global South. In addition, migration is an important part of the social question (Hoerder 2002, 344–365).

Migration triggered social policies that dealt with the consequences of the arrival of new people during the age of European mass migration as well as in the more recent past: whenever people cross borders to make their lives in new places they pose special challenges to welfare that has to accommodate new arrivals and their needs. Today, the direction of migration runs predominantly from the south to the north. Highly qualified physicians and other professionals are leaving their native countries and emigrating to Europe and the United States. Between Eastern and Western Europe, especially in the area of long-term care, migration chains, called care chains, have developed. Social services as a central component of the welfare state often rely heavily on a migrant labour force (Yeates and Pillinger 2019). Migration movements shape social policy at least threefold: on the side of problem situations and social risks, on the side of the diffusion of ideas and, thirdly, on the side of the workforce that implements social policy programmes professionally. This final part of the volume intends to highlight new and relevant transnational spaces and impulses for social policy formation and to direct attention to the actors who have moved within them.

The following eight chapters deal, in turn, with different time frames and examine social policy fields such as health and labour in particular. *Tao Liu and Tong Tian* examine the complex process of how the People's Republic of China sought to learn from Germany to develop a new scheme for social protection that would take the place of measures that were no longer adequate for a rapidly changing economy and society. Policy transfer and policy learning is furthermore studied by *Johanna Fischer, Hongsoo Kim, Lorraine Frisina Doetter and Heinz Rothgang* for Germany, Japan and South Korea, three countries that established long-term care insurance in the final decades of the twentieth century and the early 2000s, and were weighing different options against a varying backdrop of domestic needs and foreign ideas. *Monika Ewa Kaminska* analyses the development of social health insurance in Eastern Europe after the collapse of the USSR and the end of communism by tracing the influence of a wide range of German experts and knowledge that superseded advice by a supranational organisation like the World Bank. In the following chapter *Ulrich Mückenberger* studies how the still on-going process of establishing gender equality in the field of labour has been advanced since



the early twentieth century in transnational forums of debate and by collective actors such as the International Labour Organization (ILO). *Teresa Huhle* examines the impact of European immigrants on social policy development in Uruguay, a pioneer in this field in Latin America, and stresses their role in a decisive phase of policy formation. *Tao Liu and Tobias ten Brink* study the groundwork for social protection of migrant workers, a highly vulnerable group, that was laid in the PR of China under Mao, and how these protection schemes, whose reach has remained limited, were reformed during two important phases of economic change. *Friederike Römer* explores the concept of welfare rights and studies its relevance for the assessment of the situation of non-Western immigrants in Western countries by using comparative data for twenty-five OECD countries that shows significant differences between countries and over time, raising questions about the protection welfare states are willing to provide to migrants. Finally, in the last chapter *Karin Gottschall, Kristin Noack and Heinz Rothgang* study how the introduction of long-term care insurance in Germany paved the way for care chains and sustained circular migration from Eastern European countries, which is an unintended and unforeseen effect of a new social policy measure that has become highly dependent on the influx of foreign female care workers.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 33

## Relations Between Germany and China and the Rise of the Social Insurance State in China Since the Economic Reform of 1978

Tao Liu and Tong Tian

### 1 Introduction

In the modern history of Chinese social protection, the diffusion of knowledge and model transfer have played a significant role in shaping the discourses, scripts and conceptual models in this field. In general, Chinese social policy experts avoid referring to one specific national model. Yet, there is a consensus among the Chinese social policy community that the German model of social insurance has shaped the basic design and overall architecture of modern social protection in China. So far, few studies within the social policy literature have investigated

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in-depth the unique role of Germany for the development of social policy in China.<sup>1</sup> Our study places emphasis on the impact of Germany on the semantical, conceptual and institutional development of social policy in China since the economic reform of 1978. This chapter underscores an inter-state interdependence and reveals a bilateral communicative context of social policy. The questions this chapter addresses in the following are: Why have Chinese social and political elites used the scripts and prescripts of Germany as a cognitive and institutional framework for Chinese social policy? Who are the primary actors driving knowledge transfer between these two distant countries? Who are the senders and recipients of knowledge in both countries? And finally, how do institutions transfer knowledge in the bilateral context? Thus, this chapter traces the unique role and clout of Germany in shaping social policy developments in the post-communist China.

## 2 Historical Background

The influence of Germany on social policy in China can be traced back to the epoch of the Republic of China (ROC, 1919–1949). During the emergence and early development of a fledgling industrial sector in China, exploratory studies on social protection and social policy appeared in the early twentieth century. Some scholars started to tentatively and sporadically investigate the genesis and operation of social protection in industrialised Western countries. Experiences from “early bird” countries were explored and used as theoretical and practical sources for Chinese academics. Though different social policy systems and social laws from several leading Western countries had been studied comparatively, the German system of social policy, which was renowned as a worldwide

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<sup>1</sup> The major exception in the literature includes studies by Leisering and Liu, who have investigated knowledge transfer between Germany and China, as well as rationalistic policy learning among Chinese social scientists and policy-makers based on the German statutory accident insurance system (Leisering and Liu 2010; Liu and Leisering 2017; Liu 2015). However, these studies only cover one specific policy area—work accident insurance; they have merely traced the policy transformation of this field in China with a parallel analysis of inter-state policy transfer. A comprehensive analysis of the institutional impact of Germany on the overall framework of Chinese social policy has not yet been conducted.

pioneer in social insurance, was underscored both by scholars and by social and labour officials within the Nanjing government. These early and historical contributions in the republican age included translated works, monographs, commentary essays, and guidelines on social policy in Germany (Li 2014; Zhu and Zhu 2014). Even the very first draft of a labour insurance regulation—the so-called Draft of the Labour Code proposed by the Labour Law Drafting Committee of the Nanjing government in 1929—was heavily influenced by German social insurance law (Zhu and Zhu 2014). At that time, the two major Chinese governments diverged in their models of social protection: while the nationalist government in China emulated the German model of social insurance, the communist government preferred the Soviet model of labour insurance. After the victory of the Communist Revolution, these two competitive models split the Chinese territory in half: while Mainland China adopted the Soviet model of labour insurance, the Taiwanese government adopted the German model of social insurance for the small Chinese island. The historical rivalry between the parties persisted throughout the Cold War (Hu 2012).

### **3 Social Policy Diffusion from Germany to China in the Modern Era**

Since the end of the Maoist development path, and the adoption of economic reform and the open-door policy in 1978, China has gradually bid farewell to the Soviet model of a centrally planned economy, facilitating the development of a market economy. The Soviet economic model, as well as the Soviet style labour insurance system, has disintegrated. Amid ongoing reform, enterprises with different forms of ownership, including private enterprises, joint ventures and transnational corporations, have not only been allowed to exist but also been stimulated to thrive in the newly formed competitive domestic market. This economic transformation has made the labour insurance model borrowed from the Soviet Union outdated. Chinese officials, policy-makers and scholars from the field of social protection, as well as officials from financial and economic

fields, were keen to import state-of-the-art knowledge from outside to create a new, modern version of social protection in China, which would be adaptable to the new market economy. Against this backdrop, the historical German influences of the early twentieth century were revived after half a century, and Chinese social and economic elites began to closely observe mainstream trends in worldwide social policy through travelling to major social insurance states and additionally through inviting officials and scholars from abroad to China to educate Chinese officials, with a special focus on the social insurance model. Germany has become one of the most relevant reference countries in this development stage.

After the bifurcation owing to different institutional preference and choices during the Cold War, social protection in two Chinese societies—Mainland China and Taiwan—started to converge. The Bismarck model of social insurance has become the systemic commonality, shaping the elementary structure of social policy in both societies. Throughout, Germany has exerted an immense impact on Chinese social policy.

### 3.1 Actors and Agencies

Within the study of diffusion, one of the most relevant questions concerns the primary actors driving the diffusion and the learning processes. In the context of the Chinese economic reform, policy-making has become rationalised and “scientised”; in other words, the role and function of scholars, scientists and intellectuals have been elevated and increasingly valued by policy-makers in China. Top leaders, technical officials, social scientists, and economists constitute the relevant issue-related policy communities and advocacy coalitions for different fields. Some of the integrated research institutes of state ministries have played the role of think-tanks in providing reform ideas and options for government officials.

Since the economic reform, China has been actively engaged in the activities of international governmental organisations (Kent 1997), endeavouring to use the repertoire of knowledge, ideas and conceptual scripts from international actors to open a new horizon for Chinese

policy-makers in different fields. In the 1980s, some forerunners to social protection in China had created strong ties with experts from international agencies and entities, constructing a mainstream world trend in social protection that relied on international expertise. China has modified its original institutional path, moving away from labour insurance and towards a new destination—a transformation in social insurance. Social insurance states have been scrutinised by the Chinese epistemic community more than ever before. Besides the global mega-trends observed and constructed by Chinese social and economic elites, some novel reform trends from the 1980s have been additionally identified and included into the public policy agenda, such as scripts on privatisation and individual accounts in pension reform (Zhou and Zhang 2015; Hu 2012; Hu and Manning 2010). Various international influences from different streams and different countries have overlapped in the social policy field in this post-communist transitional context. Due to the significance of China's transformation, the social policy field has turned into a magnetic experimental field, attracting expertise from think-tanks, research institutes and foundations around the world (Liu 2018).

Due to different values and normative tendencies, various individuals and institutions have developed an uneven inclination towards different countries and models. The Ministry of Labour (MOL), later the Ministry of Human Resources and Social Security (MHRSS),<sup>2</sup> has, for instance, consistently tended to maintain a close and intensive relationship with Germany due to its strong inclination towards the German model of social insurance. The MOL–Germany tie can be traced to the late 1980s. Minister Luo Gan of the MOL met with representatives from the Beijing Office of the Friedrich Ebert Foundation (FES)<sup>3</sup> on 29 November 1988, to arrange bilateral cooperation on labour issues and social security. In the 1990s, both sides deepened their cooperation and the FES has financed different pilot projects on labour protection and social protection in China, consistently playing the key role of providing expertise and social–technical knowledge to its Chinese peer colleagues.

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<sup>2</sup> In 1998, the Ministry of Labour (MOL) was renamed the Ministry of Labour and Social Security (MOLSS), and in 2008, the MOLSS was renamed the MHRSS.

<sup>3</sup> In German, it is *Friedrich-Ebert-Stiftung*, shortened as FES.



Some key figures, such as Zhou Hong from the leading think-tank in China—the Chinese Academy of Social Sciences (CASS)—and Zheng Gongcheng from Renmin University, who are widely considered the key designers and trailblazers of modern social protection in China, have built deep and enduring connections with Germany. Zhou Hong graduated from the Department of German Literature at Nanjing University in the 1960s, and she had been the director of the Institute of European Studies at the CASS for a long time, during which she created close ties and facilitated exchanges with Germany and other European countries. Zheng Gongcheng, the most eminent and influential professor at Renmin University, has also been actively engaged in the development of social policy and social protection in China, through the People's Congress,<sup>4</sup> and has established long-term cooperation mechanisms with Germany. Through constant collaboration with the FES and with the Max Planck Institute for Social Law and Social Policy (MPISLSP) in Munich, Zheng has attempted to systematically absorb and transfer the state-of-the-art knowledge from German social policy to China.<sup>5</sup>

### 3.2 Semantics and the Perception of Models

Since the economic reform, Chinese scholars, officials and policy-makers have applied the method of “global scanning” (Liu 2018), which strives to target social protection programmes from leading OECD—Organisation for Economic Co-operation and Development—countries and Western welfare states prior to the legislation on social protection in China. Against this backdrop, the German model of social protection has been increasingly perceived and circulated within Chinese academia. The Chinese social policy community has widely conceived of the eminent position of Germany as the original pioneer of state-organised social

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<sup>4</sup>Zheng Gongcheng is a member of the Tenth National People's Congress' Standing Committee and the vice president of China Social Insurance Academy.

<sup>5</sup>Zheng has regularly sent his Master's and PhD students to the MPISLSP in Munich in order to study and explore social policy knowledge. After coming back to China, these students have actively engaged in translating and transferring social policy knowledge from Germany to China. Foreign study and training abroad have become a significant method of inter-state policy learning and knowledge transference.

policy, through the Bismarck model.<sup>6</sup> Due to this inclination towards the German model, terms like “Germany”, “the German model of social protection” and “the Bismarck model of social insurance” have become high-frequency terms within the discourse of the labour and social ministry (MOL, later MHRSS).

The most influential scholar—Zheng Gongcheng—believes firmly in policy learning and has profoundly influenced the Chinese epistemic community through his well-known catchphrase: “From afar, China shall learn from Germany (*yuán xué deguó*); from up close, China shall learn from Japan (*jīn xué rìběn*).” In this case, Germany and Japan represent two typical social insurance reference models: while Germany is the original inventor of the Bismarck model, Japan embodies an East-Asian Bismarck model. According to Zheng, the chief designer of social protection, the overall architecture of Chinese social protection should be based on a primary system of social insurance, supplemented by other types of programmes, such as social assistance, social relief and different kinds of social services. Zheng’s core belief in the macro-structure has crucially shaped the elementary design of Chinese social protection; the country has approached the status of a social insurance state, embracing neither the Beveridge model nor the market-steering model. Zheng’s personal beliefs and his famous remarks have laid the cognitive foundation for China’s learning from Germany. Even Japan represents an *Asianised German model* since Japan has learned from Germany, adapting the borrowed scripts and models to the local context.

Zheng’s idea of learning from Germany (from afar) and from Japan (from up close) has been implemented and concretised in different social policy fields; for instance, in the reform of old-age pension insurance and in the newly piloted long-term care system. In their quest to establish a long-term care insurance system through first-step local experimentation,<sup>7</sup>

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<sup>6</sup> Using the keywords “German social protection system” in the Baidu scholar search engine, one retrieves 95,200 research results. If the search period is limited to 1980–2000, there are still 23,700 relevant research results.

<sup>7</sup> Long-term care insurance was first tested in Qingdao City, Shandong Province, in 2012. In 2016, it was piloted in fifteen cities across the country. Currently, there are also voluntary pilot programmes in nearly fifty cities to provide long-term care services for disabled elderly people. Different local models have appeared, including the Qingdao model, the Nantong model, the

Chinese authorities have called upon Germany and Japan as primary empirical examples for the Chinese context. For many Chinese scholars, these two countries are the two most influential in the world in terms of social insurance for handling the risks of long-term care, providing strong evidence that a social insurance model works in this distinctive field. Learning from the German and Japanese models of social insurance for long-term care has become a popular and fashionable trend within Chinese academia, and the discussions, debates and research articles on the topic have mushroomed in the past decades in China.<sup>8</sup> The Japanese long-term care insurance system has been understood as a borrowed script from Germany that has been localised and innovated in Japan. Dr. Jin Weigang, the director of the Chinese Academy of Labour and Social Security, an integrated think-tank of the MHRSS, called upon Zheng's remark about learning from Germany (from afar) and from Japan (from up close) in the field of long-term care insurance, by explicitly referring to practices common in Germany, such as separate long-term care premiums financed by employers and employees, as well as a care-level system to establish a national standard on long-term care insurance on the occasion of an academic forum (2017) in China.<sup>9</sup>

### 3.3 Interaction and Communication Channels

Different interaction patterns and communication channels between Germany and China have facilitated the exchange and knowledge transfer between the two countries. First, ministries, institutes and research foundations from both countries have fostered institutional cooperation channels for the long term, including the strong and trustworthy institutional ties between the labour and social ministry in China and FES in Germany or between Renmin University (Zheng Gongcheng) in Beijing

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Shanghai model and the Chengdu model; many of these models take Germany and Japan as a direct example for their policy design.

<sup>8</sup>Using the keywords “long-term care insurance in Germany”, the Chinese scholarly search engine—Baidu Scholar—returns 50,100 research results in total.

<sup>9</sup>See the report by the China Pension Network at: [http://k.sina.com.cn/article\\_5617251953\\_14cd0767101900p453.html?from=health](http://k.sina.com.cn/article_5617251953_14cd0767101900p453.html?from=health). Accessed on April 1, 2020.

and MPISLSP in Munich. Second, since the late 1990s and particularly since the millennium, the European Union (EU) has become another relevant supranational actor promoting multiple bilateral cooperation in the field of social protection between China and other European countries. For instance, within the framework of the EU–China Social Security Reform Cooperation Project (EUCSS) and the EU–China Social Protection Reform Project (SPRP), many German experts and scholars have been invited to China to consult with Chinese officials and policy-makers about social policy reform.<sup>10</sup> Third, China and Germany have signed inter-governmental cooperation treaties for transferring the German model of social protection to China; for example, the Chinese government has strived to “import” the German model of statutory work accident insurance since 2004 (Liu 2015; Leisering and Liu 2010). The bilateral cooperation project for work accident insurance has lasted for five rounds, with the latest round signed by the two governments in 2018.<sup>11</sup> Fourth, bilateral visits, including the invitation of German scholars, professors and officials to China and the organisation of inspection tours in Germany by Chinese officials and scholars have constituted significant interaction forms. Some Chinese ministries and universities have regularly invited eminent German experts and scholars to give lectures in China, who have, in some cases, consulted with Chinese officials about reform. For instance, professors from Renmin University, including Zheng Gongcheng, have regularly invited professors in the field of social law and jurists from Germany to Beijing in order to introduce the German social insurance laws. Chinese officials, policy-makers and scientists have regularly organised inspection and investigation tours in Germany for learning from German examples and experiences in various

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<sup>10</sup>Co-funded by the EU and the Chinese government, each project lasted five years, covering domains such as pensions, unemployment insurance, administration, and management, as well as financing and budgeting. The EUCSS translated the rural pension schemes of EU member states into Chinese to help Chinese authorities draw lessons and design a rural pension model for China. The SPRP has been involved in several pilot sites in expanding universal pension coverage, supporting the Ministry of Finance in financial management related to social funds and accessing legal frameworks for social assistance.

<sup>11</sup> See “China and Germany sign the fifth letter of intent for cooperation in work injury insurance”. Download under the Peoples’ Net at <http://world.people.com.cn/n1/2018/0728/c1002-30175341.html>. Accessed on April 1, 2020.

fields like pension reform, health protection, work accident insurance, unemployment insurance and social assistance. Fifth, personal trust has become an asset benefiting bilateral cooperation. As above mentioned, Zheng Gongcheng from Renmin University prefers to send his students to MPISLSP in Munich for study exchanges. Since 2016, the Faculty of Social Sciences of the University of Duisburg-Essen has become another German institute that has trained various guest PhD students in the field of social protection from Renmin University, Wuhan University, Huazhong Normal University and Huazhong University of Science and Technology, among others.

## 4 Conclusion

This chapter has traced the historical connectivity between China and Germany in the field of social policy, identifying a long tradition of learning from the German model of social insurance. Though the Chinese–German connectivity in this field had been frozen in the Maoist period for about three decades, the bilateral interlinkages have been revived in the period of reform and open-door policy. Various ministries, institutes, entities and persons from both sides have woven a dense social security cooperation network, fostering domestic discourses and debates about the elementary design elements of modern social protection. Though different state departments and persons have different inclinations towards different models and different countries,<sup>12</sup> an undeniable fact is that Germany and the Bismarck prototype of social insurance have played a significant role in setting the course for Chinese social protection. Due to

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<sup>12</sup>For instance, during health insurance reform in China in 2006, different departments favoured different models: while the MOLSS favoured the German model of health insurance, the Ministry of Health was inclined towards the Beveridge model of National Health Services and the Ministry of Finance was keen to import the US market-dominated model. Another example is reflected in the personal rivalry between two eminent Zhengs: Zheng Gongcheng from Renmin University favours the German model of social insurance, while Zheng Bingwen, another prominent and influential scholar, acting as director of the Institute for American Studies of the CASS, insists on learning from the US model and promotes the discourse concerning the privatisation of social security. Zheng Gongcheng and his advocacy coalition for social insurance have been more successful in convincing policy-makers to embrace their scripts and have thus shaped the mainstream discourse on Chinese social protection.

promotion by the labour and social ministry, Zheng Gongcheng from Renmin University, Zhou Hong from CASS and other actors, a basic guideline of Chinese social protection has been developed, specifying that the overall framework for Chinese social protection should be based on the German social insurance model. Notwithstanding learning from diverse sources, Germany remains the pivotal country that acts as a central model for modern social protection in China. The German–Chinese tie is a part of a panorama of interdependency and interconnectivity of social policy developments in world society and has revealed that the birth of social policy in latecomer nations is not a sporadic and isolated phenomenon, it has been rather shaped by travelling ideas and concepts through active social policy learning and emulation by epistemic communities and decision-makers.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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## Social Long-Term Care Insurance: An Idea Travelling Between Countries?

