An Analysis for An Equitable and Sustainable Welfare System

Gong Sen, Ge Yanfeng, Wang Xiongjun

Empowered lives
Resilient nations

China Translation & Publishing House

国务院发展研究中心
Development Research Center of the State Council

An Analysis for An Equitable and Sustainable Welfare System

Authors: Gong Sen, Ge Yanfeng, Wang Xiongjun

Department of Social Development Research,
Development Research Center of the State Council
United Nations Development Programme

China Translation & Publishing House

图书在版编目（CIP）数据

社会福利体系建设研究=An Analysis for An Equitable and Sustainable Welfare System 2014:英文/贡森，葛延风，王雄军著. -- 北京:中译出版社，2015.7

ISBN 978-7-5001-4185-3

Ⅰ.①社… Ⅱ.①贡… ②葛… ③王… Ⅲ.①社会福利－研究－世界－英文 Ⅳ.①C913.7

中国版本图书馆CIP数据核字(2015)第152789号

出版发行/中译出版社
地　　址/北京市西城区车公庄大街甲4号物华大厦六层
电　　话/(010)68359376，68359827（发行部）(010)68002494(编辑部)
邮　　编/100044
传　　真/(010)68357870
电子邮箱/book@ctph.com.cn
网　　址/http://www.ctph.com.cn

策划编辑/王博佳
责任编辑/刘香玲

排　　版/北京志盛嘉印刷技术服务有限公司
印　　刷/北京云浩印刷有限责任公司
经　　销/新华书店

规　　格/1/16
印　　张/11.25
字　　数/170千字
版　　次/2015年8月第一版
印　　次/2015年8月第一次

ISBN 978-7-5001-4185-3　　　定价：38.00元

CONTENTS

PREFACE

Over the past three decades, especially ten years since the beginning of the new century, the social welfare system of China (more frequently referred to by the Chinese authorities as the "livelihood support system" but not here for the convenience of international comparison) has made significant progress. Such progress finds expression mainly in a basically complete set of welfare programs with roughly full coverage. However, despite its inclusiveness, the current welfare system features groups-specific design and region-specific implementation, resulting in fragmentation and differentiation of both the overall system and its individual programs. To solve the problem of fragmentation, the Chinese government has taken the path of "merging small pieces into big ones" and "transferring eligibility across pieces." To mitigate social conflicts caused by gaps between different groups, the Chinese government used to adopt an incremental approach, which attempted to satisfy not only the bottom group but also the top group. However, if the differentiation between regions and groups is maintained over the long run, the social strata will inevitably be strengthened and solidified; and the incremental approach would not sustain in the context of a slower growth of budgetary revenues. In response to such a situation, the Research Department of Social Development under the Development Research Center of the State Council and UNDP established a research team with joint efforts to conduct in-depth and comprehensive research on the equality and sustainability of the welfare system in China.

Over one and a half years from the launch of the project in late 2012 to the release of its research report in June 2014, the team invited experts from Norway and the Republic of Korea to conduct systematic research on the history and development pattern of welfare systems in Europe and East Asia. Their case study reports provided international experience which was of great importance to the research project. The research team also studied the history and current situation of the Chinese welfare system in general and visited Guangdong, Heilongjiang, and Gansu provinces for field research.

After more than a year of efforts, the research team formed a policy advisory report entitled "An Analysis for An Equitable and Sustainable Welfare System" as well as a few supporting background reports. The advisory report, as stated in its title, proposed the option for equitable and sustainable development. To achieve equality, we have three options: the existing group-specific and unequal system, a system that is equal within each group, or a system equal to all. The last one is recommended here, that is, to adopt a fully integrated system design without differentiation by group. The major grounds for recommending this option are as follows: it has been proved by international experience that a system where all people belong to one single community can better ensure the interests of vulnerable groups and helps to forge consensus for reform. However, given the wide gaps among different groups currently in existence, which group should be set as the benchmark for the integration? If it is the top group, the system will not be financially sustainable. If the bottom group is selected, the system will not feasible politically. Therefore, it is recommended here that we set different standards according to the economic nature of each welfare program. Or, to put it in another way, an "investment-Oriented welfare system" should be the guideline for prioritizing welfare programs. Specifically, for investment-Oriented welfare programs such as education and health care, it is advisable to align to medium or high standards and achieve quality services as high as possible. For pensions and minimum living subsidies, lower standards are suggested to safeguard the bottom line. This fully reflects the new approach of the current government to ensuring people's livelihood, i.e., "to hold on to the bottom line, emphasize on the priorities, improve the institutional arrangements, and guide public opinions."

Now all relevant research findings are brought together and published here in the hope that in-depth thoughts and wider discussions may be triggered to promote the establishment and improvement of the livelihood support system in China.

On behalf of the research team, I would like to express heartfelt thanks to the Royal Norwegian Embassy for funding this research project. Our gratitude thankness also goes to the two authors of international case studies who have offered abundant and detailed data and historical materials and answered numerous questions of team members with extraordinary patience, and to Professor Stein Kuhnle of University of Bergen, Norway, Associate Professor Li Bingqin of Australian National University and Dr. Liu Tao of Bielefeld University, Germany for their valuable comments and suggestions. In addition to foreign peers, I would also like to express thanks to many people at home for their support. First, many government officials, experts, and representatives of the general public in the selected provinces have been highly generous and provided rich information and suggestions during our field trips. Second, I am particularly grateful to experts and scholars who attended the launching ceremony and the research finding release event of our project and provided valuable suggestions. Last but not the least, many thanknesses go to leaders of the two supporting institutions of our research project, the Development Research Center of the State Council and UNDP, for their support and guidance. Should there be any error or inaccuracy in this book, the research team shall be responsible.

Gong Sen,

Principal Investigator of the Research Project

RESEARCH TEAM

Research organization: **Social Development Research Department, Development Research Center of the State Council**

Team leaders: GONG Sen, GE Yanfeng

Research team members: DRC: WANG Liejun, WANG Xiongjun, SHE Yu, ZHANG Jiahui, YU Dong, ZHANG Bingzi

UNDP: Jackie Hoi-Wai CHENG, LAN Tianying

Authors: DRC: WANG Xiongjun, GONG Sen, WANG Liejun

Supporting Report 1: The Evolution of Social Welfare Systems in Europe: From Limited to Broad Coverage, And from Fragmented to Integrated Systems

Author: Einar Overbye
College of Applied Sciences, Oslo and Akershus University

Supporting Report 2: Diversity in Moving Towards Integrated, Coordinated and Equitable Social Protection Systems: Experiences of Japan, The Republic of Korea, and Taiwan Province of China.

Author: Ilcheong Yi
United Nations Research Institute for Social Development

EXECUTIVE SUMMARY

After more than three decades of development since the introduction of reform and opening up, China has established a social welfare system that has underpinned the country's economic growth and societal stability. Although the current social welfare system emphasizes universality, scheme designs differ among regions, among professions, and between urban and rural residents. The institutions may be similar, but the service quality, benefits and management agencies vary greatly. Moreover, efforts to narrow the beneficiary gap quite often lead to the increase in benefits of both the less developed regions/groups and the more advanced ones, making the efforts largely ineffective. With the solidifying social stratums, accelerating urbanization and the aging process, as well as the slowdown of China's economy and fiscal capacity growth, increased fragmentation renders the traditional approach unsustainable. Establishing new development concepts to tackle these issues, as well as promoting institutional integration and social welfare system sustainable development has become not only a significant research area, but also a top government priority.

This report focuses on several selected public service and social security programmes that are closely related to China's current socio-economic development and are given priority in policy considerations. These include compulsory education, health care, old-age pension and social assistance.

DEFINITION OF SOCIAL WELFARE SYSTEM INTEGRATION AND FRAGMENTATION

As there is no universally accepted framework for measuring the level of integration of a social welfare system, this report analyzes the welfare programmes based on framework proposed by Overbye (2013), which states that all social welfare systems include at least four elements:

1 Entry criteria: what are the accession criteria of social welfare systems?

2 Eligibility criteria: what qualifications are needed to get benefits under the social welfare system?

3 Measurement criteria: what level and quality of benefits that the welfare systems provide?

4 Financing criteria: what is the level of funding required, including funding contribution share for the central and local governments, employers and individuals, etc.?

Based on the extent of differences in terms of the above four elements among its different schemes, a social welfare system could be classified as featuring one of the following four types of integration (or fragmentation):

1 Type 1: A unified and integrated social welfare system for the whole country without any fragmentation. Example: Medical care system in Republic of Korea.

2 Type 2: Various schemes with similar or the same eligibility, measurement and financing criteria, which allow social members to smoothly transfer or link their benefits in different schemes. Example: Medical insurance system in Germany.

3 Type 3: The above four criteria under various schemes are different, but there exists a coordination mechanism that includes central government administrative intervention and coordination agreements reached among systems. Example: Welfare systems in the EU.

4 Type 4: Different groups covered by different schemes that use different criteria. There is no effective coordination mechanism among schemes. Example: Old-age and medical insurance schemes in most Chinese provinces and cities.

In addition to this type of cross-population group fragmentation, a second type known as functional fragmentation, i.e. a lack of coherence among social welfare programmes that target roughly the same population groups, also threatens the effectiveness and equity of the system. While cross-population group fragmentation leads to differences in the level and quality of social welfare benefits and services among varied groups, functional fragmentation causes wrong or duplicated coverage and omission of eligible beneficiaries, as well as low efficiency or even ineffectiveness of social welfare protection.

THE CURRENT SITUATION, CAUSES AND IMPLICATIONS OF THE FRAGMENTATION AND DIFFERENTIATION OF THE SOCIAL WELFARE SYSTEM

China's social welfare system lacks an institutional top-level design and comprehensive arrangement. There is no standardized approach to define general welfare level, or to integrate and coordinate different welfare schemes. The overall system has developed without order or coordination, while specific programmes lack systematic design and display clear signs of differentiation and fragmentation. The current situation of the fragmentation of the education system, health care system, old-age pension system and social assistance system are discussed in the paper.

The development of compulsory education is imbalanced. For example, according to the *Report on the Balanced Development of Compulsory Education 2010*, educational expenditure per student in eastern primary schools is more than twice of those in central and western areas; although the number is slightly lower, the spending disparity continues into junior high school.

Fragmented health care system is neither efficient nor equitable. Complex classification criteria have led to system differentiation, where standards fluctuate according to participants' household registration status, employment status (those who participate in the labor markets and those who do not, i.e. "residents"), as well as occupation and industry (public service unit employees/civil servants as opposed to enterprise employees).

Old-age pension system is cluttered, and benefits differ greatly. The benefits gap among various old-age pension schemes is huge. For example, according to the *2012 Statistical Yearbook of China*, the average monthly old-age pension of urban enterprise employees in 2012 was RMB 1,721, while urban and rural residents received around RMB 101.

Social assistance system is cluttered. For instance, the 2012 minimum living allowance for urban residents was RMB 530 per month in Zengcheng City, Guangdong Province, RMB 301 in Wuchang City, Heilongjiang Province, and RMB 266 in Yongdeng County of Gansu Province.

As for the causes of the fragmented and differentiated social welfare system, to a large extent, it forms in accordance with the development landscape and reform logic. The system both adapts to, and mirrors, China's complex national conditions and reflects the pattern of disparate economic development.

Nevertheless, the fragmented welfare system has generated an adverse impact on socio-economic development. First, it influences the healthy development and effective functioning of the social welfare system. Second, it leads to a divided labor market and "backward transfer" of social security. Third, it hinders social harmony, reform and national governance structure building.

INTERNATIONAL EXPERIENCES AND LESSONS FOR PROMOTING THE INTEGRATION AND COORDINATION OF THE SOCIAL WELFARE SYSTEM

Regarding the construction of their own social welfare systems, developed nations have endured a long development process and have accumulated valuable experiences that can provide important lessons for China's social welfare system construction. There is a wide disparity between the historical starting points of social welfare systems, but looking at their development process, there is an overall convergence trend toward integration.

Because of differences in institutional foundations and national conditions, countries have chosen various ways to integrate and coordinate social welfare systems. These fall into three general categories, as seen below: The first integration method is to establish a single system that provides all citizens with social welfare, such as the national health insurance system in Sweden, Norway and others. The second integration method is to establish a portable and transferable social welfare system under which different social welfare schemes coexist, enjoying similar or same entry, eligibility, measurement and financial criteria. The third method of integration and coordination is to build a framework that allows different welfare schemes holding varied entry, eligibility, measurement and financial criteria to coexist. However, all schemes would remain mutually open to each other and new members can enter the scheme as long as they meet the criteria.

OVERALL PROGRESS OF THE SOCIAL WELFARE SYSTEM'S INTEGRATION AND LOCAL EXPERIENCES IN CHINA

Even though China's fragmented and differentiated social welfare system was inevitable, the situation is creating increasingly negative effects. In recent years, the Chinese government has already realized the significance of the system's integration and sustainable development. *The Decision on Major Issues Concerning Comprehensively Deepening Reforms* adopted at the close of the Third Plenary Session of the 18th CPC Central Committee specifies that, "We must combine top level design with wading across the stream by feeling the way, taking a holistic approach while making breakthroughs in key areas and making more scientific decisions about reform."[1] System integration and sustainable development has become the guiding principle towards welfare reform, with positive and practical experiments already underway.

CONCEPTS AND GENERAL PRINCIPLES REGARDING THE INTEGRATION AND SUSTAINABLE DEVELOPMENT OF SOCIAL WELFARE SYSTEMS UNDER NEW DEVELOPMENT CIRCUMSTANCES

As a sophisticated undertaking, social welfare system construction has profound impacts on people's wellbeing, on long-term socio-economic development, and on national harmony and stability. To this end, it is important to clarify the system's basic concepts and general principles according to the national development strategy.

On the one hand, the social welfare system design should be guided by scientific concepts. First, the social welfare system must protect people's fundamental rights and facilitate social justice. Second, a sound social welfare system should advocate active labor participation to reduce welfare dependence and advance human capital accumulation. Third, the unified social welfare system is critical to promoting the construction of a national identity, which in turn

1 *CPC Central Committee's Decision on Major Issues Concerning Comprehensively Deepening Reforms*

is crucial for establishing a modern state.

On the other hand, the system's construction should be in line with both national conditions and stage of development; nations must not only take care of present issues, they must also assess long-term goals. The general principles are as follows. First, the overall social welfare level should be moderate and fiscally sustainable. Second, the welfare system design shall be unified and coordinated. Third, the country, market and society (including individuals and households) should share reasonable responsibility. Fourth, the system must suit China's unique national conditions and future societal challenges.

POLICY RECOMMENDATIONS FOR BUILDING A SOCIAL WELFARE SYSTEM

Establishing a unified, coordinated, equitable and inclusive welfare system would require a comprehensive plan and specific policy suggestions for various kinds of social welfare programmes.

Overall policy recommendations

Optimize the government expenditure structure and increase government financial support for social welfare. Compared to successful OECD countries, China's social welfare level is relatively low. This requires the government to gradually optimize the fiscal expenditure structure and scale up the financing support for social welfare, so a system in line with the country's current economic development level can be put in place.

Reform the welfare financing mechanism and to elevate welfare spending of the central and provincial governments. In most countries, especially those with single-payer systems, the central and provincial governments are responsible for the majority of education and health expenditures, with the central government shouldering a higher responsibility and basically being solely accountable for social security and social assistance. This calls for China to elevate the central and provincial governments' proportion of welfare expenditure, which will not only improve the social rights of the floating population, but will also advance the social welfare system and promote basic public service equalization. There must be a well-defined responsibility-sharing mechanism between different levels of governments, whereas related arrangement should be as uniform as possible across regions. On this premise, local governments must carry out the responsibility to provide residents lacking local household registration with public services and social security.

Establish a basic public service package and to ensure fairness.Government should integrate some basic social security programmes and establish an essential public service package to provide people with unified and equitable fundamental welfare. Establishing the package can happen over time; early stages can incorporate programmes for basic education, public health and prenatal care. Then as society evolves, other social welfare programmes such as basic pensions, health profile management, child health, high school and vocational education, and minimum living allowance can be added incrementally.

Establish universal, integrated and multifunctional social security identity cards. China should reform the current household registration-based rights determination and interests distribution system, and instead establish a social welfare system based on residence and duration of contribution period. Universal social security cards should also be distributed; this will facilitate integration of the social welfare system and resource allocation, and set up a single standard under which benefits can be portable. A unified social security information system should also be established and be linked with health care, old-age pensions and social assistance information, all accessible with the same card. The proper sharing of information will ensure this multifunctional card will be used in an efficient and safe manner.

Specific policy recommendations for selected welfare programmes

Policies and plans for balanced development of compulsory education:

Besides being a fundamental requirement of social justice, equity in education is a crucial part of a person's all-around development. First and foremost, the policy must promote the balanced development of regional compulsory education. Learning from the equalization policies in Japan and the Republic of Korea, we can offer the following recommendations:

- First, government investment in education within regions should be balanced, ensuring an even distribution of funds going towards facilities and equipment, operational expenditure and human resources.
- Second, intraregional rotation of public school headmasters and teachers should be promoted. Comprehensive adoption requires further observation of educational systems, including successful programmes in Japan and the Republic of Korea. It also means evaluating and assessing need, as well as securing supportive policies such as teacher subsides.
- Third, implement admission quotas in elite senior high schools.Based on the experiences of Shandong, Zhejiang and Heilongjiang Provinces, quotas that channel top regional students into top regional schools should be promoted and strengthened – in particular at regions with unbalanced compulsory education and low admission quotas – to promote balanced compulsory education, to stop the debilitating trend of "school selecting", and to ensure equitable access to education for students at schools with minimal resources.

Integrating the health care insurance system and implementing equitable benefit policies:

The system integration plan may adopt a "mixed" mode: first, to pursue at the national level the Type Three integration, and achieve the national pooling of basic medical insurance by establishing the allocation fund system. Then at the provincial and municipal levels, realize the Type Two integration in the near future. This means integrating standard medical insurance schemes and setting up a transfer mechanism. Finally, the system's medium and long-term goal is to achieve Type One integration, where all schemes are integrated into a single system. Recommendations on the recent system integration are as follows:

- First, further integrate the medical insurance scheme for urban enterprise employees and the free medical treatment scheme for PSU employees and civil servants, and set up a unified basic medical insurance scheme.
- Second, further integrate the basic medical insurance for urban residents and the new rural cooperative medical scheme, and set up the unified urban-rural resident basic medical insurance system.
- Third, China should raise the pooling level of medical insurance comprehensively. It needs to achieve pooling at the prefecture municipal level, and to adopt at the provincial level system Type Two integration, or even Type One integration if possible.
- Fourth, advance IT applications of medical services. Unifying standards of social insurance information management means that one can combine related information indicator systems and encoding schemes.

Integrating old-age pension systems and implementing equitable benefit policies:

Similar to the plan put forward for medical insurance system integration, the pension system integration plan also adopts a "mixed" approach that is achieving the previously discussed Type Three integration at the national level, as well as the national pooling of basic pension schemes through a national adjustment fund. Then, at the provincial and municipal levels, the short-term (within five years) goal is to realize Type Two integration, which unifies and integrates the various criteria of the pension schemes and sets up a transfer mechanism for different pension schemes. Within the next ten years, the medium and long-term goal is to realize Type One integration;

that is, to completely integrate pension schemes at provincial and municipal levels. Specific suggestions are as follows:

- First, integrate old-age security schemes by introducing the social insurance model for all groups in urban and rural areas. Government should set up an old-age income guarantee system with three pillars: basic pension, supplementary pension and individual employment income.
- Second, integrate the benefit calculation and disbursement measures of pension system for different urban and rural population groups by means of nominal individual accounts.
- Third, advance unification of management and services through IT application. This would mean social insurance operation management and other public service resources could be integrated to a single pension management institution. National social security cards should be promoted and accelerate information sharing and integration.

Promoting the integration of social assistance systems and the policy plans ensuring equitable security:

To integrate social assistance systems, we may implement Type One integration at local levels, which would unify county and city systems. Specific policy recommendations are listed below:

- First, further promote the integration and merger of urban and rural minimum living allowance programmes.
- Second, integrate and coordinate minimum living allowance programmes with other social welfare programmes, such as medical, housing, educational and judicial assistance systems.
- Third, integrate the social assistance operation and management system. The management and operation of the social assistance system should be guided by the principle of "government guides, Ministry and bureaus of Civil Affairs manages, other relevant ministries and departments support, and society participates in providing social assistance."
- Fourth, government should establish an IT system for social assistance. This would integrate multi-sectional and multi-disciplinary information, and promote a standardized, scientific, technology-based and highly efficient system that is able to track relevant, up-to-date information more accurately.

AN ANALYSIS FOR AN EQUITABLE AND SUSTAINABLE WELFARE SYSTEM

After more than three decades of development since the introduction of reform and opening up, China has established a social welfare system that has underpinned the country's economic growth and societal stability. Although the current social welfare system emphasizes universality, scheme designs differ among regions, among professions, and between urban and rural residents. The institutions may be similar, but the service quality, benefits and management agencies vary greatly. Moreover, efforts to narrow the beneficiary gap quite often lead to the increase in benefits of both the less developed regions/groups and the more advanced ones, making the efforts largely ineffective. With the solidifying social stratums, accelerating urbanization and the aging process, as well as the slowdown of China's economy and fiscal capacity growth, increased fragmentation renders the traditional approach unsustainable. Establishing new development concepts to tackle these issues, as well as promoting institutional integration and social welfare system sustainable development has become not only a significant research area, but also a top government priority.

I.RESEARCH SCOPE AND KEY DEFINITIONS

(i) Definition and scope of social welfare

The term "social welfare" represents a broad concept. Titmuss (1958) classified welfare into three categories, namely social welfare, fiscal welfare and occupational welfare. [1]For this part, Midgley (1995; 1997) believes that the social welfare system is composed of social policies such as human capital policy, labor market policy and social security policy[2]. While social welfare is diversified and difficult to define, this report covers the public service and social security programmes closely related to China's current socio-economic development. These include compulsory education, health care, old-age pension and social assistance, all of which should take priority in policy considerations.

(ii) Definition of social welfare system integration and fragmentation

As there is no universally accepted framework for measuring the level of integration of a social welfare system, this report will analyze the welfare programmes based on framework proposed by Einar Overbye (2013), which states that all social welfare systems include at least four elements:

1 Entry criteria: what are the accession criteria of social welfare systems?

2 Eligibility criteria: what qualifications are needed to get benefits under the social welfare system?

3 Measurement criteria: what level and quality of benefits that the welfare systems provide?

4 Financing criteria: what is the level of funding required, including funding contribution share for the central and local governments, employers and individuals, etc.[3]?

Based onthe extent of differences in the terms of the above four elements among its different schemes, a social welfare system could be classified as featuring one of the following four types of integration (or fragmentation):

1 Type 1: A unified and integrated social welfare system for the whole country without any fragmentation.

2 Type 2: Various schemes with similar or the same eligibility, measurement and financing criteria, which allow social members to smoothly transfer or link their benefits in different schemes.

3 Type 3: The above four criteria under various schemes are different, but there exists a coordination mechanism that includescentral government administrative intervention and coordination agreements reached among systems.

4 Type 4: Different groups covered by different schemes that use different criteria. There is no effective coordination mechanism among schemes.

In addition to this type of cross-population group fragmentation, a second type known as functional fragmentation, i.e. a lack of coherence among social welfare programmes that target roughly the same population groups, also threatens the effectiveness and equity of the system. While cross-population group fragmentation leads to differences in the level and quality of social welfare benefits and services among varied groups, functional fragmentation causes wrong or duplicated coverage and omission of eligible beneficiaries, as well as low efficiency or even ineffectiveness of social welfare protection.

1 Mu Huaizhong, *International Comparison of Social Security,* (China Labor and Social Security Publishing Group, 2007, p276).

2 Gong Sen and GeYanfeng. *International Comparison of Welfare Systems and Social Policies*, (China Development Press, 2012; p3).

3 See Supporting Report 1: EinarOverbye, 'From fragmented to integrated systems, and from limited to broad coverage? The Evolution of social welfare systems in Europe.'

Table 1: Analysis framework of integration and fragmentation

Extent of systemic integration/ fragmentation	Type 1: Fully integrated and unified system	Type 2: Scattered schemes, unified criteria	Type 3: Different schemes and criteria, but with coordination mechanisms	Type 4: Completely fragmented, without any coordination or linkage mechanisms
Major means of systemic integration/ coordination	Unified system,criteria throughout the country	Different schemes, but the criteria are basically the same or similar; social members can transition smoothly between various welfare systems	Different schemes and criteria, but with some linkage and coordination mechanisms, such as the central government's administrative intervention and agreement among systems	Different schemes and criteria without any effective intervention or coordination systems
Examples	Medical care system in Republic of Korea	Medical insurance system in Germany	Welfare system in the EU; and the old-age pension adjustment fund system in some Chinese provinces and cities	Old-age and medical insurance schemes in most Chinese provinces and cities

II. THE CURRENT SITUATION, CAUSES AND IMPLICATIONS OF THE FRAGMENTATION AND DIFFERENTIATION OF THE SOCIAL WELFARE SYSTEM

(i) The current situation of the fragmentation and differentiation of the social welfare system

China's social welfare system lacks an institutional top-level design and comprehensive arrangement. There is no standardized approach to define general welfare level, or to integrate and coordinate different welfare schemes. The overall system has developed without order or coordination, while specific programmes lack systematic design and display clear signs of differentiation and fragmentation.

1. Imbalanced development of compulsory education

The compulsory education institutional framework has basically been unified since the 2006 amendment of *Compulsory Education Law,* which specifies that the nation shall comprehensively integrate compulsory education into the scope of government funding. China has finally achieved universal and free compulsory education at the national level. However, the system lacks proper design and integration, resulting in imbalanced development and huge gaps among regions and schools, as well as between urban and rural areas.

(1) Imbalanced development of compulsory education between regions

Educational expenditure, teacher remuneration and welfare benefits are all greater in eastern areas than in central and western regions. According to the *Report on the Balanced Development of Compulsory Education 2010*, educational expenditure per student in eastern primary schools is more than twice of those in central and western areas; although the number is slightly lower, the spending disparity continues into junior high school. Eastern primary school teachers and staff members receive per capita wages and benefits totaling RMB 41,700 per year, while those of central and western areas take home RMB 25,550 and RMB 26,071 respectively. The average wages and benefits for junior high school teachers are significantly higher in eastern regions than in central and western areas. According to data collected, in 2010, the average annual salary for teachers in Zengcheng City, Guangdong Province was RMB 55,380, which is 1.64 times the RMB 33,767 that teachers in Yongdeng County, Gansu Province received. Eastern students also enjoy superior facilities and equipment as well as more qualified teachers than their counterparts in central and western areas.

(2) The Distribution of basic education resources within regions is also imbalanced

Within regions, there is a huge gap in education resources and teaching quality between rural and urban schools, and also between county-level and village-level schools. This has undermined education fairness and led to the prevailing trend of "school selecting." According to the research report *China 2030* released jointly by the World Bank and the Development Research Center of the State Council, between 1990 and 2006, the rural high school enrollment rate nearly stagnated at 20 percent to 30 percent, while during the same period, that rate for urban children rose dramatically from 40 percent to 70 percent. If we factor in the enrollment rate for key schools, that gap may grow further. In urban areas, enrollment rate in the high-quality key schools and ordinary schools among residents, migrant workers and low-income families also differs greatly. Children from the wealthiest 20 percent of families rate a 75 percent enrollment in key schools, while children from the poorest 20 percent enroll at a rate of 54 percent. In terms of intraregional allocation of educational resources, the basic educational expenditure gap between eastern rural and urban areas is worse than that of central and western areas. For eastern primary school students in urban schools, the number is RMB 6,261, while the rural figure is only RMB 3,544;

Table 2:Educational expenditure in eastern, central and western areas

		Absolute level (RMB)			Ratio		
		Eastern	Central	Western	Eastern-Central	Eastern-Western	Central-Western
Primary School	Educational expenditure per student	4,955	2,241	2,469	2.21:1	2.01:1	0.91:1
	Public expenditure per student	872	405	539	2.15:1	1.62:1	0.75:1
	Wages and benefits per teacher or staff	41,700	25,550	26,071	1.63:1	1.60:1	0.98:1
Junior High School	Educational expenditure per student	5,286	2,871	2,998	1.84:1	1.76:1	0.96:1
	Public expenditure per student	1,000	611	736	1.64:1	1.36:1	0.83:1
	Wages and benefits per teacher or staff	40,274	27,325	26,764	1.47:1	1.50:1	1.02:1

Source: Report on the Balanced Development of Compulsory Education 2010, Supervision and Assessment Research Center for Education, China National Institute for Educational Research.

Table 3:Educational expenditure in eastern, central and western rural and urban areas

		Eastern (Unit: RMB)			Central (Unit: RMB)			Western (Unit: RMB)		
		Urban	Rural	Ratio	Urban	Rural	Ratio	Urban	Rural	Ratio
Primary School	Educational expenditure per student	6,261	3,544	1.77:1	2,546	2,931	1.25:1	2,694	2,315	1.16:1
	Wages and benefits per teacher or staff	52,283	29,296	1.78:1	28,535	23,299	1.22:1	30,501	26,381	1.16:1
Junior High School	Educational expenditure per student	6,064	4,320	1.40:1	3,186	2,469	1.29:1	3,280	2,656	1.23:1
	Wages and benefits per teacher or staff	46,561	32,165	1.45:1	26,277	22,455	1.17:1	29,594	23,189	1.28:1

Source: Report on the Balanced Development of Compulsory Education 2010, (Supervision and Assessment Research Center for Education, China National Institute of Educational Research). No date or place of publication.

the ratio is 1.77:1. For junior high schools, the ratio is 1.4:1, with eastern urban students receiving RMB 6,064 in educational expenditure, while their countryside counterparts rate only RMB 4,320. In addition, the wages and welfare of urban teachers and staff members are significantly higher than their counterparts in the countryside.

Fortunately, children of migrant workers are increasingly enrolling in compulsory education. In 2011, the number was 12,609,700, with 9,327,400 in primary schools and 3,282,300 in junior high schools.[1] Although the state has made great efforts in encouraging migrant workers to send their children to public schools, still many can only go to private schools because of quotas and limited resources. In 2011, only 70 percent of the children of migrant workers in Beijing were enrolled in public schools, with 73.5 per-

1 Ministry of Education: *2011 Statistical Bulletin of China's Educational Development*

cent in Shanghai and 50.52 percent in Guangdong.[1] The research team's findings suggest similar trends. For example, Zengcheng City has large numbers of migrant workers, especially in the economic development zone, but the allocated public school enrollment quota cannot meet the demand. Therefore, the government established a"Four Certificates, and Five Years" policy.[2] The number of eligible children of migrant workers was only 1,866 in 2010, but it swelled to 3,253 in 2011 and 5,098 in 2012. While an increasing number of these children can attend nearby public schools, some students still are forced to study in private schools with inferior teaching, equipment and facilities. Some schools still lack a license of operation, and some students have to drop out of compulsory education for various reasons.