Johanna Fischer, Hongsoo Kim,  
Lorraine Frisina Doetter, and Heinz Rothgang

### 1 Introduction

In 1994/95, a mandatory insurance scheme for long-term care (LTC) dependency, in other words, the extended need for assistance with daily living due to physical and/or mental impairments, was established in Germany. The implementation of this novel system not only constituted a landmark in national social policy but was also followed with interest by foreign observers. While the German system was not the first comprehensive public scheme focusing on LTC dependency, the introduction occurred at a time when debates around aging and care intensified in

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many high-income countries (e.g. Theobald and Kern 2011).<sup>1</sup> Consequently, the scheme attracted—as did other models of LTC—experts internationally. Two apparently similar LTC schemes were established in East Asia thereafter: The long-term care insurance (LTCI), *Kaigo Hoken*, in 1997/2000 in Japan; and the LTCI, *No-in Jang-gi Yo-yang Bo-heom*, in 2007/2008 in the Republic of Korea (hereafter Korea).

This chapter sets out to investigate the role of *policy transfer* for designing LTCI in Japan and Korea. Transfer describes a process by which knowledge about policies, past or present, is—voluntarily or coercively—used in another context (Dolowitz and Marsh 1996, 344). We focus on the spread of ideas from the German—and, in the case of Korea, also Japanese—LTC system. For this “chain” of introductions, the role of interdependent developments, in particular by means of *transnational policy learning*, is frequently stressed as having played an important part in the institutional set-up of the LTCI in Japan and Korea (e.g. Campbell et al. 2009; Sunwoo 2012; Maags 2020). However, it remains largely unclear as to what extent international exchange has taken place and influenced system features. In what follows, we ask, what evidence exists for policy transfer—including “positive” and “negative” learning—in the design of the Japanese and Korean LTC systems? To answer this question, we begin by considering the concept of policy transfer and the mechanism of policy learning, specifically, identifying “necessary” and “sufficient” criteria for empirical investigation. We then proceed to examine evidence in two steps: First, we explore the features of the three LTCIs to identify (dis)similarities that suggest transfer took place. Second, we review extant literature on the international travelling and influence of ideas. We conclude by reflecting on the strengths and limits of existing scholarship and suggest next steps for research.

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<sup>1</sup> The Netherlands introduced a compulsory social insurance already in 1967/68. State-funded and state-administered LTC systems have even existed from the mid-twentieth century in several high-income countries.

## 2 Concepts

The role of ideas, knowledge and experience has been highlighted as one important factor in explaining policy-making (Maags 2020). Increasingly, attention has been drawn to exchanges beyond the confines of nation states, allowing the study of welfare policy to move past the so-called “methodological nationalism” characterising much research (Obinger et al. 2013). One concept that emphasises the role of transnational interdependencies in domestic social policy-making is *policy transfer* (Obinger et al. 2013; Theobald and Kern 2011). For our study, we want to stress two elements: Firstly, policy transfer entails the *travelling* of knowledge or ideas from country A to country B, for example via scientific experts or government officials. Secondly, the transferred knowledge is *employed* in country B in some way, indicated, for instance, by similarities in policy design.

Scholarship on transfer and related concepts has identified various types thereof. Accordingly, one important *mechanism* that can, amongst others, underpin transfer processes is *policy learning* (Obinger et al. 2013). Constituting a voluntary and intentional form of transfer, learning is an activity of drawing lessons from external information and examples for finding suitable policy solutions and minimising error in domestic policy-making. It is important to note that learning can be both *positive* and *negative* in kind (e.g. Dolowitz and Marsh 1996; Theobald and Kern 2011). That is, not only can actors from country B look abroad for best practices for adoption, but they can look to the experiences of country A and consciously choose *non-adoption* by drawing “negative” lessons. Based on extant studies, we hypothesise that the mechanism of lesson learning is of particular relevance for driving transfer in our cases.

It follows from these theoretical considerations that evidencing transfer entails establishing (1) that the introduction of systems occurred in chronological order; (2) that systems show similar features for demonstrating positive policy learning and differences in the case of negative learning; and (3) that foreign examples and discussions have been picked up by domestic actors and indeed influenced the policy outcome. We regard the first two criteria as *necessary conditions* for establishing transfer,

while the latter can be seen as a *sufficient condition* for corroborating the role of *learning* as a mechanism driving transfer among our cases. We now turn to investigate empirically to what extent the three outlined conditions are met.

### 3 Same but Different: Comparing LTCI in Germany, Japan, and Korea

As indicated earlier, Germany, Japan, and Korea adopted *compulsory social insurance* LTC systems in succession of one another. The timing of adoptions therefore makes policy transfer a tenable notion. To establish whether the second necessary condition for policy transfer is also met by our cases, this section reviews key similarities and differences in financing, provision, and regulation of LTC (see Table 34.1).

As social insurance systems, they are all underpinned by *principles of social solidarity* and share several characteristics. The three schemes rely, at least partly, on *ear-marked contributions for funding* and are managed by *designated insurance bodies* (Rhee et al. 2015). While remarkable differences in benefits do exist (to be discussed), in general all three systems provide *a wide range of benefits* across community, home, and institutional settings. Regarding the regulatory framework, the German, Japanese, and Korean LTCIs share *formalised eligibility criteria* in line with standardised dependency assessments, as opposed to, for instance, means testing (Campbell and Ikegami 2009; Chon 2012). Another common attribute is the relatively wide *choice* of services and providers, and high provider competition (Campbell et al. 2009; Maags 2020).

Significant differences also exist, especially, but not only, between the German and the other two systems. Firstly, while Germany allows for a minor role for substitutional mandatory private LTCI (Rothgang 2010), both Japan and Korea only have a *social LTCI* in place. Secondly, in contrast to Germany, the Japanese and Korean systems both employ *age as an entitlement criterion* (Maags 2020; see Table 34.1). Thirdly, the *mix of financial sources* differs: Japan and Korea rely on a wider mix of contributions, state budget and co-payments, while the German LTCI is formally

**Table 34.1** Comparison of LTCI schemes in Germany, Japan, and Korea

	Germany	Japan	Korea
Types of scheme	Compulsory insurance for entire population via social LTCI (ca. 90%) or mandatory private LTCI (ca. 10%)	Compulsory social LTCI for population 40+	Compulsory social LTCI for entire population
<b>Financing</b>			
Financing sources of social LTCI	100% social insurance contributions	45% social insurance contributions 45% state budget 10% co-payment	60% social insurance contributions 20% state budget 20% co-payment
Cost control	Capped level of benefits	Fixed level of co-payment (regular 10%)	Fixed level of co-payments (regular 15–20%) and limited coverage
<b>Provision</b>			
Share of LTC recipients (% of population)	1.9% (1996) 4.4% (2018)	1.8% (2002) 5% (2017)	0.6% (2009) 1.3% (2018)
Benefits for care recipients	In-kind benefits Cash benefits	In-kind benefits	In-kind benefits Cash benefits in exceptional cases
<b>Regulation</b>			
Entitlement criteria	Entire population	Population 65+ and population aged 40–64 with age-related disabilities	Population 65+ and under 65 with geriatric disease
Eligibility assessment	Standardised procedure for assessing eligibility; classification of needs according to several care levels		
Provider market regulation	For-profit provision and competition permitted	For-profit provision and competition permitted in home care; number and type of institutional care providers regulated	Private provision and competition permitted

*(continued)*

Table 34.1 (continued)

	Germany	Japan	Korea
LTC recipient regulation	No care manager; choice of benefit type and provider	Care manager; choice of care manager and provider	No care manager; choice of benefit type and provider

Source: Own compilation, based on cited literature plus additional sources (available upon request)

financed by contributions exclusively (Rhee et al. 2015).<sup>2</sup> The final remarkable difference that sets the German system apart is its heavy reliance on *cash allowances*: While Japan provides in-kind benefits only, and Korea mainly, both in-kind and cash benefits are available and can be mixed in Germany (Campbell et al. 2009).

Differences between Japan and Korea exist, for instance, regarding the extent of regulation and concerning coverage and generosity (see Table 34.1). When comparing the share of LTC benefit recipients as a percentage of the total population for the three countries as indicated in Table 34.1, we see that it is much higher in Germany and Japan, both shortly after introduction of the schemes and today. One reason for this divergence is that the Korean government decided for financial reasons to limit LTCI benefits to the population with the highest need (Seok 2010). While this constitutes one way of controlling public LTC expenditure, Germany implemented a different, albeit also strict *cost control* mechanism by fixing benefits levels below cost-covering rates (Rothgang 2010). In contrast, both the Japanese and Korean systems use fixed individual co-payments by LTCI beneficiaries, with rates significantly higher for the latter (Maags 2020; Table 34.1). With a view to the similarities and differences of these cases, and given the role of timing, evidence suggests that policy transfer was possible. We now turn to review extant literature to examine whether sufficient evidence exists for the role of policy learning as a mechanism of transfer.

<sup>2</sup> However, it has to be pointed out that out-of-pocket payments and tax-financing are important sources of overall LTC financing in Germany as well (Rothgang 2010).

## 4 Travelling Ideas? Revisiting Evidence on Transnational Policy Learning

### 4.1 Japan

The adoption of the Japanese LTCI Act in 1997 was preceded by a decade of extensive public discourse on how to deal with the (rising) need for care among the elderly population. In addition to changing socio-economic structures, extended hospitalisations of elderly patients created “negative policy feedback” (Maags 2020, 9) through rising expenditure in the healthcare system (see e.g. Campbell 2000). In 1989 and 1994, the government presented strategies aimed at expanding the existing means-tested, state-run LTC scheme. As these did not provide sustainable solutions (Campbell 2000), policy-makers continued to search for alternatives throughout the mid-1990s. As Japan had experience with both state-based welfare schemes and social insurance programmes, both kinds of schemes were institutionally anchored and seen as potential paths for the new LTC system (Campbell 2000; Campbell and Ikegami 2009).

The literature highlights the role of several relevant *domestic* actors in the policy design of the novel LTC scheme: administrative officials, especially within the Ministry of Health and Welfare (MHW), political actors like parties and governments, and several interest/advocacy groups (e.g. Campbell 2000; Peng 2005; Campbell et al. 2009; Maags 2020). While we cannot go into detail on their roles here, for our purposes it is important to examine whether and to which extent they were exposed to “foreign” ideas. Campbell and Ikegami (2009), Campbell et al. (2009) and Theobald and Kern (2011) report cross-national exchanges between Japanese officials and German, but also Scandinavian LTC experts. An interesting observation is provided by Campbell (2000, 92–93) who describes that there were two camps of MHW bureaucrats in the 1990s, one “deeply influenced by British and Scandinavian social policy”, the other connected with social health insurance. While this point stresses the importance of transnational ideas or ideologies, it does not necessarily link them to LTC. In any case, it seems that ideas from Germany (and

elsewhere) were known and studied within the social policy administration.

Most articles refer to the general model of social LTCI as the *object* of transfer without greater detail on the transferred features. Some authors (Campbell et al. 2009; Campbell 2000; Theobald and Kern 2011) also mention that monetary LTC benefits were explicitly *not* adopted, although they are a key aspect of the German system. Campbell et al. (2009, 72) point out that the proponents of cash allowances in Japan used the German example to legitimise their proposal. However, the role of domestic political considerations and (feminist) advocacy in the decision against cash transfers is highlighted much more in the literature (e.g. Peng 2005; Campbell 2000). It therefore remains unclear how important the German benefit model was as a reference point—negatively or positively—in the Japanese policy design.

All in all, what do researchers conclude about policy learning in the case of Japan? Campbell and others stress in several publications (Campbell 2000; Campbell et al. 2009; Campbell and Ikegami 2009) that the German LTCI mainly provided *legitimacy* for establishing the social LTCI in Japan but did not notably influence or form the choice(s). Others, like Maags (2020) and Theobald and Kern (2011), attribute a greater role to policy learning/adaption, but without showing to what extent foreign policies concretely became relevant for Japanese decision-making. We can thus conclude that knowledge transfer from abroad occurred. However, when it comes to naming precise policy choices or transfer channels, extant research does not adequately corroborate data for the sufficient condition of policy learning to be met.

## 4.2 South Korea

In Korea, the Elderly LTCI Law was passed in 2007 and implemented the following year, making Korea a comparably early adopter with regard to the country's welfare state, economic and demographic development (Campbell et al. 2009). The policy process for establishing a new LTC system started in 2000 and was mostly driven by the government's progressive welfare agenda (Seok 2010; Campbell et al. 2009). The public

was generally positive about the establishment of a more comprehensive LTC system; the proposed policy features did not evoke much debate nor advocacy activities (Seok 2010; Maags 2020; Rhee et al. 2015). Consequently, an independent social LTCI model was agreed upon quite easily and deemed suitable for several reasons, among others the existing institutional infrastructure and experience with social insurance programmes (Chon 2012).

In terms of the present interest in transnational policy learning, evidence of exchange in the form of study trips and analysis of foreign systems are mentioned by Campbell et al. (2009, 75) and Chon (2012, 220). However, they do not provide details on the content of the exchange. All we learn is that Korean “experts”, “politicians” and “policy-makers” studied approaches elsewhere. Additionally, Sunwoo (2012, 49) points out that the emerging Korean academic discussion about LTC in the 1990s coincided with the implementation/drafting of the schemes in Germany and Japan, implying a relevance of these policy examples as well.

In the reviewed studies on Korea, only Germany and Japan are cited as concrete foreign models (e.g. Maags 2020; Campbell et al. 2009; Sunwoo 2012), with a somewhat stronger significance ascribed to the latter (e.g. Chon 2012). Authors attribute this to the Korean interest in social insurance. Regarding specific policy features transferred, the idea of a five-year basic LTC plan for revising the system regularly was brought from Japan (Sunwoo 2012, 59), as well as the needs and eligibility assessment instrument (Campbell et al. 2009, 78; Chon 2012, 223). While these specific policy adoptions indicate policy transfer resulting from positive learning, a third instance—the implementation of a cost control mechanism in Korea—points to negative learning. As mentioned earlier, the benefit coverage of the LTC scheme was limited in order to control expenditure. Chon (2012, 222) points out that this financial prudence was inspired by “Germany’s and Japan’s experiences of increasing deficits within a few years of their implementation of LTCI systems”. While more evidence on how these examples specifically exerted an influence on the Korean policy design is certainly necessary, this could be an instance of learning from negatively perceived foreign experiences.



In the literature reviewed, most authors (Chon 2012; Maags 2020; Seok 2010; Sunwoo 2012) attribute influence to foreign models, but base this assessment on similarities of policy features without specifying the sufficient condition of how ideas from abroad might have found a place in Korean LTCI design. In contrast, Campbell et al. (2009) are, as in the case of Japan, sceptical about a greater significance of foreign models. Furthermore, the availability of internationally circulating ideas is mentioned as a source of inspiration for Korean policy-makers (Campbell et al. 2009, 78; Maags 2020), but, again, without much explication of concrete ideas and “travel routes”. Consequently, while research highlights Korean experts’ interest in German and Japanese policies, uncertainty about concrete transmitters and influences remains.

## 5 Conclusion

The phenomenon of policy transfer and, by extension, the underlying mechanism of policy learning can be evidenced with respect to LTC by analysing several conditions. Firstly, the succession of introductory dates of LTCI systems in Germany, Japan and Korea allows for ideas and experiences of the forerunner(s) to be picked up by later adopter(s). Secondly, the comparison of system designs shows multiple resemblances, but also differences in benefit types and cost controlling mechanisms. Thus, the necessary conditions for policy transfer in terms of both timing and (dis) similarities are fulfilled.

Regarding evidence of actual lesson learning, the reviewed literature points out that in both Japan and Korea, foreign systems that could serve as a blueprint were indeed studied—by policy-makers and academics. In Japan, two schools of thinking could refer to foreign experience, the one relating to Britain and Scandinavia and the other to Germany. In the end, the decision for an LTCI rather than a tax-financed state-led system therefore seems to be the result of national politics, with European examples serving as a springboard for ideas and a source of legitimation. In the non-adoption of cash benefits, referencing for the purposes of legitimation seems also more likely than the occurrence of actual learning. In the Korean case, the insurance model was adopted without seriously

discussing a tax-financed system. This might indicate the agenda-setting power of the Japanese example, which Korea follows more closely than the German design—but this is not yet proven. Both pre-adopted schemes might have served as a warning with forbidding budget deficits, although Korean domestic fiscal prudence might have ultimately been more influential for establishing tight cost control than foreign examples.

In sum, information retrieved from our review could not answer the question as to how influential the experiences from abroad were when it came to decision-making. Furthermore, most referencing of expert exchanges remains largely anecdotal without providing much detail about who was involved and how in studying foreign examples, especially in the case of Korea. Therefore, conclusive proof for the sufficient condition is lacking in existing scholarship. Future research on policy transfer and learning should therefore concentrate on the policy-making process and try to reveal *how* transnational knowledge travels and interacts with domestic institutions and power struggles in designing reforms. This can only be done in in-depth case studies on LTC politics that analyse the interplay of national constellations and transnational interdependencies. Besides the cases of Japan and Korea, more recent developments like the piloting of LTCI schemes in China (see chapter by Liu and Tian) also represent an interesting case to do so.

**Acknowledgements** This work was supported by a Humboldt Research Fellowship from the Alexander von Humboldt Foundation (Germany) and an AXA Award from AXA Research Foundation (France) to H. Kim.

This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 35

## Variations on Bismarck: Translations of Social Health Insurance in Post-Communist Healthcare Reforms in Central and Eastern Europe—The Role of Vertical and Horizontal Interdependencies

Monika Ewa Kaminska

### 1 Introduction: Adoption of Social Health Insurance in Post-Communist Central and Eastern Europe

After the breakup of the communist regime, countries in Central and Eastern Europe (CEE)<sup>1</sup> embarked on a massive political, economic and social policy transformation. This process included comprehensive

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<sup>1</sup>Central and Eastern Europe countries include Albania, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, as well as the successor states of the Socialist Federal Republic of Yugoslavia: Bosnia and Herzegovina, Croatia, Kosovo, Montenegro, North Macedonia, Serbia and Slovenia.

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healthcare reforms which led to the adoption of social health insurance (SHI) across the region.