2. Fragmented healthcare system is neither efficient nor equitable

Currently, China has established a multi-component healthcare system covering all people, and featuring three specific medical insurance schemes: a basic medical insurance scheme for urban employees, a basic medical insurance scheme for urban residents, and the new rural cooperative medical scheme for rural residents. Additionally, a medical assistance scheme for both urban and rural areas is now in place. By the end of 2011, more than 1.3 billion people in rural and urban areas had participated in the three basic medical insurance schemes, with the coverage rate above 95 percent. This represents the world's largest basic healthcare safety net, with a gradually increasing protection level.[3]

However, the current healthcare system is fragmented, and various schemes lack integration and linkage mechanisms. First, complex classification criteria have led to system differentiation, where standards fluctuate according to participants' household registration status, employment status (those who participate in the labor markets and those who do not, i.e. "residents"), as well as occupation and industry (public service unit employees/civil servants as opposed to enterprise employees). Some regions even included individuals with flexible jobs, by setting a lower threshold of medical insurance coverage. For example, Zhejiang Province reduces the social security system threshold so migrant workers can enter the system and enjoy benefits, albeit ones of lower standards. In comparison, Shanghai provides a "composite insurance system" for migrant workers; employees pay for insurance that covers old-age subsidy and work injury as well as medical and hospitalization insurance. Employees pay a premium of 12.5 percent of the payment base, which is only one fourth of what urban employees pay. This wide array of arrangements across the country makes the healthcare system even more fragmented.

Second, healthcare funding pools remain low. Only a few regions reach provincial levels while most places can only pool funds at city levels. In fact, some places adopt the "adjustment fund" model, without having an effective pooling mechanism. For example, the medical insurance in Zengcheng City is pooled together with the City of Guangzhou, and the funds circulate between the two cities. On the other hand, while the urban employee medical scheme in Yongdeng County has been pooled together with the City of Lanzhou since 2012, the county medical insurance bureau still pays most inpatient reimbursement costs without sufficient funding support from the City of Lanzhou, which means the expenditure cannot be sufficiently covered. A fragmented healthcare system is not only inequitable but hinders population mobility and hampers integrated market development. It also affects the programme's negotiation capacity, management and operation efficiency.

3. Old-age pension system is cluttered, and benefits differ greatly

By September 2012, all county-level administrative districts had implemented China's new rural pen-

1 She Yu, 'Issue of Educational Rights in Urbanization', included in *Improvement of Social Policies in the Urbanization Process* by Wang Liejun, etc., (China Development Press, 2013, p61-62).

2 Four certificates in Five years: The term five years means in order to get enrolled in public schools, children must have been living in Zengcheng City for more than five years. Four certificates refer to the house registration, permanent address certificate, residence permit or other valid living condition permits, Guangdong Province Employment and Unemployment Guide, or certificates for legitimate business, social security certificate, family planning certificate and similar documentation

3 People.cn: With 95 percent of medical coverage, China has become one of the countries with full coverage.http://politics.people.com.cn/n/2012/0722/c1001-18569140.html

sion scheme and urban resident pension scheme. The programme's collection and payment scope has expanded, with total participants reaching 449 million, and 124 million payees enjoying monthly benefits. The country essentially offers full coverage and achieved integration of pension schemes for rural and urban residents.

That being said, the system is not without problems; the programme is in disorder, and its fragmentation undermines its potential benefits. The systemincludes three old-age pension schemes: for urban enterprise employees, for public service unit (PSU) employees and civil servants, and for urban and rural residents. At the local level, there are old-age pension schemes for migrant workers, for participants of family planning and for farmers without land, as well as old-age subsidies such as therural "Five Guarantee" system,the special care programme for widows and widowers, and for elders who are childless and living alone in urban areas.[1] These scattered programmes have fragmented the old-age security system.

The benefits gap among various old-age pension schemes is huge. According to the *2012 Statistical Yearbook of China*, the average monthly old-age pension of urban enterprise employees in 2012 was RMB 1,721, while urban and rural residents received around RMB 101.Meanwhile, average pensions for PSU employees and civil servants measure about RMB 3,500.The pension ratio between PSU employees and civil servants, urban enterprise employees, and urban and rural residents is roughly 100:49:2.9.[2] An imbalanced old-age pension system and disparity among benefit adjustment mechanisms have led to a huge benefit gap among different groups, engendering feelings of inequality and unhealthy comparison.

While old-age insurance schemes are generally pooled at provincial levels across the country, according to the National Audit Office's *2012 Audit Report of Social Security Fund*, by the end of 2011, 17 provinces have failed to reach the "Six Unifications"[3]. The provinces and cities that did achieve this goal in effect implemented an adjustment fund system, where pooling still takes place at county or municipal levels. For example, even though Guangdong Province pools at the provincial level, it still largely adopts an "adjustment fund" approach. Such fragmentation jeopardizes the unification of old-age pension schemes and complementarity among regions, and limits its ability to share risks, facilitate capital flow and allow citizens to transfer pension rights across different areas.

4. Cluttered social assistance system

After years of experimentation and development, a social assistance framework that includes such programmes as long-term necessity assistance, temporary emergency assistance and special assistance has been established, with the minimum living allowance programme as the fundamental component of the overall framework. Such social assistance has been expanding its scope and increasing its strength, playing an important role in relieving people in need.

Nevertheless, a divided system is not conducive to bringing social functions into full play. The increasing number of programmes involve multiple government departments, but are weak on overall arrangement and design. The Ministry of Civil Affairs is responsible for managing overall social assistance, but it lacks the capacity to effectively manage and monitor the whole system. Moreover, the Ministry oversees disaster relief, minimum living allowance, medical assistance and assistance for vagrants and beggars, but the different departments fail to integrate the systems. Other programmes such as education assistance, housing assistance and legal assistance answer to a variety of government agencies, but do not have overall supervision and coordination. Such fragmentation has caused the disconnection between different policies, departments and ministries, as well as between the government and society. This has created both redundancies and

1 The "Five Guarantees" are guarantees of food, clothing, medical care, housing and burial expenses.

2 International Labor Office: Research Report on Deepening the Top-design Report of China's Old-age Insurance System. (internal report)

3 Six Unifications of old-age pension systems refer to the unification of basic pension system and related policies, payment base and ratio, pension benefits, management fund, registration and budget, information system platform and related procedures.

omissions of assistance, as well as disparate benefits between both regions and groups, and between rural and urban areas. This general waste of resources compromises the system's efficiency. According to the team's research, the 2012 minimum living allowance for urban residents was RMB 530 per month in Zengcheng City, Guangdong Province, RMB 301 in Wuchang City, Heilongjiang Province, and RMB 266 in Yongdeng County of Gansu Province. While regional differences in economic and living standards can to certain extent explain the divergence of the assistance level, in some cases the disparity is between urban and rural residents within the same county. This has led to a "one family, two standards" system. For example, in that same year, the annual minimum living allowance for Wuchang City's rural residents was RMB 1,718 per person (about RMB 143 per month), far lower than that for urban residents in the same city. Related research indicates that urban residents receiving minimum living allowances as well as education, health care and housing assistance earn atotal allowance of three or even four times that of rural residents.[1]

(ii) Causes and overall impact of a fragmented and differentiated social welfare system

Considering the institutional design and developmental history of China's welfare system, fragmentation and differentiation are inevitable. However, they have affected the system's fairness and sustainability in the following two aspects:

1. Causes of a fragmented and differentiated social welfare system

To a large extent, the fragmented and differentiated social welfare system forms in accordance with the development landscape and reform logic. The system both adapts to, and mirrors, China's complex national conditions and reflects the pattern of disparate economic development.

(1) Development of the welfare system is in line with the basic logic of economic progress and reform, and reflects the imbalanced regional development and differences among various groups

After the reform and opening up, Deng Xiaoping advanced the idea of imbalanced development, which let some regions—and some people—get rich first. This market reform idea fully integrated and optimized factors of productionby creating an enabling economic environment, which greatly promoted China's economic growth. From the beginning of reform and opening up until 2010, China's average GDP growth approached 10 percent, with the aggregate GDP now second in the world. But at the same time, the gap among regions and groups, as well as between rural and urban areas has been increasing. According to a National Bureau of Statistics report, China's 2013 Gini coefficient reached 0.473, denoting a sizeable income gap between high-income and low-income groups. The ratio between urban high-income and low-income families' disposable income reached 7.8:1, and goes up to 9.8:1 when comparing highest income families and families in distress.[2] In 1978, the urban residents' per capita disposable income was RMB 343.4, while the rural residents' per capita disposable income was RMB 133.6; this means the income gap as ratio was 2.57:1.By 2013, the same per capita disposable income figures had reached RMB 26,955 for urban dwellers and RMB 8,896 for those in the countryside. This puts the income gap at RMB 18,059, with the per capita income of urban residents measuring 3.03 times that of rural residents.[3] Moreover, there were still 82.49 million poverty-stricken people living in the countryside.

The state of the welfare system reflects China's national realities and stage of development. As stated above, China's imbalanced socio-economic development has led to huge disparities among western, central and eastern areas, between rural and urban areas, and betweenthe rich and the poor. The social

1 Zheng Gongcheng, *Assistance and Welfare, Reform and Development Strategy of China's Social Welfare*, People's Publishing House, 2011: p6.

2 Yang Jialiang, "2014.01: Comparison Analysis of China's Human Development Index," http://www.stats.gov.cn/tjzs/tjsj/tjcb/dysj/201402/t20140220_513674.html (missing city of publication)

3 This data came from Statistical Communiqué of the People's Republic of China on the 2013 National Economic and Social Development by National Bureau of Statistics of China.

welfare system lacks top-down design and systematic arrangements because it has been established piecemeal for different regions, for urban and rural denizens and for social groups in accordance with economic demand. To some extent, it also exacerbates the unevenness in socio-economic development, as illustrated by the "reverse transfer" of resources from groups with fewer advantages to those with plenty. However, Western countries faced similar challenges years ago; fragmented social welfare systems are not unique to China.

(2) Development of the welfare system follows the basic pattern of social welfare system development

The welfare system is exceedingly complex, and must take into account its own development patterns, overall fairness and unification, and the characteristics of different groups. For example with the old-age pension scheme, the employed and unemployed differ in both need and ability to pay. Based on that, China's old-age insurance can be divided into two basic pension schemes, one for urban employees and another for urban and rural non-enterprise employees/residents. Both have different payment mechanisms, benefits and objectives. Such differentiated schemes fit the characteristics and needs of specific groups, as well as the development patterns of the system itself, which must accommodate diversified groups, imbalanced development and multiple demands. Even within developed economies, not all social welfare systems and programmes are currently identical or fully integrated.

(3) Development of the welfare system accommodates the "Incremental Reform First"approach featured in the period of social transformation

China generally takes the "incremental reform" approach, the most typical example being the so-called "old approach to old, new approach to new and transitional approach to those in between." The phrase "traditional methods for seniors" means there will be no adjustments for existing interests so as to maintain the stability and continuity of the system and to reduce the shock, possible risk and hindrance reform might cause. "New measures for the newcomers" indicates that social groups who have just entered the system will have new policies and models. "Transitional measures for others" means that those between the above two categories will utilize transitional mechanisms to gradually absorb the cost of reform. China's welfare system has been built up from scratch, establishing polices based on the needs of specific groups at certain stages of economic and social development. For example, the 1997 healthcare system reform for urban enterprise employees provided them with basic medical security. In 2003, the New Rural Cooperative Medical Scheme (NRCMS) was implemented throughout the country, while 2007 launched the trial program of the basic medical insurance system for urban residents. Systemic integration is absent among various medical insurance schemes; worse, even the samescheme has a fragmented design. For example, the NRCMS is pooled at the county level, and each county has a different set of criteria.

The incremental development of China's welfare system has seen no major reduction of the original welfare, such as the old-age pension and healthcare benefits for PSU employees and civil servants, as well as urban enterprise employees. This is designed to maintain the system's stability. Establishing a new system could expand the existing coverage and improve the benefit level without hurting those already covered. While it might cause system differentiation, it is also conducive to building and improving the welfare system.

(4) Fiscal and taxation system influences the development of the social welfare system

The current fiscal relationship between the central and local governments dictates that each receives tax revenue from various sources, then earmarks funds for a broad spectrum of individual programmes while ensuring their own budgets are balanced. This means local governments have largely formulated their own social welfare systems related to their area's specific economic development, which has in turn resulted in differentiated benefit levels among different regions. Under this model, local governments are inclined to guarantee social welfare for permanent residents and to resist newcomers. Such phenomenon can be seen in the context of old-age pension system, where all local governments are willing to "export" old-age pension scheme participants rather than to "import" participants from outside. The local government-led welfare development model is therefore likely lead to fragmentation of the social welfare system, while the current fiscal arrangement further reinforces the trend.

2. Fragmented welfare system has generated an adverse impact on socio-economic development

(1) Influence the healthy development and effective functioning of the social welfare system

The welfare system's fragmentation and differentiation has led to a lack of overall planning. First, this development needs a more logical design. The overall protection level is relatively low, but some areas and programmes develop too fast and benefit levels are too high or increase too rapidly. Civil servants and teachers enjoy high pensions and sound social security. However, for migrant workers and others who do not have formal jobs, the overall protection level is low.

Second, the welfare system development is imbalanced. Issues such as mistaken and lost insurance, overly high benefits and repetitive insurance coexist. For example, researches show that many social assistance programs overlap with minimum living allowance programmes, and that redundant assistance is pervasive.These overlaps can include housing assistance, medical assistance, education assistance, temporary assistance, price subsidies, legal assistance, water and electricity subsidies and funeral services. Such overlapping has led toincreasing levels of de-facto benefits, as well as a huge gap between families enjoying their minimum living allowance and those living on the brink of subsistence. But at the same time, some groups are not incorporated into the welfare system or their incomplete system has rendered their benefits too low.

Third, the welfare system's fragmentation and differentiation is not conducive to the sound development of the system itself and makes management even more difficult since it has increased the cost and reduced the benefits. For example, the old-age insurance scheme has achieved provincial pooling in name, but in reality remains pooled at the prefecture or the city level. Because of the old-age pension system's incomplete regional transfer mechanism, many people—migrant workers in particular—are unwilling to join the system for urban enterprise employees, thus jeopardizing the scheme's sound development. Besides, the fragmented system has also undermined its unification and complementarity among regions. This means that in areas where the pension fund accumulates, they still receive national subsidies. Also, funds cannot be transferred across regions for adjustment purposes, which reduces the efficiency of fund utilization. At the same time, welfare system management has become more difficult and related costs have increased, compromising the protection function of the system.

(2) Leading to a divided labor market and backward transfer of social security

The welfare system's fragmentation and differentiation have not only affected its integration and fairness, but also the flow of labor and the formation of a unified market. The lack of transferring and linkage mechanisms for various old-age pension schemes has rendered the labor market equally fragmented. In government entities, PSU and enterprises, old-age pension schemes operate in isolation; this is not conducive to personnel exchanges across units, and has hindered the flow of labor among provinces and regions.

This situation has also expanded the income gap and intensified the inequality of opportunities. The welfare system is an important source of income redistribution that can narrow wealth gaps and reduce social tensions. In reality, however, different groups are subjected to different income redistribution mechanism. The welfare system tilts in favor of some strong social groups, which has led to "reverse transferring" of income during the redistribution process. For example, in 2011, the financial subsidies for retirees from enterprises were RMB 258 per person per month, while subsidies for farmers enjoying basic old-age pensions were RMB 55 per person per month from the central government and RMB 30 from the local government.[1] In addition, the quarterly report *Fiscal Policy Adjustment during Economic Boom* (2008) by Macro Economy Projection Program of Renmin University of China from 2000 to 2006, showed that among China's income distribution gaps, with transfer included, the income gap among rural residents is 1.19 percent wider than the prior-transfer gap; the gap among urban residents is 12.97 percent narrower than the prior-transfer gap; and the rural-urban gap is 61.17 percent wider than the prior-transfer gap.

Though transfer can reduce the income gap to some extent among urban residents (by 12.97 percent), it significantly increases said gap between rural and urban areas, by as high as 61.17 percent on average. This is because income redistribution slants towards urban areas, meaning that urban residents who already have a higher income end up receiving even more transfer income than their rural counterpart.[2] In addition, the fragmentation and differentiation of the welfare system undermines equity of opportunities. For example, the basic education among regions and schools and between rural and urban areas is unevenly developed. Children from poor regions, children of migrant workers in particular, and stay-at-home children in some areas have limited access to quality basic education; this means they are disadvantaged from their first day of school.

(3) Hindering social harmony, reform and national governance structure building

The welfare system's disparity undermines social harmony and stability among groups. For example, between PSU employees/civil servants and urban enterprise employees, and between rural and urban residents, a sense of between-group differentiation has formed because of the huge welfare benefit gap. This has led to significant tensions.

This situation is not conducive to the establishment of governance institutions, since unified social welfare system symbolizes the will of the state. Various social groups would have a weak sense of nationhood and even transform their dissatisfaction with differentiated welfare into dissatisfaction with the state. Moreover, differentiation of the welfare system also leads to fragmentation of government agencies and their functions. This has increased administrative cost and reduced efficiency, causing disorder and undermining their capacity.

1 Wang Yanzhong: Report on China's Social Security Development 2012, (Social Sciences Academic Press (China), 2012, p34).

2 Institute of Economic Research of Renmin University of China and Donghai Securities: Financial Policy Adjustment in Times of Prosperity, Analysis and Forecast of China's Marco Economy, (the first quarter in 2008).

III. INTERNATIONAL EXPERIENCES AND LESSONS FOR PROMOTING THE INTEGRATION AND COORDINATION OF THE SOCIAL WELFARE SYSTEM[1]

Regarding the construction of their own social welfare systems, developed nations have endured a long development process and have accumulated valuable experiences that can provide important lessons for China's social welfare system construction.

(i)There is a wide disparity between the starting points of social welfare systems, but looking at their development process, the models are gradually converging

Social welfare systems in developed countries have undergone a process of gradual expansion and improvement. The origins can be divided into two major categories, the Bismarckian Model and the Danish Model (or Beveridge Model).[2] Their starting points differ greatly, but after a century's development, European countries have established improved social welfare systems. The two models have drawn on each other's experiences and have shown signs of convergence.

Social welfare system under the Bismarckian Model is also known as the German Model. This contribution-based model takes social insurance as the core and is established on the labor insurance system. European healthcare systems originated with industry associations during the Middle Ages. After the French Revolution, these so-called guilds were banned but the healthcare system remained and in 1883, Bismarck sustained this occupation-based healthcare system and incorporated it under unified national supervision. From then on, a continental European mandatory healthcare system has taken shape. Countries whose social welfare system resembles the Bismarckian Model embarked on one of the following two paths, either gradually integrating new social members such as blue-collar workers into the social welfare system or formulating parallel social welfare policies for new social members such as white-collar workers and farmers.

Taxation funds the Danish (or Beveridge) Model, which can be traced back to the Middle Age-era policies of poverty alleviation and religious charity. Denmark also issued an old-age pension subsidy law in 1891, which set up the second old-age pension system after Germany's. This system mainly focused on poor people's livelihood and required means-testing. However, as the social framework continued to improve, means-testing was phased out and this minimum pension insurance system gradually has covered all citizens. Sweden, Norway, Finland and others use another model called the National Health Care Systems. This dates back to the 18th century when the Swedish law encouraged community practitioners (predecessors of general practitioners) to provide medical services even for the indigent. This was the origin of inclusive national healthcare systems.

Social welfare systems established under the Bismarckian or Danish Models had a huge disparity in initial policies, but as they developed, they learned from each other and gradually dovetailed. For example, most countries that adopt the Danish Modelalso introduce a mandatory and partly contribution-based old-age pension system in conjunction with the minimum pension system. This behavior is closer to the Bismarckian social welfare system. In 1959, Sweden enacted the *General Supplementary Pensions Insurance Act*. Later, Finland (1960) and the United Kingdom (1978) also set up similar insurance systems. In Europe, only Denmark and Ireland still insist on a minimum welfare system supplemented by voluntary— rather than mandatory—occupational

1 For materials on international experiences please refer to Sub-report 1 and Sub-report 2

Note: Usually social welfare systems are divided between the Bismarckian Model and the Beveridge Model. But from the perspective of the origins of system, it is more appropriate to be divided into Bismarckian Model and Danish Model.See Supporting Report 1: EinarOverbye, 'From fragmented to integrated systems, and from limited to broad coverage? The Evolution of social welfare systems in Europe'.

2 Ibid.

and individual pension systems. While some Mediterranean countries adopted the Bismarckian Model in the 1980s, in order to incorporate the very few senior citizens left with no social welfare benefits, they customized tax-financed minimum old-age pension systems for this group, supplementing the standard social assistance system. This resembles the Danish Model, which is completely funded by tax payments providing universal minimum welfare benefits. By the 1980s, almost all European Union or European Economic Area countries had set up universal minimum pension systems or means-tested pension/social assistance, as well as mandatory, contribution-based pension systems.These two types of social welfare systems have gradually united.

(ii) The integration of the social welfare system is an overall trend, as well as a commonplace experience of development, but paths of integration differ

Because of differences in institutional foundations and national conditions, countries have chosen various ways to integrate and coordinate social welfare systems. These fall into three general categories, as seen below:

The first integration method is to establish a single system that provides all citizens with social welfare, such as the national health insurance system in Sweden, Norway and others. Mainly through improving their tax-financed, single-payer systems, these countries achieved social welfare system integration. Initially the scheme featured mixed health insurance systems supported by multiple payers to benefit different groups, but by expanding the national health system coverage, these countries integrated different plans and fostered a solidary and single-payer system. From 1948 to 1973, the United Kingdom, Denmark and Finland also built unified, tax-financed national health insurance systems. Ireland later established a similar framework but added means-testing requirements. Since 1978, Italy, Portugal, Greece, Spain and France have also developed a unified single-payer public health insurance system that integrates different schemes and grants all citizens universal and equal benefits.

The Republic of Korea's medical system is also an example of the first type of integration. Originally there were three kinds of medical insurance systems: one for workers and their family members who accounted for 36 percent of the population, another for government employees, teachers and their family members, accounting for 10 percent, and still another for freelancers and residents which accounted for 50.1 percent of the general public. In 1998, President Kim Dae-Jung consolidated the latter two systems and created National Health Insurance Corporation (NHIC). In 2000, he also integrated the health insurance system for workers and their family members into NHIC and thus established a unified healthcare insurance system.

The second integration method is to establish a portable and transferable social welfare system under which different social welfare schemes coexist, enjoying similar or same entry, eligibility, measurement and financial criteria. This way members can transfer and continue their benefits once they enter another scheme. Germany and most continental European countries using the Bismarckian Model have coordinated their social welfare system this way. By bringing new social members into the current mandatory healthcare insurance system, these countries gradually set up a multi-payer healthcare system under strict supervision and government subsidy, and ultimately achieved full coverage. In countries with coexisting healthcare insurance policies, the trend of integration primarily concerned entry, eligibility, measurement and financial criteria. For example, Germany, Austria, Belgium, and The Netherlands have all retained various parallel healthcare insurance policies focusing on people taking different occupations, but the number of coexisting policies is declining. In early 1990s Germany, there were over 1000 healthcare insurance funds, while in 2002 the number plunged to 355 (Busse, Saltman and Dubois, 2004). Moreover, some countries changed to universal social welfare systems covering most or all citizens through system integration, especially in the case of healthcare insurance. Countries such as Italy, Spain, Greece and Portugal have opted for a single-payer public healthcare system.

The third method of integration and coordination is to build a framework that allows different welfare schemes holding varied entry, eligibility, measurement and financial criteriato coexist. However, all schemes would remain mutually open to each other and new members can enter the scheme as long as they meet the criteria. Even though these members' obtained benefits are not portable or transferable, they can keep them, or some version of them. The European Union (EU) has no unified social welfare system, but member nations have a coordination mechanism between their social welfare systems. Regulation EC No.883/2004 specifies that if citizens of one EU member startnew jobs in another EU country, they can enjoy the same benefits as the working nation's people. Even if they leave the working country before pension age, they can still receive the same benefitsas those remain in the working country. To some extent, the EU has achieved the coordination between different social welfare systems.

The Japanese healthcare insurance system is fragmented, but has coordination mechanisms similar to the third type of integration. In 2012, the country had nearly 3,400 public and private health insurance programs, with private healthcare insurance institutions taking the lead. However, Japan used mechanismsto bring about system integration and coordination, such as implementing company-based health insurance plans. Since 1982, healthcare insurance for senior citizens is funded by multi-payers which include the central government (20 percent), local governments (10 percent), and both community and employee healthcare insurance. Besides, other coordination mechanisms also exist, such as the Medical Sub-Council affiliated to the Japan Social Security Council, the Health Insurance Sub-Council and an institution affiliated to the Ministry of Health, Labor and Welfare. Together these make up a national standard system for quality security, cost control and price criteria. Also, government and civil societies will conduct standardized assessments of the quality and services of hospitals. All these mechanisms have contributed to Japan's integration and coordination of the healthcare insurance system.

(iii) International experiences in universal educational systems and balanced development

1. Experiences of balanced development of compulsory education in Japan and the Republic of Korea

Promoting balanced development of compulsory education is an important approach to securing equal opportunities and enhancing the equity and effectiveness of overall social welfare. Many nations have accumulated relevant experience and practices, such as Japan and the Republic of Korea, which share national and cultural similarities both with each other and with China.

The Japanese compulsory education has developed on the basis of relatively balanced economic and social development as well as a narrow wealth gap among regions and between urban and rural areas. Additionally, the government has taken major measures towards improvement, one of which is to focus on the countryside. For example, Japan enacted the special *Law for Vitalizing Education in Remote Areas,* which specifies that ministers of education and officials at all government levels are responsible for vitalizing education in rural regions. On this basis, Japan formulated the *Order for Enforcement of the Law for Vitalizing Education in Remote Areas* and *Regulations for Enforcement of the Law for Vitalizing Education in Remote Areas* as well as other similar legislation. These legal documents have secured the treatment of teachers, as well as providing housing and transportation subsidies for students through coordination and government support. Another measure aimed at improvement is continuing a system begun in World War II where public and primary school teachers are rotated to ensure equal distribution of quality educators. There are detailed requirements on the rotating teachers' personnel, frequency of movement, procedures, policy support and security.[1] According to the Japanese Ministry of Education, every six years teachers rotate nationwide. Most provincial headmasters of primary and secondary

1 Kong Fanqin, Deng Tao, "On the Practice and Experience of the Balanced Collocation of Teachers in Basic Education in Japan,America and France". (*Studies in Foreign Education*, 2007, Volume 10, 23-37).

schools will rotate to another school every three to five years; each headmaster has to take at least two rotations during his career[1].

In the Republic of Korea, the standardized education system ensures the balanced development of compulsory education, which in turn safeguards equity and consolidates primary and secondary school teaching quality.

Before the 1960s and 1970s, the country's compulsory education was also imbalanced because of the inordinate pressure students felt when applying to the elite schools. In 1968, the Korean government canceled the secondary school entrance exam and in 1974, standardized education required high schools to enroll students through recommendations, written documents and regional allocation. In the meantime, and like in Japan, schools introduced a teacher-rotation system; instructors must change positions every four years to ensure a balanced national education. The merits of their standardized high school system is still under debate, but the overall system has made remarkable achievements in promoting an even development of compulsory education and in ensuring academic equality and opportunities for all. We should draw on this experience.

2. Racial integration to achieve equal education opportunities in the United States

Education inequality in the United States initially centered around unequal opportunities for whites and blacks. During slavery, blacks could not receive an education. The US Supreme Court's 1896 *Plessy v. Ferguson* decision resulted in the doctrine "separate but equal," which became the guiding theory of race relations and educational equality for the next half century. In reality, black students were denied an equal education; the all-white schools had more resources, a stronger curriculum and more qualified, better-paid teachers. In Virginia's Prince Edward County for example, white schools' assets per capita was $817 while those in black schools was $194.[2]

After World War II, the African-American Civil Rights Movement gathered momentum and people demanded equal access to education. In 1954, the Supreme Court handed down the *Brown v. Board of Education* decision, stating that segregation in schools was unconstitutional. The justices overturned *Plessy's* doctrine of "separate but equal" and deemed segregation inherently unequal. Later, racial integration was put in place nationwide. In some of theoriginal slave-owning states, local authorities and citizens rejected the decision, often violently. The most notorious case was in Little Rock Central High School, Arkansas. Anti-integration sentiment ran so high that then US President Dwight D. Eisenhower deployed 1,000 members of the 101st Airborne Division to Little Rock to ensure nine black students could go to class. The *Brown* decision not only codified equal education rights for blacks, but it also had a huge impact on other discriminatory policies. It significantly promoted the equity of social welfare and helped to enhance human resources, facilitate nation identity and reduce racial disputes.[3]

(iv) Integration and coordination of the social welfare system is the mainstream, but it is influenced by complicated factors

Clearly, facilitating the social welfare system's integration and emphasizing its sustainability is a development benchmark for most nations. In countries where mature systems are more scientifically designed and implemented, their integration and sustainable development is also superior, and can better boost economic and social progress, which in turn benefits citizens. Countries with fragmented and differentiated systems will see fewer benefits for their people, find more difficultly creating consensus regarding reform, and feel greater economic and societal pressure .

1 PengXinshi, "Regular Rotation and Training for Teachers in Japan". (*Studies on Foreign Education*, 2000, Volume 10: 49-52).

2 Zhang Ran, Microanalysis on the Brown v. Board of Education Decision. (*Global Education*, 2012, Volume 3: 39-45).

3 Zhang Cui, Research on the Transformation of American Black People's Education Right,(Master's Thesis of Northwest Normal University, 2012).

As a systematic undertaking, building a social welfare system is influenced by various factors. In observing the integration and development in European and selected East Asian countries and regions, we can generalize some basic concepts and principles.

First, countries can learn from each other. Developed countries shared their positive experiences to refine their own social welfare systems, as seen in the integration and convergence of the Danish and Bismarckian Model systems.

Second, integration and development should respect unique national conditions. Quite a few countries ignored national history and traditions as well as their own institutional environments while introducing foreign social welfare systems; not surprisingly they failed to reach expected results. Some cash transfer payment programmes that were successful in Brazil and Mexico were failures in other developing nations, because local traditions and national conditions were overlooked (World Bank 1993; Soares 2012).

Third, integration and development requires politicians' resolution and wisdom. Social welfare systems seldom evolve alone; only when politicians make concerted and dedicated efforts can integration be fully realised. Former Republic of Korea President Kim Dae-Jung instituted bold reforms of the medical insurance system, transforming it from a combination of schemes into an integrated system. To do this, he abandoned nearly 400 health insurance programmes and granted centralized management power to the National Health Insurance Corporation so that the medical insurance system was finally integrated.

IV. OVERALL PROGRESS OF THE SOCIAL WELFARE SYSTEM'S INTEGRATION AND LOCAL EXPERIENCES IN CHINA

Even though China's fragmented and differentiated social welfare system was inevitable, the situation is creating increasingly negative effects. In recent years, the Chinese government has already realized the significance of the system's integration and sustainable development. *The Decision on Major Issues Concerning Comprehensively Deepening Reforms* adopted at the close of the Third Plenary Session of the 18th CPC Central Committee specifies that, "We must combine top level design with wading across the stream by feeling the way, taking a holistic approach while making breakthroughs in key areas and making more scientific decisions about reform ". System integration and sustainable development has become the guiding principle towards welfare reform, with positive and practical experiments already underway. Furthermore, local areas have accumulated valuable experience through pilot programmes.

(i) Policies and experiences in facilitating system integration and balanced development of compulsory education

1. Public finance offers more funding for compulsory education, and equal access for urban and rural residents is improving

Since 2006, China has guaranteed funds for rural compulsory education. In 2007, policies of free tuition and textbooks, as well as the gradual subsidizing of boarding fees still cover all rural schools in China, including those in counties and towns. To consolidate universal compulsory education, local governments have prioritized balancing its development, as well as making progress in standardizing school facilities, coordinating management of urban and rural teachers and providing education for children of migrant workers.

2. Policies for children of migrant workers have been advanced to promote equal access to compulsory education

Achieving egalitarian compulsory education for children of migrant workers has long been both a priority and a challenge. In 2003, the State Council issued *Opinions on Further Improving Compulsory Education for Children of Migrant Workers,* which specifies that the work should focus on migrant workers' actual locations and public schools. In 2006, the newly revised *Compulsory Education Law* once again emphasized these policies. By 2010, 80 percent of children of migrant workers have received free compulsory education in nearby urban public schools. In Jilin Province, Zhejiang Province and Wuhan, capital of Hubei Province, the figure reached over 90 percent.[1] This shows that public schools are increasingly able to accommodate these children.

3. Policy for the elite high school quota system is being promoted and gained reasonable achievements

In 2002, China promulgated *Notice on Pushing Forward Reforms of Assessment and Examination Systems for Primary and Secondary Schools* (Jiaoji [2002] No. 26), which marked the first time the quota system was promoted in national documents. In July 2010, *The Outline of the National Plan for Medium and Long-Term Education Reform and Development (2010-2020)* required elite high schools to extend enrollment quotas to all regional middle schools. This is similar to the Republic of Korea's standardized education system, and means these most desirable institutions must accept a certain number of students from all middle schools in the same region. This will hopefully cut down on the phenomenon of "selecting" schools and allow all students have equal access to — depending on their performance — high-quality education.

1 Research and Development Center of the State Council Programme, Putting People's Well-being First: Ways to Improving China's Basic Public Service, (2012:49).

Meanwhile, pilot quota system programmes have shown that in many regions, the quota size was over 70 percent of the total enrollment and some even reached 100 percent. In 2013, the quota was over 50 percent of total enrollment in Harbin's elite high schools, and 40 percent for schools in Lanzhou. However, in Beijing, Shanghai, Guangzhou and other metropolises, the figure ranged from 20 percent to 30 percent, or even lower. The Guangzhou government planned to implement the quota system, but it was suspended until 2016 because of pressure from special interest groups. However, areas that have instituted these pilot programmes report a definite decrease in "school selecting" and an increase in equa access to compulsory education.

4. Scientifically allocate teaching resources and facilitate teacher rotation

The Japanese and Korean experiences suggest thatteacher rotation is critical to achieve the balanced allocation of teaching resources and also to promote egalitarian compulsory education. *The Outline of the National Plan for Medium and Long-Term Education Reform and Development* (*2010-2020*) specifies that within counties, teachers and headmasters should rotate between schools. The *Decisions on Major Issues Concerning Comprehensively Deepening Reform* further suggests "setting up a standardized public school and rotation system for teachers and headmasters, as well as banning the establishment of 'key' school and 'key' classes, to solve the problem of 'school selecting'. "

Nowadays, many provinces and cities have been experimenting with a teacher rotation system, and some have formulated complete plans and policies. Provinces such as Guangdong even offer subsidized salaries for teachers working in remote areas so as to narrow the urban-rural gap and encourage rotation.

(ii) Progress and experience of the integration and sustainable construction of the healthcare system

In recent years, China's medical services have developed rapidly. The basic medical system covers nearly the entire population, and service levels have been rising. But generally, medical service development prioritizes improving the medical insurance system and expanding coverage. China still lags behind in reducing the fragmentation of systems as well as promoting system integration and sustainable construction. However, practical experiments have shown promising results, as described below.

1. Merging the free medical treatment system for PSU employees and civil servants with the basic medical insurance of urban enterprise employees is progressing

Effective from July 1, 2014, the latest *Administrative Regulations on the Human Resources of Public Service Units* specifies that, The PSU and their workers shall participate in social insurance by law and they are

Guangdong Province: Plan for promoting balanced allocation of teaching resources for rural compulsory education:

In accordance with the local conditions, the provincial government has set up a mandate mechanism requiring regular rotation of all county-level teachers. This is to support rural education and encourage interaction between urban and developed regions with remote and rural schools. Within the county, at least five percent of all primary and secondary school teachers should move between urban and rural areas. Teachers with over nine years of experience in the same school must rotate within the county. Eligible urban school teachers must have taught in a rural school or a school with minimal resources for at least one year in order to apply for the following qualifications: senior teacher, teacher of special-grade, advanced teacher or excellent teacher. Their performance in those rural schools or schools with minimal resources will be a top consideration in gaining employment, earning promotions as staff or faculty, or even winning awards.

Source: ***Guangdong Provincial People's Government's Opinion on Comprehensive Implementation of Quality Teaching Programme to Enhance Teachers' Professional Capacity,*** Yuefu [2012] No. 99

Merger of basic medical services for PSU employees and civil servants, and basic medical insurance for urban enterprise employees in Beijing

In 2009, Beijing's Pinggu District took the lead in launching the medical reform pilot project and merged free health care provided for PSU employees and civil servants with the urban enterprise employees' basic medical insurance scheme. Over 20,000 active employees and retirees of the districts' administrative organs and public service units were no longer entitled to free medical services, and now are all covered by the basic medical insurance. In 2010, Beijing launched the full reform of the free medical service system, which saw 450,000 public servants covered by the basic medical insurance.

Source: http://news.qq.com/a/20100115/002054.htm

http://news.qq.com/a/20090611/000137.htm

Merger of free medical treatment for civil servants and PSU employees directly under the Jiangxi provincial government and basic medical insurance for urban enterprise employees

By 30 June 2012, all the active employees and retirees (departmental level and below), originally covered by free medical services provided directly by Jiangxi Province had participated in a three-level medical insurance programme that comprises of the basic medical insurance for urban enterprise employees, medical insurance for major diseases, and supplementary medical insurance provided by the employer.

Source: Notice on Printing the Opinions on the Implementation of the Merger of Free Medical Services of Provincial Government Organizations and Public Institutions and Basic Medical Insurance of Urban Employees, issued by the Finance Department, Public Health Department, Human Resources Department and Social Insurance Department of Jiangxi Province (G.C.Sh [2012] No. 35).

entitled to social insurance benefits by law. But in practice, some provinces and municipalities have gone even further, taking the lead in merging medical services for PSU employees and civil servants with those for urban enterprise employees or established transfer mechanisms between the two schemes.

2. Integrating urban and rural basic medical insurance systems has achieved preliminary results

The Decisions of the Third Plenary Session of the 18th CPC Central Committee advocated integrating urban and rural basic medical insurance systems, a key part of the medical service system construction. In recent years, local governments have experimented with system mergers, recording preliminary achievements. Statistics show that by 2013, six provinces and regions, over 30 prefecture-level cities and over 150 counties in China had implemented the integration of urban and rural basic medical insurance systems.[1]

3. Pooling levels of medical insurance have seen gradual elevation and the transfer mechanism has been preliminarily established

The low-level coordination of medical insurance has hindered the healthy development of the system, and has impacted negatively on population migration and economic development. The issuance of *Social Insurance Law* in 2010 suggested gradual provincial pooling of the social insurance fund.

As to local pilot projects, most parts of the country have upgraded from county-level to municipal coordination. A few provinces and cities such as Hainan and Tianjin have done preliminary pooling at the provincial level for urban employees' basic medical insurance. Meanwhile, according to the 2*013 Main Arrangements to Deepen the Reform of Medical and Health Systems* issued by the General Office of the State Council, identification of pilot projects that examine instant cross-province settlement mechanism is now under process.

1 Integration of Urban and Rural Basic Medical Insurance in Many Parts of China, http://www.chinanews.com/gn/2013/03-14/4644348.shtml

Hangzhou unifies the basic medical insurance system framework and main policies in the city

In 2011, the City of Hangzhou integrated the basic medical insurance for urban residents and the new rural cooperative medical scheme into the urban-rural resident basic medical insurance scheme, which unified the framework of city-wide medical insurance systems (covering both urban and rural areas of the city). Policies related to the unification include:

1. **Unify the urban-rural individual payment rate, which in principle should not be less than one third of the annual per capita fund-raising standard for local urban-rural medical insurance.**
2. **Unify the treatment for hospitalization due to major diseases and outpatient treatment for stipulated diseases. From January 1 2012, unify the copayment level, the maximum reimbursement limit and the reimbursement percentage of medical expenses covered by urban-rural medical insurance policy**
   - **(1) The copayment level for hospitalization is the following: not more than RMB 800 for third-tier medical institutions, not more than RMB 600 for second-tier medical institutions, and not more than RMB 300 for other medical institutions. Copayment is limited to once for each year.**
   - **(2) The maximum reimbursement limit for hospitalization is more than six times the average disposable income of local urban-rural residents.**
   - **(3) For medical expenses spent at second-tier or lower medical institutions that are above the copayment standard and below the maximum reimbursement limit, payment out of the pooling fund shall not be less than 70 percent. For medical expenses spent at third-tier medical institutions, local governments will determine the percentage.**
3. **Set up the outpatient service pooling system for urban-rural residents and continue to improve the urban-rural medical service level.**

Source: Notice on Unifying the Basic Medical Insurance System Framework and Main Policies in the City, (H.Zh.B.H. [2011] No. 242.).

Hainan Provincial Pooling of Basic Medical Insurance for Urban Employees

In 2012, Hainan Province passed the Implementation Measures on Provincial Pooling of Basic Medical Insurance for Urban Employees in Hainan. The province also unified the insurance-related payment standard and the benefit level, as well as business, information management and fund usage. Hainan also set up the provincial pooling and management system for urban employees' basic medical insurance that is standardized, highly risk-resistant, sustainable and suitable to the level of socio-economic development.

Source: Hainan Province Implementation Measures on Provincial Pooling of Basic Medical Insurance for Urban Employees

(iii) Overall progress and local experience in integrating pension systems in China

1. Breakthroughs in integrating pension systems for PSU employees and civil servants, as well as urban employees

The reform of pension system for civil servants and PSU employees is the focus, and a challenge, of integrating pension systems. In February 2008, the State Council executive meeting passed the *Pilot Plan for the Pension System Reform for Workers of Public Service Units* and launched the project in Shanxi, Shanghai, Zhejiang, Guangdong and Chongqing. In May 2014, the *Administrative Regulations on the Human Resources of Public Service Units* pointed out that, "Public service units and their employees shall participate in social insurance by law." Despite all the difficulties, there are clear breakthroughs in reforming the pension system for civil servants and PSU employees. The Decisions of the Third Plenary Session of the 18th CPC Central Committee specify to, "Advance pension system reform in government entities and public service units," which made solidifying the reform a priority. Active efforts are being made in studying relevant reform plans, which should be released in the near future.

2. Unification of urban-rural resident pension systems

According to the *Decisions* of the Third Plenary Session of the 18th CPC Central Committee, the State Council passed the *Opinions of the State Council on Establishing the Unified Urban-Rural Resident Basic Pension Systems* (G.F.[2014]No.8) in February 2014, and decided to merge the new rural pension scheme with urban resident pension scheme. This established the national unified urban-rural basic pension scheme. After the merger, urban and rural residents will be entitled to undifferentiated pensions of similar levels, with a universal institutional structure, fund-raising methods, and payment requirements.

3. Provincial pooling of part of the basic pension insurance and gradual establishment of the transition mechanism

Improving the pooling level of pension insurance is a key part of the system's construction. The *Notice of the State Council on Issues Concerning the Implementation of Provincial Pooling of Basic Pension Insurance of Corporate Employees and the Transfer of Industry Coordination to Local Management* (G.F.[1998]No.28) issued in 1998 suggests accelerating the provincial pooling of basic pension. The *Decision of the State Council on Improving the Basic Pension System for Corporate Employees* (G.F.[2005]No.38) issued in 2005 further specifies speeding up the pooling process and raising the pooling level. Efforts have been made to further strengthen the provincial fund budgetary management, to specify provincial, municipal and county-level responsibilities, to establish and improve the provincial fund allocation system, and to reinforce the efforts of fund allocation. Building on the foundation of satisfactory municipal coordination, provincial pooling level should be pursued, which create conditions for integrating the national labour market as well as promoting reasonable population mobility.

However, although great efforts have been made to advance provincial pension pooling, the progress remains slow. The *Announcement of the Auditing Results for the National Social Security Fund* released in August 2012 shows that by the end of 2011, 17 provinces still had failed to meet the "six unifications" standards for provincial pooling. Others that had met the criteria are in fact only adopting the "adjustment fund" model.

However, the pension transfer mechanism is gradually taking hold. In December 2009, the Administrative Office of the State Council released the *Interim Measures on the Transfer and Continuation of Basic Pension Relations for Urban Enterprise Employees*. All personnel — including migrant workers — who participated in the basic pension scheme of urban enterprise employees may transfer their basic pension rights when they go work in a different province.

Guangdong establishes the provincial pooling model of combining provincial allocation and budget management

In February 2009, Guangdong Province released the *Implementation Plan for Provincial Pooling of Basic Pension Insurance for Corporate Employees in Guangdong,* **which specified that Guangdong had adopted the provincial pooling model combining provincial allocation and budget management, and had met the provincial coordination standards of five unifications. These are as follows: unified pension insurance policy, unified payment base and ratio, unified disbursement measures and pooling programmes, unified management entities and procedures, and unified information management system. As to fund management, Guangdong would increase the role of the adjustment fund in pension at the provincial level. Starting from 1 January 2009, the province adjusted the proportion of pension contribution transferred to the provincial adjustment fund to 9 percent across all enterprises.**

Source: *Notice on Printing the Implementation Plan for Provincial Coordination of Basic Pension Insurance for Enterprise Employees in Guangdong Province***.** Y.F.B. [2009] No.15

(iv) Policy progress and experience of implementing minimum living allowance

The minimum living allowance programme was only recently established, and not fully promoted in rural areas until 2007. On the whole, it is far from perfect and is distinctly fragmented. But in recent years, some places have integrated and reformed these programmes. For example, in July 2011, Suzhou merged urban and rural minimum living allowance programmes, and increased the monthly standard from RMB 450 and RMB 400 respectively to RMB 500 per month.[1] In addition, other (comparatively) economically advanced cities such as Chengdu and Dalian have also unified the urban and rural minimum living allowance standards.

1 Suzhou Civil Affairs Bureau, Finance Bureau, etc.The Notice on Adjusting the 2011 Living Aid (Allowance) Standard for Recipients of Social Security.

V. CONCEPTS AND GENERAL PRINCIPLES REGARDING THE INTEGRATION AND SUSTAINABLE DEVELOPMENT OF SOCIAL WELFARE SYSTEMS UNDER NEW DEVELOPMENT CIRCUMSTANCES

As a sophisticated undertaking, social welfare system construction has profound impacts on people's well-being, on long-term socio-economic development, and on national harmony and stability. To this end, it is important to clarify the system's basic concepts and general principles according to the national development strategy.

(i) Basic Concepts of Social Welfare System Construction

The social welfare system design should be guided by scientific concepts. Based on the general pattern of integrating the welfare system, as well as the new circumstances and requirements of national economic and social development, the guiding concepts for building the welfare system consist of the following three aspects:

1.Safeguard fundamental rights and facilitate social justice

First, the social welfare system must protect people's fundamental rights and prevent individuals from personal and professional difficulties. The essence of the system is a mechanism of risk sharing that helps people in need. The system can keep citizens from being devastated by poverty, natural disasters, old-age related ailments, disease, work-related injuries and unemployment. In short, social welfare system construction is a fundamental responsibility of modern nations.[1]

1 It is in line with relevant principles of Recommendation on National Floors for Social Protection (No.202) passed by the International Labour Conference in 2012. The principles listed in Article 3 of Recommendation include: "non-discrimination, gender equality and responsiveness to special needs; social inclusion, including persons in an informal economy; respect for the rights and dignity of people covered by the social security guarantees, and showing respect for promoting social equality." The Recommendation also points out that, "basic income security should allow life in dignity. Nationally defined minimum levels of income may correspond to the monetary value ofa set of necessary goods and services, national poverty lines, income thresholds for social assistance or other comparable thresholds established by national law or practice, and may take into account regional differences."

Second, the system is a crucial instrument to adjust income distribution. As the structure improves, the coverage expands and the insurance fund accumulates. The system is also increasingly adept at addressing income imbalances, both in facilitating redistribution and in closing gaps.

2. Encouraging economic participation and human capital accumulation

A sound social welfare system should advocate active labor participation to reduce welfare dependence and advance human capital accumulation. Though many see social welfare projects as both preventive and responsive measures in reducing poverty, increasing numbers of studies now claim they play an active role in accumulating human capital and promoting labor participation as well as alleviating poverty. In Europe, the social welfare system has transformed from a passive guarantee of living quality to improvement in citizens' capacity and willingness to work. In particular, Northern European countries promote an increasingly distinctive social investment approach.[2] As a developing country, China should further encourage economic participation and human capital accumulation as the basic principles for establishing its social welfare system. Said system should emphasize "providing protection while maintaining regulationm," with a focus on education and healthcare projects that foster human capital accumulation and improvement. As to pension and minimum living allowance programmes, the system should focus on providing basic protection and encourage labor participation.

There are overall four transmission channels through which social welfare programmes could directly contribute to economic productivity and inclusive growth:

2 See Supporting Report 1: Einar Overbye, 'From fragmented to integrated systems, and from limited to broad coverage? The Evolution of social welfare systems in Europe.'

1 Investing in human capital: Social protection programmes have proven records in encouraging poor and vulnerable groups by investing in human capital and/or directly influencing human capital accumulation by improving education, nutrition and health.

2 Creating, accumulating and protecting assets: Social protection programmes can facilitate the creation of productive assets and supply of production inputs; providing income streams to poor and vulnerable groups will help them build assets. The existence of a social safety net also helps to accumulate and protect assets by preventing vulnerable groups from engaging in distressed sales of assets upon being hit by external shocks. This has an irreversible impact on the long-term development of their well-being.

3 Incentivizing entrepreneurial activities: By providing a safety net, social protection programmes incentivize households to diversify their investment choices into activities with higher income variance, but also potentially higher returns. This in turn leads to higher income trajectories.

4 Promoting and protecting employment. First, the accumulation of human capital improves people's employability. Second, there is an incentive effect. When welfare or unemployment payments provide better "fallback" positions, this improves the negotiating power of workers in the market place and encourage jobseekers to find positions that best utilize their talents rather than accepting the first job offers they receive.

Theoretically, although everyone's productivity could improve through these four channels, poor and vulnerable groups stand to benefit the most, given that they have the greatest potential for productivity improvement. As a more integrated and coordinated welfare system tends to have greater positive impact on the poor and vulnerable groups, such integration can then further strengthen the productivity of the economy. As a developing nation, China should enhance the productive potential of its own systems.

3.Promote the establishment of a modern state and ensure national unity and prosperity

A unified social welfare system is critical to promoting the construction of a national identity, which in turn is crucial for establishing a modern state. Bismarck initially called for social security legislation to create political unity. By establishing a unified social welfare system, the state integrated some well-organized and influential city workers into the system, securing their loyalty and enhancing their national identity.[1] This trend continues today, the EU's social security integration is vital for member countries' political integration. For its part, China faces unbalanced regional development, conflicting group interests and frequent social disputes. Enhancing national identity, promoting the establishment of a modern state, and ensuring national unity and prosperity all through building an integrated social welfare system is a key concept of system construction.

(ii) General principles of social welfare system construction

The system's construction should be in line with both national conditions and stage of development; nations must not only take care of present issues, they must also assess long- term goals. The system should take into account the unique characteristics of different social welfare programmes and at the same time have an overall design towards integration and macro-coordination. Actively promote the fulfillment of ideal objectives by making use of the current low welfare level and advantages in relatively high level of the welfare system's growth and investment capacity.

1.The overall social welfare level should be moderate and fiscally sustainable

In terms of economic development, China is still a developing nation. The imbalance among regions and

1 See Supporting Report 1: Einar Overbye, 'From fragmented to integrated systems, and from limited to broad coverage? The Evolution of social welfare systems in Europe.'

groups is clear, and much uncertainty still exists regarding economic restructuring and social development. Besides, the international economic landscape is also undergoing profound and complex transformation and adjustments. Based on the above factors, China's social welfare level should be moderate and in line with its current economic development stage so as to maintain fiscal sustainability and encourage economic participation and human capital accumulation.

2.The welfare system design shall be unified and coordinated

China must optimize the top-level design of the social welfare system to decrease fragmentation. Differentiated policies and schemes can exist, but they must follow a comprehensive framework and have transfer mechanisms to ensure social equity, nation building and national unity.

3.The country, market and society (including individuals and households) should share reasonable responsibility

In China's current social welfare system, the government's capacity is still relatively weak, though individual areas have seen rapid growth in state responsibilities. In the course of system design, we shall prevent and avoid the risk of excessive government responsibilities as borne by some Western welfare countries. From this perspective, we should value the division of responsibility between the market and society (in particular households). This will ensure consistency and proportionality of rights and obligations.

Optimal levels of responsibilities for the state, the market and for civil society vary regarding different social welfare programmes. Governments can determine these divisions by comparing each potential arrangement's expected effectiveness, efficiency, inclusiveness and sustainability.

On the one hand, the private sector and other non-governmental organizations can provide some public services with improved efficiency and quality. On the other hand, the government plays a key role in addressing market failures and ensuring the fairness and quality of social services. When private enterprises and non-governmental organizations cannot or will not provide comprehensive public welfare, especially in remote and rural areas, the government must then guarantee basic services.

4.The system must suit China's unique national conditions and future societal challenges

Taking China's national conditions as the foundation, the system design should adapt to our future development and possible societal difficulties. To be specific, there are three major challenges. The first challenge is to adapt to the environment of economic slow-down and aging society. Since China has become a middle-income country, the rapid economic growth rate and fiscal revenues will slowdown, even though their growth rate will remain at a relatively high level in foreseeable future. In the meantime, the people will face huge changes as the country encounters the largest aging society in history. The second challenge is rapid urbanization and large-scale migration. A large proportion of China's population will be switching between the different social security schemes. This phenomenon creates huge challenge for social security fund management. Finally, the government's governance capacity is still relatively weak and is hardly commensurate with the country's large population, regional and social disparities, and complicated national conditions.

VI. POLICY RECOMMENDATIONS FOR BUILDING A SOCIAL WELFARE SYSTEM

Establishing a unified, coordinated, equitable and inclusive welfare system would require a comprehensive plan and specific policy suggestions for various kinds of social welfare programmes.

(i) Overall policy recommendations for building a social welfare system

1. To optimize the government expenditure structure and increase government financial support for social welfare

The statistical framework of the Organisation for Economic Cooperation and Development (OECD) for public social expenditure is similar to that of China for social welfare expenditure. Wang (2012) revised both frameworks and consolidated them into one uniform measurement structure. Using this new framework, in 2010, China's public social spending accounted for 31.7 percent of general government spending and 11.1 percent of GDP. This was only half of the OECD level, whose figures were respectively 61.8 percent and 24.4 percent. Even compared with the Republic of Korea, whose shares of social expenditure in overall government spending and GDP are ranked the lowest among OECD countries, the country's respective figures of 41.2 percent and 11.8 percent were still slightly higher than those of China.[1] Using the same statistical framework to measure countries whose GDP per capita ranges from $3000 to $6000, results indicate that public social expenditure still accounts for 54 percent of overall government spending.[2] The level of social expenditure is related to cultural traditions and stages of development; there is no universal standard to determine adequate spending. Yet compared to successful OECD countries, China's social welfare level is relatively low. This requires us to gradually optimize the fiscal expenditure structure and scale up the financing support for social welfare, so we can set up a system in line with our current economic development level.

2. To reform the welfare financing mechanism and to elevate welfare spending of the central and provincial governments

A highly decentralized welfare funding mechanism is a major cause of a fragmented and differentiated social welfare system. In most countries, especially those with single-payer systems, the central and provincial governments are responsible for the majority of education and health expenditures, with the central government shouldering a higher responsibility and basically being solely accountable for social security and social assistance. This calls for China to elevate the central and provincial governments' proportion of welfare expenditure, which will not only improve the social rights of the floating population, but will also advance the social welfare system and promote basic public service equalization. There must be a well-defined responsibility-sharing mechanism between different levels of governments, whereas related arrangement should be as uniform as possible across regions. On this premise, local governments must carry out the responsibility to provide residents lacking local household registration with public services and social security.

3. To establish a basic public service package and to ensure fairness

The three guidelines for the development of China's current social welfare system are: first, to ensure people's basic living needs; second, to provide an economic safety net for people experiencing temporary hardships; and third, to promote social equity.

1 The public social spending under the new measuring standard is based on that of the OECD, i.e. increasing education expenditure and taking out cultural and sports expenditure. See Wang Liejun: "Social Spending: An Alternative Measurement for Livelihood Expenditure", report for (Development Research Center of the State Council, 2012.10.26).

2 See special report by Gong Sen and others: "Strategic Emphases in the Transformation of China's Economic Development Pattern in The New Situation", as well as the key research project of 2009 with Development Research Center of the State Council: "Strategies for Improving People's Well-Being and Stimulating Domestic Demand Focused on Basic Security".

Government should integrate some basic social security programmes and establish an essential public service package to provide people with unified and equitable fundamental welfare. Establishing the package can happen over time; early stages can incorporate programmes for basic education, public health and prenatal care. Then as society evolves, other social welfare programmes such as basic pensions, health profile management, child health, high school and vocational education, and minimum living allowance can be added incrementally.

4. To establish universal, integrated and multifunctional social security identity cards

China should reform the current household registration-based rights determination and interests distribution system, and instead establish a social welfare system based on residence and duration of contribution period. Universal social security cards should also be distributed; this will facilitate integration of the social welfare system and resource allocation, and set up a single standard under which benefits can be portable. A unified social security information system should also be established and be linked with healthcare, old-age pensions and social assistance information, all accessible with the same card. The proper sharing of information will ensure this multifunctional card will be used in an efficient and safe manner.

(ii) Specific policy recommendations for selected social welfare programmes

1.Policies and plans for balanced development of compulsory education

Besides being a fundamental requirement of social justice, equity in education is a crucial part of a person's all-around development. The current system has achieved universal basic education, but resource allocation is unbalanced; education in different regions, counties and schools is far from equitable. First and foremost, the policy must promote the balanced development of regional compulsory education. Based on the equalization policies in Japan and the Republic of Korea we can offer the following recommendations:

- First, government investment in education within regions should be balanced, ensuring an even distribution of funds going towards facilities and equipment, operational expenditure and human resources. Elevating the weaker schools should take priority — and funding should be commensurate. In fact, rural expenses may actually be higher, when one factor in the cost of public service provision against the trend of decreasing population density, as well as increased infrastructure construction, school bus allocation and various operational costs. Funding should be weighted towards rural areas with low population density and a less developed economy so as to raise the standards of their equipment and facilities. School cancellation and merger without proper justification should be prevented to ensure that students in economically underdeveloped areas can still receive equal compulsory education with quality guaranteed.
- Second, intraregional rotation of public school headmasters and teachers should be promoted. The spirit and arrangements of the Decisions of the Third Plenary Session of the 18th CPC Central Committee advocates this exchange and job-rotation method. However, comprehensive adoption requires further observation of educational systems, including successful programmes in Japan and the Republic of Korea. It also means evaluating and assessing need, as well as securing supportive policies such as teacher subsides. Counties and districts with imbalanced compulsory education development can adopt this system.
- Third, implement admission quotas in elite senior high schools. Based on the experiences of Shandong, Zhejiang and Heilongjiang Provinces, quotas that channel top regional students into top regional schools should be promoted and strengthened — in particular at regions with unbalanced compulsory education and low admission quotas — to promote balanced compul-

sory education, to stop the debilitating trend of "school selecting," and to ensure equitable access to education for students at schools with minimal resources.

2.Integrating the healthcare insurance system and implementing equitable benefit policies

The healthcare insurance system should adhere to the following principles: contributing according to eligibility,receiving benefits according to need, and paying according to capability. The system integration plan may adopt a mixed mode: first, to pursue at the national level the Type Three integration discussed at the beginning of the paper, and achieve the national pooling of basic medical insurance by establishing the allocation fund system. Then at the provincial and municipal levels, realize the Type Two integration in the near future. This means integrating standard medical insurance schemes and setting up a transfer mechanism. Finally, the system's medium and long-term goal is to achieve Type One integration, where all schemes are integrated into a single system.

Recommendations on the recent system integration are as follows:

- First, further integrate the medical insurance scheme for urban enterprise employees and the free medical treatment scheme for PSU employees and civil servants, and set up a unified basic medical insurance scheme. Based on local practices, reform measures should draw experience from the international community, abolish the free medical treatment scheme for PSU employees and civil servants and integrate those same policies into the urban enterprise employee medical insurance system. Meanwhile, in some regions, migrant workers, farmers without land and self-employed urban workers should also be allowed to participate in the employee medical insurance scheme.
- Second, further integrate the basic medical insurance for urban residents and the new rural cooperative medical insurance, and set up the unified urban-rural resident basic medical insurance system. The objective of the integration is to fix a unified standard for system coverage, contribution threshold, benefits level, information collection, financial budget as well as fund management. Considering the imbalance between urban and rural economic development, "reverse subsidies" might occur after the merger, so this study recommends launching relevant studies almost immediately to correct and balance the situation.
- Third, China should raise the pooling level of medical insurance comprehensively. It needs to achieve pooling at the prefecture municipal level, and to adopt at the provincial level system Type Two integration, or even Type One integration if possible. At the national level, the country needs to establish the adjustment fund system and realize Type Three integration. Government should establish an operational management system with unified service standards, procedures, and regulation, and on this basis, build an open digital medical insurance information management system to facilitate intra-province and cross-province facilitation of instant claims settlement. This will resolve problems related to medical service reimbursement in places that differ from those on the household registration cards.
- Fourth, advance IT applications of medical services. Unifying standards of social insurance information management means that one can combine related information indicator systems and encoding schemes. A nation-wide information management system should be established as soon as possible. Provincial and municipal governments should launch pilot projects, gather research and evaluate results, and then promote the construction of the IT system.