All CEE countries—except for Albania—had previous, pre-World War II experience of SHI-based healthcare. Some of them adopted SHI already in the late nineteenth century as most of the region was either under Prussian or Austro-Hungarian rule in that period. After World War II, Soviet domination entailed the introduction of a Soviet model of medical provision, the so-called Semashko system, in all countries of the region—with the exception of the Socialist Federal Republic of Yugoslavia, which maintained its SHI-based healthcare system. The new healthcare system was a part of the command economy but its needs were regarded as subordinate to “productive” (industrial) sectors of the communist system. It was based on “state monopoly and bureaucratic centralization coupled with the shortage economy”, with most of the medical professionals working as employees in state-owned hospitals and clinics (Kornai and Eggleston 2001, 6). The new healthcare systems provided formally universal basic public health services and citizens “enjoyed security, solidarity, and (at least declared) equality, albeit at an extremely low level” (Kornai and Eggleston 2001, 6). However, distribution of scarce resources was inefficient, quality of care lacking, and autonomy of physicians and patients restricted. General dissatisfaction with the healthcare system’s performance and deteriorating health outcomes in the population led to reform attempts in a number of CEE countries already before 1989, but major changes were not possible due to the Brezhnev Doctrine which limited the sovereignty of the member states of the “Warsaw Pact” controlled by the Soviet Union.

Once the communist system collapsed, all CEE countries with Semashko healthcare systems initiated reforms aiming at (re-)introduction of SHI and completed the process within a decade, the only exception being Latvia which after a number of reform attempts steered back towards tax-based healthcare. The shift away from the Semashko system has redefined the right to provision of healthcare in CEE from universal entitlement to contribution-based, but otherwise, rather than a unifying convergence, the outcomes of the SHI reforms in CEE have displayed a large variety in terms of institutional designs (see the observations of Kuhlmann and ten Brink [2021] on transnational policy dynamics in

general). The diffusion of SHI across CEE produced heterogenous institutional set-ups, with differences, *inter alia*, in the level of contributions and their source (in a number of countries, the contributions are actually payroll taxes, sometimes split between employers and employees), the organisation of health insurance funds (Czech Republic and Slovakia established multi-payer systems, while the other countries settled for single health insurance funds), the actual share of SHI in current health expenditure (CHE), and the level of out-of-pocket payments (OOP), which in some CEE countries exceed 30 percent, suggesting strong privatisation of risk (Kaminska and Wulfgramm 2019) (see Table 35.1). Moreover, what sets the CEE healthcare systems apart from the German SHI system, which can be referred to as an ideal type (see Rothgang et al. 2010), is the mode of governance. In Germany, despite recent reforms tending to bring in more etatist features, self-regulation continues to play an important role in healthcare governance. To the contrary, in CEE, although physicians have re-established their self-governance bodies and self-regulation now plays an important role in clinical issues, in terms of SHI governance the role of self-regulation is limited by a strong role of the state (Kaminska 2013). Moreover, the autonomy of health insurance funds in some CEE countries (e.g. Poland, Hungary) is very limited in favour of the state, too. Thus, rather than strictly following the Bismarckian blueprint, CEE countries have over the last three decades developed hybrid healthcare systems, combining Bismarckian, Beveridgean and market elements.

The existing literature examining the ideational sources behind the post-communist diffusion of SHI in CEE countries tends to offer two contrasting explanations: one pointing to external sources behind the idea to move “back to Bismarck”, and another indicating domestic triggers. The former body of research suggests that the adoption of SHI in CEE countries was inspired, if not imposed, by international organisations, the World Bank in particular (Deacon et al. 1997; Cerami 2006), while the latter sources argue that the idea to introduce SHI originated within the domestic context (Marrée and Groenewegen 1997; Roberts 2009; Rechel and McKee 2009) (for a broader discussion, see Kaminska et al. 2021).

**Table 35.1** Social health insurance in post-Semashko healthcare systems in Central and Eastern Europe

	CHE as % GDP <sup>a</sup> (2017)	Post-communist adoption of SHI <sup>b</sup>	Single vs multiple payers <sup>b</sup>	Contributions <sup>b</sup>	SHI as % of CHE <sup>b</sup>	OOP as % of CHE <sup>a</sup> (2017)
Albania	5.9% <sup>c</sup> (2008)	1994	Single payer	3.4% of gross salary <sup>c</sup>	N.A.	56% <sup>c</sup> (2008)
Bulgaria	8.1%	1998	Single payer	8% of individual income (of which employees pay 40% and employers 60%)	42%	46.6%
Czech Republic	7.2%	1991	Multiple payers (7 SHI funds, 2014)	13.5% of pre-tax monthly wages (contribution base), with employees paying a 4.5% share and employers a 9.0% share	77.9% (2012)	14.8%
Estonia	6.4%	1991	Single payer	Social tax covering both health and pension Contributions: 13% and 20%, respectively, of employee wages and of self-employed individuals' earnings; employers pay on behalf of employees	65% (2016)	23.7%

*(continued)*



Table 35.1 (continued)

	CHE as % GDP <sup>a</sup> (2017)	Post- communist adoption of SHI <sup>b</sup>	Single vs multiple payers <sup>b</sup>	Contributions <sup>b</sup>	SHI as % of CHE <sup>b</sup>	OOP as % of CHE <sup>a</sup> (2017)
Hungary	6.9%	1989	Single payer	Employers pay a so-called social tax at a fixed percentage, employees pay a social health insurance Contribution: 7% of gross wage	59% (2009)	26.9%
Latvia	6.0%	-----	-----	-----	-----	42.0%
Lithuania	6.5%	1998	Single payer	9% of taxable income	61% (2010)	32.3%
Poland	6.7%	1997	Single payer	9% of gross wages net of social insurance contributions for old age pension, disability pension and unemployment benefits; paid entirely by employees	60% (2016)	23%
Romania	5.2%	1999	Single payer	10.7% of gross salary (employees pay 5.5% and employers 5.2%) (2015)	67% (2015)	20.5%
Slovakia	6.7%	1994	Multiple payers (3 SHI funds, 2015)	14% of gross monthly income (employees pay 4% and employers 10%) (2016)	69.6% (2014)	18.7%

Sources: <sup>a</sup>WHO (2020); <sup>b</sup>HSPM (2020); <sup>c</sup>Bredenkamp et al. (2011) and Szigeti et al. (2019)

This contribution reformulates the question about triggers behind SHI diffusion in CEE in more specific terms, and examines at what level(s) of policy change international interdependencies were potentially influential in the shift away from Semashko systems and towards adoption of SHI. In conceptualising the levels of policy change, this contribution relies on Hall's distinction between "the overarching goals that guide policy in a particular field, the techniques or policy instruments used to attain those goals, and the precise settings of these instruments" (Hall 1993, 278). Accordingly, a first-order policy change is defined as a change in settings (in healthcare this would refer, for example, to the level of contributions collected from employers and/or employees, or the content of the basket of services), without altering "the overall goals and instruments of policy" (Hall 1993, 278). A second-order policy change occurs at the level of the instruments of policy and their settings, while the overall goals of policy remain the same (Hall 1993, 279). Finally, a third-order policy change entails a radical shift in the policy paradigm, whereby "simultaneous changes in all three components of policy: the instrument settings, the instruments themselves, and the hierarchy of goals behind policy" are altered (Hall 1993, 279). Here, the concept of policy paradigm—in Béland's take on Hall's work—refers to "a set of structured assumptions about existing policy problems and the instruments capable of solving them" (Béland 2016, 737).

The following analysis relies on data that have emerged from the research on post-communist reforms in CEE, conducted between 2018 and 2020 within the CRC 1342 and involving numerous interviews and archival research (for a detailed presentation of results on single countries covered in this research, see e.g. Kaminska et al. 2021; Chap. 27; Druga forthcoming; Malinar forthcoming). The empirical evidence presented below suggests that in CEE healthcare systems, the idea to change the paradigmatic framework and shift away from a Semashko system to SHI originated domestically. However, in terms of second-order change, or defining the level of instruments and parameters, domestic policy-makers relied on the expertise of external experts. Here, the data point, on the one hand, to a major role of horizontal interdependencies, embodied by German experts who were actively involved in defining the organisation of the SHI framework in numerous CEE countries, and on the other hand, to the involvement of the World Bank as an example of vertical interdependency.

## 2 Diffusion of Social Health Insurance Across Central and Eastern Europe: What Role for International Interdependencies?

In terms of the ideational sources behind the third-order change, or the paradigmatic shift from Semashko to SHI-based healthcare, the collected evidence clearly supports the domestic hypothesis. The change of paradigm followed from a backlash against the pre-1989 communist healthcare model due to huge dissatisfaction experienced both by health professionals and patients, and to the rejection on ideological grounds of policies that approximated the previous system. These were repudiated in favour of policies that resembled, on the one hand, Western European SHI models, especially the German one, which was perceived as very successful, and on the other hand, the pre-World War II SHI arrangements in CEE countries, which were used as a clear historical reference (Interview Jacobs; Interview Kloiber; Interview Włodarczyk; Kaminska et al. 2021). Moreover, the analysed data indicate, first of all, that when CEE countries were facing the question of a possible paradigmatic change in healthcare, the World Bank—rather than pushing for introduction of SHI—actually promoted tax-financed healthcare with an enhanced state role, and recommended steering away from neoliberal ideas in CEE. Second, these World Bank recommendations met with resistance on the part of domestic policy-makers in CEE, an expression of the rejection of the “old” systemic features (Kaminska et al. 2021). Thus, the World Bank’s ideational impact or the ability to influence agenda-setting in terms of the choice of paradigm for healthcare in the new post-communist reality was limited.

As for the second-order change, or policy formulation at the level of instruments and parameters that would define the new organisational and institutional set-up of CEE healthcare systems, the collected evidence shows that—unlike in the case of the paradigm shift—CEE policy-makers were inclined to rely on the expertise and assistance of external actors. In particular, German experts were actively sought after by CEE policy-makers (Interview Kloiber; Interview Crusius; Interview Włodarczyk; Kaminska et al. 2021). Germany was recognised as the oldest SHI system in Europe and worldwide, with a very good reputation

among CEE physicians regarding working conditions and remuneration. The cooperation with German experts was also embedded in the historical ties between CEE countries and Germany: most CEE countries adopted SHI before World War II following the Prussian or Austro-Hungarian blueprint.

The first German organisation to get involved in CEE healthcare reform processes was the German Medical Association (*Bundesärztekammer*), which was contacted by different CEE actors. For example, in Poland it was the members of the first democratically elected Parliament—in Latvia, the Medical Association; in Romania and Bulgaria, health ministries—that reached out to the German Medical Association for expertise (Interview Crusius; Interview Kloiber; Interview Podnar). The representatives of the German Medical Association could rely on their experience with the process of integrating the healthcare sector in post-GDR *Bundesländer* into the Western German healthcare system (Interview Crusius; Interview Kloiber). Other institutions that were involved in CEE healthcare reforms introducing SHI included the Institute for Healthcare Research (*Institut für Gesundheitssystemforschung*) in Kiel, the Association for Social Security Policy and Research (*Gesellschaft für Versicherungswissenschaft und -gestaltung*) in Cologne, the Centre for Radiation and Environment Research (*Gesellschaft für Strahlen- und Umweltforschung*) in Munich, the Institute for Health and Social Research (IGES) in Berlin, the Institute for Applied System Research (BASYS: *Beratungsgesellschaft für angewandte Systemforschung*) in Augsburg, as well as two of the largest insurance funds in Germany: the *Allgemeine Ortskrankenkasse* (AOK) and the *Techniker Krankenkasse*. The involvement of German experts in CEE was financed among others by the central government, the German Ministry of Health, the regional governments, but also through PHARE<sup>2</sup> projects.

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<sup>2</sup> Following the collapse of communism in a number of CEE countries in 1989, the European Economic Community set up a programme for aid and development focused on post-communist transformation and reforms in many policy sectors. Originally designed for Poland and Hungary and called PHARE—Poland and Hungary Assistance for the Restructuring of the Economy—the programme later extended to cover other countries in the region, and became one of the EU's main financial instruments supporting the accession of CEE countries.

The assistance of German experts was demand driven. They offered advice on re-establishing CEE Medical Chambers which were banned under the communist regime, and on designing institutional and technical solutions for SHI-based healthcare. The assistance on the latter topic included advice on financial simulations, the role of professional self-government (Medical Chambers) in SHI systems, mechanisms of redistribution among health insurance companies, contractual relations with healthcare providers, the role of private health insurance in SHI systems, competition between health insurance funds, execution of health insurance tasks at the central and regional/local level, information systems for registration and contribution collection. In the case of CEE countries that introduced SHI insurance systems shortly after the end of the communist regime (like Hungary, Czech Republic and Slovakia), German experts were involved in refining the SHI systems (Jacobs and Leber 1996; Wasem and Jacobs 1998; Schneider and Jacobs 1996, 1998). In the case of countries that postponed SHI introduction until the late 1990s (e.g. Poland and Romania), German experts were directly involved in the process of preparing SHI legislation where they were asked to evaluate and contribute to the draft bills on SHI introduction (Jacobs et al. 1996; Jacobs and Wasem 1998). German experts would also organise exchange visits, seminars, training and workshops for different stakeholders in CEE healthcare reforms. Importantly, German experts involved in formulating policies that would define the set-up of SHI systems in CEE did not prescribe a one-size-fits-all solution. Instead, efforts were made to take the domestic contexts and needs into account when formulating advice (Interview Jacobs; Interview Marek; Jacobs et al. 1996; Jacobs and Wasem 1998).

Moreover, although the World Bank was unable to convince CEE countries to refrain from changing the healthcare policy paradigm in favour of SHI-based healthcare, its experts played a role in defining the set-up of instruments and parameters of the new SHI system. For example, as discussed by Druga (Chap. 27 in this volume) although the Albanian policy-makers refused to follow the World Bank's advice to retain tax-based healthcare, the World Bank's recommendations in the policy formulation phase were readily accepted.

### 3 Conclusions

At the level of paradigmatic change, the evidence presented above supports Hall's (1993) and Weir and Skocpol's (1985) argument that "the interests and ideals that policymakers pursue at any moment in time are shaped by 'policy legacies' or 'meaningful reactions to previous policies'" (Hall 1993, 277). In CEE, the previous, communist healthcare policy paradigm was perceived as unsustainable by virtually all domestic stakeholders. In Hall's terms, it proved "genuinely incapable of dealing with anomalous developments" (Hall 1993, 280). The failure to address these anomalies undermined its authority and eventually resulted in repudiation of that paradigm by CEE policy-makers. This was reinforced by the positive image of SHI in Western Europe, as well as of the historical CEE experiences with SHI in the pre-communist period and attempts to establish symbolic continuity with the pre-World War II past. Consequently, to use Marmor and Plowden's terms, the rejection of the World Bank's ideas at the paradigmatic level was mainly determined by this local setting, rather than the intrinsic validity of the SHI option (Marmor and Plowden 1991, 812). The World Bank's policy recommendations simply did not fit into the post-communist narrative. This is consistent with Klein's observations about transnational policy learning: "(r) eceptivity to foreign ideas is a function of the extent to which they reinforce or fit in with existing policy predilections and prejudices" (Klein 2009, 308).

At the level of instruments and parameters, external influences played a role in policy-making. In particular, horizontal interdependencies between numerous CEE countries and Germany have proven to be significant. In some countries (e.g. Albania) the World Bank also played a role in defining the design of the SHI system. The external experts contributed to the policy formulation process which defined the set-up of the emerging SHI systems in CEE. They did not pursue a strategy of offering a one-size-fits-all solution across the region. Instead, to paraphrase Klein (2009, 307), they proved to be able to translate foreign experiences into recommendations that were suitable for diverse national environments. This facilitated the process of policy learning and adapting the external

advice to local circumstances in CEE. Consequently, the domestic interpretations of the Western European blueprints have diverged not only from their Western points of reference but also among each other.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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## Interviews

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- Interview Dr. Michal Marek, expert at the Ministry of Health, Poland. 25 September 2020.
- Interview Dr. Otmar Kloiber, Secretary General of the World Medical Association, France. 16 September 2019.

Interview Prof. Dr. Andreas Crusius, President of the Medical Association of Mecklenburg-Vorpommern, Germany. 22 June 2020.

Interview Prof. Dr. Cezary Włodarczyk, Institute for Public Health, Jagellonian University, Poland. 20 March 2020.

Interview Prof. Dr. Klaus Jacobs, Managing Director at the WIDO Research Institute, Germany. 25 March 2020.

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# 36

## A Quest for Equity: Labour Standards on the Transnational Move

Ulrich Mückenberger

### 1 The Historicity of Equality Norms

The complex relationship to equality, of the law regulating labour has been a subject of permanent conflict and development, nationally and worldwide. Constitutions and solemn declarations promise equality for all, as a human right and a property of any human being. By guaranteeing private property, managerial prerogative and freedom of contract, however, law simultaneously systematically leads to inequality. Inequality affects dependent labour as such, and stigmatised groups of workers (gender, ethnicity etc.) in particular, nationally and, though differently in kind, worldwide. This complexity, in recent decades, tends towards greater emphasis on legal equality, particularly gender equality. Whether the new emphasis leads to more equality in practical terms, is an open question.

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Inequality- and equality-driving regulations follow different logics, face different actors and actor constellations, hence show different speeds and historical timetables. Inequality-producing law provides the framework for national, regional and global capital accumulation and expansion via guaranteeing private property, ensures enforcement of freely concluded contracts, provides regional and global rules for trade and investment—rules including, or not, those concerning labour affected. This framework is set up in the day-to-day work of actors like states and international organisations (IOs), entrepreneurs and multinational companies (MNC), and their respective partners. Their activity is relatively invisible and speedy—norm-building follows customs and practices of the economic stakeholders.

Equality-producing law regulating labour provides rules for national and global economic interaction between employers and workers limiting managerial prerogative and freedom of contract. Rules either substantively provide mandatory standards of fairness for worse-off stakeholders, workers, customers, dependent suppliers and so on or procedurally include the collective voice of these stakeholders in associations, shop stewards, works councils, unions, non-governmental organisations (NGOs) and international non-governmental organisations (INGOs), or IOs like International Labour Organization (ILO) or United Nations Conference on Trade and Development (UNCTAD). Equality-oriented actors are more numerous and diverse. Transnational associations of stakeholders, epistemic networks and communities, and tripartite (ILO) or multilateral (United Nations [UN]) IOs have to come to terms with one another. They strive for social rights but often require political rights (rights to freedom association, to articulation and assembly, to free press and media etc.), in order to achieve them.

Gender-equality-producing law demands more. It has to overcome inequalities not only inherent to domination structures of the capitalist market system, but also those due to patriarchal structures in work–life and society. Central parameters of traditional labour law—like the Standard Employment Relationship (SER)—are built around the male-breadwinner family model. Central parameters of traditional workers' voice—like works councils, trade unions, employers' associations,

IOs—in the outset, were male-dominated, sometimes male-monopolistic (Louis 2018, 224). Feminism had—and still has—to fight both capitalist and patriarchal obstacles against egalitarian work–life regulation. Women challenging patriarchal legal constructs like the SER encountered men defending it and coalitions of employers and male workers against their equality claim—with the appeasing excuse, by male socialist militants, first solve the class question, then turn to gender.

Civil rights (property, freedom of contract), says Marshall (1950), are challenges of the eighteenth century, social rights (education, social protection, workers' rights) of the twentieth century. Political rights (freedom of the press, of association, of constitutional and democratic endeavours) shaped the nineteenth century. Civil rights framed the inequality-producing capitalist development, social rights tamed inequality. Political rights were prerequisites of social rights—no social policy and progress without public articulation and association. Taking into account gender equality we may add one historical lag within social rights. We hence identify a historical sequence applicable to the analysis of equality: first civil rights (inequality producing), then social rights (inequality taming, based on political ones), however, first in a patriarchally restricted, later on in a gender-equality enlarged form.