3. Integrating old-age pension systems and implementing equitable benefit policies

Similar to the plan put forward for medical insurance system integration, the pension system integration plan also adopts a "mixed" approach, that is achieving the previously discussed Type Three integration at the national level, as well as the national pooling of basic pension schemes through a national adjustment fund. Then, at the provincial and municipal levels, the short-term (within five years) goal is to realize Type Two integration, which unifies and integratesthe various criteria of the pension schemes and sets up a transfer mechanism for different pension schemes. Within the next ten years, the medium and long-term goal is to realize Type One integration, that is, to completely integrate pension schemes at provincial and municipal levels. In February 2014, China merged urban and rural resident pension schemes; now they should further integrate the pension system, including through the inclusion of all rural and urban population groups into social insurance programmes and the introduction of nominal individual accounts for all. The gap between different groups can be narrowed by increasing the minimum, stabilizing the moderate and restricting the high benefits. Specific suggestions are as follows:

- First, integrate old-age security schemes by introducing the social insurance model for all groups in urban and rural areas using the social insurance approach. Government should set up an old-age income guarantee system with three pillars: basic pension, supplementary pension and individual employment income. Taking into account China's cultural traditions, stage of development and international experiences, basic pension insurance should account for 50 percent of the entire old-age income, and supplementary pension insurance should be 10 percent. The remaining 40 percent would be made up of individual employment and other income, such as financial support from children or relatives. Encouraging employment and other income will help encourage labor participation, and maintain the Chinese tradition of providing mutual help within families. This is critical for promoting economic development, improving the construction of social relations and easing pressure on the government.
- Second, integrate the benefit calculation and disbursement measures of pension system for different urban and rural population groups by means of nominal individual accounts. The interest rates of the individual account would be linked to macro-economic indicators. In terms of social security levels, basic pension benefits for urban and rural residents should be elevated to 20 percent of the average disposable income, which equals the absolute poverty line. The pension replacement rate of the urban enterprise employee's basic pension system would be fixed at 40 percent; this matches the relative poverty line. Type Two integration is imminently ready between the pension scheme for PSU employees and civil servants and that for the urban enterprise employees. This would unify the criteria for both schemes and prepare them for Type One integration in the long run.
- Third, advance unification of management and services through IT application. This would mean social insurance operation management and other public service resources could be integrated to a single pension management institution. National social security cards should be promoted and accelerate information sharing and integration.

4. Promoting the integration of social assistance systems and the policy plans ensuring equitable security

To integrate social assistance systems, we may implement Type One integration at local levels, which would unify county and city systems. At the provincial level, we may allocate funds in light of economic development and the financial situation of each county and city. At the central level, we may adopt targeted subsidy incentive policies and guide the development and improvement of local systems.

Specific policy recommendations are listed below:

- First, further promote the integration and merger of urban and rural minimum living allowance programmes. Diminish the gap of minimum-living allowances between urban and rural residents in the same county or city. In more developed areas with smaller urban-rural gaps, facilitate integration of fund-raising, criteria calculation and adjustment mechanisms for minimum living allowance programmes. At the same time, set up a national standardized household income surveys that takes into account the differences between urban and rural areas to serve as the institutional foundation of minimum living allowance programmes.

- Second, integrate and coordinate minimum living allowance programmes with other social welfare programmes, such as medical, housing, educational and judicial assistance systems. This means minimum living allowance programmes would be closely connected with temporary assistance systems to reduce the overlapping of social assistance. Strengthen the connection between social assistance and other social welfare systems, and improve health care, pension and education facilities and services, will help the social assistance system rid itself of unnecessary burdens by transferring the responsibilities of addressing certain social risks to appropriate welfare programmes.
- Third, integrate the social assistance operation and management system. The management and operation of the social assistance system should be guided by the principle of "government guides, Ministry and bureaus of Civil Affairs manages, other relevant ministries and departments support, and the society participates in providing social assistance." By integrating administrative resources and coordinating social assistance, China can establish a unified social assistance management institution, a supervisory institution and an information management platform.
- Fourth, government should establish an IT system for social assistance. This would integrate multi-sectional and multi-disciplinary information, and promote a standardized, scientific, technology-based and highly efficient system that is able to track relevant, up-to-date information more accurately.

CONCLUSION

With social reform and construction over the past over three decades, China has established the preliminary framework and policy structure for the welfare system. However, the system remains fragmented and differentiated. Given the country's historic, economic and social development, this is to be expected. But modern conditions such as solidifying social stratums, accelerating urbanization and aging, and slowing economic and fiscal capacity growth has placed undue strain on the already fragmented system and has impacted negatively on society. Seeking integration and sustainable construction, the government has attached increasing importance to the top-level design and systematic planning of the welfare system, as well as issuing related laws, regulations and policy documents. Meanwhile, the central and local governments have been active in exploring models of welfare system integration and policy pilot projects, learning from both their failures and their successes. At the same time, studying the development trajectory of social welfare systems in developed Western countries has proved useful. Over time, governments and researchers have codified the principles of integration and sustainable development, and the welfare system has shown steady improvement.

However, development remains complex. The Chinese system has a short history and relatively weak institutional foundation, as well as facing profound historical tradition and complex national conditions. The development concepts, principles and policy plan suggested within this report focus on macro and framework system design. More in-depth research and more detailed demonstration are required to produce specific policy plans regarding how to ensure the effectiveness, efficiency, inclusiveness and sustainability of the social welfare system; how to establish a rational responsibility division system among the government, market and society; how to determine the optimal share of central and provincial government expenditure in the area of social welfare; how to create the coordination and management model of the pension fund; and how to manage functional positioning and system integration of social assistance and other social welfare programmes.

REFERENCES:

1. Bong Gun Chung, *A Narrative of the Leveling Policy in South Korea*, (supporting report).

2. Development Research Center of the State Council. *The People's Livelihood is the Foundation: The Road to Perfect China Essential Public Service* (2012:49).

3. Development Research Center of the State Council, World Bank, *China in 2030: Build a Modern, Harmonious and Creative Society*, (China Financial & Economic Publishing House, 2013).

4. Development Research Center of the State Council, World Bank, *China: Promoting Efficient, Inclusive and Sustainable Urbanization*, (Internal Report).

5. Ding Ningning, Ge Yanfeng, ed., *Build a Harmonious Society: Focus on Social Policies in the Past Three Decades*, (China Development Press, 2008).

6. Gong Sen and GeYanfeng, *International Comparison of Welfare Systems and Social Policies*, (China Development Press, 2012).

7. Institute of Economic Research of Renmin University of China and Donghai Securities: *Financial Policy Adjustment in Times of Prosperity, Analysis and Forecast of China's Marco Economy,* (the first quarter in 2008).

8. KEDI, *High School Equalization Policy and Issues in College Entrance Examination System in Korea and China*, (KEDI-NCEDR Joint Seminar, 2004).

9. Kong Fanqin, Deng Tao, *On the Practice and Experience of the Balanced Collocation of Teachers in Basic Education in Japan, America and France*, (Studies in Foreign Education, 2007, Volume 10, 23-37).

10. Ministry of Education, *National Education Development Statistics Bulletin*, (2008-2012).

11. Ministry of Human Resources and Social Security, *Statistics Bulletin on Human Resources and Social Security Development*, (2010-2012).

12 Mu Huaizhong, *International Comparison of Social Security*, (China Labor and Social Security Publishing Group, 2007).

13. National Bureau of Statistics, *National Economic and Social Development Statistics Bulletin*, (2010-2013).

14. National Health and Family Planning Commission, *Statistics Bulletin on Health and Family Planning Development in China*.

15. Overbye, Einar. *From Fragmented to Integrated Systems, and from Limited to Broad Coverage?(* The Evolution of Social Welfare Systems in Europe, supporting report 1).

16. PengXinshi, *Regular Rotation and Training for Teachers in Japan*. (Studies on Foreign Education, 2000, Volume 10, 49-52).

17. She Yu, 'Issue of Educational Rights in Urbanization', included in *Improvement of Social Policies in the Urbanization Process* by Wang Liejun, etc., (China Development Press, 2013(6), 61-62).

18. Suzhou Civil Affairs Bureau, Finance Bureau, etc. *The Notice on Adjusting the 2011 Living Aid (Allowance) Standard for Recipients of Social Security*.

19. Wang Liejun, 'Issue of Educational Rights in Urbanization,' included in *Improvement of Social Policies in the*

Urbanization Process, (China Development Press, 2013).

20. Wang Yanzhong, *Report on China's Social Security Development 2012*, (China, Social Sciences Academic Press, 2012).

21. Yang Jialiang, 2014.01: *Comparison Analysis of China's Human Development Index*, http://www.stats.gov.cn/tjzs/tjsj/tjcb/dysj/201402/t20140220_513674.html

22. Yi, Ilcheong. *Diversity in Moving Towards Integrated, Coordinated and Equitable Social Protection Systems: Experiences of Japan, the Republic of Korea, and Taiwan Province of China,* (United Nations Research Institute for Social Development, supporting report 2).

23. Zhang Cui, *Research on the Transformation of American Black People's Education Right*, (Master's Thesis of Northwest Normal University, 2012).

24. Zhang Ran, *Microanalysis on the Brown v. Board of Education Decision*, (Global Education, 2012, Volume 3, 39-45).

25. Zheng Gongcheng, *Assistance and Welfare, Reform and Development Strategy of China's Social Welfare*, (People's Publishing House, 2011).

APPENDIX A: SUPPLEMENTARY TABLE TO THE MAIN REPORT

	Current Institutional Arrangements		**Main Problems in Implementation**	**International Experiences and Lessons**	**Main Policy Recommendations**	
	General Principles	Specific Plans			General Principles	Specific policies
Social Welfare System Establishment: People's Livelihood	The Equalization of Basic Public Services; The 2013 Central Economic Work Conference: "Hold on to the Bottom Line, Emphasize on the Priorities, Improve the System, and Guide Public Opinions"	Indefinite	General principles lack continuity and operability	Excessive welfare affects growth rate, with the exception of north western Europe	Adhere to the current general principles, and clearly identify the components	
				Increase social investment spending, control public consumption	Social investment: compulsory education, primary healthcare and medical insurance; preschool education and old-age services	
				Fragmentation is not conducive to mobility and formation of consensus on reform		
				Rely on fees and tax to expand welfare, not on borrowing	For ensuring consumption: basic old-age pensions, minimum living allowance	
Compulsory Education	Balanced Development	Intraregional rotation of public school headmasters and teachers	Very controversial during decision-making process	South Korea: Integration of welfare system conductive to social mobility and social integration	Adhere to the current general principles	Implement established policies and objectives; strengthen central supervision and inspection
		Implement admission quotas in elite senior high schools	Strong resistance from vested interest groups			
Primary Health Care	Prevention-based	Basic public health care package	Lack of public participation	Relative to hospitalization, the cost-effectiveness of the primary health care is better, but it is difficult to optimize health resource allocation in the West for the following reasons: 1. Personal values regarding life style; 2. Hospital doctors, elderly patients and other vested interest groups; 3. Insufficient health-related investment and expenditure	Adhere to the current general principles	Increase central government investment; implement free basic primary health care; population registration
		Zero mark-up policy for essential medicine	Lack of security for minor illnesses and injuries			
Basic Medical Insurance	Address the division between rural and urban areas, between those participate in the labor market and those who are not, etc.; pooling at the prefecture-level cities	Integration of schemes for civil servants, PSU employees and enterprise employees			Overall integration; a single system	Pay according to ability, enjoy service according to needs, determine cost based on the types of hospital rooms
		Integration of schemes for urban and rural residents	Low-level protection and "reverse transfer payments"	Pay according to ability, enjoy service according to needs	Fiscally sustainable at the provincial level; adjustment at the national level	Elevate pooling levels; establish a national adjustment fund, which allocates according to provincial population characteristics
				It is easier to control health care costs under a single-payer system		
Basic Old-age Pensions	Address the division between rural and urban areas, between those participate in the labor market and those who are not, etc.; for basic pension components, pooling at the national level	Integration of schemes for civil servants, PSU employees and enterprise employees	Very controversial and sensitive, making it difficult to put forward plans	Strike a good balance between retirement and work; the basic pension system has to be unified for different groups	Overall integration; a single system	Introduce nominal accounts system
						Raise the low-level and limit the high-level pension benefits; provide tailored supplement according to groups
		Integration of schemes for urban and rural residents		Control the level of basic pension and impose strict criteria	Fiscally sustainable at the provincial level; adjustment at the national level	Link pension level with age and life span
						Establish a national adjustment fund, allocate according to provincial population characteristics
Minimum Living Allowance	Narrow urban-rural gap; pooling at the county-level cities	Indefinite	Not adapting to the demands created by the urbanization process: division within the families in terms of family members' household registration	Strike a good balance between providing protection and incentivizing self-help	Overall integration; a single system; fiscally sustainable at the county level	Broaden the investigation scope while checking applicants' income
	Social assistance and insurance are largely complementary, with minimal overlapping			Control the level of social assistance and impose strict criteria	Reduce additional benefits for targeted population of the minimum living allowance programme	Strengthen capacity building of management agencies' ability to investigate income of the targeted population

APPENDIX B: SUPPORTING REPORT 1

THE EVOLUTION OF SOCIAL WELFARE SYSTEMS IN EUROPE: FROM LIMITED TO BROAD COVERAGE, AND FROM FRAGMENTED TO INTEGRATED SYSTEMS

Author: Einar Overbye
Professor
Oslo and Akershus University College of Applied Sciences

PREFACE

The paper is divided in four parts. Part 1 gives an empirical assessment of the evolution of European social welfare systems. Old age pension systems are the first to be traced, since they are by far the economically most important cash benefit systems. The perspective is then broadened to other cash benefit systems (unemployment, employment injury, disability etc.), to see if their trajectory resembles that of old age pensions. The perspective is further expanded to health care services, and finally to social and care services.[1]

Part 2 investigates the causes suggested in the literature to explain the trajectories observed in part 1. In this part the evolution of social welfare systems represents the "dependent variable," and the task is to explain variation across time and between European countries.

In part 3 the question turns to the effects of the changes on equality, integration and equity. In this part the evolution of social welfare systems becomes the "independent variable," and the task is to investigate the consequences of more integrated and broad-based social welfare systems. Part 4 discusses policy lessons. The structure of the paper is thus as follows:

Causes (part 2) → Changes in social welfare systems (part 1) → Consequences (part 3), Policy lessons (part 4)

The paper is not a systematic literature review, but based on my knowledge of European social welfare systems after having spent more than two decades studying such systems. First at Norwegian Social Research in Oslo and then at Oslo and Akershus University College, plus research stays at the University of California at Berkeley, Australian National University, Massey University in New Zealand and the European University Institute in Florence. Since the topic is vast and the number of pages as well as the available time to write them has been limited, the presentation concentrates on the big picture, and glosses over innumerable nuances. I have attempted a somewhat essayistic writing style to make this into the interesting story I believe it is. The text is intersected by boxes

1 Thanks to Espen Dahl, Aksel Hatland, Per H Jensen, Axel West Pedersen and Steinar Stjernö for commenting on parts of the manuscript. They shall not be blamed, however, for whatever errors that might remain.

delving into specific issues. The ambition has been to write the type of presentation I would have liked to read myself, if I wanted a grip on the history as well as the thinking behind today's social welfare policies in another continent.

The parts can be read separately, but I recommend reading them in sequence.

Osl o, 29 November 2013

Einar Overbye

CONTENTS

PART 1. TENDENCIES

Has there been a tendency toward more integrated social welfare systems and broader social welfare coverage in Europe? The short answer is: yes. But it is an answer with certain caveats, and it depends on how concepts such as "integrated" "social welfare system" and, for that matter, "Europe" is defined. Part 1 offers such definitions and tracks the development of social welfare systems across Europe, hopefully in sufficient detail to give a convincing answer.

1.1 Definitions

What is an integrated in contrast to a fragmented social welfare system? All social welfare systems consist of at least four elements. There are *entry criteria* (what are the criteria for becoming a member of the system?), *eligibility criteria* (what are the criteria for being awarded a benefit or service for those who are members of the system?), *measurement criteria* (how large are the benefits, or how high quality are the services, given to those members who are deemed eligible?), and *financing criteria* (are benefits and services financed through employee contributions, employer contributions, local, regional or central taxes, or — in the case of services — user fees?). In the following, an "integrated social welfare system" is given two meanings: harmonization and coordination. *Harmonization* implies that entry, eligibility, measurement and financial criteria are the same for all citizens. Harmonization can be brought about by *merger* of several systems into just one system, or by separate systems adopting gradually more similar criteria. *Coordination* implies that systems maintain separate entry, eligibility, measurement and finance criteria, but that those in charge of the separate systems jointly *coordinate* entry and entitlements. That means that members are allowed to change system, at least when they change occupations, without forfeiting accumulated welfare rights in the process.

Coordination also implies to safeguard accumulated rights. This is particularly important in contributory pension systems, where members typically earn higher rights to benefits the more years (and contributions) they have put into the system. Accumulated welfare rights can be safeguarded through *portability* or through *vesting*. *Vesting* implies that members are granted a deferred pension right even if they stay in the system only for a short period (say only one year), plus that this deferred pension right is indexed upward (or earns an interest) in the years from the person leaves the system till he/she retires. *Portability* means that the number of contribution years in the pension system the person is leaving, are registered as contribution years in the new system the person enters. Portability is usually offered only when two systems are harmonized, i.e. when financial, eligibility and measurement criteria are the same. Vesting however can be offered even if systems are very different.

If the systems neither have good vesting rules, or portability rules, nor have harmonized their entry/eligibility/measurement rules, they are defined as *fragmented* systems. Box 1 sums up the terms that are used in the following pages.

The definitions provided above relate to the rules determining entry, financing, eligibility and measurement criteria of social welfare systems — not the administration and actual delivery of benefits and services. Some may argue that a system is also "fragmented" if the administration of a system is shared between several administrative bodies, or if actual delivery of benefits and services is shared between several providers. This is increasingly the case in Europe, through outsourcing and managed competition (Eriksen and Loftager, 1996; Busse et al. 2004a; Grand, 2007). However the position taken in this paper is that a system that outsources administrative tasks or actual service delivery to quasi-public or private bodies (for-profit or non-profit) is still an integrated system, as long as the purchaser/funder controls the process and thereby coordinates the various agencies that administer or deliver benefits and services.

With regard to the definition of Europe, the paper concentrates on European countries that are members of the European Economic Area (EEA). This includes the 28 EU member countries plus Norway, Iceland and Liechtenstein. These countries are all

Box 1. Definitions of integrated versus fragmented social welfare systems

Harmonized systems type 1: **one merged system serves all citizens.**

Harmonized systems type 2: **several systems exist but all systems use the same (or at least very similar) eligibility, measurement and finance criteria. Members are allowed to switch systems when they fit the entry criteria in a new system. Stronger version: Accumulated welfare rights in the previous system are transferred to the new system (portability).**

Coordinated systems: **Several systems exist, with different and eligibility, measurement and finance criteria. All systems grant people the right to enter a new system when they fit the entry criteria in a new system. New members are not given credit for accumulated welfare rights in previous systems, but rules are in place that grant previous members deferred accumulated welfare rights that do not lose value over time (vesting).**

Fragmented systems: **Large groups are not covered by any system, and for those covered several systems exist with different entry, eligibility, measurement and finance criteria. Limited or no right to change to a new system even if changing professions or region (rather, people are then stranded outside all systems). No portability rules, also weak or non-existing vesting rules that punish those who change employers or leave the system after only a limited time as member.**

Box 2. Definition of social welfare system

Different scholars define "social welfare system" differently. This paper uses Ginneken's (2003) definition: "Benefits and services that society provides to individuals and households — through public and collective measures — to guarantee them a minimum standard of living and to protect them against low or declining living standards arising out of a number of basic risks and needs." This definition dovetails with UN conventions, such as the International Convention on Economic, Social and Cultural Rights.

subjected to EU rules and regulations with regard to social and health policies. In some parts of the paper, the focus is narrowed to Germany and the Nordic countries (or even more narrowly to only some of these countries to illustrate specific points).

1.2. EU level integration in the form of coordination or harmonization?

The difference between integration in the sense of *harmonization* or *coordination* is important in an EU context. EU has mandatory regulations stating that if EU citizens move between EU countries to work, they must be given access to the social welfare systems in their new country on the same terms as the native citizens in that country. If they leave the country again before pension age, they must get deferred welfare rights similar to native citizens. Thus EU has binding rules *coordinating* access to welfare systems in all of EU's member countries. The three non-EU members who are affiliated to EU through the European Economic Area agreement (EEA) are also legally bound to grant foreign EU nationals access to their welfare systems on par with native citizens.[1] The most important EU regulation in this regard is no. 883/2004 (earlier 1408/71) "on the coordination of social security systems ."

There is limited portability between European systems, since national systems are not harmonized.[2] However, each system usually has quite good vesting rules, securing the deferred rights of those with short contribution or membership records. EU states that vesting rules must be the same for immigrants as for native citizens. They must also be allowed to maintain their accumulated vested rights if they later leave the country again.

1 So is Switzerland through a separate agreement with EU.

2 However, contribution periods in another member country are taken into account when deciding if a person fits the entry criteria in the benefit system in the new country. This represents a limited form of portability. For example: To be eligible for benefits in the Norwegian sickness insurance system, a person must have been employed at least four weeks prior to the sickness spell. EU citizens who were employed at least four weeks in their own country immediately before taking up work in Norway, can claim Norwegian sickness benefits already from their first day at work in Norway.

The argument for mandatory coordination within EU/EEA is not primarily equity or equality concerns, but stems from the right for labor to be fully mobile between countries. Free movement of labor is one of the four freedoms which form the basis of the EU project as such (the others being free movement of capital, goods and services). If a citizen from say Poland moved to France and found work, but was denied access to the French health care and pension system, he/she would be discouraged from leaving Poland, even if the wage in France was higher than in Poland. Hence for labor mobility reasons EU demands that he/she must have a legal right to enter the French systems on par with French citizens, and maintain accumulated vested rights in the French system if he/she later moves back to Poland (and vice versa). Based on standard economic theory barriers to labor mobility represent an efficiency loss, and this efficiency argument (remove barriers to labor mobility) is the main justification for EU regulation 883/2004.[1] In addition to the efficiency argument, there is a political argument for labor mobility within EU that is often forgotten: The EU project was conceived after the Second World War, and a main motive for the founders was to tie European countries closer together in order to limit the risk of future large-scale European wars. High labor mobility between countries would lead to more mixed populations within each country, and more mixed populations was hoped to dampen the nationalist sentiments that had been responsible for the outbreaks of both the first and second world war. Hence labor mobility was also seen as a means to foster stronger social integration in Europe taken as a whole.

It can be noted in passing that this is arguably an instance where efficiency and integration arguments dovetail with equity arguments. Many would find it unjust if people who are mobile between employers and countries should end up with fewer accumulated welfare rights that those who stick in one place, or to one employer, all their life — provided that the number of working years is the same.

There are political actors within EU who have wanted to go further, and *harmonize* the welfare systems within EU. Once the different national systems are harmonized, they may eventually be fully merged at a later date, implying that the EU will become one single unified welfare state.

The conflict between "coordinators" and "harmonizers" follows a classic dividing line in European-level politics. On one side are those who want EU to be mainly a free-trade agreement between sovereign states: they prefer coordination only. On a country level, Great Britain has often taken this position. On the other side are those who want to deepen cooperation in EU, possibly even creating a full-blown federal European state in the future. This position has been strong in Germany and France.

At the moment however, no important political elite in Europe is arguing for top-down harmonization.

Why would some regard ("deep") harmonization as something desirable in the first place? Arguably because shared European welfare systems might be a means to further boost a common European identity. As will be argued later, extending coverage and harmonizing welfare systems has historically been pursued by national elites with an intention to foster national cohesion and tie the loyalty of citizens closer to the state (see part 2 and 3). This was an explicit goal of the 19th century German chancellor Otto von Bismarck, often referred to as "the father of the modern welfare state." In the same fashion, future unified European welfare arrangements could tie the immediate interests of citizens to the continuation of the European project, and reduce the risk of a future break-up of the union. Although secession from the union is in principle not to happen, the risk of break-up can never be discarded in a political entity covering more than four million square kilometer and encompassing more than 500 million inhabitants.

At present, top-down harmonization is not on the EU agenda. The EU treaty Article 137.4.1 explicitly states that EU "shall not affect the right of Member States to define the fundamental principles of their

1 The coordination rules are also meant to prevent "double dipping", i.e. that a person receives benefits from two countries at the same time.

social security systems and must not significantly affect the financial equilibrium thereof."[1] This means that EU cannot legitimately coerce member states toward harmonization with regard to entry, eligibility, measurement or finance criteria (Box 1). It must happen voluntarily, or as a long-term side-effect of accumulated decisions in the European Court in Luxembourg (Davies, 2006). If harmonization will happen voluntarily remains to be seen. Policies may gradually move in this direction through the so-called Open Method of Coordination (OMC). OMC is an umbrella term for several EU-level initiatives to collect standardized statistics across member states, plus numerous joint forums for policy exchange and policy learning where experts, administrators and politicians meet. OMC is an important part of so-called "soft law" within EU, which supplements "hard law" in the form of treaties and corresponding regulations that member states are obliged to follow.

Voluntary harmonization may also be spurred by the introduction of the common currency (euro). A common currency limits the scope for member states to pursue very different social and health policies. The common currency was a victory for those who want to deepen the European Union, also in the social policy area (Pakaslathi, 1998). The present European economic crisis may constitute a further push in this direction, not least since the conditionalities EU imposes on loans to crisis-ridden member countries also affect the provision of welfare benefits and services. However not all EU countries have joined the currency area. The Anglo-Scandinavian countries stay outside. Great Britain, Sweden and Denmark are EU members that have kept their national currencies. Norway and Iceland, who are only affiliated to EU through the EEA agreement, also maintain their national currencies.

Since the 1990s a policy shift appears to be underway, where old age pension systems are scaled back while increased priority is given to social welfare systems benefiting children and families, plus so-called "activation schemes" aimed an integrating or retraining marginal workers. This is labeled a turn toward a *social investment welfare state* (Morel, Palier and Palme, 2012) or the *enabling state* (Gilbert and Gilbert, 1990). *The EU Lisbon Strategy* (2000-2010), a joint strategy document signed by EU member states to enhance European competitiveness, illustrates this tendency. Among the 14 goals specified in the Lisbon Strategy were targets for increased net female labor force participation, increased net employment among 55-64 years old, increased net availability of childcare for preschool children, increased percentage of 20-24 years old with an upper secondary education certificate, and increased percentage of unemployed citizens in reintegration programmes. The more recent Europe 2020 strategy for the period 2010-2020 sets fewer specific goals but includes targets for increased employment rates up to age 65, boost education up to age 34, and reduce risk indicators for social exclusion.

Although the role of EU should not be underestimated and may grow even stronger in the future, EU is not a particularly strong political actor in itself. The EU is less than a federal state, though more than a regional free trade agreement. National governments, who also compose EU's ruling body (the Ministry Council), are still in the driver's seat with regard to coordination and eventual harmonization. The paper therefore turns to an historical account of the national trajectories toward broad-coverage, integrated social welfare systems.

1.3. The tendency toward more integrated national systems

The Bismarckian welfare legislation in Imperial Germany between 1880 and 1890 is usually regarded as the birth of the modern welfare state. Bismarck introduced mandatory social welfare systems for separate social risks: health insurance (1883), employment injury insurance (1884) and old age and disability pension insurance (1889). Before that time, social risks were dealt with either through Poor Laws (which offered tax-financed minimum support and did not differentiate the poor depending on social risk), of through occupational welfare systems established by guilds or through voluntary associations of

1 Previous EU treaties, from the 1957 Treaty of Rome onwards, are built into later treaties. URL:http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/ce321/ce32120061229en00010331.pdf

workers. In addition, government employees had their own pension system, or alternatively the right to continue drawing their salary even though they were no longer able to work. The paper first sketches the development toward more integrated national systems with regard to pensions, then briefly investigates if a similar tendency exists with regard to other cash benefits (sickness benefits, employment injury benefits etc.). It further sketches the tendency with regard to health care services, and end with the tendency concerning other welfare services (care services for the very old and infirm, kindergartens etc.).

1.3.1. Old age pension systems

The Bismarckian legislation did not cover everybody. Membership in the old age and disability pension scheme was initially limited to blue-collar workers, including artisans and servants. Coverage of health insurance and employment injury insurance was even more limited to urban workers. Only 10 percent were initially covered by health insurance (Stolleis, 2013: 68 ff). Benefits in the old age pension system initially started at age 70. Bismarck would ideally have preferred a mainly tax-financed system, to emphasize the benevolence of the state towards workers. However he had to compromise with powerful groups who preferred benefits fully financed by mandatory contributions taken from the workers' salaries or from their employers. With regard to old age and disability the compromise was what later became known as tripartite financing: approx. 1/3 from the workers themselves, 1/3 from their employers and 1/3 from the state in the form of general taxes. The new systems were labeled sozialversicherung, social insurance, to set them apart from tax-financed poor relief. The German welfare legislation was immensely influential, and during the following decades variations were introduced in most continental-European countries, including Russia. Versions of the Bismarckian systems were also exported to other continents. Some Latin American countries introduced such systems (versions of the Spanish and Portuguese social insurance systems) earlier than most European countries. The US social security legislation of 1936 was also Bismarckian-inspired since it collected contributions from members and paid earnings-related benefits. However in the US the 1936 system covered all income earners, not only blue-collar workers.

The Bismarckian 1889 model was not the only mod-

Box 3. Not Bismarck or Beveridge but Bismarck or Estrup

In international welfare studies, it is customary to portray the difference between the mandatory, contribution-based social insurance approach and the tax-financed minimum protection approach as "Bismarck or Beveridge." This is convenient but not historically correct. Bismarck wanted a partly tax-financed welfare system to underline the benevolence of the state. But he had to settle for less tax-financing due to opposition from those who wanted a fully contribution-based system (Briggs, 1961: 249-50). The British civil servant William Beveridge by contrast advocated fully contribution-based minimum benefits, not tax-financed minimum benefits. Hence he was more Bismarckian in his outlook that Bismarck had wanted to be himself. Moreover he lived and worked fifty years after Bismarck, when most European countries had already introduced their first welfare systems.

Estrup, the Conservative prime minister of Denmark between 1875 and 1894, was a contemporary of Bismarck. The 1891 Danish pension system was the second old age pension system to be introduced in the world. Estrup introduced a fully tax-financed minimum benefit, and when policy experts from within and outside Europe started to search for suitable foreign models for their own first systems, the Danish and the German system were the two oldest — and most diametrically opposed — they could seek inspiration from. Which they did: policy experts from as far away as Australia studied both systems in preparation of setting up their own first system (Overbye, 1997).

Hence both from a historical and from a systems design perspective it is more correct to say "Bismarck or Estrup" than "Bismarck or Beveridge."

el other countries could seek inspiration from. Denmark was the second country to set up a national pension system to deal with the risk of old age. The Danish 1891 system offered a means-tested minimum pension to all citizens, not only to wage earners. It was financed fully by taxes from the central government. The old-age system was meant as an alternative to local poor relief, which was financed by municipal taxes. This alternative "Danish model" was influential in the other Nordic countries and in many English-speaking countries (Kuhnle and Sander, 2010). New Zealand set up a tax-financed minimum in 1898 followed by Great Britain, Ireland and Australia in 1908 and Canada in 1927. In the US, some states introduced minimum pensions, although not at the federal (national) level.

From these two very different starting points one can observe a process of gradually extended coverage within each European country. In countries that started out close to the German starting point, coverage was extended in two ways. Either by gradually including new groups in the social insurance system set up for blue-collar workers, or by establishing parallel social insurance systems for other occupational groups: white-collar workers, farmers etc.[1] Later, tax-financed minimum old-age benefit systems were set up separately from general poor relief (social assistance), to cater for the few remaining old citizens who were not covered by any of the social insurance schemes. Essentially supplementing their social insurance tradition with a bottom floor, Danish-type minimum pension system (Gordon, 1988; Palme, 1990; Baldwin, 1990; Overbye, 1994).