In the following, by presenting and discussing some data from our current research, I want to show that we are in the midst of a worldwide labour regulation development in transition from patriarchal to gender-egalitarian rules. I add a glance at equal rights' drivers in the gender field. They encompass actors representing states/IOs setting equalising rules and social actors raising voice for equal rights. To the latter belong, nationally and globally, workers and workers' organisations and actors not directly involved as social partners, trying to intervene into employment affairs in order to trigger equality. Epistemic communities, transnational advocacy and norm-building networks (Finnemore and Sikkink 1998; Mückenberger 2010; Risse 2013), INGOs and the like collaborate with norm-building states (Hepple 2006) and IOs (Finke 2005; Boris et al. 2018) propagating egalitarian rules. This multiplicity of example setters and emulators (Gilardi 2013) helped equality values gain momentum, worldwide.

## 2 Quest for Equality Under Scrutiny<sup>1</sup>

Within the research project “Worlds of Labour” (Dingeldey et al. 2021) we document and explain how employment rights expand worldwide over time thereby distinguishing between their status-difference-producing and their egalitarian roles. We intend to identify how countries and regions of the world deal with the socio-political tension between exclusive status-protection and inclusive egalitarian social norm-building. By establishing a methodology to quantify norms for comparative purposes, we identified three functions of employment norms-building on the critical analysis of the SER (Mückenberger 1989; Mückenberger and Deakin 1989), but going one step further. We distinguish between a “standard-setting” function (employment rights concerning working time and dismissal protection), a “privileging” function (protective norms restricting their coverage according to criteria of seniority or other selectivity), and an “equalising” function (anti-discrimination rights and flexibilisation control). The thirty-six indicators for these three functions allow us to measure to what extent, *de jure*, norms cover working people in a given geographical and historical context, to typify their in- or exclusiveness according to the functions and to cluster the countries of the world, according to their similar/different inclusiveness and mutual interdependencies, into “Worlds of Labour”. Eventually, we shall be able to compare, in numerical terms, 151 countries of the world (all countries with more than 500,000 inhabitants) over time, back to 1880. So far, a dataset for 115 countries has been constructed, eighty-four of them for the period from 1970 until 2013.

Novel to this research is that the analysis of segmenting and status-protecting labour law is confronted with the one of egalitarian law, worldwide over time. Since its very beginning, the SER-debate (see the historical accounts by Deakin 2013 and by Boris et al. 2018) has dealt with inequality, particularly gender inequality. There was legal-theoretical and empirical evidence that SER-oriented regulation produced segmentative impacts, due to gender-based division of gainful work and care

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<sup>1</sup>I thank Jean-Yves Gerlitz for providing the categorised results and the tables for the F- and G-aspects, which the chapter is based upon.

work. At present, however, we observe a gender-egalitarian counter-movement against the SER-type normalisation. This counter-movement was demanded from the outset of the ILO (Cobble 2018). However, it remained hidden and suppressed within male-dominated norm-generating institutions and procedures. It gained momentum, belatedly but continuously, in the period after the 1970s (Boris et al. 2018).

### 3 1970: At a Turning Point

The early 1970s mark the change, both in Europe and in many parts of the world, from the “Golden Era” of industrialism to a mode of work shaped by restructuring, tertiarisation, flexibilisation, feminisation, and globalisation (Eichengreen 2007; Boris et al. 2018). Along with the results of the worldwide protest movements of the late 1960s, they led to significantly new cultural patterns with respect to gender and work and with respect to the “third world” (Sjoberg and Tuckner 2013; Bonner et al. 2018). They led to an unprecedented thrust of expansion of labour standards (Veneziani 2010; Finkin and Mundlak 2015). They marked a watershed between patriarchal and egalitarian worldwide employment laws. Equalising labour law did not replace segmenting labour law—it rather began to go alongside with it as a competitor and counterpart, within the legal sphere. The year 1970 hence is adequate to start the analysis of the worldwide expansion of equality-oriented employment regulation.

In 1970, twenty-seven of the eighty-four evaluated countries (nearly one-third) had high numerical values in the standards-setting function. Only five countries had high privileging, no more than two countries high equalising values. A considerable number of countries, only a minority of them European, had high working time and/or employment protection values. The two other functions, most clearly the equalising one, were quasi-absent.

In order not to remain generic, I select four of our variables concretising labour law-setting that allow to contextualise law changes in terms of historical phases, movements and networks.<sup>2</sup> In order to give evidence for

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<sup>2</sup> My selection of variables bears the risk of arbitrariness. I leave out all technical details—they can be found in our working paper (Dingeldey et al. 2021).

the increase in gender-equality law, I compare values for fair employment regulation (“F”) with those for equalising gender-equality norms (“G”). For F, I select two variables: “The law, as opposed to the contracting parties, determines the legal status of the worker” and “Law imposes substantive constraints on dismissal”. These variables test a historical turning away, or not, of the labour regulation framework from the market-liberal employment-at-will doctrine: whether the employment parties may evade the applicability of labour law by labelling the contract differently; whether, or not, the continuation of employment is purely at the employer’s will. For G I look at the two variables: “Equal pay for work of equal value is legally provided for” and “The law provides for equal opportunities for men and women in terms of access to employment”. These variables test the turning away of labour law from a purely formal concept of gender equality: whether allegedly typical female work may lawfully remain undervalued; whether gender equality supersedes employer’s freedom of arbitrary hiring decisions. Values of F and G are cumulated; capital letters signal high values (Table 36.1).

The picture for 1970 is as simple for the F- and G-variables as the general picture mentioned above. Whereas nearly half of the countries have high fairness regulation values, less than 5 percent have high gender-equality values. Numerically, the gender-equality issue is not yet on the agenda. Labour law is rather, though not yet in the majority of cases, concentrated on “general” issues affecting workers—such as applicability of labour law or reasonableness of dismissals.

These figures render my thesis of equality’s late entry into social norm-building plausible. They mirror the labour policy outcome of the early and the consolidating phases of employment regulation, in the early 1900s, 1920s, 1950s and 1960s, interrupted by the catastrophes of two world wars and totalitarian regimes. The early phase in employment law

**Table 36.1** Levels of fair employment (=f/F) and of gender equality (=g/G) regulation, 1970: shares in percent (%) of countries ( $n = 84$ ); normalised; low/high threshold = 0.5

f	F	g	G
53.57	46.43	95.24	4.76



consisted of legal measures allowing work on the basis of freely negotiable employment contracts and providing public law protection for children and youths as well as mothers and all women; the consolidating phase included working time and procedural collective representation regulation (Veneziani 2010). Gender-related rules, in these early periods, were restricted to female workers' protection (maternity rights, night work, hazardous substances). Equality rights, though articulated by activists (Cobble 2018), remained banned from the agenda (Zimmermann 2018).

Equality-oriented law owed its belatedness to a very trivial fact: The early periods of social policy were dominated by male ruling-class members of the global North. Just a flashlight instead of a scholarly historical account. The International Worker Protection Conference of 15–29 March 1890 drafting important regulations on mine work, Sunday work, children's and youths' work, and women's work was composed of ca. sixty-five male state or public officials, from fourteen European countries. The famous *Verein für Sozialpolitik* (1873–1936, refounded 1948)—an academic association with eminent members like Gustav Schmoller, Werner Sombart, Lujo Brentano, Max Weber—was so male-dominated that Schmoller, in his inaugurating speech of 1872, just addressed the audience as “*Meine Herren!*” (“Gentlemen!”). The [International Association for Labour Legislation](#) (*Internationale Vereinigung für gesetzlichen Arbeiterschutz*) expanding before WW 1 and paving the way for the first International Labour Exchange, 1901, and the International Labour Office were composed of male intellectuals. The inaugural ILO conference in Washington in 1919 saw thirty-nine states, nearly four to five European, represented. All delegates with voting rights were male, twenty-three women were advisors only (Louis 2018—on the simultaneously conducted Women's Labour Congress Washington 1919, see Cobble 2018). Years later the International Labour Conferences (ILCs) covered the continents to a more equilibrated if nearly exclusively male amount. The Offices—Director-General and Governing Body—powerful doorkeepers of international labour and social policy, remained Europe-dominated and a male domain (Thomas 1948; Louis 2018). They undertook pedagogic efforts (Thomas 1948) to provide worldwide acceptance for Europe-generated labour policy concepts.

Of course, labour standards so created bore the mark of their origin. The institutional context guaranteed patriarchal SER norm-building properties (not excluding paternalist protection of working women) rather than the determined pursuit of the principle of gender equality.

## 4 Gender-Equality Rights Going Their Own Way

The picture changes drastically after 1970. I first discuss the general picture of how the three functions change over time, then proceed to discuss the aforementioned four indicators allowing a gender-oriented evaluation (Table 36.2).

In absolute figures, S is the winner over time, and P remains moderate. E, however, makes the biggest leap over the forty-three years' development. Due to my focus on equality, I discuss the changes within E only, and its relative weight vis-à-vis the two other functions. The absolute E-figures rise particularly in the years after 1995—while the sample size remains nearly constant, the absolute figure of E more than doubles. In the same time span, S shows a much slower increase than E. In 2013, E had clearly overtaken P and had a strong weight on the norm-building agenda, alongside S.

Taking a closer view on the F- and G-values, I now include combined FG-values (Table 36.4). They are to test whether the rise in gender-equality legislation goes along with a rise in fair employment legislation or competes with it. Is there a win-win game between the two or a trade-off? (Table 36.3).

**Table 36.2** Changing frequencies of Standard-Setting (s/S), Privileging (p/P) and Equalising (e/E) employment regulation by year, 1970–1995–2013 (different sample sizes): normalised; low/high threshold = 0.5

Year	s	S	p	P	e	E	Total
1970	57	27	79	5	82	3	84
1995	30	84	102	12	84	30	114
2013	17	98	101	14	45	70	115

**Table 36.3** Changing levels of Fair Employment (=f/F) and of Gender Equality (=g/G) regulation, 1970–1995–2013: shares in percent (%) of countries ( $n = 84$ ); normalised; low/high threshold = 0.5

Year	f	F	g	G
1970	53.57	46.43	95.24	4.76
1995	39.29	60.71	70.24	29.76
2013	29.76	70.24	50	50

**Table 36.4** Changing fg-Fg-/fG-FG-constellations, 1970–1995–2013: shares in % of countries ( $n = 84$ ); normalised; low/high threshold = 0.5

Year	fg	Fg	fG	FG
1970	50	45.24	3.57	1.19
1995	30.95	39.29	8.33	21.43
2013	13.1	36.9	16.67	33.33

G rises significantly. G-countries start out in 1970 (already in Table 36.1) as a tiny minority under 5 percent. The share, by 1995, rises to nearly 30 percent and, by 2013, gains 50 percent parity. F, starting near 47 percent by 1995 rises to 60 percent, by 2013 to 70 percent of countries. In both aspects, the major push takes place before 1995, the more moderate one by 2013.

Table 36.4 does not suggest a trade-off between fairness and gender-equality regulation, rather a mutually reinforcing relationship. In 1970, fg-countries had a share of 50 percent, by 1995 declining to 30 percent, by 2013 to 13 percent of the countries. FG-countries' share rose from 1970's quasi-zero to over more than one-fifth by 1995, and to over one-third of countries by 2013. Countries with an Fg-constellation are still more numerous than those with an FG-constellation, but they are near to each other and show an inverse development tendency (Fg downward, FG upward).

## 5 A Structural Reshaping of Work Regulation

Some of the described national legal changes can be correlated with the promulgation dates of international or supranational normative acts. The rise of the F-values went along with the 1982 ILO Termination of

Employment Convention No. 158 and the 2006 ILO Employment Relationship Recommendation No. 198. The rise in G-values coincide with the anti-discrimination directives of the European Economic Community (EEC) in the years after 1975 (Hepple 2009), the coming into force of the UN International Covenant on Economic, Social and Cultural Rights (ICESCR), in 1976, and the adoption of CEDAW—Convention on the Elimination of All Forms of Discrimination against Women—in 1979. But legal acts alone do not explain the worldwide numerical diffusion of equality-oriented norms. Let us look at the two G-variables only, the principles of which were already present in legal documents as early as 1919 (ILO Constitution), 1944 (Declaration of Philadelphia), and in the 1951 and 1958 ILO Conventions No. 100 and 111. But they were neither effectively diffused nor broadly statutorily implemented. Only in the mid-1970s were legal enactments accompanied by movements for change in gender roles, in Europe as well as around the UN and the ILO. Recent research on this period documents the emergence of working women's transnational networks (see the list in Boris et al. 2018, x–xxvi) and equally those of informal women workers (Bonner et al. 2018, 197–201).

The enormous rise by 2013 of gender-equality regulation was mainly due to the increase in both the female workforce all over the world (Sjoberg and Tuckner 2013) and the growing transnational feminist movements. World Women Conferences from Mexico 1975 to Beijing 1995 served as hubs for transnational women and experts' networks and spread-out spokes all over the world. Again, a flash: The 1995 Beijing Conference proclaimed Gender Mainstreaming as a principle of gender equity in all spheres of regulation (Finke 2005; Boris et al. 2018; Louis 2018). This principle spread globally, and became both enacted in Art. 3 para. 2 of the 1997 European Community (EC)-Treaty (Mückenberger 2010a) and the 1998 ILO Core Labour Standards Declaration—examples of the emulative function of transnational networks.

Women's representation in worldwide norm-building networks and agencies grew along with these outcomes—numerically and with respect to the strategic options they stood for. Marieke Louis, studying female representation in the ILCs, found that the number of women, still minoritarian, more than doubled in the 1970s and then continuously

rose (Louis 2018, 206). This certainly enhanced female voice. One problem, however, remained. Within global feminism, there were cleavages between the Global North and Global South. Whether gendered labour law should primarily provide protection or rights of equality; whether it should provide fair conditions for commodified labour or de-commodify labour via universal guarantees; whether Gender Mainstreaming should primarily be a fight against worldwide poverty or for women's emancipation—these were issues sometimes splitting these movements and weakening their voice in the effort to enforce gender equality.

Nevertheless, gender-equality-oriented labour standards have gained momentum since the 1970s and particularly around the turn of the twenty-first century. There is no reason to idealise these findings, as positive in their implications for social policy dynamics as they are. Our evidence so far is numerical—not taking into account the concrete countries concerned—and normative, only—not weighing obstacles to implementation, state failure, weakness of social partners or INGOs, autocratic and/or lacking national bureaucracies and so on. What the material confirms is the increasing tension between growing worldwide inequalities and an evidently growing quest for both legal and factual equity—no less and no more.

This tension underlines that we are now in the midst of a worldwide labour regulation transition from patriarchal to gender-egalitarian rules. This bears the potential to culminate in a step towards humanising the regulation of labour. That there is no trade-off between fairness and gender-equality regulation, but a mutually reinforcing relationship may express a significant *legitimacy* change. Probably female gender-equality claims are no longer regarded as articulating just a *particular* interest of a “feminist lobby”. There is a *common* interest in gender equity as a condition for better gender and generation relationships and for reconciliation of gainful work and life, for men and women alike.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 37

## Did Migrants Build the Welfare State? Migration as a Social Policy Driver in Early Twentieth-Century Uruguay

Teresa Huhle

### 1 Introduction

This chapter explores the links between two matter-of-course phenomena in Uruguayan historiography: the notion that nineteenth-century Uruguay was a “product of immigrants” and the often-repeated assumption that the small country became Latin America’s first welfare state in the first two decades of the twentieth century. The second claim is based on the widespread provision of public education and healthcare and on a vast number of labour reforms, most notably the introduction of the eight-hour working day in 1915. These reforms were introduced by a faction of the liberal Colorado Party coined *batllistas*, in reference to two-time president José Batlle y Ordoñez (1903–1907 and 1911–1915). Half a century earlier, the small republic of Uruguay had started to fully participate in the Great Atlantic Migration and experienced tremendous demographic growth.

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This chapter analyses one international interdependence—transatlantic migration—and traces and evaluates its manifold direct and indirect impacts on social policies in the “model country” Uruguay, as Batlle y Ordoñez famously framed it. After briefly summarising the pioneering social policies and the size and character of transatlantic migration from the second half of the nineteenth to the early twentieth century, three lines of impact will be examined: (a) how Uruguayan politicians framed health and labour legislation as a means to attract migrant workers and used the reforms in their recruitment of European migrants; (b) how migrants shaped the labour movement, which successfully demanded and negotiated social policies, and organised welfare in mutual societies; and (c) how second- and third-generation migrants formed part of social policy reform circles.

Whereas *batllismo* has attracted much scholarly interest, the history of European migration to Uruguay has not received similar attention (Goebel 2010, 192). The nexus between migration, the labour movement and *batllista* policies has been addressed in the literature (Finch 1981, 12–13), but in-depth studies only looked at two sides of the causal chain, in other words, either at the relation between migration and organised labour (e.g. Zubillaga 1997) or between labour and *batllismo* (Peterson 2014).

## 2 The *Batllista* Welfare State

What made *batllista* social policies so exceptional? Parts of the answer can be found in a list of progressive legislative pieces and in the comparatively close relation between organised labour and *batllista* politicians. Not only was Uruguay the first Latin American country to introduce the eight-hour working day in 1915, but the *batllistas* also enacted laws on the prevention of occupational accidents (1914), the obligation to provide chairs for women workers (1918),<sup>1</sup> the prohibition of night work in the

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<sup>1</sup> More precisely, that year the “*Ley de la Silla*” (“Law of the chair”) was passed. It aimed at the special protection of women workers by obliging factory and shop owners to provide chairs for their female employees, so that the women could sit down during parts of their work.

food industry (1919), state pensions for the indigent aged and invalid (1919), and compensation for occupational accidents (1920). Additionally, the creation of a national public assistance agency in 1910 provided for public healthcare for the poor and framed this in terms of citizens' rights.

However, the *batllista* reformers were also talented myth-makers engaged in the creation of a narrative of exceptionalism that—just as the reforms themselves—should help to impress both contemporaries and later generations within and outside of Uruguay. The small republic's exceptional legislation in the early twentieth century not only included the fields of labour and health, but also vast public education reforms that had started during what is referred to as Uruguay's first modernisation period from the 1870s onwards. Importantly, *batllismo* also promoted the creation of a strong state economy, far-reaching secularisation, that was epitomised in the ban of religious symbols from public hospitals, and moral legislation such as the introduction of a divorce law in 1912. Altogether, this made for the country's "unique" and "unorthodox career" (Finch 1981, 1). Explanations for this uniqueness of the Uruguayan path in the early twentieth century emphasise the lack of opposition to Batlle y Ordoñez' modernisation programme in the setting of a very small country, and a favourable economic situation due to high prices for its main export products (Hentschke 2016, 25–26). However, scholars have also attributed *batllismo* to the large number of immigrants that arrived in the port of Montevideo since the early nineteenth century who as urban workers and members of the middle sectors were important supporters of Batlle's reform policies (Goebel 2010, 207; Finch 1981, 12–13).

### 3 A Country of Migrants

The arrival of mostly European immigrants and their interactions with the *criollo* population have shaped the small republic since its independence in 1830. From the 1850s until the 1920s, immigrants arrived in large numbers. Uruguay in the nineteenth century suffered from instability due to the country's position as a buffer state between the much larger neighbours Brazil and Argentina, and to armed conflicts between the

liberal Colorado Party and the conservative National Party (known as the *Blancos*). European immigrants are regarded as an important factor underlying the “first modernisation” of the country in the last decades of the nineteenth century. Some even argue “that Uruguay was built by people who ‘stepped off the boat’” (Arocena 2009, 108). Importantly, migration also shaped nation-building and influenced the long-lasting image of a cosmopolitan urban nation created in the early twentieth century.