In countries initially closer to the Danish starting point, means-testing was gradually softened or abolished altogether, giving most citizens — not only the poor — access to tax-financed minimum pension benefits. Even later, most countries close to the Danish starting point introduced mandatory, partly contribution-based earnings-related pension systems "on top of" their tax-financed minimum benefits — essentially supplementing their minimum pension tradition with a Bismarckian-type social insurance system. Sweden pioneered (1959) followed by Finland (1960) Norway (1966) and Great Britain (1978). In Europe, only Denmark and Ireland have stuck with public minimum protection, supplemented by voluntary — not mandatory — occupational or individual pension systems (See Salminen' 1993; Overbye, 1994 and Hinrichs 2001 for empirical mappings of this tendency). The end result was that, by the end of the 1980s, nearly all EU/EEA countries had converged on old age pension systems combining minimum and mandatory earnings-related pensions. The end point of this development (so far) is displayed in Missoc (2013).[2]

Box 4. Defining policy convergence

Kerr (1983,3) defines convergence as "the tendency of societies to grow more alike, to develop similarities in structures, processes and performances". With regard to *policy* **convergence, this paper adopts Seeliger's (1996, 289) down-to-earth empirical definition:**

"To classify the relative direction of policy developments in two countries (e.g. country A and B) we need to have one measurement for each country at one point in time (t1) and a second pair of measurements at a later point in time (t2). Becoming more similar (convergence) presupposes objective — i.e. measureable — differences in t1. Between t1 and t2, country A, country B or both countries must have initiated measures that have reduced the difference measured in t1."

In conclusion: Staring out with unequal coverage among citizens, and with very different eligibility and measurement criteria for those covered (long contribution periods and earnings-related pensions for those covered in German-inspired countries, no contribution periods and means-tested benefits in Denmark-inspired countries); policies in almost all EU/EEA countries have converged toward universal coverage - systems that combine minimum and earnings-related pension benefits.

1 Kolb (1989) and Stolleis (2013) provide accounts of the gradual extension of coverage in Germany. Stolleis also investigates how different parties and ruling factions gradually came to embrace this extension of coverage.

2 Missoc URL: http://www.missoc.org/MISSOC/INFORMATIONBASE/COMPARATIVETABLES/MISSOCDATABASE/comparativeTableSearch.jsp

There are limits to this converging tendency. Minimum pensions are more or less generous and more or less means-tested, and they usually demand long residency periods in order to claim a full minimum benefit (Between 30 and 40 years of residency are required in the Scandinavian countries). The mandatory earnings-related pension systems are even more diverse. Some countries have installed only one earnings-related system that covers all income earners (Sweden and Norway, and outside Europe the US). Most continental-European countries, and Finland, have installed parallel schemes for different occupational groups. Great Britain has a particularly complex history. First, tax-financed minimum benefits were replaced by contribution-based minimum benefits in 1925, which was augmented with a mandatory earnings-related system in 1978. In a particular British twist, income earners were allowed to contract out of the earnings-related system and opt for an occupational or individual top-up instead, provided these were not inferior to the public earnings-related scheme.

Further remaining differences that limit the degree of convergence: In countries with several parallel mandatory systems for different occupational groups, eligibility as well as measurement criteria may still differ from one system to another. This is particularly the case in South European countries. Contribution rates and the level of tax financing may vary (although the most typical is tripartite financing), and so may the number of years to claim a full benefit, the benefit formula, the level of benefits, and to which extent there is a ceiling on the income that earns an earnings-related pension (A low ceiling implies lower compensation rates for high-income earners). The pension age also varies. The most usual is 65 years, but it varies from 67 years (Norway and Iceland) to 59.5 years (Rumania, but only for women). In many countries women were initially granted a lower pension age than men (despite living longer), and this is still the situation in some countries (Missoc, 2013). However most EU countries are in the process of equalizing the pension age for men and women, based on an argument that separate pension ages represent gender discrimination.

Yet other sources of variation stems from different ownership and management structures. The Swedish and Norwegian earnings-related systems are fully public; parliaments decide on all aspects of the scheme (similar to the US 1936 system). In some Continental-European countries, representatives from trade unions and employers sit on the Board of Directors together with representatives from the government, and must be consulted (and can sometimes even veto) government attempts to change entry, eligibility, measurement or finance criteria.

Indexing of benefits also varies. Some countries use a price index, implying that pensions gradually lag in periods of real wage growth. Others use a wage index, or a combination of a wage and price index. Some have pegged the indexing of benefits to a specific wage or price index provided by the National Statistics office, while others formally decide the indexing each year in Parliament. Indexing may also vary between minimum and earnings-related systems, e.g. Sweden indexes benefits in the earnings-related system according to wages, but benefits in the minimum system only according to prices (Missoc, 2013).

The financing structure also continues to be rather different, with general taxation more dominant in Anglo-Scandinavian countries and contributions (i.e. earmarked taxes levied on employers and employees only) more dominant in Continental-European countries. In 2009 64.1 percent of Danish total social protection receipts consisted of general taxes, only 31.2 percent came from employer and employee contributions (plus 4.7 percent "other"). In Germany 35.2 percent came from taxes and 62.9 percent from contributions, almost exactly the opposite proportions. Corresponding figures for general taxes in other Anglo-Scandinavian countries than Denmark were 55.4 percent (Ireland) 52.5 percent (Norway) 51.9 percent (Sweden) 48.9 percent (Great Britain) and 45.2 percent (Finland). While in large Continental-European countries, the contribution of general taxes was more similar to Germany, i.e. lower: 43.8 (Italy) 38.3 (Spain) 31.9 (France) and only 18.9 in Poland (see appendix table 1 for further documentation).

Box 5. Why only pay-as-you-go pensions?

There are two reasons for the policy convergence toward pay-as-you-go financing. First, the schemes often started paying out benefit immediately, or after a short transition period, rather than to wait the whole contribution period until full benefits were paid out. This meant that the system was underfunded from the very start. Why were benefits often started (too) early, or being too high, relative to accumulated contributions? Because it was usually an important goal of the first systems to dampen social conflicts and tie the loyalty of those covered closer to the state ***now*****, not 30-40 years into the future. The other reason why almost all of today's European pension systems are pay-as-you-go is due to the fact that providing pensions requires a time horizon of 50 years or more. European history has been too turbulent to provide functioning capital markets over such long time periods. The 20th century saw two world wars, a major economic depression in between, and in many European countries decades with administered negative real interest rates in the first part of the after war period. It was hard for even the most conservatively managed pension fund to avoid devastation in such a turbulent political and economic environment. The fate of the Finnish 1937 pension fund is instructive. It was dismantled to help finance Finland's huge war reparations to the Soviet Union after 1945 (Finland was the only Nordic country that fought together with the Axis powers, in a separate 1941-44 war with the Soviet Union). The only exception to today's pay-as-you-go rule is some recently established funded pension schemes in new EU member countries, such as Poland. It remains to be seen if they will stay funded in the long run.**

However one important financial aspect of European systems has converged across time: Almost all systems have become pay-as-you-go, meaning that this year's pensions are financed from this year's contributions and taxes. While in the past, although some systems were set up to be pay-as-you-go, many were initially meant to be partly or even fully funded. For example, the first (1937) Finnish pension system was meant to be fully funded.

After 1990 there has been a policy shift across Europe towards restructuring welfare systems and, in the case of pensions, retrenchment. As regards restructuring, Sweden has been particularly innovative. Sweden introduced a brand new pension design in 1994/98: Notational defined contribution pensions.[1] Traditional old age pension systems are of the *defined benefit* type: The pensioner is granted a percentage of final or average earnings given a contribution record of 30 or 40 years. A *notational defined contribution* system by contrast defines the contribution rate, but not the benefit. The benefit may be large or small depending on the number of contribution years, and there is no longer any upper limit on contribution years. The Swedish innovation was to some extent inspired by the Chilean switch in 1981 to mandatory funded, privately managed defined contribution systems. However the Swedish system is still mainly pay-as-you-go; contributors are instead given a "fictional account" each year and this account is indexed each year according to an index (the equivalent of earning an interest on a fund).[2] This new earnings-related system is combined with a tax-financed pension supplement representing the minimum pension benefit. Sweden spearheaded yet another innovation: longevity-adjusted benefit levels. If longevity continues to increase, the annual pension a birth cohort will receive will depend on the average life expectancy of that birth cohort. Thus if a birth cohort at age 65 is stipulated to die on average at age 78, they receive a higher annual benefit than a future birth cohort that is stipulated to die on average at age 79. Yet another innovation is an actuarially neutral pension age. Swedish employees are now free to retire at age 60 onwards, but if the pension is taken early, the annual benefit is reduced accordingly. This implies that early retirees are financing their own early retirement in full.

A switch to notational defined contribution and longevity-adjusted benefits has later taken place also in Italy (1995) and Norway (2009), but only after long phasing-in periods.

Pension reforms in other EU/EEA countries include

1 The principles of the system were established in 1994 and the system was voted on in Parliament in 1998. It became law in 1999.

2 Part of the contribution is set aside in a "real" fund, managed by competing fund managers. This (minor) part is even more similar to the Chilean 1981 system.

Box 6. Likely effects of the Swedish, Italian and Norwegian notational defined-contribution systems

Unlike defined-benefit systems, notational defined-contribution systems will not experience automatic increases in contribution rates as the population ages (which is scheduled to happen all over Europe at least until 2050). This is so since the contribution rate is defined beforehand. Longevity-adjusted benefits further means that the risk of longevity – i.e. the risk of living longer than expected – is no longer pooled among all citizens, but only on the members of one's own birth cohort. This will also limit future pension increases. The above hinges on an assumption that may well be wrong: That future rulers will not yet again change the system, this time in a more generous direction, once its built-in contracting elements are experienced by future pensioners.

higher pension ages, less generous indexing of benefits, longer contribution periods to earn a full benefit or less generous contribution formulas (Palier, 2010a). The Scandinavian countries have also abolished or severely curtailed survivors' pensions in situations where the surviving dependent is past childhood but below pension age (this mainly concerns young widows). The benefit formulas determining the relationship between contributions and benefits (which have often been skewed toward low-income contributors) have also been made more proportional in many countries, offloading low-income contributors to tax-financed minimum protection systems instead. However in a somewhat contradictory development, contribution-based social welfare systems also increasingly count periods on parental leave, or periods looking after frail relatives, as contribution periods, although formal contributions are seldom actually paid. This is part of an attempt to make caring for preschool children, or caring for frail relatives, a bit more economically rewarding.

Scaling back old age pensions can be interpreted as part of the so-called social investment turn (see introduction). While spending on family benefits and children arguably have investment aspects (enhance basic human capital formation, boost the division of labor by bringing more women into the labor force), old age pensions are more similar to pure "consumption items." Add to this that European countries are set to experience massive population ageing in the coming decades, as the after war baby-boom birth cohorts are now rapidly approaching pension age (replacing the small 1930 birth cohorts who constitute the majority of today's European pensioners). Limiting the risk that old age pensions — like a young cuckoo — shall squeeze other government spending programmes out of the nest (including spending on education and health) is arguably a general concern among European political elites.

These mainly incremental cutbacks have opened up a larger market for voluntary pension arrangements on top of the mandatory pension systems. Voluntary systems are mainly in the form of occupational pensions, who have lower administrative costs than individual pension contracts. They come in two types: occupational pensions introduced by the employer on his/her own initiative, and occupational pensions introduced after negotiations with local trade unions, as part of a larger remuneration package.

It is a matter of interpretation if the growth of top-up occupational pensions should be interpreted as renewed *fragmentation* of European pension systems, at least among high-income earners. The approach adopted in this paper is that this depends on how occupational pensions are regulated. In particular, it depends on vesting and portability arrangements. The EU do not have a joint framework for vesting of occupational pensions similar to EU regulation 883/2004 concerning mandatory earnings-related pensions. Thus it is up to the employer's own will, and/or national regulatory frameworks, and/or local trade unions, to safeguard the deferred occupational pension rights of workers that are mobile between employers (see Box 7).

1.3.2. Other cash benefit systems

Other main benefit systems include disability benefit systems, survivor's pension systems, early retirement

Box 7. Vesting of occupational pension rights

Employers sometimes use occupation pensions, and occupational welfare more generally, to tie attractive workers to the workplace. This is done by limiting vesting rights, so workers must stay in the same firm until pension age in order not to forfeit benefits. This practice may be individually rational for employers, but the accumulated effect is to limit labor mobility — which is usually associated with an efficiency loss. Government regulations, where they exist, are of two main forms: either the government mandates that occupational pensions must have minimum vesting requirements. Alternatively, governments deny otherwise favorable tax treatment to occupational pension systems unless the system adheres to specific vesting rules (a softer way to influence employers). To use Norway as example, a small mandatory defined-contribution occupational pension has been introduced on top of the public earnings-related pension system, with good vesting rights. Company-based occupational pensions on top of this again must grant all employees equal access to the occupational pension scheme and guarantee good vesting of deferred rights, in order to receive favorable tax treatment.

benefit systems (if not incorporated into the old age pension systems), sickness benefit systems, employment injury benefit systems, unemployment benefit systems, family benefit systems (a mixed bag of benefits including paid parental leave, child benefits and sometimes special benefits for single parents), and general social assistance benefit systems (the modernized version of the old Poor Laws). None of these is fiscally as important as old age pensions. Disability benefits are usually the second-largest cash benefit system after old age pensions.

The pattern of disability and survivor's benefits roughly matches those of old age benefits. Scandinavian and Anglo countries often started out with means-tested tax-financed systems, and later introduced earnings-related systems on top. While most Continental-European countries started out with partly contribution-based systems for urban industrial workers, and later expanded them by including new groups or setting up parallel schemes for other occupational groups, later supplemented by minimum protection benefits.

Family benefits also originate partly in tax-financed Poor Law legislation and partly in contribution-based social insurance legislation. Some family benefits are fully tax-financed (child benefits, and special benefits for single parents where these exist); others follow an insurance-logic (paid maternity leave and parental leave, which are often earnings-related).

Employment injury benefits, sickness benefits and unemployment benefits have more common origins. Being in regular employment was usually a precondition for gaining access to these benefits in all countries, not only in Continental-Europe but also in the Nordic and Anglo countries. Unemployment benefits in particular usually originated in mutual associations set up by workers or trade unions. They were later subsidized by government revenues (known as the Ghent system), but seldom taken over completely by the government — not even in Scandinavia. Even Sweden and Denmark formally operate different, in principle voluntary, unemployment schemes for different occupational groups. However contribution rates, eligibility criteria and measurement criteria have been harmonized across all systems, so all Swedish and Danish unemployed workers face roughly the same conditions. Only in Norway did the government fully nationalize (and harmonize) unemployment protection. This happened in the 1930s, when the economic crisis made the mutual funds insolvent and in need of government takeover to stay afloat.

Europe consists of many countries and there are several national variations on the above theme. For example, the Netherlands has merged the disability pension system and the employment injury benefit system. Also, some systems are administered neither by the government nor by the social partners (trade unions and employer's federations), but by competing private insurance companies. The Norwegian employment injury insurance is an example. The government provides employment injury benefits, but in addition all employers are compelled to buy employment injury insurance on behalf of their employees at the private insurance market. This one-off employment injury compensation comes on top of the employment injury benefit. To mandate private insurance coverage is a social protection strategy associated in particular with the Anglo-American social welfare approach. The US Affordable Care Act (Obamacare) is the most recent example.

In conclusion, during the last 100 years more and more social risks were "taken out of" the old Poor Law legislation and given separate benefit systems of their own — either separate tax-financed systems or separate (partly) contribution-based systems. Coverage was extended toward universal coverage, one way or the other. Across EU/EEA countries, the remaining Poor Law legislation increasingly caters mainly for marginal groups who are not associated with a particular social risk. This legislation has been reconstructed as bottom-floor social assistance benefit systems tied to therapy and/or consulting from social workers.

Since the 1990s, a general shift has taken place toward installing or sharpening active conditionalities in social welfare systems, in particular in purely tax-financed systems (Morel et al., 2012). "Active conditionalities" means that the claimant must accept publicly provided work in order to claim the benefit (workfare), or that he/she must accept education or retraining efforts to be granted benefits, or must be willing to move and to accept any offer of work (Missoc, 2013). Failure to comply implies reduction or loss of benefits. The "activation turn" is part of the earlier mentioned social investment approach to welfare, where welfare benefits are increasingly used as nudges to boost human capital and reintegrate claimants in the labor force.

1.3.3. Free or subsidized health care services

The distinction between fully tax-financed social welfare systems and partly contribution-based systems hold also with regard to free or subsidized health care. The embryo of later tax-financed, universal, national health care systems was the 18th century Swedish legislation that gave district physicians (the forerunners to General Practitioners, GPs) royal commissions contingent on their willingness to see impoverished patients without payment. Similar policies were followed in Finland and Norway. The Swedish legislation is the first known effort by a state to provide health services to the poor (Saltman and Dubois, 2004; 22 ff). The Continental-European approach, by contrast, originated from the economic power of the medieval guilds. Guilds were prohibited in most European countries in the aftermath of the French revolution (1789), but their health insurance function lived on as independent mutual assistance societies. In 1883, Bismarck seized upon the idea of retaining such independent occupation-based sick funds but place them under state tutelage (op.cit.). Hence was born what later become the Continental-European mandatory health insurance approach.

Sweden, Norway and Finland have later extended subsidized health care from the poor to encompass all citizens through national health care systems. These public health care systems are single-payer systems, where the state (government) is the single payer. From a different starting point, Germany — and most Continental-European countries — have gradually extended health care coverage by including new groups in existing mandatory health insurance systems, or by setting up parallel mandatory health insurance systems for different occupational groups. Across time, these countries have also reached universal or near-universal health service coverage, through a network of heavily regulated and subsidized health insurance systems (a multi-payer system). The two roads toward universal health care coverage are quite parallel to the two roads toward universal pension coverage (see above).

To add nuance, most countries had a hybrid starting point, where tax-financed means-tested health care for the poor coexisted with mandatory health insurance systems for different occupational groups. Across time, many countries with a hybrid starting point have left the multi-payer health insurance-tradition altogether and opted for the single-payer national health care approach. Between 1948 and 1973 Great Britain, Denmark and Finland went for wholly tax-based universal health care (op.cit.). Ireland also has a tax-financed health system, but here health services are still moderately means-tested (Missoc, 2013). After 1978 Italy, Portugal, Greece, Span and (to a less extent) France also changed to single-payer public health care systems (op.cit.). This development represents type 1 — harmonization (Box 1): entry, eligibility, measurement and financial criteria are harmonized through outright merger of previous systems into one system for all citizens.

Germany, Austria, Belgium and the Netherlands retain the tradition with parallel mandatory health insurance systems for different occupational groups. However the number of parallel health insurance funds has become fewer. In Germany, the number of funds was reduced from more than 1000 in the early 1990s to 355 in 2002 (Busse, Saltman and Dubois, 2004b; 39). This represents a considerable degree of type 1 — harmonization , even if mergers are not pursued all the way down to just one single national system. The systems have mutual rules that allow members to switch systems if they change occupations (for example if they change from a blue-collar occupation to a white-collar occupation), and quality of services do not differ in any significant way between the remaining funds. This represents type 2 – harmonization (Box 1).

As with cash benefit systems, universal or near-universal health care coverage was reached in the EU/EEA area by the late 1980s. Italy and Spain were the last large European countries to reach universal health care coverage, related to their switch to national single-payer systems. There have been no major changes in entry, eligibility or measurement criteria since then, although more countries have introduced user-fees as a new source of revenue. There have however been rather dramatic changes in the *delivery systems* of health care since the 1980s. The buzzword is New Public Management, representing a host of management reforms such as target and performance measures, managed competition, outsourcing of service delivery and fee-for-service systems.

Since the focal point in this paper is the distinction between integrated and fragmented systems, managed competition is the most relevant reform. Managed competition in a single-payer system means that actual service delivery is separated from the financing arrangements. Instead, the state encourages competition either between health care providers that are (still) public, or between public and private providers, or simply privatize public health care providers to let them compete with other (private) providers for state contracts. Making a distinction between purchasers and providers of health care is done in many ways, but the basic point is that the state (the single payer) uses competition among providers are a means to enhance efficiency and deliver more and better health care services (see Grand 2007 for a defense of managed competition). In multi-payer systems, occupational health insurance systems are the purchasers, and in the same fashion encourage competition among actual health service providers (clinics and hospitals). Many things can go wrong in managed competition systems (see Propper 2006 and Laegereid and Neby 2012 for reviews of things that often go wrong), but this type of competition arguably does not result in more fragmentation, since the crucial purchaser role is still integrated, and the purchasers are in a commanding and coordinating position vis a vis the competing providers.

The situation is different if the government also allows health insurance systems to compete for members. Such competition is not possible in single-payer systems (the state is the only purchaser on behalf of all citizens), but it is possible in countries with several occupational health insurance systems instead of one public system (Saltman, 2004; 147). Such competition has been allowed in Germany and the Netherlands (Figueras et al., 2004;102). The argument is that competition for members may enhance efficiency and spur innovations within health insurance systems. However this also creates possibilities for cream-skimming and offloading, well known from competition between occupational health insurance systems in the US (see Box 8).

Cream-skimming and offloading can be combated through heavy-handed government regulation. This includes denying insurance systems the right to dif-

Box 8. Cream-skimming and offloading in public healthcare systems

Cream-skimming implies that a health insurance system try to get only or mainly healthy (low risk) customers as members — by targeting the young or those without a previous medical history. Offloading implies getting customers who are likely to need health care (bad risks) dumped from the system, either by charging prohibitively high contributions or by more subtle means. Both cream-skimming and offloading stems from the classic *adverse selection* problem in all voluntary insurance systems: The tendency that insurance companies will attract customers whose risk is above average, unless the devise methods to screen potential customers and deny access, or charge higher premiums, for high risks (Barr, 1992). Since high risks are usually poorer that good risks, they tend also to have lower ability to pay. Hence they risk being left without coverage altogether (implying that universal coverage is forfeited), unless there exists a bottom-level public health care system that is not allowed to deny high risks entry, nor is allowed to charge them more than others for insurance coverage.

ferentiate contributions according to risk levels, or making it illegal to collect information about the medical history of potential customers (Dixon, Pfaff and Hermess, 2004; Wasem, Gress and Okma, 2004). But supervising such regulations is administratively costly. Heavy regulations also limit competition between providers, reducing the assumed efficiency-enhancing aspect that was the motivation for introducing competition in the first place. In short, the more competing insurance systems are regulated the more they resemble fully public health insurance systems, only with added transaction costs. However if regulations are kept light instead, to stimulate competition and innovativeness, there is a risk that the main innovations will be in new ways to cream-skim good health risks and offload bad health risks.

One more note on the fragmented/integrated dimension, the role of General Practitioners (GPs) is often different in single-payer and multi-payer systems. Echoing the initial Swedish starting point of single-payer health care systems, GPs in such systems are often self-employed sub-contractors within the national health care system. Their role is to be the first access point of citizens into the healthcare system, and they act as gatekeepers with regard to more specialized (and costly) health care treatments in clinics and hospitals. In multi-payer health insurance systems, insured citizens may have direct access to (costly) specialists without first having to consult a particular GP (Hofmarcher and Durand-Zaleski, 2004; 209 ff).

1.3.4. Social services (care for the old, the disabled, preschool children etc.)

Increased longevity has increased the number of frail old people in demand of care, and increased female employment has reduced family-support of care. This has resulted in a wide array of care services for people with disabilities. Again, the distinction between universal coverage services through tax-

Box 9. The interface between publicly subsidized and wholly private health care

The quality of health services in European public health care system is generally acceptable. However rationing in the form of queues for some types of costly treatment has created a market for private health insurance (usually in the form of company-based occupational health insurance) to bypass the queue, and there is also private provision in the form of out-of-pocket health care (in particular with regard to less expensive treatments). If private systems are financed wholly on their own, they are not integrated in publicly provided health care. If they are partly subsidized by the state, politicians may potentially use these subsidies to integrate private providers formally in the overall healthcare system (tying subsidies to requirements to take on certain tasks rather than others). There is limited systematic knowledge about how these issues are arranged across European countries. One can be certain however that the rules are complex and vary from country to country.

financed systems and universal coverage through broad-based, social insurance systems can be detected across countries. In Scandinavia and Great Britain, providing such services are the responsibility of municipalities, financed party through local taxes and partly through block grants or earmarked grants from the central government. Germany by contrast has set up a care insurance system (Pflegeversicherung) to deal with the same social risk. The same approach has been taken in Austria, Belgium, France and the Netherlands (Roo, Chambaud and Günert, 2004). However "contributions" usually means earmarked taxes, since there is no relationship between the size of contributions and the quality of care (the same is the case with regard to social health insurance). Also, the systems are partly financed from general taxes (op.cit.). Long-term care services are not only directed towards the frail elderly. They are directed at all citizens who have extra needs for care services regardless of age.

The policies directed toward people with disabilities of working age are more comprehensive than just providing care services and cash benefits (disability benefits). In Europe, disability is increasingly seen as a social problem rather than a medical problem. The so-called "social model of disability" emphasizes that the problem is more a lack of accommodation and integration measures in the broader society than individual problems of limited functional capacity. Consequently, a new array of policy measures have been introduced, under headings such as de-institutionalization, mainstreaming and normalization. This includes redesigning public infrastructure to allow better wheelchair access, closing of special schools and instead integration into ordinary schools, designing houses so they can be lived in by people with varying functional capacity etc. An assessment of the implementation of these increasingly important policy measures across European countries must however fall outside the scope of this paper. (See Lollar, 2009; Priestly, 2010 and Rimmerman, 2013 for assessments of the "mainstreaming turn" in disability policies.)

With regard to the young, care services in the form of kindergartens and after-school day care have also been expanding across Europe. This takes the form of public kindergartens or by subsidizing non-profit or for-profit private kindergartens (who usually have to adhere to specified quality standards to receive subsidies). Scandinavia, France and increasingly Germany are in the lead with regard to implement such services, but the tendency is the same across most, if not all, EU/EEA countries (Ferragina et al., 2012; Morgan, 2012). The expansion of such services is related to the increased influx of women in the labor force, which increases the demand for high-quality childcare, but it is also related to the aforementioned turn toward social investment welfare states.

1.4. Concluding Part 1

There has been policy convergence toward broader coverage. In the period up to the 1990, countries mainly inspired by the 1891 Danish, minimum protection — starting point expanded their systems from the poor to cover all citizens, often financed by earmarked taxes rather than general taxes. Earmarked taxes in the Danish tradition are close equivalents to "contributions" in the German tradition, since the contributions in social insurance systems resemble earmarked taxes more than contributions in an actuarial sense (There is usually no actuarial

Box 10. New social risks

Since the 1990s, there has been increased concern in Europe about so-called ***new social risks.*** **New social risks refer to lone parenthood, longer life expectancy and corresponding demand for care services, an increase in precarious jobs and interrupted careers, a risk of precarious childhood due to a growth in working single-parent and two-income families (often met by informal and unqualified caretakers), and structural unemployment (due to a mismatch between the skills of job-seekers and the skills in demand by employers). The "social investment turn" in welfare provision represents an attempt to soften these new social risks (Jessoula and Alti 2010; Morel, Palier and Palme 2012).**

link between the size of contributions and the size of benefits in mandatory social insurance systems).

There has also been convergence toward broader coverage in countries starting mainly from the social insurance tradition. Up till approx, 1990s broader coverage took place either by expanding membership in the existing social insurance systems (including health insurance systems), or by setting up parallel social insurance systems for new occupational groups — what Bruno Palier (2010a) has called "reaching Beveridgean goals through Bismarckian means." However due to de-industrialization and the accompanying shift to services, as well as the rise in untraditional forms of work, social insurance coverage has stalled in many countries. Instead, coverage has been maintained, or expanded, increasingly through tax-financed minimum protection systems. These systems often include active requirements, in order to foster renewed entry into the labor market (op.cit.).

There has also been policy convergence toward more integrated systems, although this statement has to be qualified. Some countries have replaced existing mandatory insurance systems with one system

Box 11. Gradually more integrated social welfare systems: The evolution of German pension systems as an example, Sources: Kolb, 1989; Börsch-Supan and Wilke, 2004; Hinrichs, 2012.

<u>1889 (Imperial Germany)</u> Old age and invalidity insurance. Compulsory for low-wage (below DM 2000) salaried persons or wage earners employed as workers, assistants, skilled workers, apprentices or domestic servants. Pension age: 70 years. 11 million of a total population of 56 million covered.

<u>1899</u> Insured group enlarged to foremen, technicians, teachers, educators and "other employees."

<u>1911</u> Sickness, accident and pension insurance merged into one single basic law. Introduction of widow's and orphan's pensions (survivor's pensions) within the same basic law.

<u>1911</u> New (parallel) mandatory pension insurance scheme for higher-wage workers (earning between DM 2000 and 5000), with pension age 65.

<u>1923 (Weimar Republic)</u> Low-income workers also get to retire at age 65.

<u>1932</u> 21 million of a total population of 66 million covered.

<u>1936</u> (Nazi period) Self-employed craftsmen included.

<u>1957 (Federal Republic of Germany)</u> Pension insurance made compulsory for all workers and employees who work for remuneration, including self-employed teachers and artisans.

<u>1957</u> New (parallel) mandatory pension insurance scheme for self-employed farmers.

<u>1972</u> All self-employed persons are allowed to apply for compulsory pension insurance within the general pension insurance scheme. Net replacement rate for an average worker set at 70 percent with a 45-year contribution period.

<u>1974,75,78,79</u> Periods on rehabilitation benefits, handicapped persons working in protected workshops, periods on unemployment benefits or maternity benefits to count as contribution periods.

<u>1985</u> Periods spent on child rearing to count as contribution periods.

<u>1989/92 (Unification)</u> Coverage extended to encompass population in former German Democratic Republic. Increased federal tax subsidies (tax financing).

<u>2001</u> Pensioners with insufficient resources no longer referred to general social assistance, but to a special basic security scheme ("Danish" type minimum pension assistance system).

<u>2005</u> Closing of loopholes for preretirement before 60. Normal retirement age to increase from 65 to 67 years by 2029. Reforms initiated for a gradual scale-back of the replacement rate. Net standard replacement rate scheduled to drop to 52 percent in 2030. Growth in occupational and individual top-up pensions.

covering most, or all, citizens (harmonization type 1 in Box 1). This has particularly taken place in health care, cf the shift to single-payer national health care in Italy, Spain, Greece, Portugal and France. Countries who have maintained several parallel insurance systems have none the less often merged them into fewer systems. Many countries that maintain several parallel systems have at least made financing, eligibility and measurement rules more similar across systems (harmonization type 2 in Box 1).

With regard to benefit generosity, the European Social Charter (Article 12.2) specifies that member states should maintain their social security systems at a level at least equal to that required for ratification of ILO Social Security (Minimum Standards) Convention no 102. This 1952 ILO Convention lists nine social welfare areas: Medical care plus benefits in the case of sickness, unemployment, old age, employment injury, family circumstances, maternity, invalidity and widowhood. At present 32 of the 47 Council of Europe member states have signed the charter and it has been ratified by 27 countries, including all the 28 European Union (EU) member states except Bulgaria, Estonia, Lithuania, Romania and Slovenia. The minimum standards leave a fairly wide scope for private welfare top-ups.

Due to lowering of replacement rates, increased reliance on minimum benefit systems plus rationing and user-fees in health and care services, a larger scope has opened up for voluntary occupational and individual welfare systems on top of the mandatory systems. These systems are very diverse. The position of this paper is that if strong vesting rights are in place, and even more so if vesting rights are strengthened as these systems grow in importance, it is still possible to regard the development as one of increased integration (this time in the form of coordination - Box 1). Otherwise, it must be labeled top-end fragmentation. To illustrate the development toward integrated systems Box 11 specifies core years of pension reform in the German case.

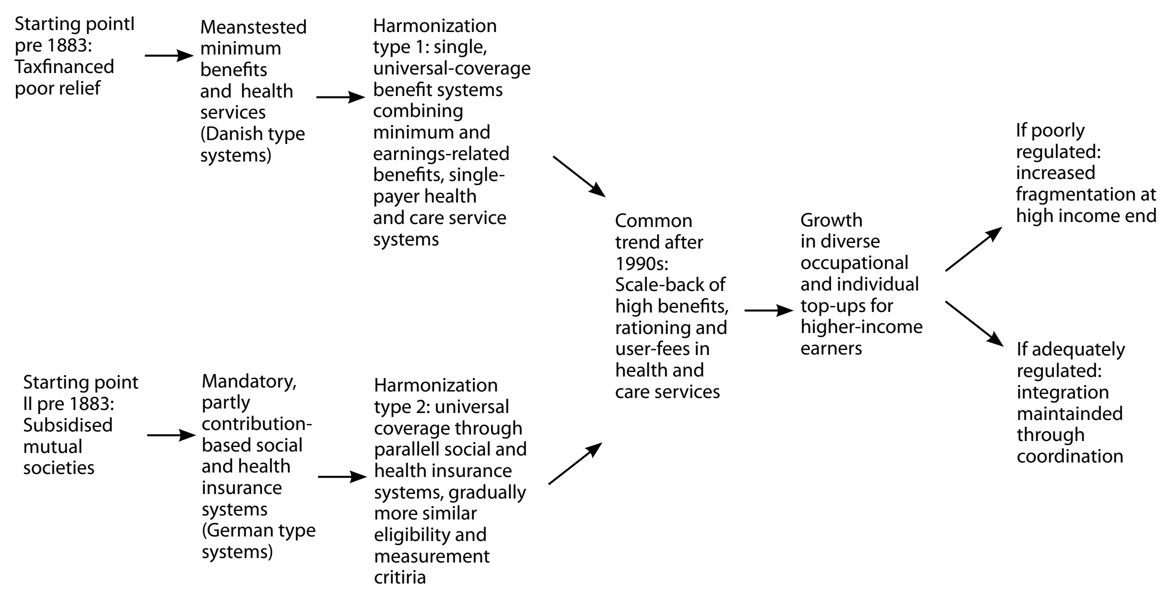
With reference to the EU tension between coordinators and harmonizers, the development shows a substantial degree of harmonization, at least until the 1990s. Is there also some degree of type 2-harmonization *across* EU/EEA countries, that is: Have entry, eligibility, measurement and financial criteria become gradually more similar across countries? The answer must be yes, if one adopts a long enough time perspective, from the founding of EU (in 1957) until today. However, wide variation in European welfare systems persists. Coordination is maintained through EU regulation 883/2004. But full harmonization, and even less going from harmonized national systems to a unified European welfare state, has not been achieved.

Figure 1 sums up the two trajectories toward integrated systems, and the possible new trend toward high-end fragmentation (if vesting is inadequate) after 1990.

Two caveats are necessary. First, not all scholars will agree with the stance taken in Figure 1 that the European story is (still) a story of increased integration. In a French context, Palier (2010b) regards the development since the 1990s as a story of increased *dualization*, where high-income groups are increasingly served by diverse subsidized private welfare arrangements, while low-income groups are increasingly served by scaled-down versions of social insurance, or minimum benefits increasingly conditioned on accepting work or retraining. In a Finnish context, Kautto (2012) sees *increased integration* in the sense that coverage rates are still becoming more universal, but *increased fragmentation* in the sense that benefit levels are reduced, opening up a larger scope for diverse, private top-ups. These scholars are right that increased scope for private top-ups may imply renewed fragmentation. However that is not inevitable. If sufficiently strong regulations, including vesting rules, are introduced, coordination - as defined in Box 1 - is maintained.

Secondly, the increased use of outsourcing of service delivery in mandatory health and care systems, plus the increased use of fee-for-service financing, can be interpreted as increased fragmentation. As mentioned in the introduction the position taken in this paper is that as long as the rules of the system (including financing) is still centrally controlled,

Figure 1. From fragmented to integrated welfare systems in Europe



either by the state or by a social insurance agency, the system is still coordinated. The center is still able to hold, since it is in control of the funding of the (competing) service deliverers. The situation is less clear in countries that also allow social insurance schemes to compete with each other for members (Germany and the Netherlands with regard to health insurance). Because of information asymmetries in insurance markets, this may result in competition in the form of cream-skimming (chasing only after good risks) and offloading (charging prohibitively large contributions from bad risks). This can create a situation where those who need insurance the most (bad risks) are denied coverage, or face prohibitively high contributions. Again, it depends on what kind of regulations governments put in together with an eventual opening-up for member competition. It is too early to tell if this will lead to lower coverage and make it impossible for any center to coordinate the delivery provided by the different parts of the overall system.

There are scholars who believe that the trend toward outsourcing of service delivery will open a backdoor to increased EU-level harmonization. As national social welfare systems make clearer distinctions within the system between those who determine the rules and fund the system and those who administer and deliver benefits and services, welfare services and benefits become more similar to "ordinary" goods and services. They then more clearly come within the sphere of the European Court in Luxembourg, which oversees the implementation of the four freedoms — of labor, capital, goods and services. The odds increase that the Court will rule that citizens must be allowed to use welfare deliverers in other countries to satisfy their demands (and be reimbursed from their state), plus that foreign welfare deliverers must be allowed to compete with national deliverers (Davies, 2006). In this fashion the European Court may drive welfare delivery in EU/EEA towards systems where the actual provision of welfare is provided by competing, multinational agencies not tied to any particular European nation-state, although this provision is still funded by the state. Davies (op.cit.) argues that while this seemingly strengthens the position of those who want the EU to remain a free-trade zone only, in the longer run it may morph into deeper European integration:

"In the longer run [outsourcing creates] opportunities for substantive harmonization. The market itself will achieve a form of this. As trans-European educational, healthcare and insurance providers come into being, it will be possible to have the same welfare services and protection in Poland…as in Denmark…

The more this happens, the easier it is politically to create EU legislation, and, in particular, the easier it becomes for Member States to talk about substantive welfare on a European scale…Thus the exuberant phase of liberalization may be a transient one. Knocking down national walls may turn out in the long term to be less about creating a new market landscape than about preparing the ground for a new, albeit less substantial, European house." (Davies, 2006; 59).

The quote illustrates that the tension between those who only want "shallow" coordination and those who want "deep" harmonization is still very much part of an ongoing European discussion.

To sum up, a tendency toward broader coverage and increased integration of social welfare systems can be detected in EU/EEA countries since the origins of their first welfare systems at least until the early 1990s. If "continued integration" is a proper label to characterize policy developments also since 1990 is more contested. Table 1 presents the basic principles in old age pension systems and health care systems (the two most important social welfare systems in terms of government expenditure) in nine European countries anno 2013.

Table 1. The design of compulsory old age pension systems and compulsory curative health care systems in nine European countries. Condensed versions of MISSOC 2013 tables. See MISSOC website for more detailed information on all EU and EEA countries, including information about the degree of integration with regard to other social welfare systems.

	Old age pensions	Curative health care services
Germany	Compulsory social insurance schemes financed by contributions and taxes covering employees and certain groups of self-employed providing earnings-related pensions depending on contributions and the duration of affiliation.	Compulsory social insurance schemes for employees and categories of persons assimilated thereto up to a certain income limit and with income-related contributions as well as entitlement to social compensation *(Sozialausgleich)* in case of financial overstraining. Benefits-in-kind system with exceptions. Since January 1 2009, there is a general obligation for the entire population to become affiliated with statutory or private health insurance systems.
Sweden	The public old-age pension system (ålderspension) is a compulsory and universal scheme consisting of three parts: the earnings-related old-age pension (inkomstpension) and the earnings-related supplementary pension (tilläggspension), financed by contributions on a "pay-as-you-go"-basis; the fully funded premium reserve pension (premiepension) with individual accounts; the tax financed Guaranteed pension (garantipension) for all residents with low or no earnings-related old-age pension.	Tax financed public health service for all inhabitants (based on residence) in regional responsibility. The system is universal and compulsory.
Denmark	Social Pension *(Folkepension)*: Tax financed universal protection scheme covering all inhabitants with flat-rate pensions depending on the duration of residence. Supplementary pension (*arbejdsmarkedets tillægspension, ATP*): Modest compulsory social insurance scheme financed by contributions covering employees and assimilated groups providing pensions depending on contributions.	Tax financed universal public health service for all residents.

Norway	Persons born before 1954 (old rules): Earnings-related supplementary pension *(tilleggspensjon)* based on annual pension points *(pensjonspoeng)* reflecting the level of income. Basic pension *(grunnpensjon)* based on periods of residence. Minimum pension (*minste pensjonsnivå)* for those not entitled to, or entitled to a very low, supplementary pension. For persons born in 1963 and later (new rules): Earnings-related pension *(inntektspensjon)* based on accrued pension savings reflecting lifetime earnings. Guarantee pension *(garantipensjon),* based on periods of residence, for those with low levels of or no pension savings. Persons born between 1954 and 1962 receive a pension calculated proportionally according to the old and the new rules. Mandatory occupational pension (*obligatorisk tjenestepensjon*) as a top-up in addition to pension from the National Insurance Scheme. Financed by the employer.	Mainly tax-financed public health service for all inhabitants (based on residency) in municipal or State responsibility.
United Kingdom	Contributory State Pension scheme (for people who have reached State Pension age) made up of a flat-rate *basic State Pension*, an earnings-related additional State Pension (*State Earnings-Related Pension Scheme (SERPS) and State Second Pension,* that reformed SERPS from April 2002) and an earnings-related *Graduated Retirement Benefit*. A means-tested, tax-financed Pension Credit may be payable to persons who have reached State Pension age. Voluntary supplementary pension schemes may be used to replace benefits provided by the additional State Pension.	Tax financed national health service for all residents. Competence for health care is devolved to regional governments in Scotland, Wales and Northern Ireland.
The Netherlands	Dual system: General system for all inhabitants financed by contributions on earned incomes and additional financing through taxes providing flat-rate pensions with rates depending on the household situation. Compulsory supplementary pension schemes for most of the employees based on agreements between social partners.	Health Insurance Act Z*orgverzekeringswet, Zvw)*: All residents are obliged to take out insurance. There are two main variants of health insurance policies: policies based on benefits in kind and policies based on reimbursement of medical costs. The General Exceptional Medical Expenses Act *(Algemene Wet Bijzondere Ziektekosten, AWBZ)* introduced a general insurance for major medical risks. All residents and non-residents liable to Dutch wages and income tax are insured.
France	Compulsory basic and complementary social insurance schemes financed by contributions providing earnings-related pensions depending on contributions and the duration of affiliation.	Compulsory social insurance schemes with affiliation based firstly on professional criteria and secondly on residency, and financed by social security contributions and special contributions.
Italy	Work Insurance General Compulsory Scheme *(Assicurazione Generale Obbligatoria, AGO)* financed through contributions, covering the employees of the private sector by providing benefits calculated according to two determining factors: age and accrued contributions. Special schemes are provided for the self-employed as well as a certain number of special pension funds for specific categories of workers.	Tax-financed public health service for all inhabitants (based on residency).
Spain	Compulsory social insurance scheme financed by contributions covering employees and assimilated groups providing earnings-related Retirement pensions (pensión de jubilación) depending on contributions and the duration of affiliation. Special scheme for the self-employed.	Tax-financed public health service (asistencia sanitaria).

PART 2. EXPLANATIONS

While there is arguably fairly broad consensus than an empirical trend toward more integrated systems has taken place (in the sense specified in Box 1 and summed up in Figure 1 and Table 1), there is less consensus about what the causes have been, including if they have been the same across countries. The ambition in this paper must be limited to sketch the smorgasbord of causes that have been launched by different scholars, without attempting to determine their relative importance (which, given the complexity of national trajectories toward integrated systems, is probably futile anyway).

Trajectories toward integrated systems have been brought about through thousands of political decisions taken in the authoritative decision-making bodies in European nation states over the last hundred years or more, plus in EU's Ministry Council (after the founding of EU in 1957). What is needed is theories explaining why politicians across time have made the decisions they did in this policy area, rather than to make other decisions (or no decisions at all). This implies identifying the factors behind authoritative political decisions. One can sort the factors suggested in the research literature into three broad groups: Distal, intermediate and proximate factors. *Distal* factors represent background socioeconomic changes that change the risk structure in a society, or change the ability of various risk-mitigating institutions to offer social protection against new and old risks. They enhance the probability that rulers will contemplate social welfare measures. *Intermediate* factors represent characteristics of the political decision-making system, the degree of overlapping ideological consensus between political elites, international diffusion of ideas, the importance of the European Union as a driver for system coordination and so on. Intermediate factors can impede or hasten the effect of distal factors on political decision-making, or channel the effect of distal factors through specific mechanisms. *Proximate* factors represent characteristics of the political leaders, their opponents, and the various tactical considerations that inevitably take place whenever landmark political decisions are made. Proximal factors have the most direct effect on specific political decisions. For example, the conflicts and compromises that took place between Bismarck and other powerful political actors in Imperial Germany, which resulted in the specific designs of the first German social and health insurance legislation.[1] Part 2 goes through the various distal and intermediate factors that have been suggested in the literature and briefly evaluates their merit; and then gives some examples of the importance of proximate factors.

Figure 2 Distal, intermediate and proximate factors influencing authoritative political decisions

Distal
enhance the probability that rulers will contemplate social welfare measures

↕

Intermediate
impede or hasten the effect of distal factors on political decision-making, or channel the effect of distal factors through specific mechanisms

↕

Proximate
direct effect on specific political decisions

↓

Decisions taken in authoritative European decision-making bodies to introduce or change social welfare systems, the end result so far being broader coverage and more integrated systems

2.1. Distal factors

(1) Industrialization and accompanying urbanization

This is the classic answer to the basic question facing students of social welfare systems more generally: Why are there similarities at all? Social welfare systems are put in place in diverse countries, with

1 The distinction between distal, intermediate and proximal factors determining authoritative political decisions is inspired by the study of health variations. It is customary to differentiate between distal, intermediate and proximal health determinants when explaining health and mortality differences. Distal health determinants are derived from macro-level sociostructural and environmental context, and can be described as background factors that predispose people to greater or lesser health risks (the equivalent here is that distal factors or policy determinants enhance the probability that rulers will contemplate social welfare measures). Intermediate health determinants serve as buffers for distal factors, or they can operate as intervening variables that channel the negative influence of distal health determinants through various mechanisms. Proximal health determinants have the most direct effect on biological processes or situational events that precipitate ill health or other undesirable outcomes. See Dahlgren and Whitehead 1991 for further elaborations.

diverse histories, making authoritative political decisions in diverse ways, and being ruled by political elites with diverse ideological convictions. On the face of it one should not expect there to be any similarities at all in what kind of welfare systems (or politics more generally) these political elites pursue. Yet as Part 1 in this short paper, and numerous books on the subject can testify, there are striking similarities in the broad outlines of social welfare systems across countries (not only limited to European countries), although of course no two national systems are one hundred percent identical. Why are there similarities at all, rather than only a chaos of differences? The logic-of-industrialism thesis postulates that industrialization and accompanying urbanization change the risk structure in a population, by introducing new risks (such as industrial accidents) or by severing the link between workers and their rural places of origin (where they could rely on the support of informal social protection arrangements should need arise). These changes spur popular demands for new risk-mitigating institutions, such as social welfare systems. Classic texts discussing this theory include Wilensky and Lebeaux 1956, Wilensky 1975 and Flora and Heidenheimer 1981.

(2) Weakening of traditional risk-mitigating institutions

Closely tied to the logic-of-industrialism thesis is the assumption that industrialization and accompanying urbanization bring with it "cultural modernization" which weakens the social norms that uphold risk mitigating institutions found in traditional societies, the most important being the extended family and village community. These informal institutions protect against social risks by spreading individual risks among a larger risk pool (families and villages) in much the same way as a market-based private insurance system spreads risks among its paying members, or a mandatory public system spreads risks among contributors (or citizens more generally). When traditional risk-mitigating systems weaken, a popular demand arises for near substitutes, and political elites who want to maintain or conquer power respond to this demand by introducing social welfare systems. Baldwin's (1990) analysis of social policy developments in Scandinavia, Germany, France and Great Britain between 1875 and 1975 is based on this assumption as an underlying premise, although Baldwin is mainly concerned with how various political elites actually respond to this increased demand.

(3) GDP growth and income elasticity of demand for welfare higher than 1

This is also a version of the same theme. Successful industrialization usually results in GDP growth and rising average incomes. As the immediate needs for food and shelter are met, people increasingly want protection against uncertainties further into the future (such as unemployment, future illnesses or frail old age). Among economists this tendency is captured by arguing that the income elasticity of demand (or Engel-elasticity, after the German economist who first noticed this tendency) for welfare is above one: a one-percent increase in income leads to a more-than-one percent increase in the demand for social protection. This theory has been used to explain an otherwise puzzling regularity in the rise of welfare spending known as "Wagner's Law": As countries grow richer, the proportion of GDP that is spent on welfare has tended to increase (Kuckuck, 2012).

(4) Market imperfections in private insurance markets

This is a further twist on the same theme. In theory, increased demand for social protection could be directed to private insurance markets (voluntary old age insurance, health insurance and so forth) rather than to the state (in the form of mandatory social welfare systems). However, as argued by Nicholas Barr (1992, 1993) there are market imperfections in insurance markets, which prevent the population from satisfying their demands this way. Barr's exhaustive list of market imperfections is too long to replicate here, but the most important are adverse selection, interdependent risks and risks close to unity. Adverse selection concerns the tendency of bad risks to drive good risks out of the market, resulting in limited coverage or that insurance companies go bankrupt (health insurance is an example). Interdependent risks make it impossible to calculate individual insurance contributions, which is a precondition for establishing a well-functioning market (the risk of unemployment and of infectious diseases are examples). Risks close to unity also makes it difficult to offer insurance, as insurance can only be bought before a risk has materialized (a previous history of illness, hereditary diseases or being born with impairments are examples of risks close to unity). In lieu of voluntary, market-based systems the population — or sufficiently large segments of it not to be ignored — then direct their demands to the political arena instead. Politicians can avoid these problems since they have the power to make coverage mandatory, plus the power to tax instead of having to rely on voluntary contributions.

(5) Stronger states and an increasingly monetized economy

This factor, which also ties in with the three preceding, concerns gradually increased state capacity. In order to deliver social welfare to ever-larger groups of citizens (universalization of coverage), the state must have the organizational and institutional capacity to do so. Increased state capacity is fostered by increased monetization of the economy, also a side-effect of industrialization and urbanization. It is much easier to extract the necessary revenues to fund social welfare arrangements in a monetized economy than in a traditional subsistence economy, because it is much easier to tax an income stream than to tax, say, a number of sheep or a number of carrots in a family garden. Before a state has the financial and administrative capacity to operate social welfare systems (or at least to monitor them, if administration is left in private hands), the state cannot satisfy an increased popular demand for social welfare systems. This argument helps explain the rise of social welfare systems, but also why they do not grow everywhere. Weak states, and even less failed states, lack the institutional capacity to deliver social welfare systems, at least not on a broad (universal) scale.

(6) The demographic transition

Fertility rates are declining and longevity is increasing in almost all countries in the world (Lindstrand et al., 2006, 124 ff). In 2012, 79 of the 199 nations where data exist had fertility rates below 2.1 per woman (Gapminder.org). This includes all European countries except Iceland. Fertility rates below 2.1 means that in the long run populations will start to decline. In some European countries, like Russia, it is already declining (op.cit.). Small birth cohorts and increased longevity pushes up the median age. In Germany, the median age increased from 38 to 45 years between 1992 and 2012 (op.cit.). The ageing of European populations means that the risks of age-related unemployment, disability and frail old age are increasing. At the same time ever-smaller families reduces the capacity of the family to offer protection against these risks, which fosters demand for other providers of social welfare services. The tendency for women to seek formal employment, which is also a worldwide phenomenon, may enhance economic efficiency through increased division of labor, but at the same time further reduces the caring capacity of the family and spurs the demand for other providers of care.

(7) De-industrialization: shift to a service economy

This is a more recent factor, which influences European welfare policies particularly after 1990. Across Europe, traditional industries are in decline. In their place come a small segment of high-paid knowledge-based industries, and a larger segment of medium-to-low paid services, including health, education and social services. The shift from industrialization to de-industrialization poses a challenge to the Continental-European social insurance tradition in particular. Declining industries are often those with mature social insurance systems, and hence higher indirect labor costs than in other sectors. De-industrialization threatens the financial viability of contribution-based social insurance systems, in particular if they have an occupational base in old and declining industries (Baldwin, 1990; Palier, 2010a). That is unless new, up-and-coming occupations (in new industries and in services) are willing to be included, or can be forced to be included, in the old social insurance systems.

(8) The second demographic transition

Some demographers claim that after the first demographic transition is completed (with fertility rates at 2.1. children per woman), countries enter a second demographic transition (Kaa 1987). The second transition is characterized by still-declining fertility rates and of changing family forms. Out-of-wedlock births increase, divorce rates increase, cohabitation (which has higher break-up rates than marriages) increases, there is a growth of untraditional family forms, and children increasingly grow up in more diverse and often shifting family formations. The term "second demographic transition" is contested, since the characteristics are more social than demographic in character. However all European countries increasingly experienced these changes. Whatever label one wants to use, these social changes arguably change the risk exposure of various segments of the population (particularly among children), and further reduce the protective capacity of the family.

The importance of the above factors is hardly controversial among scholars studying welfare systems. They represent challenges political elites try to master in their quests to conquer or maintain office, or opportunities they see open up due to improved state capacity. However they do not tell much about why a ruling elite has chosen one particular social welfare system rather than another, and why the timing of reforms differ between countries facing seemingly similar social and economic challenges. This is where the study of *intermediate* factors comes in.

2.2. Intermediate factors

(1) Overlapping consensus between political elites — in particular with regard to national integration

European countries have been ruled, and are ruled, by political elites of different ideological persuasions. Across time conservative, Christian-democratic, liberal and social-democratic elites, representing different worldviews, have none the less ended up introducing or supporting mandatory social welfare systems covering most or all citizens. This suggests that there are common justifications across elite worldviews, in addition to justifications particular to each worldview. Due to space limitations, only what appears to be a shared justification is discussed here. This concerns an apparent shared concern for *national integration* as a motivating factor for introducing or supporting social welfare systems.

To start with Germany, a quest for national integration was the motive behind the initial Bismarckian social insurance legislation for blue-collar workers. Bismarck's explicit motive was to tie the loyalty of powerful and well-organized urban industrial workers to the state, and take the wind out of the sail of the then-revolutionary social democratic party. Less well known, the motive was also to solidify the German state as such (Kuhnle and Sander 2010). German unification — with Berlin as capital — came about as late as 1871. Bismarck was the primary responsible for bringing it about, through wars with Denmark in 1864 and France in 1870. Imperial Germany consisted of 27 constituent territories, most of them previously ruled by their own royal families. It was a danger that the country might revert into separate and sometimes warring fiefdoms. A set of national social insurance schemes would give citizens in the old fiefdoms a stake in the maintenance of the newly established state.

Social democratic elites were initially negative to social legislation, regarding it as an attempt by conservative elites to dampen the revolutionary fervor of the working class — which was certainly a motive. However as they conquered power themselves (usually after the universal extension of suffrage), they further expanded social welfare systems, often in the name of solidarity with all underprivileged citizens — not only workers (Stjernö, 2009). The Swedish social democrats (such as Tage Erlander, Prime Minister of Sweden between 1946 and 1965) used the phrase "the people's home" (folkhemmet) to characterize their vision of a welfare state. To use the state to create a "people's home" is arguably a quest for national integration, but based on a social-democratic rather than a conservative vocabulary.

In Southern Germany as well as Southern Europe, the influence of Catholic social doctrines led in a similar direction. In Rome, only two years after the Bismarckian legislation was in place, pope Leo XIII launched the influential 1891 encyclical (papal letter) Rerum Novarum ("On new things"). Here, Leo steers a middle course between English-style Manchester liberalism and the socialist critique of capitalism (Coleman, 1991). Leo was concerned with the intermediate institutions between the state and the individual, such as the family, trade unions, guilds and not least the Catholic Church itself. Leo argued that these intermediate institutions, situated between the hierarchical state and the atomized market, were important in providing social protection, thereby fostering community and social integration. Rerum Novarum, and later encyclicals in the same mold such as Quadragesimo Anno (1931), provided justifications for allowing trade unions, employer's federations, and other voluntary associations to run social insurance systems, rather than being the sole responsibility of the state or the market. Catholic social doctrine influenced Christian Democratic parties in particular, who were influential in Italy and in Germany. It also influenced the autocratic regimes of Franco and Salazar in Spain and Portugal. In contrast, the rulers of Northern Europe, in particular in Scandinavia and Great Britain, had broken with the Catholic Church already in the 1500s and set up Protestant state-controlled churches instead. This meant that the influence of Catholic social doctrines was negligible in Northern Europe when modern social policies came on the political agenda in the late 19th and 20th century. This is part of the explanation why state-provided universal social welfare systems prevail in (Protestant) Scandinavia in particular; in contrast to the social insurance-tradition which is particularly strong in Southern Continental Europe. The aim to foster social integration is common to both types of European social welfare systems, but the precise interpretation of "integration" differs, being more community-centered in Southern Europe and more state-centered in Northern Europe.

North of Rome and west of Berlin, the Paris-based professor Emile Durkheim — arguably the founder of modern sociology — had a political influence of his own. Durkheim's position can be seen to some extent as a secularized version of Catholic social doctrines. In the final chapter of his most famous book, *Suicide* (1897), Durkheim suggests to strengthen trade unions and other intermediaries between the state and the individual, by giving them responsibility for old age pensions and related social protection systems. He repeats this deliberate attempt at social engineering in the second preface to his almost equally famous book *The division of labor in society*. Durkheim argued that industrialization and accompanying cultural modernization tended to destroy the fabric of society and turn individuals into free-floating social atoms. This meant weakened social norms and led to "anomie": a mental state that enhanced the risk of antisocial behavior and suicide. According to Durkheim the prevalence of anomie was particularly large in Protestant communities, since Protestantism was a more individualistic branch of Christendom than Catholicism. (The most famous finding in *Suicide* was that Protestants more often committed suicide than Catholics.) Turning back the historical clock to more community-oriented religious views was hardly an option, but boosting "modern" intermediate institutions between the state and the individual might be means to repair the social web surrounding each individual. Durkheim's version of the social integration - argument was influential among political elites that shared a secular rather than a Catholic worldview, and helped solidify the social insurance tradition in countries less culturally dominated by Catholicism, such as France.

Finally, in Great Britain William Beveridge and T.H. Marshall had a similar impact, but they were more state-oriented in their recommendations. In wartime London, the civil servant (and member of the liberal party) William Beveridge launched the government report *Social insurance and allied services* calling for state-provided, universal minimum benefits to cover all main social risks. The report was an enormous hit. The queues of common people to obtain a copy stretched for several blocks in 1942. After the war the Head of the Social Science Department at London School of Economics, T.H. Marshall, wrote what is probably the most influential essay ever written by a social policy scholar: *Citizenship and social class* (1950). Here, Marshall argues that Beveridgean welfare legislation represents the last stage in an historical process that started several centuries earlier with the granting of civil rights, then proceeded with the granting of political rights, and was finally crowned with the granting of economic and social rights. Marshall's normative ideal was the autonomous citizen, that is: a person that was not dependent on being in favor by some (feudal) ruler to live his or her life. As Beveridge, he stressed the importance of social benefits and services (including education) to be given as legal rights that could not be arbitrarily withdrawn at the whim of a ruler, and which did not make recipients subordinate clients dependent on the goodwill of administrative patrons in the state apparatus. Marshalls' ideal society consists of autonomous citizens who have power to hold their rulers accountable, and who are not dependent on the arbitrary goodwill of a ruler to make a living — even when they have to get their money from welfare systems provided by the same ruler. It is an image of a society with a distinctive individualistic flair, but it is none the less an image of an integrated society. The stress on enforceable legal rights to benefits and services (in contrast to arbitrary handouts to people in need) meant that Marshall had no problems with the state being directly responsible for social welfare systems – as long as a strong legal system was in place. This corresponds to the state-preference to be found in Scandinavian welfare systems, and in North European systems more generally.

At the risk of caricaturing deeply held belief systems, one may say that Catholic social thinking emphasize that the poor are always with us (Mark 14:7; Matthew 26:11). The poor have a social role to fulfill in that they show other members of a society that compassion for one's fellow man is needed. Giving the poor handouts (charity), either individually or through the state, is a sign of compassion among societal members, and thus a sign of an integrated community. While in Protestant social thinking, receiving handouts is humiliating and a source of shame. It shows you are dependent on the arbitrary will of others and not an autonomous individual. An integrated society implies removing the need for charity by eliminating poverty if possible, or at least by giving citizens legal rights to benefits and services if they should become poor, so their autonomy is not impaired. This (slightly caricatured) difference demonstrates the community versus individualistic bias in Catholic and Protestant belief systems.[1]

In sum, the aim to foster national integration represents a common theme in the evolution of European social welfare systems, but the exact meaning of "integration" and the preferable institutional arrangements differ. More recently, to combat social exclusion has become an explicit aim in EU-level social policy documents. The concept first surfaced in EU Commission reports in the early 1990s (Atkinson and Davoudi, 2000). The meaning of "social exclusion" in EU parlance varies, but it is a more multidimensional concept than poverty. Exclusion has social, cultural and political connotations, not only economic. EU's concern with social exclusion is related to its concern about labor market integration. The assumptions are that a working life fosters independence (a Marshall-type argument) and ties the individual into a social web better than a life outside employment (a Durkheim-type argument). If this is true is really an empirical question. However it illustrates that EU's emphasis on social exclusion is related to EU's advocacy of "active" social welfare policies and social investment (cf Part 1).