With estimations that range from 273,000 to 579,000 migrants arriving between 1880 and 1930 (Goebel 2010, 197–98), the absolute number of immigrants was lower than in its larger neighbours. But:

(f)or much of the period from 1850 to 1930, during which most immigrants arrived, the ratio of newcomers per decade to resident population matched or even surpassed that of the United States, making Uruguay’s population grow sevenfold in the second half of the nineteenth century, the highest rate in Latin America by far. (Goebel 2010, 191)

At the peak, from the 1860s to the 1890s, about a third of the total population and half of the capital Montevideo’s inhabitants were foreign born, most of them in Italy and Spain. But while between 1850 and 1930, 70 percent of the migrants arrived from these southern European countries (Goebel 2010, 192), there was also an important number of Brazilians that settled in the border region, and a continuous bidirectional migratory movement across the Río de la Plata between the cities of Montevideo and Buenos Aires.

## 4 The Promotion of Migration to “The Most Favourably Situated Country”

From its beginnings, liberal Uruguayan politicians had pushed for European migration to their newly independent country. Just as Argentinean intellectual Juan Bautista Alberdi had famously claimed in 1852, Uruguayan liberals also considered that “to govern is to populate” (Oddone 1966, 10). But even though they were continuously concerned that Europeans would prefer to settle in Argentina or Brazil instead, state

efforts to attract migrants remained vague until the end of the nineteenth century. “Immigration to Uruguay was thus largely of a spontaneous type, with labour opportunities in trade, transport, artisanship and, to a much lesser extent, land acting as the country’s principal attractions” (Goebel 2010, 196). Furthermore, private initiatives in search of cheap labour established exploitive contraction systems (Oddone 1966, 25). Eventually, the first immigration law was passed in 1890, which can be considered a turning point in the history of migrant recruitment by the Uruguayan state.

When the liberal *batllistas* came to power in 1904, state-sponsored recruitment of immigrants became a top priority. Still in constant competition with its neighbouring countries, Uruguayan politicians and diplomats frequently highlighted economic opportunities, but also constantly used the country’s progressive social policy and labour legislation to highlight their country’s attractiveness as a destination for migration. Diplomats had played an important role in the promotion of migration to Uruguay since the 1860s (Oddone 1966, 25). By the early twentieth century, the recruitment of labour migrants had become a key task of Uruguay’s diplomatic personnel and they dedicated themselves to writing propagandistic material on their home country, be it books or newspaper articles (Zubillaga 1998, 71–73). One widely circulating example is the monograph *L’Uruguay au commencement du XXe siècle*, published in 1910 and written by Colorado politician and diplomat Virgilio Sampognaro. The book was published under the auspices of the Uruguayan committee for that year’s universal exhibition in Brussels, and Sampognaro, in his function as the committee’s secretary, aimed to “make a new people, that has since a dozen years taken up a development worthy of their attention, known in Europe” (Sampognaro 1910, under “Préface”, own translation). Importantly, a chapter dedicated to the situation of the working class underlined the book’s aim of attracting immigrant workers, promising that the Uruguayan state treated its workers favourably, paid them well, listened to their voices and offered them good food. In sum “the working class found in Uruguay a highly developed democratic surrounding” (Sampognaro 1910, 342, own translation).

Nationalist literature that described and praised Uruguayan characteristics boomed beyond the diplomatic sphere in the early twentieth

century. These “lay catechisms” were also mainly aimed at attracting immigrants (Caetano 2000, 17, own translation). In order to lure European migrants to the River Plate, the authors described Montevideo as a cosmopolitan and modern capital of a “civilised” European country that was situated among “barbaric” neighbours. This emphasis on Uruguay’s Europeanness was accompanied by the racist plot of a country free of natives: “It seems like Uruguayan soil is a region formed by pieces of different European countries. (...) Luckily no *indígenas* have existed in Uruguay for very many years, so that it is not necessary to civilize its inhabitants (...)” (Maeso 1910, 14; 304, own translation).

But, just as Sampognaro, most of these oeuvres emphasised the high standard of Uruguayan labour legislation. For example, a state-sponsored brochure on “Uruguay in 1915—a summary of its riches and progress” highlighted that:

the political organisation is in harmony with the most advanced democratic principles and day by day it is being rounded out by new social laws which are making of Uruguay the most favourably situated country among the nations of the world. (Ministerio de Industria, Oficina de Exposiciones 1915, 22)

A further example for this kind of self-praise is the voluminous state-sponsored centennial publication from 1926, which also included a lengthy chapter on labour policies. It emphasised that “Uruguay has managed to pass America’s most complete labour legislation” and confidently stated that the small country was “going ahead of this century’s movement, in order to offer the fruits of its experience to the nations with more ancient cultures (...)” (Consejo Nacional de Administración 1926, 333, own translation).

Additionally, these texts also promoted the public welfare system. Here the authors carefully tried to praise assistance to the poor and sick, without creating the impression that poverty and sickness were widespread phenomena in affluent Uruguay. Hence, Carlos Maeso admitted that “in the middle of the richness of its privileged soil” Uruguay “also has its share of inhabitants that live in misery” in order to stress that “the miserable are not forgotten in Uruguay” (Maeso 1910, 173, own translation).

Likewise, in the before-mentioned brochure from 1915, the authors first emphasized that Uruguay “for natural reasons of soil and climate is one of the most healthful countries in the world as the demographic statistics clearly show in the low percentage of mortality” before praising “the public services of hygiene and medical attendance (for) hav(ing) reached the highest degree of development in conformity with the requirements of modern science” (Oficina de Exposiciones 1915, 140).

In essence, the review of the nationalist literature shows that the *batllista* governments tried to use their labour and welfare policies to attract immigrants. It is however far less clear how that strategy played out. Just as current debates on the welfare magnet effect suggest (Ponce 2019), a variety of factors shaped the decisions of European migrants. Clearly though, upon their arrival in Uruguay and contrary to what *batllista* myth-makers would want us to believe, migrant workers’ demands had been important for the formulation of labour and welfare policies since the mid-nineteenth century.

## 5 Migrants, the Labour Movement, and Labour Legislation

As early as the 1850s, migrant workers established mutual aid societies, which protected their members against social risks such as sickness, unemployment, and accidents. Some of these societies still exist today and constitute an important private pillar within the Uruguayan health-care system (Arocena 2009, 116). Nevertheless, the *mutualistas* and the unions that succeeded and accompanied them since the 1870s were also the place from where the government was pushed to introduce legislation in the workers’ favour (Wätzold 2015, 98). Both in Uruguay and Argentina most groups of organised labour followed anarchist ideas that had been carried over the “libertarian Atlantic” (Wätzold 2015) by their large share of Italian and Spanish members. But their militant knowledge travelled in various directions as highly mobile anarchists often crossed the Atlantic more than once and repeatedly agitated on both shores of the River Plate. Authors who study specific migrant communities have

argued that radical ideas within the Uruguayan workforce emanated from specific publications from the Iberian Peninsula (Zubillaga 1997, 103–05) or Italian newspapers such as *L'Agitatore* (Peterson 2014, 19) respectively. This serves as a background to understanding why Uruguayan sociologist Felipe Arocena framed the introduction of the eight-hour working day in 1915 as a “direct consequence” of Italian militants within the Uruguayan labour movement (Arocena 2009, 116).

This interpretation suggests that the *batllistas* introduced the eight-hour working day to pacify agitating workers. But there is another facet to the story: that Uruguayan anarchists developed a peculiarly close relation to the state and labour legislation can also be interpreted as the successful result of labour action. Contrary to every other governor in the Atlantic world, José Batlle y Ordoñez maintained friendly relations with anarchist organisations and leaders. He famously opened Uruguay's doors when a large number of immigrant anarchists were expelled from Argentina in 1902. And when Uruguay witnessed its first general strike in 1911, the president expressed his support (Peterson 2014, 136–37). Labour bills had first been discussed in Uruguayan parliament in 1903. Initially, anarchist newspapers refrained from commenting on the legislative proposals, reflecting anarchist distrust in the state (Peterson 2015, 121–22). By 1910 however, when José Batlle y Ordoñez was about to start his second presidency, “a new and peculiar ideology we may call anarcho-batllismo” (Peterson 2015, 125) emerged. This anarchist faction supported Batlle's candidacy and saw him at the forefront of progressive forces within Uruguay, not least thanks to his strong anticlericalism. However, those who were leading the anarchist sections in support of Batlle were not workers, but well-known intellectuals instead. Most of them had been born in Spain and were actively engaged in European and Argentinean political circles as well (Peterson 2015, 125–130). When labour laws finally started to pass parliament from 1914 onwards, they came with so many flaws that the close relations between *anarcho-batllistas* and the state did not prevent major labour unrest. The most violent protests arose in 1915 after the introduction of the eight-hour working day. Still, instead of rejecting the state's role as their ally, workers then fought



to improve the law (Peterson 2015, 138). In this endeavour they interacted with another group of immigrants: those who formed the core of the young *batllista* reformers.

## 6 *Batllista* Reformers: The Second Generation

As stated earlier, in the early twentieth century migrants not only formed large parts of the urban Uruguayan working class, but also of the emerging middle sectors. From there emerged the men and women who developed the labour, health, and welfare reforms in the growing *batllista* state apparatus. While a proper middle class was not yet formed, certain career paths—most notably a university degree in law or medicine—showed the societal way upwards. At the same time, these professions were the liberal politicians’ “anteroom of politics and hideaway for difficult days” (Barrán and Nahum 1979, 250, own translation)—and almost all politicians were liberals. Their Colorado Party had been in power since 1865 and was synonymous with the country’s political class, while leaving conservative interests untouched until José Batlle y Ordoñez came to power. Whereas the highest-ranking Colorado politicians since the nineteenth century—including Batlle himself—came from a small number of families with colonial roots, the young *batllista* political circle was primarily comprised of second- and third-generation immigrants, mostly of Italian, but also of Spanish and French ancestry. The political opposition would use this demographic fact to reproach *batllistas* as “agitating foreigners” (Barrán and Nahum 1979, 100).

Domingo Arena (1870–1939), a close advisor and friend to Batlle and one of the principal *batllista* thinkers and policy-makers, had even been born in Italy. His biography prototypically illustrates the migrants’ way up. He came to Uruguay at age seven, living with his Italian parents in the interior of the country, where his father worked as a cobbler. Young Arena would then move to Montevideo, received university degrees in both pharmacy and law, and entered the world of liberal politics through

Batlle's newspaper *El Día*. Among his close political allies were Pedro Manini Ríos, Francisco Ghigliani, and José Serrato—all sons of Italian immigrants and important liberal figures throughout the first three decades of the twentieth century. The vast list of *batllista* reformers with Italian parents further includes the main architect of the national public assistance—José Scosería—and famous feminist and social reformer Paulina Luisi.

## 7 Conclusion

This chapter has looked at the international interdependence of transatlantic migration as a possible explanatory factor for the early and broad social policy reforms in *batllista* Uruguay (1903–1933). The brief analysis could show that: (1) social policies were used to attract migrants, (2) the Uruguayan labour movement—largely composed of migrant workers—was important for the introduction of social policies, and (3) many important *batllista* reformers were the children of European immigrants. As could be seen, European migrants and their descendants carried labour demands and social policy ideas back and forth over the Atlantic and the River Plate. However, migration is certainly only one among a series of factors that can explain Uruguay's social policies in this timeframe. Moreover, neighbouring countries received similarly large numbers of immigrants without developing the same social policies. This makes it only more surprising that the early migration–social policy nexus has not yet been studied in depth for neither Uruguay nor the Cono Sur region—a worthwhile endeavour as this chapter has aimed to argue.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 38

## Social Protection for Migrant Workers in China

Tao Liu and Tobias ten Brink

### 1 Introduction

When the Chinese party-state began to open up and reform its domestic economy in the 1980s, the economy was still predominantly rural. With the associated creation of special economic zones, primarily in coastal provinces, an industrialisation process began which has seen the construction of the largest urban agglomerations and industrial zones in global history. This particularly applies to the Pearl River and Yangtze River deltas with megacities such as Shenzhen, Guangzhou, Shanghai, or

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Hangzhou. One cornerstone of China's economic miracle was domestic migrant labour. Through the incremental liberalisation of domestic migration control, millions of rural residents had been allowed to move to coastal urban areas to work in low-skilled and labour-intensive sectors. One well-known example is the Taiwanese company Foxconn, currently the world's largest contract manufacturing company, which assembles cell phones and laptops for several major companies, including Apple. In its main business park, north of the city centre of Shenzhen, alone, the company had a staff of approximately 300,000 largely migrant workers in 2008 (ten Brink 2019, 138).

Today, migrant workers constitute the largest segment of the urban labour force in China. Between 2000 and 2015, their share of the urban working population increased from 36 percent to over 60 percent (Lee 2016). To understand the specific role of this huge class of domestic migrants in China's reform process, as well as the problems it encountered in trying to access some sort of social protection, we have to go back to the founding period of the People's Republic after 1949. The communist government led by Mao Zedong prescribed the joint leadership of two main classes—the working class and the peasant class—under the tutelage of the Chinese Communist Party (CCP). Although Maoist ideology attributed a leading role to workers and peasants, and the 1949 revolution received extensive backing from peasants, the CCP government in practice did not develop a pro-peasant policy. Instead of implementing policies that promoted peasant welfare, the state introduced a radical pro-industrialisation policy aimed at mobilising social, economic, and fiscal resources to promote and accelerate a catch-up industrialization at the expense of peasants' interests (Lu et al. 2001). Correspondingly, peasant welfare declined in importance. Through the “price scissors” policy (*jiandaocha*), the price of grains and other agricultural products were artificially reduced to a minimum and purchased by the state. These low-priced agricultural goods made a substantial contribution to urban industrialisation and indirectly promoted the general welfare of urban residents (Knight 1995). Peasants' welfare, in contrast, was marginalised (Bian 2005).

A politically intended artificial separation of urban and rural residents was behind the Maoist industrialisation drive. Accordingly, the Chinese

government from the late 1950s onwards adopted what was referred to as the *hukou* system—the household registration system prescribing that every Chinese household must be in the possession of a “family book” in which all relevant information (number of persons in the household, their names, birth dates, marriage dates, family members, and changes in the status quo) was to be accurately recorded and updated. The “family book”, which is the literal translation of the Mandarin *hukou*, not only served as an official registration vehicle, but also was associated with a rigorous policy of exerting social and political control over populations. The two key population groups—urban and rural residents—were thus separated and set apart by their different *hukou* statuses (Cheng and Selden 1994; Chan 2009).

From its inception, the *hukou* system evolved into an inequality-generating institution, creating differential access to social and welfare facilities and programmes. Urban *hukou* holders were identified as members of the urban welfare system, rural *hukou* holders were classified as members of the rural welfare system, and serious migration restrictions were in place from the late 1950s to the 1970s (Davis 1989). This system stratified the welfare of urban and rural residents. It is also key to understanding the welfare of migrant workers during China’s reform process after 1978, as well as being central to the subsequent “system of sustaining super low-cost Chinese labour in the international market” (Chan and Buckingham 2008, 604).

## 2 The Social Protection of Migrant Workers: Two Phases

### 2.1 1978–2002: Migrant Workers As Social Outsiders and a Disenfranchised Group

In the process of China’s reform and opening up after 1978, the development of a market economy with Chinese characteristics required a mobile labour force. To facilitate this, the domestic migration ban was gradually liberalised and ultimately lifted. That said, although the migration control function of the *hukou* system has diminished, the function of

facilitating a differentiation of welfare entitlements has been consistently sustained. Through the liberalisation of domestic migration policy, since the early 1980s, more than 300 million rural residents in China were able to move to urban areas to seek jobs with higher salaries in order to achieve upward mobility. The general direction of domestic migration was from west to east and from north to south, with rural residents from the poor hinterland tending to move towards coastal provinces, the economically dynamic and prosperous regions of China (Chan and Zhang 1996; Cheng and Selden 1994).

These mass dislocations are closely connected with the *hukou* system and are thus different from rural–urban movements in other countries such as India or in African countries since population movements there are not constrained by a formal household registration system. The process saw agricultural *hukou* holders move to new locations to live alongside non-agricultural *hukou* holders, that is, urban residents. However, unless migrant workers are granted urban *hukou* and become formally registered as urban residents, they will permanently retain the status of the “other”, temporarily residing in cities and not included in the institutional regulatory framework of urban areas due to their disadvantaged *hukou* status.<sup>1</sup> This created a precarious situation for migrant workers’ social security in reformed China. On the one hand, domestic migrants were disembedded from their home and family environment; on the other hand, they were excluded from the urban legal and institutional framework, and were additionally disembedded from the urban education system, public health, and welfare sector. This dual disembeddedness is key to understanding social protection for migrant workers. Since economic reform, Chinese migrant workers have typically taken on what have been dubbed “3D jobs”—dirty, dangerous, and demeaning—with less security and less stable wages (Sun 2019) and yet they are

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<sup>1</sup> In order to promote urbanisation in China, different local urban governments have adopted policies that enable some residents with agricultural *hukou* to obtain non-agricultural status if certain conditions have been satisfied, for instance, the possession of certificates of higher education and a record of having worked in urban areas for several years. On these and other attempts to reform the *hukou* system, see Sun (2019) and Wu and Zhang (2018).



the lynchpin of the extraordinary construction booms and rapid urban development in Chinese cities. Despite their crucial contribution to China's economy, they were completely excluded from urban welfare and social protection programmes in the initial reform period, and thus remained a highly vulnerable group in economic and social terms (Chan et al. 1999; Sun and Liu 2014).

In the first reform period (1978–2002), migrant workers were not only inadequately protected, they were virtually excluded from any kind of social protection programmes for the following reasons. First, migrant workers were, by definition and based on *hukou* status, rural residents, and their othering in urban spaces made them disenfranchised in a socio-political sense. Concurrently, rural social welfare in the People's Republic had rapidly deteriorated, even disintegrated entirely, since the social and financial basis for the rural collective economy and rural collective welfare—the People's Communes—had collapsed over the course of the market-oriented reforms. Due to the sudden demise of rural collectives, existing rural welfare systems such as rural cooperative medical services stepped off the stage of history (Duckett 2011). The single rural welfare system—the “Five Guarantees”, which granted food, clothing, medical services, housing, and subsidies for the funerals of farmers without supporting family members—only existed in rudimentary form in some wealthy coastal areas; in many parts of the country, this programme had ceased to exist due to the fiscal drain on local villages.

Second, and more importantly, migrant workers were almost completely precluded from participating in urban social protection programmes. They were not covered by either old or new urban social welfare programmes. In the 1990s, the newly piloted and then established pension insurance, health insurance, and unemployment insurance for urban employees, and the Minimum Living Standard Scheme (*dibao*) for urban residents did not cover migrant workers. In sum, for the first twenty years of Chinese economic reform, migrant workers were disenfranchised outsiders in urban areas.

## 2.2 The 2000s and Beyond: Migrant Workers As an “Amphibious” Group

Since the turn of the millennium, under pressure from international debates on decent living standards and a national upsurge in migrant worker protests, and against the backdrop of sustained double-digit growth rates, which also increased the demand for higher skills, the party-state changed course (Lee 2016). Particularly after the Hu-Wen government came to power, it corrected the previous neoliberal-looking course, and adopted a so-called “pro-people policy” (*qinmin zhengce*). The general welfare of Chinese residents, and especially the well-being of vulnerable citizens, was increasingly taken into consideration. Social policy in China was subject to extensive reforms, moving in particular towards greater inclusion in social protection programmes (Liu and Sun 2016a, b). A threefold transition took place:

First, since the 2000s, various new types of basic social protection programmes have been piloted and then implemented, with an emphasis on integrating uninsured residents in both urban and rural areas. A New Rural Cooperative Medical System was piloted and then rolled out nationally between 2004 and 2008. The aim was to include all Chinese farmers in a special health insurance programme based on a mixed-financing comprising payments by peasants and subsidies from villages and different levels of government (Müller 2016). It had officially reached a coverage level of 99 percent of the rural population by 2013. Additionally, a special health insurance programme for urban residents based on a co-financing model was established in the same period. In the field of pensions, a non-contributory basic pension for rural residents was piloted in 2009 and then launched as a national-level social protection programme in 2011, financed by tax revenues from different levels of government. This basic pension programme was supplemented by pension insurance for rural residents based on individual accounts subsidised by governments (Liu and Sun 2016a). This scheme was emulated in urban areas, where pension insurance for urban residents was created in 2011. Basic social pensions for rural and urban residents were then merged into one programme in 2014, comprising rudimentary pension security for urban and rural residents. Moreover, a work accident insurance programme for

employees in enterprises, adapted from the German model of statutory work accident insurance, was launched in 2004 (Leisering and Liu 2010).