(2) Competition for votes

This is a more hard-boiled explanation of the shift toward integrated systems and broader coverage, although it supplements, rather than contradicts, the above emphasis on overlapping consensus. First put forward by the Swedish scholar Walter Korpi in his book "the democratic class struggle" (1983), the argument is simply that with the advent of universal suffrage, the majority of voters are able to vote themselves social welfare programmes. Political elites who fine-tune or rearrange their ideological worldviews

1 Theologically speaking being poor can be interpreted as a sign of not being favored by God, in particular in the Calvinist branch of Protestantism. This notion was important for the argument Max Weber, yet another founder of modern sociology, developed in his famous book The Protestant Ethic and the Spirit of Capitalism (1904). Weber argued that the early (Protestant) European capitalists continued to invest and accumulate capital even after having become rich, rather than to relax and enjoy life, in order to be dead certain they were in favor by God.

to satisfy this majority demand are able to conquer or maintain office, while those who do not are simply not reelected. Korpi believed that strong and unified Social Democratic parties (like in Sweden) were particularly successful in this regard. However there is not really any theoretical reason for assuming that political elites of other persuasions than social democracy should be unable to do the same. And indeed, as shown in part 1, integration of welfare systems and extension of coverage has taken place also in European countries where social democratic parties do not play a leading role (Schmidt, 2010). European Christian-Democratic parties in particular have often been as eager as Social-Democratic parties to extend social welfare coverage and boost system integration (Stjernö, 2009). As poorer segments of the population also get the vote, they control a power resource as seen from the perspective of political elites. Hence it becomes important for elites concerned with maintaining or conquering office to offer even poor and disorganized groups something in return for their support. We may also observe a certain hybridization of political ideologies in this process, as political parties founded on different ideological outlooks "stretch" their ideological frames to be attractive to larger segments of voters. For further studies using this type of explanation see Overbye 1995 and the references to the hypotheses of Meltzer/Richard and Director in Mueller 1989 (see also part 3).

(3) The long shadows of the Second World War

Wars are dramatic and usually unpredictable events with an ability to upset social science predictions about historical trajectories (Castles, 2010; Kuhnle and Sander 2010). The Second World War (1939-45) has influenced European welfare policies in ways that would have been impossible to foresee in the prewar years. This paper has already mentioned that the founding of EU, plus EU regulations to coordinate social welfare rights across EU countries, partly stems from a desire to limit the risk of yet another devastating war on European territory. It is doubtful if EU would have existed at all without the war. Another example: After the war William Beveridge's 1942 report calling for a cradle-to-grave welfare state became immensely influential also in other European countries that Great Britain. Part of the reason for this was that most postwar European elites were in exile in London during the war, and therefore became much more influenced by the British social policy debate than they would have been otherwise.

Wars may also increase the popular demand for social welfare systems. During wars the risks of injuries, disability and death increase in the population, and risks becomes more random across social classes. This often fosters a "we are all in the same boat" mentality, and increases the popularity of social welfare measures (Titmuss, 1955). Wars also upset or destroy the financial markets on which market-based insurance systems rely, further spurring a demand for public welfare. Wars can also increase the capacity of states to satisfy such demands since the acceptance of high taxes increases in wartime, to help the state win the war. Once citizens are accustomed to higher taxes, it may be easier to maintain high levels also after the war. Peacock and Wiseman (1961) claim empirical support for this hypothesis in a study of postwar Great Britain, although more recent studies have doubted a direct link between wars and increased postwar taxation (Nullmeier and Kaufmann, 2010).

There is an interesting addendum to the "we are all in the same boat" argument. Public social welfare systems charging everybody the same rates and treating everybody the same way may eventually become *less* popular in periods of prolonged peace. If a peace lasts very long, social risks become more predictable, and people become better able to judge if they or their families represent high risks or low risks. This may spur demands from perceived low risks to be charged lower contributions or taxes, or to receive higher quality services and benefits. Long periods of peace also allow private insurance markets to become more refined, and able to cater for the security demands of larger segments of the population — in particular low risk groups. With some local exceptions (such as the Yugoslav wars 1991-1995 and 1998-1999) Europe is now experiencing one of the longest peace periods in the continent's recorded history (1945-2013). Coincidentally the period since the early 1990s has seen increased efforts by politicians to tailor-made social welfare systems to diverse needs rather than to treat everyone the same way, and also to allow a greater diversification in what type of institutions that provide social, health and education services (Anttonen et al., 2012, see also part 1). Although speculative, these may be indicators that the long shadows of the Second World War are at last coming to an end.

(4) The impact of economic depressions

Major economic depressions are another type of "black swan" events (Taleb, 2007). As with wars, they are usually impossible to predict beforehand, but can have huge and lasting impacts on subsequent government policies. The impacts of the economic depression of the 1930s on public welfare policies are well documented. As mentioned in part 1, the Norwegian unemployment insurance system was nationalized when the mutual unemployment funds established by trade unions went bankrupt due to the unpredictable rise in unemployment. Keynesian counter-cyclical spending, including the idea that unemployment benefits represent automatic stabilizers, were ideas that grew out of the crisis. The comprehensive US social security legislation of 1936 is the most spectacular example of how the crisis changed government welfare policies.

(5) The legacy of already established social welfare systems

The first welfare systems a country establishes, also establishes a certain way to approach a social problem. The systems are manned with administrators who become experts in "their" way to handle a social issue, and these administrators are usually the primary advisors ruling political elites seek out when they have to deal with new social problems. There is thus a tendency that the first systems create a specific cognitive outlook, which colors later policies in other welfare areas. For example, it is illustrative (as shown in part 1) that when increased longevity and increased female employment led to a growing demand for subsidized old-age care during the 1980s, Scandinavian countries responded by expanding tax-financed care services delivered by municipalities (in line with their traditional tax-based welfare approach), while Germany responded by setting up a mandatory social insurance system for old age care (in line with Germany's traditional insurance-based welfare approach).

The first welfare systems also produce the first set of vested interests, such as the interests of contributors and beneficiaries in the maintenance of the system. This also influences later developments. For example, extension of coverage to larger groups has been easier in countries starting their development mainly from Danish-style tax-financed, means-tested minimum benefit systems than in countries starting their development mainly from German-style contribution-based mandatory social insurance systems. Why? Because in Danish-style systems, the poorest and most marginal groups — the "bad risks" in insurance parlance — are already inside the system, and the outsiders who strive to get in are more powerful and better-organized groups. The latter lobby to soften and abolish means-testing so they get access to the benefits and services they already finance through taxes, and eventually lobby also for earnings-related top-ups (Overbye, 1996). While in German-style systems, the powerful and best organized groups of workers are those that are in the system from the very start, and political attempts to broaden coverage to include more marginal groups — who tend to be higher risks that those already in — will usually have to break the resistance of reluctant insiders. Being powerful, insiders in social insurance systems are often able to block or delay extension of coverage to outsiders. With particular reference to France, Baldwin (1990) argues that extension of coverage by including new groups in social insurance systems is successful primarily in historical situations where initial insiders experience that their industries are in decline. They then become interested in including groups from up-and-coming occupations in order to boost their dwindling number of contributors, and help finance the large number of pensioners with full contributory rights that characterize mature social insurance systems. A similar logic exists with regard to health insurance systems, and contribution-based social welfare systems more generally.

The ability of politicians to redesign existing social welfare systems is also influenced by the structure of vested interests inside existing systems. For example, an influential argument holds that Continental-European social insurance systems are more difficult to reform than Scandinavian and Anglo welfare designs (Esping-Andersen, 1996; Palier, 2010a). Since they are partly contribution-based it is more difficult to change benefit formulas than in tax-based systems, and because trade union and employer representatives are often on the Board of Directors they can formally veto political attempts to redesign the systems. During the period with weaker economic growth following the oil shocks of the 1970s critics often claimed that this resistance to change resulted in so-called Eurosclerosis: High and growing social insurance contribution rates increased indirect labor costs to a larger extent than in Scandinavian and Anglo countries, since the latter could spread welfare cost across a much broader tax base. High labor costs led to higher unemployment, which again demanded even higher contribution rates for those remaining - in a vicious circle. Stronger veto points for vested interests in Continental-European systems were further supposed to lock in existing welfare designs and make it impossible to break the circle. Such *neo-institutionalist* analyses of welfare policy developments are now the most influential analytical approach among European scholars in the field. The tradition gained momentum based on an influential article by Paul Pierson (2000). However more recent work suggests that the impact of existing welfare systems on subsequent politics can be overemphasized. The landmark publication by Bruno Palier and his colleagues titled "the long goodbye to Bismarck" (2010a) shows that important design changes have taken place also in Continental European welfare systems during the last two decades, including expansion of tax-financed, activation-oriented minimum protection systems and a turn to family benefits and services.

Neo-institutionalists often claim that welfare policies are *"path-dependent"*, implying that the structure of existing systems fully determines the scope of action available for politicians. This is an exaggeration. Apart from the ability of black swan — events like wars and depressions to throw existing systems off track, the work of Palier and others (op.cit.) show that politicians as well as representatives for vested interests can go through learning processes and introduce substantial redesigns. Welfare policies are path-influenced, but they are hardly path-dependent.

(6) The structure of the state

A version of neo-institutionalist theory holds that the structure of the state, rather than the structure of existing social welfare systems, is the main factor behind different welfare system developments (Amenta, 2003; Immergut, 2008). Evan, Rueschemeyer and Skocpol's *Bringing the State Back In* (1985) was the first major work in this tradition. An often used argument in this tradition is that federal states have more difficulties passing welfare legislation than unitary states, and least welfare legislation of the tax-and-spend type (Iversen, 2010). The reason is that in federal states, regional elites may have veto power over federal decision-making. Political elites in unitary states do not have to negotiate compromises with regional elites, at least not formally.

As with other neo-institutional theories, it makes intuitive sense to assume that a complex national decision-making process, with many potential "veto points", delays welfare legislation, and influences which welfare designs that are passed into law in the end. But a more difficult legislative process is not the same as an impossible process. Even the US, with one of the most veto-ridden federal decision-making arrangements in the world, finally — in 2010 — managed to universalize health care through the Affordable Care Act. (A caveat: reluctant implementation in US states that are controlled by opponents of the new law may yet derail the Affordable Care Act, further illustrating the extraordinarily veto-ridden US decision-making system.)

(7) The influence of supra-national organizations

Part 1 of this paper pointed out how the Council of Europe and the EU have influenced the integration of social welfare schemes across European countries. EU "soft law" in the form of non-binding recommendations and the Open Method of Coordination (OMC) also influence European social policies, by providing a common vocabulary for discussing welfare policies across countries. The shift toward "social investment welfare states" can also be influenced by EU action plans and reports of various sorts, including the 2000-2010 Lisbon strategy. And the European Court in Luxembourg may serve as a catalyst for multinational providers of welfare services through accumulated case law (Davies, 2006).

For countries that share euro as a common currency, EU also indirectly influences the pace and type of European welfare reforms through the policies of the common European central bank and the rules laid down in the stability and growth pact. The common currency makes it impossible for a member country to devaluate in order to overcome trade imbalances. The upper limits on government debt and deficit spending specified in the stability and growth pact makes it impossible for member countries to use Keynesian stimulation of demand (printing money) to overcome a recession. EU has made funds available to help crisis-ridden countries, and more has been provided by the IMF. However these funds are far smaller than in proper federal states such as the US, and they are conditioned on crisis-ridden governments following the "active requirements" of lender countries. In effect the only policy option left for crisis-ridden European countries that belong in the euro zone is structural adjustment, including re-designing social welfare systems (Tsoukala, 2013). A preliminary impression of the effects of the ongoing economic crisis suggests that EU in this fashion serves as a catalyst for structural changes that were on their way, but at a slower pace, before the crisis (Streeck, 2010). These structural changes include the aforementioned scaling down of pension entitlements, increased use of purchaser-provider models and outsourcing in the provision of health and care services, an increased focus on fulfilling active requirements in minimum protection systems, and possibly a shift toward benefits and services that serves working families and children more than the elderly.

(8) International diffusion of ideas and policy learning

Diffusion of ideas and policy learning takes place between countries both within Europe and in a broader global setting. The diffusion of the German mandatory insurance approach and the Danish tax-financed minimum approach shown in Part 1 are early examples of such diffusion processes. Examples of policy inspiration coming to Europe from the outside include the 1936 US Social Security legislation and the 1981 Chilean mandatory funded defined-contribution pension system. However ideas and policy reforms are "semi-processed goods" in the sense that they need to be translated into practice through a national implementation process. Studies of such processes show that aspects of the new idea are often "lost in translation" (Rovik, 2007). The fit between new and old always has to be negotiated between the carriers of new ideas and the guardians of the established way of doing things. This happens at both the legislative level, the administrative level and the delivery level. No two European countries have ever implemented new ideas, including the recent process of implementing so-called social investment welfare policies, in exactly the same way.

(9) Increased global competition

Opinions are mixed as to the impact of increased global competition on European social welfare systems. A negative view holds that increased global competition will lead to a race to the bottom with regard to welfare spending more generally. This view is conditioned on regarding social welfare systems only as expendable consumption items that increase production costs, without having any productivity-enhancing effects. A contrary view holds that social welfare systems in various ways enhance productivity and national competitiveness. Often-used arguments include: 1) unemployment benefits allow workers to search longer for optimal work and therefore results in a better match between supply and demand of labor; 2) welfare systems dampen social conflicts and therefore creates a safer and more predictable political environment, attracting long-term capital which is satisfied with modest but safe returns; 3) the alternative to mandatory social welfare systems tend to be a larger role for occupational welfare systems, and – unless properly regulated — they often limit labor mobility. Also, occupational welfare systems represent high indirect labor costs for single employers, while mandatory systems can spread this indirect labor cost on the much larger community of taxpayers.

There is also a third view, holding that some social welfare systems may be more productivity-enhancing than others, and that the likely effect of increased international competition is political efforts to *reconstruct* welfare programs rather than to abolish or expand them (Glennester, 1999; Overbye, 2001a). The recent turn toward "social investment welfare states" is indicative that there is some truth in this view. Increased pension ages, lower benefit formulas and indexing, attempts to enhance efficiency in the delivery of health and care services and "active conditionalities" in welfare systems can all be seen as attempts to boost the productivity-enhancing aspects of European social welfare systems.

The Scandinavian welfare states have been subjected to particular scrutiny, since the small Scandinavian states combine broad-based social welfare systems with very open market economies. Scholars such as Katzenstein (1985) Rodrik (1997) and Garrett (1998) argue that tax-financed, broad-based welfare systems are actually a reason why the Scandinavian economies are particularly open to economic globalization. Universal welfare systems serve as *credible commitment devices* on behalf of governments that those who lose in this global competition (experience bankruptcy and layoffs) will not be left in the ditch, but will be compensated by those who win. The latter pay the general taxes which finance the broad-based benefits and services that compensate the losers. In this fashion tax-financed universal welfare states limit the appeal of protectionism, allowing ruling elites to avoid protectionist measures without having to fear a large loss of voters. High exposure to global competition in its turn stimulates the overall economy to run efficiently, making high taxes sustainable. This is less the situation in countries depending on contribution-based social insurance systems, in particular if occupational coverage is narrow, because increased bankruptcy risk may jeopardize the very existence of limited-coverage social protection systems. It is an interesting theory that intuitively makes sense (at least to Scandinavians), but it is difficult to devise solid empirical tests. There are also alternative, or supplementing, explanations why Scandinavian countries have become high-income countries and have weathered the present European crisis quite well. One such factor is heavy investments in education that makes high-skilled labor cheaper in Scandinavia than in many other high-income countries, providing an advantage with regard to skill-de-

Box 12. Benefits from trade, Pareto-superior outcomes and the problem of credible commitment

Trade between two or several countries increases total output through a more efficient division of labor. A higher total output means that trade creates a potentially Pareto-superior outcome. Trade creates a Pareto-superior outcome if at least one person is better off after trade, while none is worse off. However in the initial phase trade creates both winners and losers inside each country. Although there may be more winners than losers, the situation is not Pareto-superior if someone loses from trade. Since total output increases, winners have the means available to compensate losers. But having the means does not guarantee that compensation will take place. Potential losers may say to themselves "yeah, right, the winners say they will compensate us, but after trade barriers are dismantled and our inefficient industries have gone bust, we will be too scattered and weak to force them to stick to their promise." Unless future winners can credibly commit that they will honor their promise to future losers, opposition to free trade from those who fear they will lose may be too strong to allow politicians to remove barriers to trade. This is where the welfare state enters the picture. If a welfare state exists that cannot easily be dismantled, it serves as a credible commitment device that losers will be compensated, making it less risky for those who fear they will lose to accept free trade.

manding industries. In the Norwegian case pure luck is obviously also an explanatory factor. Few had an inkling, when Norway extended its jurisdiction to a 200 nautical mile zone outside its very long coastline in 1977, that billions worth of oil and gas was hiding underneath.

The economists Karl-Ove Moene and Erling Barth have conducted several econometric analyses to investigate yet another theory explaining the Scandinavian case. They claim that the coordinated wage negotiations that characterize Scandinavia leads to a compression of wage differentials, which are further compressed by minimum welfare benefits which increase the reservation wage (minimum wage). This means that less productive firms go out of business, since they cannot afford the high minimum wages. At the same time firms whose productivity is above average get an extra profit, since they get high-quality labor cheaper than their competitors in countries with a less compressed wage structure. Across time this means that less productive firms are weeded out, while more productive firms get extra resources to expand (Barth and Moene 2012, 2013).

2.3. Proximate factors

One of the most famous sayings of Otto von Bismarck is that "those who like laws and sausages should not look while they are being made." The passing of welfare legislation which results in broader coverage and more integrated systems is in the end a concrete affair, which involves legislators with real names making decisions inside real buildings. As anyone who has ever studied or partaken in one of these real-life processes will know, the actual passing of laws is not only about distal factors like "industrialization" and intermediate factors like "elite worldviews". It is also about concrete human beings who have their personal idiosyncrasies; who like some of their colleagues and dislike others; who sometimes come too late to a crucial meeting or sometimes are maneuvered out of the spotlight at a crucial movement by a colleague who has an old score to settle; and so on. What is decided can also be influenced by unforeseen random events that hit the newspapers immediately before or during the passing of a law. Such factors can be labeled proximate factors because they are the closest to the actual decision-making process.

Social scientists are often structurally biased. They overlook the importance of proximate factors, since they can be quite random and do not fit into any preconceived structural scheme. Historians, by contrast, revel in such factors and often give them center stage in their accounts of "what actually happened." I will use the historian Urban Lundberg's entertaining account of the 1994/98 Swedish switch from a defined-benefit public pension system to a notational defined-contribution pension system to illustrate the importance of three types of proximate factors: tactical maneuvering between political elites, the personalities of core actors, and coincidences. As pointed out in Part 1 the new Swedish pension system includes automatic longevity adjustment of future benefits. Provided future political elites do not change the system yet again, it is likely to dramatically reduce the growth in future pension outlays. The innovative Swedish reform has inspired similar reforms in Norway and Italy (an example of diffusion of ideas) and is also being contemplated elsewhere.

(1) Tactical maneuvering between political elites

The Swedish pension reform was prepared by a high-level, inter-party working group that met between 1992 and 1994. Lundberg (2001, 30-31) describes the meetings as follows: "The will to compromise was apparent in the way the pension committee worked, which in my interviews was described as very close and trusting ("fortroendefull").The idea was first to agree in the committee. Then the agreement had to be anchored in the respective party leaderships. Only after that were mass media and the general public to be informed. [The shared opinion was that] No one would win on a new-principled fight over pensions… Officially, the committee did not work to create a new system but to "reform" "improve" and "modernize" the old. The Social Democrats made this an absolute condition for even considering participating in the committee. It was strictly ruled out even for the Conservatives to say something different."[1]

1 Own translation from Swedish.

(2) Personalities of core political actors

It turned out that the two most important committee members, representing the Social Democratic and Conservative party, liked each other. Lundberg (op. cit, 32) quotes Anna Hedborg, the Social democratic committee member, characterizing her Conservative party co-member: "I think it played a role that Margit Genser represented the conservatives. She is a very systematic and independent person. She loves logic. If you challenge her with a very logical line of reasoning she cannot resist it — and I am a little like that too. Könberg [representing the Liberal party] is also a bit like that. We are all issue-oriented, somewhat engineering types…Somehow I think it was a very lucky mix of persons. Both that we were the persons we were and that there were not more of us."

(3) Coincidences

In this case, it was a coincidence that the committee members from the two major Swedish parties liked each other. There are plenty of Social Democratic politicians who do not like their Conservative colleagues, and vice versa. Lundberg argues that this favorable coincidence created a "we" identity among the committee members, making them bent on convincing their respective Party leaders that "we" are right. Bonding between high-level committee members, making them present a united front vis a vis their respective parties, is rare even in consensus-oriented Scandinavia. It helped bring about the innovative and radical pension reform. Such proximate factors contain considerable randomness (luck/bad luck), illustrating the element of *unpredictability* that proximate factors induce into any account of why European welfare systems have become more integrated across time.

2.4. Concluding Part 2

In the Agatha Christie novel *Murder on the Orient Express*, the detective Hercule Poirot confronts a wagonload of suspects after a man is found stabbed to death in one of the compartments in the train. As usual in an Agatha Christie novel, in the final chapter Hercule Poirot gathers all the suspects together, tells them why each of them had motive and opportunity, and reveals which of them that actually did it. In this murder mystery, the solution is: everybody did it. Everybody had gathered together when the victim was asleep and collectively stabbed him to death. In the same fashion, the question: "which of the above factors explain the tendency toward integration and broader coverage in European social welfare systems" can only be given the answer: they probably all do. The purpose of this short paper must be limited to present the many theories suggested by the research community as to why more integrated (as specified in box 1) and more broad-based social welfare systems have indeed been put in place. No attempt is made here to determine their relative importance. To some extent it is a story about distal factors that have changed the underlying risk structure of European societies, weakened traditional security providers and boosted state capacities; to some extent it is a story about a host of intermediate factors that have structured new demands for social protection, the timing of policy initiatives, which solutions political elites have come up with, and how the decision-making systems they operate within have channeled their decisions; and to some extent it is a story about the specific maneuvering and coincidences that characterize the making of any decision in any of the many authoritative decision-making bodies in Europe, from the days of Chancellor Otto von Bismarck till today.

It should be noted that although social welfare systems are arguably now under pressure from distal factors such as de-industrialization and intermediate factors such as increased global competition, there is not any downward trend in aggregate welfare spending in European countries. Instead, at least until 2007 (most recent comparative data) expenditure levels have converged, in the sense that the coefficient of variation (the standard deviation divided by the mean) is declining (Nikolai 2012). High spenders like Sweden have reduced the share of GDP spending on social welfare somewhat, while traditionally lean spenders such as Portugal has caught up with the rest.

PART 3 CONSEQUENCES

What have been the effects of more integrated systems (as opposed to more fragmented systems) with regard to equality, integration and equity? We cannot run controlled experiments in this field. Therefore no effects can be known for certain. The purpose of this paper must necessarily be limited to present the main hypotheses about likely effects, and make references to empirical tests where they exist.

3.1. Income equality

Do integrated systems result in more equality than fragmented systems? ”Equality” can be measured along almost innumerable dimensions: With regard to *life chances* or with regard to *life results*, and relative to occupational groups, gender, ethnicity, age and so on. Regardless of the dimension, it is difficult to determine the counterfactual alternative, that is: what would have happened if the decisions to create more integrated systems had not been passed? With this caveat, there are theoretical arguments for assuming these redistribution effects.

Mandatory contribution-based social insurance systems primarily result in income redistribution over the life course, not between low-and high income earners. This is so since social insurance systems are usually earnings-related. They aim at securing an “accustomed standard of living” if becoming sick, disabled, surviving a provider, becoming unemployed or growing old. Tax-financed minimum protection systems, by contrast, redistribute from high to low income earners.

Social insurance systems only for core segments of the labor force (low coverage) may even result in regressive redistribution, that is: from low to high income earners. The reason for this is that those who get initial access to limited-coverage social insurance systems are seldom the lowest income groups. If their systems are partly financed from general taxes, it means that all taxpayers — including low-income “outsider” groups who are excluded from coverage — help finance the systems of higher-income “insider” groups (Titmuss, 1977,26; Overbye, 2001b). Even if the social insurance systems are wholly based on contributions from employers and employees, regressive redistribution may occur if the economic sector that operates social insurance schemes is sheltered from outside competition. It is then possible to pass high indirect labor costs in the sector operating social insurance systems on to other members of society, through higher prices. In the latter case, low-income “outsider” groups co-finance the social insurance benefits of insiders in sheltered economic sectors by paying higher prices than they would otherwise have been charged.

The above concerns redistribution between those that are covered (insiders) versus those that are not covered (outsiders) by social welfare systems. With regard to the direction of redistribution *within* each welfare system, income is redistributed from those who do not become sick, unemployed or disabled (good risks) to those that do (bad risks). Bad risks are usually poorer than good risks, implying that within each social welfare system there is usually progressive redistribution, i.e. from the most well-off members to the least well-off. There is one exception however: the risk of old age (longevity). The risk of longevity — of living longer than expected — is the only risk where high-income groups constitute bad risks and low-income groups constitute good risks. To put it bluntly: wealthy people on average live longer than poor people, and thus benefit more from old-age pension systems. In old age pension systems redistribution may be regressive even in minimum protection systems, if one considers the redistribution effect on total life cycle incomes and not only on annual incomes.

there is a further addendum. In countries where old age pensions is the most dominant social welfare system there should be less income redistribution toward low-income groups than in countries where social welfare systems protecting against sickness, disability, unemployment etc are more dominant.

A brief comparison of Denmark (the clearest example of the Scandinavian tax-financed minimum welfare approach) , and Italy (a country where contribution-based earnings-related social insurance systems still dominate cash benefits, although health care is now mainly tax-financed) can illustrate these assumptions. In 2009, Denmark spent 32.5 percent of GDP on social protection (including health) and Italy 28.4 percent (appendix table 2). In Denmark 37.2 percent of this was spent on pensions (only Ireland was lower), compared to 60.1 percent in Italy (only Poland was higher) (op.cit.). The corresponding reduction in at-risk of poverty (earning 60 percent of the national median income or less) when including social transfers was 18.1 percent in Denmark (down to 13.1 percent of the population), compared to a reduction of only 4.8 percent in Italy (down to 18.4 percent) (appendix table 3). Part of this reflects higher at-risk of poverty in Denmark before transfers, but it also illustrates that the redistributional tendency in minimum protection-oriented countries where old-age pensions are not particularly dominant is higher than in earnings related-oriented countries where old-age pensions are the dominant item in the total welfare package.

The corresponding poverty reduction in Germany the same year was 9.0 percent when including social transfers, down to 15.5 percent of the population (appendix table 3). This illustrates that Germany — and North Continental European countries more generally — now often represent mixed systems in-between Scandinavian fairly minimum-oriented systems and South European mainly earnings-related systems.

How has the different trajectories toward integrated systems with broad coverage affected the redistributional tendencies above? It would demand a research effort beyond what can be invested in this paper to investigate this, to the extent that sufficiently long historical data series exists in the first place. Bu this is a likely effect: The extension of coverage from insider to outsider groups that has taken place in countries sharing the German social insurance-tradition should result in more redistributive systems across time. This is so because in countries sharing this starting point, those first covered by mandatory systems were seldom the lowest income groups, while those who were gradually included later – or given parallel insurance schemes of their own – were more often lower-income groups.[1] A stronger redistributional tendency should also emerge if other social welfare systems than old-age pensions gradually increase their share of total social spending.

The redistributional tendency of extended coverage and more integrated systems is less clear in countries starting out closer to the Danish minimum protection-starting point. In countries closer to this starting point, the softening of means-testing and introduction of earnings-related top-ups that has taken place across time (although only to a limited extent in Denmark itself) implies increased welfare spending on high-income groups. Thus the redistributional effect of total social expenditure should become gradually weaker.

3.2. More income equality in joint systems?

The conclusion that integration of high-income earners in countries sharing the Danish starting point has weakened the overall redistributional tendency is contested by scholars who claim that high-income earners, qua taxpayers, are more willing to redistribute money to low-income earners if redistribution takes place inside welfare systems they also benefit from. According to this view, joint systems (meaning that high-income and low-income earners belong to the same system) result in more redistribution than in social welfare systems where the rich are excluded. This is relevant when considering the development after 1990, where benefit levels have been scaled back and there is a rise in private top-up supplements (Part 1, Figure 1).

The most colorful presentation of the hypothesis that the poor benefit in systems where the rich are also members is provided by Baldwin (1990): In systems where both the rich and poor are members, the poor ride to higher benefits on the coattails of the rich. It is a vivid image. However the reasoning behind this image is contested. Whiteford (1994, 61) argues that the microfoundations of this assumption are unclear

1 Not so much in Germany itself however. In Germany the second large occupational group to get parallel social welfare systems of their own was white-collar workers, who were higher-income groups than the industrial workers that were the targets of the first Bismarckian social insurance legislation (Stolleis, 2013).

since "redistribution is redistribution." As long as the level of redistribution is the same in a system only for the poor and a system encompassing both the rich and the poor, it is not obvious that the rich should be more redistributive-oriented in the second system simply because the system also provides them with some money. Imagine a welfare system where everyone earning above the median are taxed 100 euro each, which are given to everyone earning below the median. Next, imagine a system where everyone earning above the median are taxed 200 euro each. 100 euro are given back to them, while 100 euro are given to those earning below the median. If those earning above the median prefer the second system because "they too, benefit from the system," it must be because redistribution in the second system is perhaps less visible than in the first system. Or, as Tullock (1983, 98ff) dryly comments,the argument assumes that high-income groups are not very smart.

The visibility-argument may have merit in cash benefit systems more complex than the example above. Pension calculation formulas in earnings-related systems are often skewed toward low-income earners, what Theda Skocpol has dubbed "targeting within universalism." Maybe high-income members in such systems are unaware of skewed benefit formulas and believe that the degree of redistribution to low-income members is less than it actually is. However if one for the sake of argument accepts the possibility that high income earners do not understand the systems they are members of, and therefore "accept" invisible redistribution, the argument is still ethically rather problematic. It conjures up an image of redistributive-oriented political elites bent on redistributing more to the poor than they expect the middle-class majority to accept, and therefore use concealment to reach their objective. Such behavior can be dubbed "Machiavellian altruism," since the

Box 13. The Meltzer-Richard hypothesis and "Director's Law": two theories about the redistributional tendency in countries with universal suffrage

The most often used theory of the redistributional tendency in a country with universal suffrage is the Meltzer-Richard hypothesis. It states that if suffrage is universal, the long-run redistribution tendency will go from those earning above the median to those earning below the median. The Meltzer-Richard hypothesis is based on the *median voter theorem*, **which states: "If x is a single-dimensional issue, and all voters have single-peaked preferences over x, then x^m , the median position, cannot lose under majority rule" (Mueller, 1989, 66). As an addendum, income distributions are usually skewed to the right, meaning that there are more low-income earners than there are high-income earners. This implies that the income of the median voter is below average, and — if the Meltzer-Richard hypothesis was correct — income redistribution will be skewed toward low-income earners.**

The main contender to the Meltzer-Richard hypothesis is Director's Law (Mueller, 1989). Director also starts from the premise that in countries with universal suffrage "the median voter is king." However he assumes that redistribution from both tails of a distribution to the middle will usually be more stable than redistribution toward one of the tails. This hypothesis suggests that the majority-in-the-middle with benefit at the expense of rich and poor alike. This hypothesis can be matched with theories assuming that social welfare systems will sooner or later be captured by the middle class (Goodin and Grand, 1987). Limited-coverage contribution-based welfare systems that skew benefit formulas toward lower-income groups while at the same time being partly financed from general taxes (which everyone, including poor non-members, pay either directly or through value-added taxes) are possible examples in support of Director's Law.