Second, some of the already existing urban programmes were extended to rural areas, including the urban social assistance programme (*dibao*), which was launched in 2007 (Liu and Sun 2016b). Further, the social relief programme (the “Five Guarantees”) that had been largely abandoned has been restored and promoted in many rural areas (Liu 2014). Both programmes have contributed to establishing a basic social assistance network in rural China in which migrant workers can participate.

Third, some migrant workers in cities have been gradually included into the contribution-based and more comprehensive social insurance programmes for urban employees. Table 38.1 shows that in 2017, 62.02 million migrant workers participated in the urban pension insurance programme for employees, 62.25 million migrant workers obtained urban health insurance for employees, 48.97 million migrant workers were covered by unemployment insurance, and 78.07 million migrant workers were included in the work accident insurance programme. The proportion of migrant workers in these social insurance programmes ranged from 17 to 27 percent (see Table 38.1).

**Table 38.1** Participation in urban social insurance programmes (2017)

Social insurance programmes	Number of participants (urban employees) (million)	Proportion of urban employees (%)	Number of participating migrant workers (million)	Proportion of migrant workers (%)
Pension insurance for urban employees	292.68	69	62.02	22
Health insurance for urban employees	222.88	52	62.25	22
Unemployment insurance	187.84	44	48.97	17
Work accident insurance	227.24	54	78.07	27

Source: ILO. 2019. Improve China’s floating population insurance system. [https://www.ilo.org/beijing/information-resources/public-information/factsheets/WCMS\\_732200/lang%2D%2Dzh/index.htm](https://www.ilo.org/beijing/information-resources/public-information/factsheets/WCMS_732200/lang%2D%2Dzh/index.htm)

Of course, the integration of domestic migrants into the more generous, contribution-based urban insurances for employees is dependent on them finding a job with a long-term written contract. This represents a considerable challenge despite recent changes in legislation since the late 2000s, aimed at formalising labour relations and professionalising social security. For migrant workers, the employment relationship is still frequently based on a verbal agreement, since employers try to subvert or bend labour laws for instance. According to the results of a survey conducted by the National Bureau of Statistics of China, in 2014, this was the case for over half of all migrant workers (Lee 2016, 320; for a broader overview on changes in China's labour relations, see ten Brink 2019, Chap. 3). Moreover, migrant workers have problems accessing rural social protection since they are geographically separated from it. Migrants insured in the rural health insurance are often expected to seek treatment at the hospital in their place of origin, for instance, rather than going directly to a hospital in the city where they are working (Müller 2016). Services such as social assistance can often be claimed and received only at the place of registration, which means that in reality entitlements are often used as a fallback option upon return.

Compared to the previous reform period, migrant workers now have more options for inclusion in social protection programmes. The popular belief that Chinese migrant workers are completely excluded from welfare arrangements is thus outdated. Instead, we could argue that in view of the significant changes in labour relations, which, as in other capitalist modernisation processes brought extensive commodification and precarisation in their wake, the safeguarding of social integration, and thus social peace, was so far being met with relative success, not least through the basic inclusion of migrants in social security programmes (for similarities and differences with respect to the realm of labour relations and collective bargaining, see Lee [2016]; ten Brink [2019]).

Furthermore, in the second period of China's reform, the social protection and welfare of migrant workers has become more diversified and, thus, more complicated. Overall, the lives of migrant workers exhibit dual characteristics, shaped as they are by both urban and rural institutions, a phenomenon which in China is referred to as "social amphibiousness". Therefore, today's migrant workers often opt to participate in either

rural or urban programmes or even combine both—provided they have a secure job with a long-term contract. Thus, the problem of overlapping insurance has arisen, particularly in the area of health insurance. Since migrant workers may possess a “double status” of rural residents and urban employees, it is possible that some of them are intentionally or unintentionally covered by two social protection programmes. For instance, a 2014 report from the Peoples’ Network claimed that there are more than 100 million cases of overlapping insurances in China. The typical case is where a rural resident who was previously insured in the New Rural Cooperative Medical System moves to an urban area, is employed by one enterprise, and consequently also participates in (the more generous) medical insurance for urban employees. The Ministry of Human Resources and Social Security has not provided information about the precise number of individuals with overlapping health insurance; however, this phenomenon is widespread in Chinese society, making it a contentious topic.

### 3 Conclusion

China’s opening up to the world economy has dramatically changed the lives of those who moved to urban centres in search of work and social mobility. This chapter has elaborated the two phases of development of social protection for migrant workers. During the first period of economic reform, migrant workers were precluded from participating in the urban welfare sector, and were highly inadequately protected by a rudimentary rural welfare system. Since the dawn of the new millennium, migrant workers have evolved into an “amphibious” group, increasingly protected by an emerging basic rural social protection system, and, at the same time, at least partially incorporated into urban social insurance programmes.

However, despite the expansion of basic social protection for Chinese migrant workers triggered by a combination of international and national factors, this cannot disguise the fact that they still constitute a highly vulnerable group. For example, if migrant workers are only insured by rural health insurance, they usually have to pay the costs of medical

treatment in cities out of pocket, and are reimbursed only later after migrating back to their home villages. This delayed reimbursement has increased suffering among migrant workers. For those who only temporarily entered into urban pension insurance programmes for employees and then returned to the system of rural pension insurance, transferring the accrued pension entitlements between different systems and different provinces represents a conundrum. Finally, considering that migrant workers are disproportionately employed in dangerous and risky sectors, and less than 30 percent are insured by work accident insurance, they remain a socially vulnerable and disadvantaged group, despite the limited positive changes in the last two decades.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 39

## Differentiation of Welfare Rights for Migrants in Western Countries from 1970 to Present

Friederike Römer

### 1 Introduction

All Western countries have seen substantial immigrant inflows in the last six decades, though the timing and size of these inflows vary between countries. Immigration fluctuates, but apart from temporary shocks in times of economic crises, there is no evidence for a decreasing trend overall. In 2018, the foreign population in Organisation for Economic Co-operation and Development (OECD) member countries on average accounted for about 13 percent of the population (OECD 2019, 40). Migration thus leads to substantial interdependencies between states and industrialised countries continue to depend on a steady supply of immigrant labour (see e.g. Boucher and Gest 2018; Messina 2007; Massey et al. 1993). Indeed, it was with the help of immigrants that many European states rebuilt their economies after the war. Though

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F. Nullmeier et al. (eds.), *International Impacts on Social Policy*, Global Dynamics of Social Policy, [https://doi.org/10.1007/978-3-030-86645-7\\_39](https://doi.org/10.1007/978-3-030-86645-7_39)

initially expected to return to their countries of origin, a considerable percentage of these workers settled, and, in later years, family migration and inflows of asylum seekers further added to the size of the immigrant population.

The growth and consolidation of welfare states since the end of World War II thus did not occur in systems that were exclusively nationally or ethnically homogenous. On the contrary, the “Golden Age” of the welfare state was also a period of mass immigration. But to what extent have immigrants<sup>1</sup> been able to access the range of welfare benefits and services available to citizens in Western welfare states? Some authors have argued that there is an inherent tension between immigration and welfare state viability, and that restricting immigrant access to benefits is a necessary side effect of welfare states’ fundamental logic of demarcating eligible insiders from outsiders (Freeman 1986; for an overview see Sainsbury 2012, 1–2). At the same time, others have asserted that there is relatively little variation in immigrant welfare rights across countries and that most migrants eventually enjoy comprehensive welfare rights which are comparable to those of citizens (Brubaker 1989).

This chapter argues that a comparative assessment of immigrant welfare rights in fact needs to take into account differences between legal categories of immigrants, between benefit types and between direct versus indirect forms of restricting access to benefits. The first section of this chapter will discuss such a multi-dimensional conceptualisation of the term “immigrant welfare rights”. The second section will outline trajectories of immigrant welfare rights using comparative data for nineteen OECD countries for the years 1980–2018. Against the backdrop of these empirical findings, some of the literature that aims to explain why immigrant welfare rights might be restricted or expanded will be enlisted, notably work on the influence of political parties, welfare regimes and international norms.

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<sup>1</sup> In the context of this chapter, the term “immigrant” refers to people that do not hold the citizenship of the country that they reside in, as naturalisation ensures full access to all social and political rights. The term “foreigner” is used synonymously.

## 2 Conceptualising Immigrant Welfare Rights

The extent to which welfare rights are granted to immigrants is the subject of a growing body of literature. In a pivotal contribution, T.H. Marshall famously asserted that social rights are the final component of citizenship, enabling citizens to enjoy membership of society regardless of their class (Marshall 1949). But the empirical literature emphasized early on that welfare rights have also been extended to non-citizens. This status was termed “denizenship” (Hammar 1990; see also Brubaker 1989). The term describes the fact that in most Western welfare states, immigrants with long-term residency status are granted access to many benefits on the same footing as citizens before they have political rights and/or full citizenship. Overall, there was agreement in the literature that immigrant welfare rights are relatively far reaching, and restrictions only of a temporary nature.

This assumption remained relatively uncontested until recently. However, newer studies have pointed out that to fully capture the extent to which immigrants are in- or excluded from systems of social protection, one needs to acknowledge the wide array of legal categories of entry and residence that determine immigrants’ eligibility for benefits (Sainsbury 2012; Römer 2017; Koning 2019). Focusing only on the rights that are associated with permanent residency omits important variation that stems from rights granted to or withheld from other groups of migrants. This is all the more relevant in light of the fact that temporary migration is a sizeable portion of all migration flows. In 2017, 4.9 million temporary labour migrants entered OECD countries, compared to 5.2 million permanent labour migrants (OECD 2019, 20, 25). The term “immigrant welfare rights” should thus rather be understood as an umbrella term which encompasses a variety of differently restricted access rights for different groups of immigrants.

The specificities of legal categories of entry and settlement are often idiosyncratic to a given country. Broadly speaking however, most countries differentiate between six categories of migration (see Bjerre et al. 2015; Boucher and Gest 2018). These are labour, family reunification,

asylum and refugee, “co-ethnic” and irregular (also called “illegal”) migration (Bjerre et al. 2015, 559). Furthermore, virtually all countries differentiate between temporary and permanent forms of migration and residency, a differentiation that to some extent cuts across the aforementioned six categories (there are e.g. both temporary and permanent labour migrants, and of course transitions between different categories also occur).<sup>2</sup> Lastly, regional and bilateral agreements can have important implications for immigrant welfare rights as well (Bruzelius and Seeleib-Kaiser 2017; Avato et al. 2010).

Just as the term “immigrant” is a collective term for several different immigrant groups, the term “welfare rights” subsumes the rights to a number of different benefits and services. Welfare states usually protect against a variety of risks such as unemployment, sickness, invalidity, disability and old age. In principle, a conceptualisation of immigrant welfare rights can thus be thought of as a continuum, taking into account both different types of benefits and different legal categories of immigrants. At the restrictive end, all immigrants would be excluded from all benefits the welfare state in a given country offers. At the other end of the spectrum, there would be no differentiation between immigrants and citizens, and any type of immigrant would be able to access all the types of welfare benefits and services offered.<sup>3</sup>

Finally, it is important to note that immigrant welfare rights can not only be curtailed directly, but also indirectly. Indirect restrictions include tying residency rights to employment, or prohibiting family reunification or attainment of citizenship for recipients of welfare benefits. Through such indirect measures, countries can thus ensure that immigrants will not be in the position to claim benefits without directly curtailing access to benefits. These kinds of restrictions thus are specific to immigrants in

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<sup>2</sup>More finely grained legal categories do exist; for example, some countries operate more than one temporary labour migration scheme. Trajectories that lead to permanent residency also differ. For example, in Australia, permanent residency is granted to some labour migrants at entry, whereas in most European countries, permanent residency is only accessible through amassing a certain number of years as resident.

<sup>3</sup>Given that they fulfil eligibility requirements that are not connected to citizenship or residency status.

that they rely on the defining feature of immigrant status limited residency rights-to exert control.

### 3 The Development of Immigrant Welfare Rights Over Time

It would be beyond the scope of this chapter to give an assessment of immigrants' welfare rights across all different benefit and permit types. Instead, two types of benefits that are targeted towards the able-bodied, working-age adult will be examined here, namely non-contributory social assistance benefits and contributory unemployment insurance. As argued in more detail elsewhere (Römer et al. 2021) the focus on these two types of benefits is fruitful, because it allows to draw comparisons between a type of benefit that is financed (at least to a certain extent) by contributions of the recipients themselves and a tax-funded benefit (see also Sainsbury 2012, 11–12; Brubaker 1989, 155–56). Restrictions do exist in regard to immigrant access to unemployment schemes (e.g. requirements to have contributed longer than citizens before being able to claim benefits, or non-transferability). Immigrant access to social assistance is, however, more contested because the benefit is not based on prior contributions, and therefore questions of deservingness tend to be more controversial (van Oorschot 2006).

The following descriptive assessment of immigrant welfare rights relies on a dataset that combines data collected in the projects Immigration Policies in Comparison (IMPIC) (Bjerre et al. 2015) and Migrant Social Protection (MigSP) (Römer et al. 2021).<sup>4</sup> The data cover nineteen OECD countries and all years between 1980 and 2018.<sup>5</sup> Twelve items measure

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<sup>4</sup>A growing number of datasets allows comparative assessments of migrants' welfare rights over time and between countries, but the combined IMPIC–MigSP measure is the only one that allows to track annual levels of rights instead of changes and/or covering only a limited number of points in time (Koning 2019).

<sup>5</sup>The full dataset also includes countries in Central and Eastern Europe as well as Latin America and South East Asia, totalling thirty-nine countries.

direct and indirect restrictions of immigrant welfare rights,<sup>6</sup> among them access to social assistance for temporary and permanent labour migrants, asylum seekers and recognised refugees, access to unemployment insurance for temporary and permanent labour migrants, type of benefit for asylum seekers, consequences of job loss and benefit receipt, and income requirements for family reunification (for a detailed list of items see Römer 2017, 180).<sup>7</sup> Higher scores denote more rights; more specifically, a score of 1 denotes rights equivalent to those granted to citizens, whereas 0 denotes that all rights are denied. Intermediate values denote additional requirements, for example the years of required residence in the country.

Let us start with looking at the two dimensions of differentiation that previous literature has pointed to, namely contribution versus tax-based benefits, as well as residence status. Figure 39.1 shows a comparison between an index of restrictions in regard to unemployment and an index of restrictions in regard to social assistance benefits. For both indices, access to the respective benefit for both temporary and permanent migrant workers was averaged. Figure 39.1 clearly indicates that for all years 1980–2018, with only very few exceptions, access rights to social assistance are more restricted than access rights to unemployment insurance, even though some restrictions also apply to unemployment insurance benefits. This is thus in line with theoretical expectations that contribution-based benefits are less likely to differentiate between immigrants and citizens.

Figure 39.2 compares the rights of permanent migrants<sup>8</sup> and temporary migrants, averaging the access rights and consequences each respective group faces.<sup>9</sup> The expectation that holders of a permanent permit enjoy more access rights and face fewer consequences than temporary migrants is confirmed across all years. This is especially pronounced for recognised refugees (disaggregated measure not depicted) who enjoy

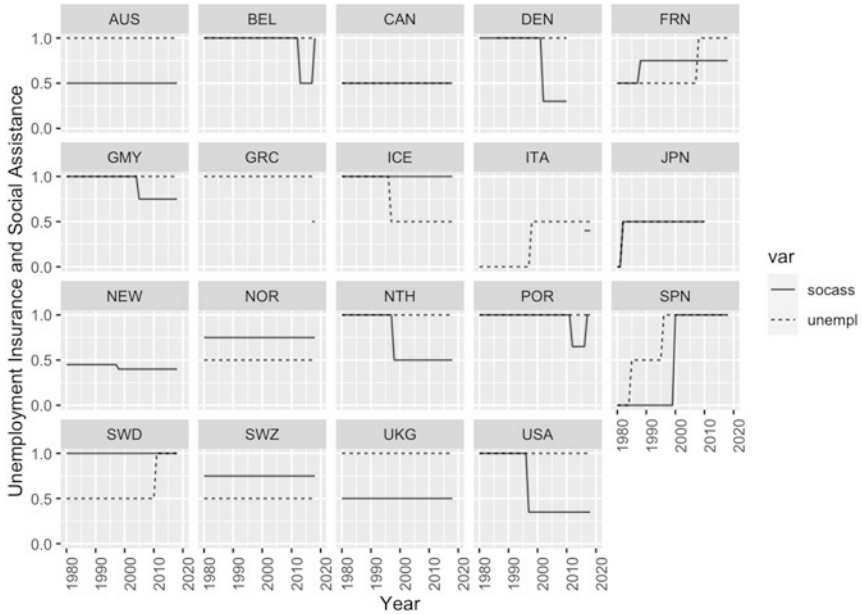
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<sup>6</sup>Migration that falls under regional agreements is excluded here; see, for example, Bruzelius and Seeleib-Kaiser (2017) for an assessment of the rights of EU migrants in practice.

<sup>7</sup>The dataset does not include measures of rights of irregular migrants, who generally tend to have very limited or no access to welfare benefits and services.

<sup>8</sup>Defined as permanent labour migrants and recognised refugees.

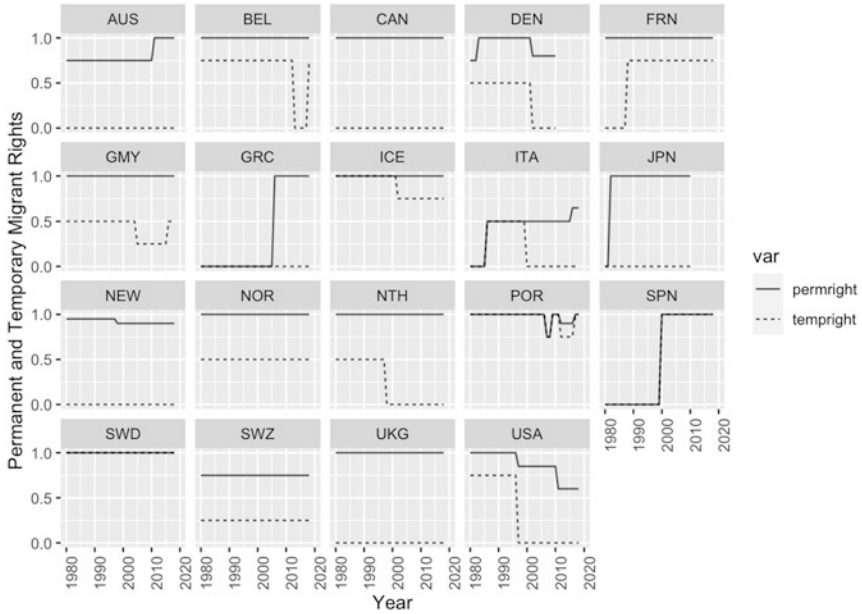
<sup>9</sup>Defined as temporary labour migrants and asylum seekers.



**Fig. 39.1** Rights to unemployment insurance versus social assistance, 1980–2018, for nineteen OECD countries. New Zealand does not operate public unemployment insurance

welfare rights similar to those granted to citizens in almost all countries. To some extent this confirms the hypothesis of “post-national citizenship” (Soysal 1994), which claims that international human rights norms are powerfully influencing states’ policies. There are however exceptions to this rule, and restrictions in rights of recognised refugees apply, for example, in Denmark and Sweden. Furthermore, human rights norms do not seem to permeate nation states’ sovereignty in regard to asylum seekers, whose welfare rights tend to be among the least protected.

Figure 39.3 shows how the index of immigrant welfare rights, the unweighted average of all twelve items, has developed over time. The data show that in none of the countries in the sample, immigrant welfare rights are equivalent to those of citizens (which would be scored as 1). But the data also show that no country completely withholds rights from immigrants (which would be scored as 0). In regard to developments over



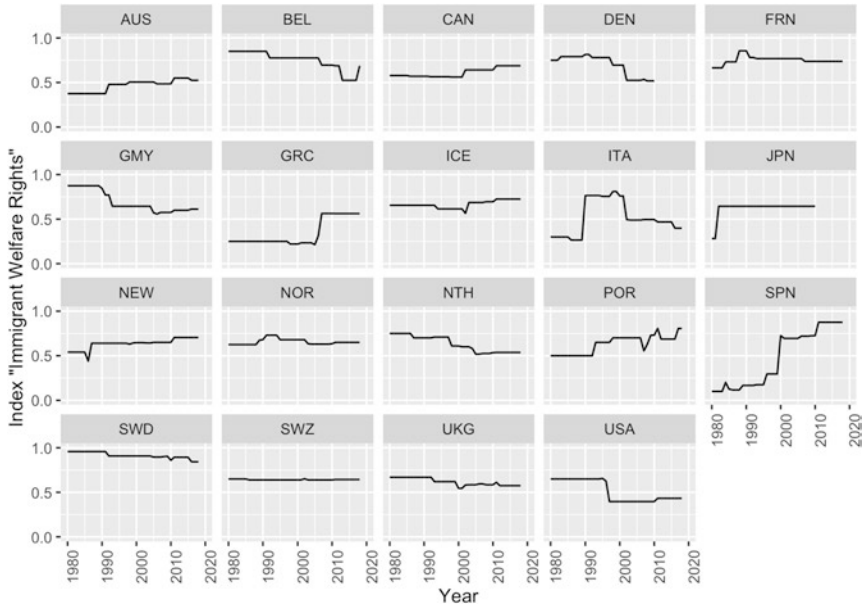
**Fig. 39.2** Rights of permanent versus temporary migrants, 1980–2018, for nineteen OECD countries

time, it can be noted that a majority of countries was more generous in 1980 than they are in 2018. Interestingly, the Southern European countries differ in that they exhibit a number of liberal changes, with notable expansions in immigrant welfare rights overall.<sup>10</sup> Especially pronounced trajectories towards restrictiveness can be observed most in Denmark, Germany, the Netherlands, and the United States, even though restrictions occur at different points in time.

This trend towards restrictiveness can be interpreted in light of the fact that even though immigrant populations did not become a central political issue in most Western European countries before the early 1990s, during the 1960s and 1970s civil society had successfully lobbied for inclusion, and in this endeavour was also backed by the courts (Joppke

<sup>10</sup> It is important to keep in mind that immigrant welfare rights are conceptualised as rights relative to citizens here—in other words, two countries scoring, for example, 0.8 does not mean that immigrants get the same amount of money in absolute terms.





**Fig. 39.3** Index of immigrant welfare rights, 1980–2018, for nineteen OECD countries

2001). However, since the early 1990s, immigration has become a focal point in the political and public debate (Messina 2007). With the rise of populist radical right-wing parties, “welfare chauvinism”, in other words, the belief that welfare benefits should be reserved for the “native” population (see e.g. Kitschelt and McGann 1997, 22), gained political momentum, and ultimately also led to restrictive policy changes (Chueri 2021).

There are however differences between countries in regard to overall restrictiveness. These seem to be by and large unrelated to fiscal factors and immigration history. No cluster can be derived from sorting countries by gross domestic product (GDP) per capita, and neither within the group of settler states or the guest worker countries a clear pattern can be discerned. Solely the new immigration countries in Southern Europe seem to be similar in that they have increased immigrant rights over the last fifteen to twenty years—with the exception of Italy, whose return to restrictive policies can be explained by the influence of a right-wing party.

The between-country differences can, at least to some extent, be attributed to welfare regime characteristics: countries that are more generous towards their citizens also grant more rights to immigrants. This is again more pronounced in 1980 than in later years though. Generous Sweden and Belgium however stand out as cases that grant relatively extensive rights over the whole period of time, with only limited changes, whereas the United States and Australia are always below average in this regard. However, the positive relationship between generosity and immigrant welfare rights found in previous studies (Römer 2017; Schmitt and Teney 2019) in part also stems from mechanisms at play within a country, for example cuts in immigrant welfare rights often occurred in the context of larger-scale retrenchment reforms.

## 4 By Way of Conclusion: The Future of Immigrant Welfare Rights

Welfare states have never been closed entities. Borders have and continue to be porous, with people entering and exiting continuously. This raises the question what welfare states do for the non-citizen part of their populations. This chapter has shown that immigrant rights vary across entry categories and benefit types, and also that there is variation both between countries and over time. The welfare regime, domestic political factors and international norms were outlined as relevant explanatory factors for these variations. Overall, it seems that there is a move towards restrictiveness, leaving immigrants across Western welfare states in a more vulnerable position than in the 1980s. It seems that even traditionally generous welfare states are not immune to shifts to the right in the political landscapes, and it remains to be seen to what extent these systems will stay true to the egalitarian creed they are based on.

The purpose of the welfare state is to provide equal opportunities “beyond and complementary to the market” (Hansen et al. 2006, 19). Today, in most countries, immigrants take on average lower socio-economic position than non-migrants. Furthermore, short-term and circular migration are increasingly discussed as desirable forms of migration.

Temporary permits further increase uncertainties for immigrants. Against this backdrop it seems highly relevant to investigate how welfare states protect immigrants from the risks of unemployment in increasingly flexible labour markets. Future research should be directed at how immigrants have been affected by cuts and expansion to have a clear understanding of the ways in which mature welfare states may amplify or alleviate ethnic inequalities.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# 40

## Dependencies of Long-Term Care Policy on East–West Migration: The Case of Germany

Karin Gottschall, Kristin Noack, and Heinz Rothgang

### 1 Introduction

Only in recent decades has the need for long-term care (LTC) gained attention in welfare state policies. Against the backdrop of an ageing society, the dwindling availability of female family members to provide informal care and an inadequate public infrastructure, dependency on LTC provision has been acknowledged as a “new social risk” (Taylor-Gooby 2004) in most Western welfare states. While social democratic welfare regimes tend to resort to tax-financed public provision and liberal regimes to means-tested benefits and market-based provision, in 1995 the German Bismarckian welfare system introduced a two-tiered, mandatory long-term care insurance (LTCI) scheme as the fifth pillar of the social security system. In line with the subsidiarity principle, entitlements in cash are

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given to support care at home by family members, which was regarded as the most favoured option, while at the same time alternative and supplementary benefits in kind were introduced with a view to expanding formal homecare and residential care capacities (Rothgang 2010). Despite diminishing family care capacities, today, more than half of all LTCI beneficiaries choose cash benefits and thus rely on informal care only (Rothgang et al. 2020a, 64). A major reason for this is the ability to use this money to pay informal workers, mainly women, from Eastern European countries to provide long-term care, often as live-ins and in mostly informal work arrangements. This type of care provision, the so-called “migrant-in-the-family” model, can be seen as an unexpected policy outcome, triggered by households’ unanswered care needs and the supply of migrant care workers facilitated by European Union (EU) accession of Eastern European countries. Moreover, we also see an increasing dependency of the formal care sector on migrants. In fact, policy reactions to the ongoing demand for LTC from 2010 onwards have actively reflected the opportunity structure of foreign labour supply, by enhancing care work<sup>1</sup> migration and care worker training in an even broader set of South-East European countries of origin. In parallel, a reform in training programmes and efforts to upgrade employment conditions and wages in formal outpatient and residential care have taken place, generating a mixed type of care provision (migrants in the family and migrants in formal care).

This contribution aims at reconstructing this policy shift from a Bismarckian “low road” to a “higher road” of service provision. In a nutshell: we argue that migration as a specific manifestation of interdependence has been playing a crucial role in both upholding and transforming long-term care policy in Germany.

First, we describe the institutional setting, in other words, the LTC insurance characterised by different aims and underlying logics regarding family-based elder care and formal care provision. We then turn to the unforeseen expansion of migrant care work, both in formal and informal

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<sup>1</sup> In the following, care work is understood as a continuum ranging from informal care work performed in households, often by family members, to formal care work carried out in institutional settings such as outpatient or residential care, often requiring skilled work (Yeates 2009).

LTC provision from the mid-nineties onwards and reconstruct this expansion as a result of labour market dynamics and migration regimes. Finally, we take a closer look at recent policy reforms actively addressing the limited supply of care workers and unattractive working conditions in formal care as well as the role of new actors enhancing the normalisation of informal work arrangements. Concluding remarks reflect on how the need for migrant care has transformed the German LTC system and what mechanisms have been at play.

## 2 LTC Insurance as an Expansion and Economisation of the Bismarckian Welfare Regime

According to § 3, Social Code Book XI, the primary goal of Germany's LTCI is to strengthen homecare and to support family members, relatives and neighbours in order to enable care-dependent people to stay in their private households as long as possible (*Vorrang der häuslichen Pflege*). LTCI benefits directly linked to this goal are cash benefits for care-dependent people (*Pflegegeld*), which they are completely free to spend as they see fit, and pension credits for informal caregivers. Support may also be provided by formal providers of homecare. The use of formal homecare, however, reduces the claim for cash, at a rate of roughly one to two; in other words, one Euro in cash lost for every two Euro spent on formal care. Additionally, benefits are granted for short-term care in residential homes, day care and substitutional care for informal carers if they need a break. If homecare is no longer possible, benefits for nursing-home care are provided; for the latter, however, co-payments are substantial, and costs for room and board as well as investment costs are to be paid out of pocket.

In effect, this set-up led to a utilisation of available benefits as shown in Table 40.1: The share of dependent people using cash benefits only is still over 50 percent, reflecting a remarkable stability of informal care. Within the formal sector a shift can be observed from nursing-home care (with a growth rate of 43 percent) to formal homecare (with a growth



**Table 40.1** Utilisation of LTCI benefits and formal care capacities

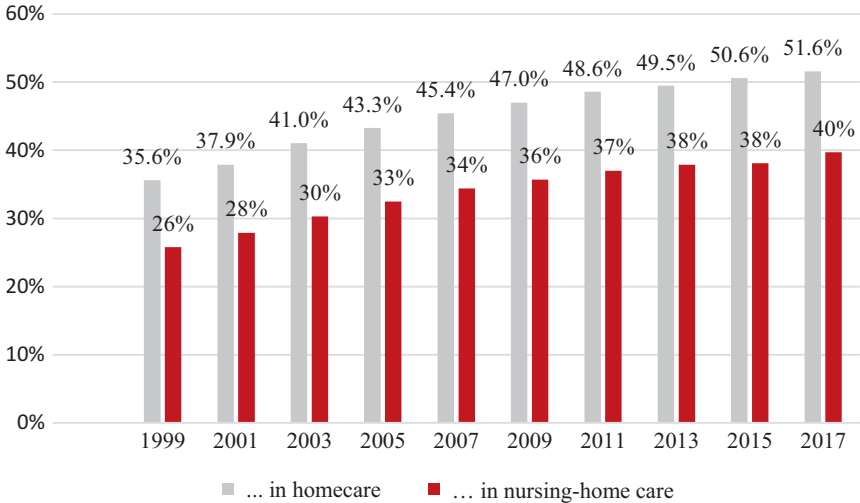
Year	Beneficiaries in thousands:				Nursing homes: Beds	Nursing home: Staff (fte)	Home-care: Staff (fte)
	Cash benefits	Formal homecare	Nursing-home care	Total			
1999	1028	415	554	1997	622	345	184
2001	1001	435	582	2018	649	370	190
2003	987	450	612	2049	684	389	201
2005	980	472	644	2096	726	405	214
2007	1033	504	671	2208	766	421	236
2009	1066	555	700	2321	808	453	269
2012	1182	576	724	2482	831	480	291
2013	1312	647	743	2702	848	491	320
2015	1505	734	759	2998	866	525	356
2017	1765	830	792	3387	877	553	390
1999–2017	737	415	238	1390	255	208	206
Growth rate	72%	100%	43%	70%	41%	60%	112%

Source: Rothgang and Müller (2019: 49, 76, 82)

rate of 100 percent). Interestingly, in both settings the total number of staff—measured in full-time equivalents (fte)—has increased more rapidly than the number of clients. While in homecare this might indicate a greater range of services used by each client, in nursing-home care this reflects an improvement in the staff-to-client ratio.

When LTCI was introduced, care capacities in the formal sector were low, leading to waiting lists in nursing homes and few chances of finding formal homecare over the weekend or at night (Rothgang 1997, 69). In order to improve this situation, the market was opened up for private for-profit care providers, and the legal primacy of public and (private) non-profit providers was abolished. Consequently, the subsequent growth of care capacities was almost completely produced by private care providers leading to a market share of 40 percent in nursing-home care and more than 50 percent in formal homecare by 2017 (cf. Fig. 40.1).

While on the surface the stabilisation of family care and the expansion of formal care seem to have been managed successfully, an in-depth analysis reveals that from the very beginning LTCI relied on conditions that



**Fig. 40.1** Share of clients served by private providers in formal homecare and nursing-home care. (Source: Own calculation based on the *Pflegestatistik* published by the Statistisches Bundesamt every other year)

could not be reproduced by the system itself, namely sufficient domestic formal and informal caregivers. Instead, the system became increasingly dependent on an ever-increasing influx of migrant carers into both sectors.

### 3 The Interaction between LTC Provision, Migration Regimes and Labour Market Dynamics

Care migration is not a new phenomenon in Germany. Already in the 1960s and 1970s, health and care workers from Asia, predominantly South Korea, were recruited for formal care work (Braeseke and Bonin 2016). The most recent migrantisation process of care provision was triggered by the introduction of long-term care insurance in 1995, which boosted demand for all kinds of care services, and the fall of the Iron Curtain, driving many people to migrate West to find work and improve their livelihoods. Originally, many migrants found work in households

supporting informal domestic and care work. Since then, however, demand for care services in Germany has mushroomed, driven by population ageing, changing family structures and high turnover rates in formal care. Migrants from EU countries, but also progressively from other parts of the world, work both in families and in institutional care, filling care gaps. Whereas until recently policy-makers largely turned a blind eye to the presence of the former, recruitment from abroad has now even become a political strategy for answering professional care needs in care institutions.

Since the 1990s, households have started hiring migrants privately to provide twenty-four-hour care to care-dependent people, ranging from domestic work to caring activities. Usually at least two migrants work for one household in rotation, alternating after several weeks or months. Most of these so-called *live-in*<sup>2</sup> workers come from Central and Eastern European countries, predominantly Poland but more recently also further east. The liberalisation of the EU migration regime—through Eastern enlargement and visa relaxations, for example for Ukraine—accelerated this process from 2011, leading to the rapid development of commercial placement agencies that are meanwhile crucial in organising this type of care provision (Rossow and Leiber 2017). As these migrants generally work irregularly, there is limited administrative data on the phenomenon, but estimates indicate that it is expanding. Whereas a decade ago, approximately 200,000 migrants worked in households (Neuhaus et al. 2009), most recent estimates suggest there are around 500,000 (Benazha and Lutz 2019, 153)—a setting unquestionably promoted and upheld by LTCI cash benefits. In most cases, working conditions of live-ins are at odds with legal regulations on minimum wages and working hours. Obviously, many families rely on migrant care workers because formal care alternatives are far more expensive. Hence, policy intervention to limit these arrangements is extremely delicate.

While the establishment and salience of a “migrant-in-the-family” model for providing LTC can be seen as an unexpected policy outcome,

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<sup>2</sup>The academic literature employs this term to emphasise the precarity of the arrangement, namely that migrant workers live at their place of work and are at the care-dependent person's disposal twenty-four/seven.

the increasing presence of a migrant workforce in formal care seems more driven by explicit policies. From 2013 to 2019, the absolute number of foreign workers<sup>3</sup> in different occupations classed as formal care work<sup>4</sup> doubled. Whereas in 2013, only 5.3 percent of all care workers were foreign workers, by 2019 the share was at 10 percent. This difference becomes even more pronounced if one only looks at data on elder care professions, where the share of foreign workers increased from 6.8 percent in 2013 to 13.6 percent in 2019.<sup>5</sup> In that year, the top countries of origin were Poland, Bosnia-Herzegovina, Turkey and Romania. In part, the data reflect Germany's increased efforts to promote recruitment of skilled care workers from abroad since the early 2010s. The previously restrictive migration regime has been adapted to labour market needs, laying the path for high-skilled labour migration from non-EU countries. Whereas EU migrants benefit from harmonised recognition of credentials and free movement, non-EU citizens have to apply for individual residence and work permits in conjunction with a case-by-case review of their professional qualifications. The 2013 amendment to employment regulations makes it easier for non-EU citizens with non-academic vocational credentials in shortage professions such as care work to obtain residence permits, subject to approval by employment services (Braeseke and Bonin 2016). To facilitate the recognition of foreign qualifications, the legal basis was updated in 2012. In the same vein, recent measures led to the establishment in 2019 of a federal agency dedicated to skilled workers in health and care professions. Additionally, several bilateral agreements with non-EU countries have been concluded, notably with Bosnia-Herzegovina, Serbia and the Philippines, targeting both skilled care workers and people seeking an apprenticeship in care in Germany. Yet in elder care, migrants are still more numerous in lower-skilled occupations, indicating a segmented labour market (Khalil et al. 2020).

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<sup>3</sup>The official data from the Federal Employment Agency refers to people with foreign citizenship. Even though it does not fully cover all migrants (especially naturalised), it is the most comprehensive data available on migrant workers in formal care.

<sup>4</sup>Own calculations based on a special analysis of data retrieved from the Federal Employment Agency in March 2020. Statistics include summarised data on insured employment in the occupational categories 813 (medical and healthcare professions, rescue services, midwifery) and 821 (geriatric nurses = *Altenpflege*).

<sup>5</sup>The average share of foreign workers in insured employment in 2019 was 12.5 percent.

## 4 Towards a “Higher Road” of Formal LTC Provision: Proactive Labour Policies and Normalisation of Migrant Care Work

Historically, the female-dominated jobs in nursing, childcare and long-term care in Germany have been characterised by semi-professionalism, lacking established institutions of self-governance and central state regulation regarding training standards, access, remuneration and interest representation which are typical for male-dominated core professions such as medicine and law (Gottschall 2008). While nursing has gradually become more regulated, semi-professionalism in long-term care has persisted alongside an expansion of the sector and even become more pronounced after opening the market to private providers from the mid-1990s onwards. The latter weakened the historically strong role of religious and other non-profit service providers, who especially in the case of religious organisations provided long-term care services based on a mixture of paid and unpaid work and purposely refrained from applying the German legal framework for workers’ interest representation. However, long-term care provision continued to be characterised by high rates of part-time work and low membership rates of workers in professional bodies and unions. Moreover, wages and working conditions remained on a low level as compared to nursing and contributed to high turnover rates and ongoing difficulties in filling open positions (Schröder 2018). Regional states and providers attempted to address the labour shortage by expanding short-term training programmes and positions, open to low-qualified younger and middle-age entrants and migrants. At the same time, the introduction of public health study programmes at universities aimed at professionalising management and provision in the field of health and long-term care. Taken together, these trends in training and recruitment indicate an increase in workforce stratification and segmentation in the field (Haasler and Gottschall 2015).

Irrespective of these trends, more recent labour market and healthcare reforms might indicate a more comprehensive, quality-oriented approach towards formal long-term care provision. They are targeted at improving the quality of care, as various actors in the field have been demanding for

two decades already, and addressing pay, education and training as well as working conditions.

The introduction of the general minimum wage in 2016 and the more recent specific wage upgrading regulations for the long-term care sector are expected to improve wages in formal long-term care, which, however, assessed against the OECD—Organisation for Economic Co-operation and Development—low-wage threshold in 2019, are still very low (Ludwig and Evans 2020, 16). The wage agreement for public care providers reached in December 2020, amounting to a 10 percent increase and granting equal wages for qualified staff in hospitals and nursing homes, points to a clear upward trend (Grefß and Stegmüller 2019)—in line with the agreement reached by providers, health and long-term care funds and unions in the *Konzertierte Aktion Pflege* (Concerted Action for Nursing), jointly initiated and supervised by the Federal Ministry of Health, the Federal Ministry of Labour and Social Affairs, and the Ministry for Family Affairs, Senior Citizens, Women and Youth.

With respect to training, in 2017, after complicated political discussions between the different stakeholders, a comprehensive central state reform in training for nursing and long-term care, the *Pflegeberufegesetz* of 17 July 2017 (BGBl. I 2581), came into being. The new three-year training programme integrates and standardises the hitherto separate training programmes for both fields and, especially for long-term care, implies an upgrading and standardisation of the previous regionally heterogeneous training schemes, although it does not offset regional state governance and the co-existence of shorter training programmes. While the long-term aim of the reformed training programme is to attract a larger domestic workforce, currently there are also intense efforts to recruit and train workers abroad. Reflecting results from labour market workforce projections, which predict an ongoing severe labour shortage in long-term care without inflows of foreign workers (Bogai 2017), a bundle of measurements to attract foreign (geriatric) nurses has been taken (Bundesregierung 2020, working group four “Pflegekräfte aus dem Ausland”). Recent government initiatives are especially targeting South Eastern European non-EU member states whose labour markets still provide a workforce “reservoir” for migration; moreover, there are also

initiatives targeting countries such as Mexico and the Philippines, recently visited by the Minister of Health and his Parliamentary State Secretary respectively.<sup>6</sup>

Finally, in 2017 the legislature commissioned the development of an instrument for calculating nursing staff requirements for nursing homes, not least reflecting the public debate on insufficient quality of long-term care in nursing homes. By summer 2020, the instrument was completed and publicly presented. In effect, it demands an increase in nursing personnel by more than one-third with an internal reorganisation of work processes to allow nurses with a minimum of three years' training to concentrate on complex tasks, while more nurses with one-to-two years' training relieve them from simpler tasks (Rothgang et al. 2020b). All relevant actors in the field agreed to implement this instrument. As a first step, an Act to Improve Health and Long-Term Care Provision (*Gesundheitsversorgungs- und Pflegeverbesserungsgesetz*) was recently passed by Parliament, providing among other things for an increase in the number of (refinanced) full-time equivalents in nursing homes of 20,000, in other words, about six to seven percent of the current staff, while further steps are currently being discussed in a roadmap process.

Furthermore, the Minister of Health has also made a proposal to reform the LTCI financing framework including the introduction of tax revenues to compensate higher costs for better pay and higher staff ratios.

## 5 Conclusion

On the face of it, German LTCI has been very successful with respect to its own goal of familialistic service provision: family care, which was regarded as the preferred option of families and society as a whole, was stabilised, while the scope of complementary formal homecare services as well as substitutional formal nursing-home services has been expanded. However, as neither family care capacities and willingness nor domestic labour supplies increased with the necessary speed, the inflow of migrant

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<sup>6</sup> <https://www.bundesgesundheitsministerium.de/ministerium/meldungen/2019/pflegekraefte-philippinen.html>; Bundestags-Drucksache 19/2455.

workers into the formal and informal sector became a necessary condition for upholding the system.

While public policy ignored these developments for some time, measures have recently been taken. On the one hand, attempts were started to make the nursing profession more attractive for the domestic workforce while at the same time the Ministry of Health actively sought to recruit qualified nurses from abroad under identical working conditions to those of the domestic labour force. In this respect, migrantisation does not necessarily lead to a de-professionalisation, but might be accompanied by a change from the low to the high road.

On the other hand, the Ministry of Health's most recent suggestion, to allow the use of up to 40 percent of the benefits for professional homecare to finance live-ins, must be considered as an "official" acknowledgment of this type of care arrangement and an attempt to "regulate" the current highly irregular working conditions of informal migrant caregivers rather than limit them. This strategy reflects the ongoing ambivalence of public policy in this field. The more or less explicit support for the "migrant-in-the-family" model also reflects the continued dependence of the German LTC system on such solutions, since formal homecare, formal nursing-home care, and live-in care based on forty-hour-a-week contracts (rather than the implicit expectation of twenty-four/seven services) are quite expensive and beyond the financial means of the majority of households. Therefore, unless the LTCI benefit caps are lifted, it is unlikely that effective measures to restrain the irregular working conditions of informal caregivers in private households will be taken.

From a bird's eye perspective, the above story can also be read as a kind of "drift" in the sense of Streeck and Thelen's reform typology (2005). A given institutional framework has been upheld, but the underlying processes have changed. Cash benefits have not stabilised the ability of families to care for their dependent members. Rather, they are increasingly used to establish a "migrant-in-the-family" model in Germany. The marketisation of care services indeed led to an expansion of services by private for-profit providers. This process, however, also depended on migrant carers, which was not initially envisaged. Only when even the migrant inflow in formal care proved to be insufficient to satisfy ever-growing demands—heightened further by policy adjustments to better meet the



specific needs of people with dementia, which in turn led to a substantial increase in entitlements—were policy measures initiated to make the long-term care nursing profession more attractive.

In a nutshell, events and processes driving migrantisation could be summarised as follows: (1) the introduction of LTCI aimed at perpetuating the already existing dual structure of family care and formal care. (2) Due to demographic change an ever-increasing number of caregivers has been needed in both arrangements. After a while, however, decreasing family care potential on the one hand and insufficiently attractive working conditions in the formal care sector on the other hand rendered a respective increase in the number of domestic caregivers impossible and created mounting problem pressure. (3) As migration within the EU and the huge wealth gap between Germany and its eastern neighbours opened up opportunities for migration, an inflow of migrant carers into both formal and informal care followed, feeding the migrant-in-the-family model and migrant-in-formal-care alike. (4) While the government now actively recruits foreign (geriatric) nurses into the formal care sector and at the same time tries to improve the attractiveness of the profession, attempts have started to regulate the migrant-in-the-family model by allowing the use of established benefits for financing this type of provision once certain conditions are met.

Interestingly, policies to improve working conditions and pay in formal care may benefit domestic and migrant carers alike, the latter being still in heavy demand, while attempts to “regulate” live-in arrangements might diminish the share of highly irregular working arrangements for migrant live-ins. At the same time, reflecting the familialistic Bismarckian legacy, long-term care provision and its (female) workforce has become more stratified.

**Acknowledgements** This chapter is a product of the research conducted in the Collaborative Research Center “Global Dynamics of Social Policy” at the University of Bremen. The centre is funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation)—project number 374666841—SFB 1342.

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# Part V

## Conclusions



# 41

## By Way of Conclusion: Future Research

Frank Nullmeier, Delia González de Reufels,  
and Herbert Obinger

A book project such as the present one cannot close without attempting to take a tentative glimpse at research in the field this collection of contributions is dedicated to. In this volume, the authors have highlighted the inter- and transnational interdependencies of national social policies through a series of individual stories that aspire to add to a more complex and comprehensive picture of how the national and the global come together. We have named these stories short histories because they show the interplay of international developments and national policies for single countries, for specific policy fields within the welfare state, and for certain periods of time. As a matter of fact, the list of conceivable short histories could be easily extended to cover more regions, more specific points in history and policies. Of course, there are many journal articles, edited volumes and books available that address and also explain in greater detail specific interdependencies and their effects on social policy.

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Yet, the volume at hand seeks to show how this kaleidoscope of short essays adds to comparative social policy research, and just like research on global social policy, will thus be able to provide more and more detailed knowledge about more and more social policy fields, countries and historical periods. Thus, social policy in the Global South will no longer be a blank space. Furthermore, knowledge about development trends beyond the Western countries can reach such a density and breadth that existing deficits and one-sidedness can gradually be overcome. The accumulation of many individual findings favours a tendency to focus on distinct historical processes as well as national contexts and to emphasise particularities. This makes it difficult, however, to obtain an overall picture of historical developments across countries and regions, across policy fields and across epochs. Far from writing a new and now global history of social policy, research can even fragment into a multitude of specialised fields and separate insights.

Instead, it would be highly desirable if the history of the interdependencies of social policies could be told more comprehensively and systematically—even though a Grand Narrative may not be needed. Instead, it is of great interest to analyse the relative importance of the four groups of interdependencies distinguished here. These raise a number of questions that still need to be answered: When and where do linkages or overlaps occur between these forms of interdependence? Are there typical forms of response to war and violence in social policy that are fundamentally different from reactions to economic crises, high immigration or ideational influence from international organisations? Or are there parallel developments in social policy for the various forms of interdependence? In the case of interdependence between North and South, are national social policies complementary to each other? And are there different national development paths for all forms of interdependence despite similar exposure to the respective transnational influence?

All of this can neither be answered on the basis of the existing literature nor by the short histories presented here. Further efforts are needed to achieve the quality of a global history of social policy or globally and historically based social policy research with a systematic explanatory claim. Possible ways of more closely interrelating the results of research

need to be explored. How this can be achieved is a question of both the *format* of scientific publications and of the *design* of scientific research.

*Handbooks* have been established in the last two decades as the central format for the summarised presentation of the state of research in a thematic area. Due to their size, with twenty-five to forty-five individual chapters, they enable the state-of-the-art in research to be presented with the involvement of a large number of leading researchers, each of whom can summarise his or her specific field (i.e. Castles et al. 2010; Greve 2013; Leibfried et al. 2015; Midgley et al. 2019; Béland et al. 2021). By revising and reprinting within appropriate time spans (between five and ten years), a sum of research can be given at the most up-to-date level. However, detailed accounts of individual historical events are not part of the scope of these handbooks which offer information on individual research projects instead, and remain at the level of a summary of the current state of research.

By contrast, *encyclopaedias* as print products but also as digital initiatives have rather faded into the background. The possibility of an approach to the global history of social policy that is topic-specific, made manageable by a lexical structure, in other words, “Health Policy Tanzania” or “Accident Insurance Germany” with sub-chapters that map the individual historical phases, has not yet been explored. This would resemble a Wikipedia approach that necessarily would have to be the collective effort of the scientific community. The structure of the outline mentioned, serves here only as an example of how this would fixate on nominal subfields of social policy and the level of nation states. The basic structure of such a volume can also be extended by adding other categories such as specific actors and institutions in order to provide a certain counterweight to the concentration on sub-policies and nation states. Whether this or a fundamentally different categorisation would be desirable, needs to be clarified in advance. And even if such questions could be broadly agreed upon at the international level and the organisational prerequisites of such a huge undertaking were clarified, the project would remain essentially committed to a *descriptive* account of social policy development. Even though such an approach could provide individual explanations for subfields and states, it nevertheless would be



overstretched with the task of a comparative and integrated explanation of social policy developments.

Certainly, there is also the possibility of a large, comprehensive *monograph* or of edited volumes involving only a few authors, a format that is already well established and even quite characteristic for publications in the field of global history. But then, historians are usually in a better position to do this and have for a long time transferred the tradition of comprehensive national history into equally comprehensive global histories covering complete centuries (Bayly 2004; Iriye and Osterhammel 2012; Osterhammel 2014). For political science and sociology, the undertaking of portraying entire historical epochs across countries for all significant fields of social policy is a highly unusual challenge, even if there are approaches to this form of portrayal. These cover entire continents, but with a rather lower level of detail per country, field of social policy and historical phase (i.e. Haggard and Kaufman 2008; Huber and Stephens 2012). In a monographic form, the potential to use a unified explanatory approach is certainly given, but then it all depends on the ability of individual authors to compile research results.

Thus, the *format of publication* alone is most likely not able to shoulder the burden in question and offer a solution as to how further research can proceed in a more systematic and integrated way. In fact, what matters most is the *design of the research*.

A highly successful form of focusing social policy research has been achieved through the introduction of *types and typologies*. Esping-Andersen's *The Three Worlds of Welfare Capitalism* (1990) still has the capacity, even after thirty years, to stimulate or even pre-structure new research projects and thinking about new social policy developments. No sampling decision can get beyond his typology, and new typological attempts present themselves as extensions or modifications of his three-fold typology. Even if it is noted that classifying a country into a certain type is not really accurate, Esping-Andersen's typological distinction still organises the further development of research on this case. This formative power has also stimulated typological attempts that referred specifically to the Global South (Wood and Gough 2006; Seekings 2008; Roumpakis and Sumarto 2020; Carvalho et al. 2020). However, the latter in particular has not really succeeded so far. The typological attempts beyond the

OECD—Organisation for Economic Co-operation and Development—countries are at odds with Esping-Andersen's attempt at classification and cannot be linked to each other. Building typologies as a specific result of comparative social policy research has been highly effective for a limited group of countries, but this has not had even a remotely organising effect for social policy research on a global scale. The effectiveness for OECD countries is due to the fact that a typology based on the decommodification approach presupposes a basic logic of social policy centred on paid employment and a large sector of formal work. However, this prerequisite is not given in a large number of countries which nevertheless have social policy programmes. The empirical research has been stimulated by typologies and classification debates, which in turn initiated a closer examination of subfields of social policy (Aspalter 2019). However, such a classification debate will seem irrelevant when it becomes apparent that the respective social policy conditions clearly deviate from the model descriptions for a type. It is then better to turn to the individual case in its specificity.

Regardless of their success or failure in research practice, typologies have their own weaknesses: They are comparatively static. The boundary lines drawn between types tend to make it more difficult to understand dynamics, since a distinction must always be made between changes *within* a type and changes that have a *type-changing effect*, which tends to overlook gradual change or hybridisation. Finally, it remains unclear what explanatory value such typologies can have. Do they only serve to describe or do the types simultaneously include a complex combination of factors that can gain explanatory power?

A second way of organising research, which was designed from the very beginning to provide explanations, is via the *competition of theoretical approaches*. Originally, these theoretical approaches were conceived as mutually exclusive candidates for explaining social policy in general. The socio-economic approach extended modernisation theory to the field of social policy, while the power resource approach responded with a Marxist-inspired conceptualisation. With the party-matters approach and the institutionalist approaches, more policy-centred theories emerged, claiming to explain social policy as a whole. Over time, however, this claim to exclusivity gave way, especially under the influence of

macro-quantitative comparative research, to an arrangement in which the explanatory variables central to the respective theoretical approach were integrated into a multifactorial research framework. Today, the theories stand side by side rather than opposite each other, because every attempt to explain certain elements of social policy results in the primacy of a different set of variables, so that there are always cases in which one or the other explanatory approach proves to be accurate. The lack of appropriately comprehensive datasets has slowed down the extension of this research approach to the countries of the Global South, but has not changed the arrangement of presenting explanations as a specific combination of a set of factors that were originally designed as alternatives. The literature on the diffusion of ideas, concepts and instruments of social policy from one country or International Organisation to another country, which is much more oriented towards the countries of the Global South and the role of international organisations, operated in a similar way. What could have been a general explanation for diffusion—emulation or learning, or competition or coercion—was very quickly used for explanations showing that in one specific case this, in another case that diffusion pathway came into effect. All diffusion pathways, however, were quickly rejected as universal theories. Transnational interdependencies are just another factor in this framework. This weakening of the competition between theories for the investigation of factor combinations hardly allows for theory building with a general claim to explanation, while it also reduces the value of individual studies for more comprehensive questions. In the end, comparative studies, which certainly include a larger number of countries, become a variant of single case studies.

A prerequisite for variable-based research is the availability of corresponding data on the relevant variables for as large a number of countries as possible. Systematically expanding the *database* and merging existing data in a *data portal* is therefore a key way to enable more systematic research. Initially, the work on data collection is essentially descriptive, but it is this compilation of data that makes explanatory work possible. The laborious work of cross-checking data and identifying the level of evidence that can be attributed to certain data is still too little valued in science. Databases are encyclopaedias in a schematised form. If data

collection and processing are successful, data portals bring research together worldwide and form a focal point of interrelated research work.

Classification of transnational interdependencies using the larger number of explanatory factors can certainly relativise an exuberant transnationalism, but the specific significance of the interdependencies can hardly be elaborated in this way. Therefore, to conduct research that *transcends national borders from the outset*, in other words, *starts from interdependencies* and shows their different effectiveness on social policy in different national contexts, could be a road to follow. This has been achieved in exemplary fashion—albeit beyond social policy research—in Sven Beckert’s *Empire of Cotton. A Global History* (2014). In a similar way, the effects of labour migration or the significance of individual industries integrated into the world market, such as mining, could serve as starting points. The studies by Obinger et al. (2018) on mass warfare are already on the way to such an analysis based on interdependencies. Something similar could be developed for comparably disruptive events such as economic crises and situations of upheaval, or the collapse of the Soviet Union and its consequences.

The approach sketched out here could furthermore be combined with the search for *causal mechanisms* that have either promoted the expansion or the dismantling of social policy. The concept of causal mechanisms can be used to analyse questions of social policy research in greater detail than has been possible with the common approaches to this research area. The conceptual advantage of causal mechanisms is that they provide the basis for a decomposed form of comparison at sub-levels of political processes, since processes can be broken down into smaller units and these sequences can be studied in a far more differentiated manner, without having to assume that the overall analysis would have to be integrated into a specific approach afterwards (Kuhlmann and Nullmeier 2021). This level can then be used as a reference for comparisons. A causal mechanism approach thus allows for an analytically pre-structured method for (single) case studies that is oriented towards comparisons of sequences. The use of causal mechanisms is a route to detect patterns and identify regularities, but not at the level of political systems, regimes, structures, policy fields or entire process cycles. Rather, mechanisms allow for the detection of smaller regularities at the level of sequences, which can be observed in

political processes at different times, places and topics. These kinds of regularities enable more than just descriptive access to the dynamics of a political process. Explanations are made in a modular way as a combination of the interplay of different causal mechanisms. In *Warfare and Welfare*, Obinger et al. describe a set of mechanisms that explain social policy expansion in the context of war, thereby distinguishing the phases of war preparation, mobilisation and the post-war period (for an overview see Obinger et al. 2018, 11–12). And in *The Global Rise of Social Cash Transfers*, Leisering (2019) introduces the mechanisms of “cultural linkages”, “theorisation” and “quantification” as three mechanisms of global social policy diffusion. We assume that there is great potential for social policy research in continuing such efforts, especially as they allow for comparisons between case studies of historically widely divergent situations, different fields of social policy and very different countries not just from the Global North.

In sum, these formats and designs of research are not mutually exclusive alternatives. All of the aforementioned avenues can be followed in parallel and they will certainly contribute to enabling more interrelated and more systematic research. A plurality of approaches is therefore recommendable. However, in view of limited resources, it can also be helpful to advance some of these projects in a worldwide cooperation that at the same time preserves the research interests of all participants. Whatever formats and research designs enable us to identify the basic processes of social policy development and help us to understand how the different levels relate to each other, is an important step for future research.

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