Both hypotheses are based on a rather dim view of the redistributional preferences of citizens: everyone is concerned only about what's in it for themselves and (possibly) for their family. If one allows for a less dismal view of human beings, and concedes that people may also genuinely want to relieve the plight of the poorest (if not for any other reason, then at least to provide a less crime-ridden and unpleasant "social space" for themselves), there should be popular support also for social welfare systems that cater for the low tail of the income distribution; including for those who have no income at all.

visibility-argument can hardly be used in an open public debate.

The hypothesis makes more intuitive sense in the provision of services than with regard to cash benefits. One can argue that in a public health care system serving both the rich and the poor, the rich have a self-interest in high quality services. But if the health system serves only the poor, the rich have no self-interest in high service quality. Here it is less necessary to seek recourse in a visibility-argument, or conjure up the image of political elites who are more redistribution-oriented than the majority.

Despite the popularity of the let's-hide-redistribution-to-the-poor-in-systems-also-encompassing-the-rich hypothesis, there have been few attempts to test it empirically. In a much-quoted article, Korpi and Palme (1998) claim support for the hypothesis in an analysis of cash benefits in 11 OECD countries (see Rothstein 2008). But Pedersen (1999), used a different set of countries, and found that there is no such tendency. Marx et al. (2013), updating Korpi and Palme's initial findings, also do not find any such tendency.

An alternative explanation why today's integrated, broad-coverage social welfare systems appear to be at least moderately redistributive in both German-type and Danish-type systems (through generous minimum benefits, through benefit formulas skewed toward low-income earners, or both) is that the majority tend to be poorer than the average citizen, and therefore is able to simply outvote the rich (see Box 13).

3.3. National integration

As argued in part 2, a shared motivation among political elites across Europe has been to install social welfare systems to foster national integration. Whether it has in fact enhanced integration is, however, an empirical question. As with increased equality it is a difficult question to investigate since we cannot run anything resembling a controlled experiment to find out.

"National integration" can mean different things. It is fruitful to draw a distinction between political integration and social integration. Political integration primarily concerns integration of groups that can pose a threat to a regime. Social integration concerns integration of everyone, including marginal and poverty-stricken groups, into society.

3.3.1 Political integration

The aim of Otto von Bismarck's German social insurance legislation was to foster political integration rather than social integration. He wanted to tie the loyalty of the powerful group of urban workers closer to the state. In order to foster political integration it makes sense to target social welfare systems at powerful groups – because these are the ones that can pose a political threat. The fact that the initial social insurance systems mainly catered for urban middle-income earners rather than urban and rural low-income earners, and aimed at status maintenance rather than minimum protection, makes sense if the main aim is political integration. Pointing out that these initial social insurance systems were probably not particularly redistributive, and some were perhaps even regressive (as argued in the previous session), is beside the point if the goal is political integration. In short: Powerful and well-organized groups are seldom the poorest groups in a society. And it is powerful groups, not weak groups, that are the most important to integrate politically.

Political integration of powerful groups rather than social integration of the weakest and most destitute was arguably also the primary motive behind the Danish old age legislation that followed immediately after the German legislation (see part 1). The initial Danish tax-financed, means-tested minimum protection system benefited the poorest among elderly people — at first glance hardly a group that poses any political threat to a political regime. Hence superficially, the primary motive appeared to be social integration rather than political integration. However Petersen's (1990) historical analysis of the Danish decision-making process suggests that this was a side-effect of the system rather than the primary motivation. Unlike Germany, Denmark was overwhelmingly an agrarian society at the end of the

19th century. Agrarian interests were powerful. The agrarian sector consisted mainly of independent farmers. Farmers were politically powerful due to their numbers and due to their independence from large landowners. A major financial burden on these farmers was local poor relief. The Danish old-age pension system relieved them of this financial burden by replacing local poor relief financed from local taxes with minimum pensions financed from state taxes. In this fashion, the Danish Prime Minister Estrup arguably attempted to tie the loyalty of the many and powerful independent farmers closer to the state, and to his rule. Hence the aim was political integration of powerful rural elites. Social integration of the poorest and most destitute elderly represented more of a (beneficial) side-effect.

Both Germany and Denmark were autocratic systems in the late 19th century, as were all other countries. Ruling elites did not have to worry overmuch about the social protection demands of poor groups, in particular if they were poorly organized. However with the advent of universal suffrage integration of all groups that had the right to vote became more politically important. This helps explain the gradual extension of coverage.

Were these initial attempts at political integration successful? Bismarck himself appears not to have thought so (Briggs, 1961). The German social democratic party remained popular. Then again, the party lost its revolutionary zeal over the years and became reformist, bent on further expanding social welfare systems rather than to topple the regime as such. The regime survived until the German royal family lost the First World War (1914-18) and was forced to abdicate. We will never know the counterfactual alternative, that is: how intense would political conflicts have become in Germany (and elsewhere in Europe) between the 1880s and 1920s had ruling elites abstained from setting up, and then gradually expanding, social welfare systems? However it seems counterintuitive to assume that internal political conflicts would have been *less* vicious if social welfare systems had not been introduced. So a cautious conclusion is that although if we cannot be absolutely sure that these systems enhanced political integration, at least we can be reasonably sure that they did not have a negative effect on political integration.

A less cautious conclusion would be that the enormous popularity and resilience of social welfare systems suggest that they have had, and continue to have, a strong positive effect on political integration. Historically oriented scholars such as Rokkan (1974) argue that the introduction and extension of social welfare systems represents nothing less than the culmination of the European nation-building process. These systems are now among the longest-lasting institutions in European societies. In most countries, they are older than the present political decision-making systems. They represent national continuity. The German case is particularly impressive in this regard. In spite of losing two world wars, suffering years of hyperinflation in between, and decades with a two-state solution after 1945, the imprint of the Bismarckian social insurance structure is still clearly detectable in present-day Germany. And as the coverage of these systems has been expanded to encompass all or almost all citizens, they have tied the interests of ever-larger groups to the continued existence of these systems – and arguably to the continuation of the state.

3.3.2. Social integration – and social investment

"Social integration" is difficult to measure. The levels of *generalized trust* in a society is sometimes used as an indicator of social integration, defined as to which degree citizens trust others, including poor and marginal groups, to be mostly well-intended and reliable persons. In comparative empirical studies, Scandinavians show very high levels of such generalized trust. Some link this to the universal coverage of Scandinavian welfare systems and their emphasis on generous minimum protection, and claim that such social welfare designs fosters generalized trust. The Swedish political scientist Bo Rothstein (2008) is a particularly strong advocate for this view. The argument is that universal welfare systems do not separate "us" in the majority from "them" in the needy minority, and instead fosters a national "we" identity. However since controlled experiments are not possible in this field of research, the causal arrow may go the other way. Perhaps it is because the Scandinavian countries have historically been ethnically and religiously very homogenous that politicians have suggested, and the population accepted, universal-coverage social welfare systems earlier than elsewhere. Further, perhaps other aspects of Scandinavian political systems than their welfare arrangements are responsible for high trust levels, such as perceived non-corrupt government administrations and impartial legal systems. All of these factors correlate with high levels of generalized trust in crossnational empirical analyses (Delhey and Newton, 2005; Robbins, 2012).

The causal arrow going in the other direction would imply that in ethnically and culturally homogenous societies, even the poor and destitute initially belong to what sociologists label the in-group. The majority regards them as "our" people, not "they." "Our" people must be cared for, while "they" must be kept outside, or in welfare systems designed to foster a self-discipline that is assumed to be lacking. The ethnic and cultural divide in the US between the Caucasian majority and the Afro-American minority is a further indication that the causal arrow may run in the other direction. Distrust in the minority leads the majority to support only rather punitive welfare systems for the poor, in contrast to the welfare systems they, themselves, have access to (US social security and occupational health care). The argument by the US scholar Charles Murray (1984) that generous minimum protection fosters an underclass with diverging norms, i.e. stimulates social *disintegration* rather than to foster integration, fits a social context where welfare recipients are experienced as "the others." Murray's ideas were influential in the redesign of US tax-financed minimum protection systems during the Clinton presidency, including work or retraining requirements and a cap on the number of years one may receive tax-financed welfare during a lifetime. There is some degree of overlapping consensus between US minimum protection-reforms and the ideas underlying the "social investment turn" in European social policy. However while the dominant US approach is to threaten the poor with a larger stick, at least in Scandinavia the dominant approach is to tempt them with a larger carrot.

European societies are becoming gradually less ethnically and culturally homogenous, and may in this sense become more similar to the US. This is related to Europe coming to the end of the demographic transition (part 2). Most European countries switched from being emigrant countries to become immigrant countries from the 1970s onwards. Immigrants from non-OECD countries are overrepresented in social welfare systems, in particular in tax-financed minimum systems. It is not hard to see a connection between the increased ethnic divide in who uses these systems and the increased emphasis on active conditionalities for those who want to use them. At least in Scandinavia, separate activation systems have been set up to cater for recent immigrants, in particular immigrants from outside the OECD area.

Social investment arguments dovetail with social integration arguments. Labor market integration supposedly foster social integration. On a less sanguine note, the increased emphasis on active conditionalities may also be interpreted as a sign of increased *distrust* among the majority that welfare recipients are internally motivated to become self-sufficient. If internal motivation was sufficient, active conditionalities would be less necessary. Hence although one of the motives behind active conditionalities is to enhance social integration, their very existence can be read as a sign of reduced generalized trust, i.e. of weakened social integration.

Do activation programs work? There is a growing evaluation literature investigating how effective these programmes are in reaching their goal, sometimes with proper control groups. It is beyond the scope of this paper to assess the findings from these empirical studies, but note that they work in two different ways. First, by furnishing participants with improved skills, which results in higher employment rates. Second, by discouraging those who are able to get by on their own devices from applying — since receipt of the benefit depends either on accepting low-paid public work or to attend a school or similar institution during the day. The second effect is harder to study empirically.

Increased spending on kindergartens, after-school day care and parental leave similarly has both social integration and social investment purposes. Partly, they aim to make it easier to integrate women with children into the labor force. Partly, they serve to integrate the children themselves into the social culture and to build "primary human capital."

Although the social integration argument and the social investment argument work in the same direction, perhaps the investment-argument is the most important among ruling politicians. In a globalized world economy, citizens represent "national assets." In order not to waste these assets, the state has an interest in boosting the productivity of their citizens and see to it that their work ability does not go to waste, as this would reduce national competitiveness. This would be the way flint-eyed economists perceive the recent turn to activation and family integration policies. However there would be a considerable degree of overlapping consensus between such economists and Durkheim-inspired sociologists concerned with constructing policies that foster social integration. Less so, admittedly, with Foucault-inspired sociologists, who may regard deliberate political attempts to foster social integration as subtle ways to self-discipline human beings, and social investment-strategies as a way to streamline the very soul itself (Born and Jensen, 2010).

Regardless of one's normative perception of the recent surge in activation-oriented social welfare systems, they are often more expensive that ordinary social assistance systems. This is so partly because governments must provide resources for training in addition to cash benefits, and partly because the cash benefits themselves are less means-tested (see Box 14).

3.4. Regional equality

The financial and administrative responsibility for social welfare services is often devolved to regional and/or local authorities in Europe, rather than being the exclusive domain of central (national) authorities. Sometimes the financial and administrative responsibility for providing cash benefits is also devolved to regional or local authorities. This raises the question to which extent regional redistribution from rich to poor regions should take place, in order to give authorities in poorer regions the financial capability to provide their citizens with similar-quality benefits and services than rich regions.

Box 14. Means-tested social welfare systems — not compatible with a social investment approach?

Means-tested social welfare programmes reduce the benefit if the claimant has other incomes, or if he/she starts to work. Means-testing comes in two forms: *rule-based means-testing*, **where the benefit is reduced by a precise amount for each monetary unit the claimant earns; and** *discretionary means-testing*, **where it is up to the professional discretion of the street-level bureaucrat, or social worker, to decide how much the benefit should be reduced if the claimant has other incomes.**

Both types of means-testing represent a disincentive to work. If the benefit is reduced by the same amount as earnings are increased, the claimant in effect faces a 100 per cent marginal tax rate, and therefore has no economic incentive to take up work. Empirical studies show that marginal groups are more influenced by high marginal tax rates that high-income earners, perhaps because they more seldom have interesting jobs (Aaberge et al., 1999).

Scandinavian-type social welfare programmes with active conditionalities avoid this potential poverty trap by paying out benefits that are not means-tested. These benefits can be regarded as the "wage" to those who follow the qualification or integration programme. Benefits are also somewhat higher than bottom-floor social assistance, to maintain a credible sanction if active requirements are not fulfilled; namely, that the claimant risks being stuck with the means-tested bottom-floor benefit instead. These design characteristics further increase the expenditure on activation programmes relative to the old, means-tested bottom-floor social assistance programmes. Free or subsidized kindergartens to parents with preschool children who follow the programmes also increase costs.

Goldsmith (1992) argues that there is a North-South divide in Europe in this regard. In North European countries the internal structure of the state is organized according to what can be labeled an "administrative division of labor principle." Public services (including social and health services) should be provided at the lowest effective administrative level. In Southern Europe, the role of providing local services is more often the responsibility of the local branch of social insurance agencies. Local governments have more limited tasks. This is a reflection of the social insurance tradition. Devolution of social welfare tasks to lower government levels is increasingly a trend also in Continental-European countries, and outside Europe as well (Rodriguez-Pose and Gill, 2003).

Regional equality is a relevant concern both with regard to redistribution and with regard to national integration. There are often tensions between central, regional and local European elites concerning how and to which extent equalization of financial resources is desirable, and how much scope for regional and local decision-making that is desirable. The topic is too large to discuss in this paper, but a brief case study is provided as an example (see Box 15).

3.5. Equity

"Equity" implies that a welfare system is just, impartial and fair. This is a normative concept that is more difficult to operationalize than equality, since there may be different opinions as to what justice and fairness should imply. One man's rightful benefit is often another man's unjust privilege. In a social welfare context, equity may connote that there ought to be some kind of proportional relationship between what a person (or family) contributes, and what he/she (or they) get back should ill fortune in the form of sickness, frail old age, unemployment etc strike them or some of their family members in the future. And then again, it may not — others would argue that a fair system rather ensures that those who do not have the ability to contribute, such as the born disabled, also receive decent benefits and services of an acceptable quality. A further example of such different opinions: if inhabitants that do not formally contribute to a pension system are treated "as if" they contributed (many countries now count periods on maternity leave, looking after frail relatives or military service as contribution periods even when no formal contributions are being made), this might be seen as problematic by some observers, since it distorts the relationship between formal contributions and pension benefits. While others would argue that, it rather enhances equity if such beneficial societal activities also result in accrued pension rights.

For reasons such as those above it is difficult to make statements about which of the numerous aspects of different European welfare systems that fulfill equity criteria and which that do not, in a way that would be intersubjectively valid.

3.6. Concluding part 3

During the last two decades, inequalities have been rising in many high-income countries. This "great U-turn" as it is somewhat sensationally called (not all European countries experience rising inequalities) suggests that new sources of inequality have emerged (Beckfield, 2013). A host of drivers for increased inequality has been suggested, including de-industrialization, the second demographic transition, higher skill premiums, new technological innovations and economic globalization (Ciss, 2006). European social welfare systems appear to respond to these new tendencies with the aforementioned turn toward social investment welfare states, although this tendency has so far been more marked in North European countries than in South European countries.

Perhaps the social investment turn has the potential to halt increasing inequality, and shore up social disintegration. It could mean that European welfare systems are able to adjust to new social and economic circumstances. Esping-Andersen and Billari (2013) argue that the ultra-low fertility and the fragmentation of family life that represent the second demographic transition are really only a turbulent adjustment phase until the new social structures spurred by de-industrialization and the growth of a service economy reach a new social equilibrium. This new equilibrium might be reached through social welfare policies that make it easier to combine employment

Box 15. Principles for devolution of decision-making responsibility: The case of Norway

To secure closeness to users of public services, Norwegian administrative doctrine specifies that responsibility should not be given to a higher level of government than "necessary." Services should be provided at the lowest effective government level. "Effective" partly refers to sufficient economic resources being available to provide services of acceptable quality, and partly to sufficient professional competences being available. For example, a hospital is expensive to operate and need a critical mass of professional specialists to operate efficiently. It should therefore be the responsibility of a higher government level than a primary health station.

When distinguishing between responsibilities to be placed at regional or local governments compared to regional or local state agencies, the question is whether it is "appropriate" to allow regional or local political considerations to be involved. If the service should be standardised across the whole country, or if common rules are to be followed, or if extensive control is necessary, it is not regarded as appropriate to delegate this responsibility to regional or local governments. Then responsibility should instead be delegated to the regional or local branch of a state agency. Not surprisingly, there are disagreements between governments at different levels concerning which level is the most "efficient" and when local/regional political considerations are "appropriate." None the less, these principles limit disagreements by structuring the type of arguments that can legitimately be used when discussing if the responsibility for any particular task should change place or not.

Fiscal equalization

Local governments can levy local taxes up to a centrally specified ceiling, and claim user fees for some services up to centrally specialized ceilings. Most remaining financing stems from block grants from central to local and regional governments. The size of the block grant depends on the stipulated "necessary" expenses to provide social welfare and other services to local citizens. Local and regional governments are compensated for *expenses that are deemed necessary.* **If a region or municipality is not run effectively and has higher costs than necessary, this is regarded as voluntary expenses, which are not compensated. It then becomes crucial to identify necessary costs. The central government has developed a cost key for this purpose. The key is made up by 19 criteria. The choice of criteria and the way they are put together is meant to make it difficult (ideally: impossible) for localand regional governments to manipulate the criteria in order to get a higher block grant. The criteria include the number of people in different age groups, the number of divorcees, unemployment rates, mortality rates, not-married people over 67 years old, the percentage of immigrants, travel distance to local centers, degree of urbanity, a criterion for agriculture etc. The 19 factors are assumed to make public services** *necessarily* **more expensive in some municipalities and regions than others. By differentiating the size of the block grant, regional and local governments are placed on a roughly equal footing with regard to their ability to provide similar-quality services. Unlike earmarked grants, regional and local governments are free to spend the block grant in the way they deem most effective, in order to fulfil the tasks they are legally obliged to fulfil. To determine if this happens, the central government monitors regional and local government outputs through a performance measurement system ("kostra"), through state supervision agencies, by requesting that regional and local governments have self-evaluation systems in place, and by ensuring that users of various services have formal opportunities to complain to higher level administrators, courts and Ombudsmen (Vabo and Overbye, 2009).**

In sum, regional and local governments are treated the way middle managers are treated according to New Public Management principles. They are not any longer subjected to detailed, hierarchical instructions from above which leave little room for local adaptions. Instead, they get a set of objectives (sometimes negotiated with them beforehand) and the financial resources to reach these objectives, and are then autonomous to use these resources in the way they deem best to reach the objectives, as long as legal and administrative procedures are sound. The central level controls the degree of goal-fulfilment through a set of performance measures (benchmarks). A range of sanctions and rewards, from joint talks upward, follows audits at regular intervals.

and care work. They base this assumption partly on the fact that the number of children Europeans say they want is lower than the number they actually realize; and (implicitly) that upcoming political elites who recognize this should be able to use policy proposals that soften such frustrations as levers to conquer office (if ruling elites fail to implement such policies). They detect a shift back to higher fertility levels and more stable family patterns in some countries but not everywhere, which they link to the fact that new social policies are not successfully implemented everywhere — at least not yet.

The result of the ongoing European economic crisis may be common restructuring through the type of policy reforms suggested by Esping-Andersen and Billari, and renewed European integration. However it may also be the emergence of a dual Europe. In crisis-ridden South European countries, massive unemployment is a sign of social disintegration. The recent emergence of strong nationalist parties suggests increased political disintegration within Europe as well. EU was initially constructed to be a bulwark against dangerous forms of nationalism. But EU may unintentionally be a cause behind the growth of extreme nationalism in crisis-ridden countries, since their recent predicaments are often blamed on the austerity measures that follow from the common currency and from EU's stability and growth pact.[1] Nor are crisis-ridden economies likely to have the extra resources necessary to make room for social investment-type welfare systems. On the contrary, increased outlays on regular unemployment benefits and preretirement further squeeze the budgets for education, services to families and costly activation programmes.

It is too early to tell which of these scenarios — renewed Europe or dual Europe — that will emerge. However in both cases the North European countries have managed the crisis quite well so far, and — as illustrated earlier in this paper — North European countries have more integrated social welfare systems than South European countries. Although correlation is not causation, the more integrated design of North European welfare systems may be part of the reason Germany and the Nordic countries are quite successful in today's globalized economy. While continued fragmentation (and overly reliance on pensions) may be part of the problem in South-European countries.

1 If EU should inadvertently fuel extreme nationalistic sentiments, it will be a good example of the irony of history.

PART 4. POLICY LESSONS

The European experience suggests that as a country grow richer, social welfare systems become more broad-based and better integrated (as specified in Box 1 and Figure 1). Basic reasons behind this tendency were spelled out in part 2, "distal determinants." The particular path European systems have taken toward broader coverage and more integrated systems have differed, and reasons for these differences — and for persistent variations in system designs — represent intermediate and proximate determinants (see part 2).

There are countries outside Europe who have pursued related paths to integrated systems, and are by now more-or-less fully integrated. They include at least Canada, the US, Australia, New Zealand and Japan. A contested question is if a similar development will take place in *all* countries where the same distal determinants are at work — including most of today's middle-income countries. There is arguably an empirical tendency toward more broad-based and integrated systems in many, if not all, middle-income countries (Ginneken, 2003). In most of these countries, versions of the German social insurance-tradition are part of the historical legacy.[2] One can detect variations of the continental-European reform trajectory in several of these countries, namely extended social insurance coverage, but at the same time lower benefit levels, plus the introduction of tax-financed minimum systems to extend coverage to the poorest. To use Latin America as an example, many countries in the region have replaced European-style defined-benefit pension systems with

2 The tendency in low-income countries is more unclear. But in low-income countries distal determinants should not (yet) be present to a sufficient degree to exert pressure on politicians. Some low-income countries may even be caught in a downward spiral ending up as failed states — which will certainly prevent integrated systems from emerging.

broader-coverage defined-contribution pension systems (which on average are less generous). And Conditional Cash Transfers — a close cousin of European minimum protection with active requirements — have been expanded to cover those that are still outside contribution-based systems.[1]

If it is also *beneficial* that the social welfare systems are becoming more broad-based and more integrated is a more difficult question to answer, since it is to some extent a normative question — and researchers are not in a more privileged position than others when answering normative questions (cf the comments on "equity" in part 3). However, since demands for broader coverage and better integration have arisen in all countries that have experienced sustained economic growth, it is not prudent to neglect such demands. Rather than to avoid integration measures, politicians are probably well advised to channel such demand in ways that are beneficial for economic growth and for national integration.[2]

In the following, a distinction is made between *integrated* social welfare systems and *generous* social welfare systems. Social welfare systems can be better integrated (as specified in box 1) without necessarily being made more generous. As argued above, the European experience since 1990 suggests that systems have become better integrated in the sense that coverage has been expanded and benefits/services more harmonized, while at the same time benefit levels have been brought down — in particular for high-income earners (see part 1). The distinction between integration and generosity is important since there are good arguments for integrated social welfare systems from an economic efficiency point of view (in addition to equality and integration arguments). While there are fewer economic efficiency arguments for (very) generous benefits. Actually, from a purely economic efficiency point of view some fragmented social welfare systems are likely to be worse than having no public welfare systems at all. It is not possible to treat this subject in sufficient detail without writing a book rather than a paper, but the following sketches major efficiency, integration and equity problems related to fragmented systems, and how integrated systems may soften these problems. The main point of reference is the history of North European systems plus present-day South European and Latin American systems, but some of these problems are probably universal.

4.1. Efficiency problems with fragmented welfare systems

(1) Fragmented systems hamper labor mobility, in particular if vesting rights are poor. Reduced labor mobility usually represents an efficiency loss.

(2) Fragmented systems imply generous benefits and services for "insider" groups, usually located in large firms and in the urban sector. This means that employers in these industries face high indirect labor costs, which reduces their competitiveness both internally and at the world market.

(3) If coverage is mandatory for those in the formal sector, it creates an incentive for employers to shirk contributions or even to set up shop in the informal sector, to avoid contributions. Sometimes, if employees do not trust the public systems or judge public service quality as poor, employees may accept that employers evade their part of contributions, and may even prefer informal sector employment. In this fashion, generous social welfare systems for formal "insiders" may lead to formal sector contraction, and an expansion of the informal sector. Since the formal sector is the main source of tax revenues, this jeopardizes future tax revenues and weakens the state.

The first problem can be reduced by ensuring portability when moving between employers, or by regulations that require good vesting rights in occupational welfare systems: either as a mandatory requirement, or as a precondition for offering the scheme favorable tax treatment. Politicians can dampen the second and third problem by extending coverage to new occupational groups, and to move

1 Latin America was a major powerhouse for new innovations in social policy designs in the 1980s. Chile was the innovator with regard to defined contribution pensions, and Mexico with regard to conditional cash transfers.

2 If politicians neglect such demands altogether, they risk sharing the fate of the legendary King Canute, who believed himself able to control everything that moved in his kingdom. He went to the shore and commanded the tide not to come in. To his surprise the tide came in anyway, and he drowned.

Box 16. Actuarially constructed contributory social welfare systems: A magic bullet?

Inspired by the 1981 Chilean mandatory defined-contribution pension reform, many countries are experimenting with contribution-based systems where there is a more actuarial relationship between contributions and benefits than in traditional "contributory" social insurance systems. The (contested) allure of fully funded systems is that they might increase the total savings rate and form the basis for a larger capital market. In actuarial systems, there is no skewed benefit formulas toward lower-income members: what you pay is what you get. If contributions are specified according to risk, perceived high risks must also pay more than perceived low risks for the same level of insurance.

Fully actuarial contribution-based social welfare systems can be more "progressive" that old-style contribution-based social insurance since there is at least no *regressive* **redistribution in actuarial systems — those covered do not receive extra tax subsidies financed also by excluded outsiders (to the extent outsiders pay taxes). These systems are however not without problems, the most problematic being high management costs, often massive contribution evasion, potential adverse selection-problems and no protection of the very poor.**

(1) High management costs. **In funded, individual pension insurance systems administered by competing insurance companies management costs typically run between 15 and 25 percent of contributions. Administering such systems demand high-skilled (and thus expensive) actuaries, financial experts and marketing professionals; there is limited economies of scale; and if there is also limited competition between fund managers there is a risk of monopoly profits or "excess administrative fat." Occupational insurance systems are cheaper to administer, and systems with broader coverage even more so.**

(2) Contribution evasion. **At least in Latin America, governments have been hesitant to fine or otherwise punish those who evade contributions. The reason is that the only ones who suffers are the contributors themselves, since by evading they become entitled to less future benefits and services. It is awkward for a judge to fine a person who abstains from contributing as long as no third party suffers from this act. In lieu of a credible sanction ("stick"), mandatory contribution systems are often** *de facto* **voluntary. Acknowledging that a credible "stick" is difficult to administer, the Chilean government has instead moved to a "carrot" approach to get people to contribute. In the innovative Chilean unemployment savings accounts system, only those who contribute to their own, individual unemployment savings account receive unemployment benefits. If they become unemployed and have to draw on this savings account, they get some additional money from a separate tax-financed fund. Access to this extra fund serves as a carrot to give people an incentive not to evade contributions. This carrot might be sufficient to deter contribution evasion, which is otherwise tempting since the unemployment savings account is as a general rule not to be accessed unless one becomes unemployed (Sehnbruch, 2006). However it simultaneously re-introduces a tax subsidy, and thus possibly an element of regressive redistribution from outsiders to those who pay contributions. Then again, it is an innovative design worth further study. The idea underlying the design of China's new pension system for the rural sector appears to be rather similar (Shen and Williams, 2010).**

(3) Adverse selection. **If politicians allow insurance providers to claim higher contributions from high risks than from low risks, there is a risk that cream-skimming and offloading will occur. High-risk groups can be left without coverage unless a bottom-floor public insurance system exists which is not allowed to offload high risks, or charge them prohibitively high contributions. This is particularly a problem with regard to health care and disability pensions.**

(4) No coverage for the poorest. **The poorest are too poor to contribute to contribution-based social welfare systems, even if they should be low risks (which is seldom the case). To cater for the poorest, contribution-based social welfare systems must include targeted subsidies at the poorest. Alternatively, tax-financed minimum protection systems must be set up to cater for the poorest. The World Bank (1994, 239 ff) recommends the latter, preferably in the form of flat-rate benefits, which do not create a disincentive to work and save.**

away from narrow to broader contribution financing or to tax financing. By sharing the costs of social welfare systems on a larger group of taxpayers (or contributors), indirect labor costs are brought down. This is a version of the general argument that a broad tax/contribution base with low tax/contribution levels creates fewer economic efficiency problems that a narrow tax/contribution base with high tax/contribution levels. This is the direction most European countries are moving, including countries based in the social insurance tradition. As argued in part 1 coverage in social insurance schemes has been broadened but benefit levels have been reduced. There has also been a shift away from social insurance toward tax-financed minimum benefits, often linked to activation requirements; such as the German Hartz IV reform.[1]

One may further argue that integrated systems with broad-based financing reduces the popularity of protectionism, by guaranteeing life support as well as free or subsidized retraining to those who fear they will lose out in the global marketplace (see boxes 12 and 14). Less protectionism ensures a more efficient division of labor both nationally and internationally, which is usually associated with an efficiency gain.

4.2. System integration and national integration

Broadening the tax or contribution base to limit economic efficiency problems *without* also broadening coverage is likely to increase social tensions, as this implies that "outsiders" are increasingly subsidizing the social welfare systems of "insiders." If one instead simultaneously broadens the tax/contribution base and extends coverage, a larger segment of the population gain an interest in the system, which may further national integration. More broad-based and integrated systems may thus hit two targets with one stone, i.e. achieve enhanced economic efficiency and improved national integration at the same time.

4.3. Equality and equity concerns

Fragmented systems create social tensions if broad segments of the population perceive them as unfair. They are likely to be perceived as unfair if outsiders directly or indirectly subsidize the social welfare systems of insiders. If insiders also are middle-to-high-income groups, fragmented social welfare systems will have a regressive redistribution profile. Extending coverage creates a less regressive redistribution profile, and may dampen accusations that the systems represent "unjust privileges" for powerful and well-placed groups.

In addition to better-integrated systems, it is imperative that members of the systems trust that the systems are professionally managed, that future benefits are certain, and that services are of an acceptable quality. How trust in public or mandatory social welfare systems can be enhanced, or how accountability and acceptable quality can be guaranteed, are too complex issues to be fitted into this paper (cf Ginneken, 2003; le Grand, 2007;de Bruijn. 2007).

4.4. The balance between different social welfare systems

Although not directly related to the question of integration/fragmentation, the recent European shift away from generous pension provision towards social welfare systems that benefit families and children, and/or have clearer social investment aspects, are also worth noticing. This tendency has been particularly clear in North European countries.

4.5. Concluding part 4

In 1955, Simon Kuznets claimed that a regularity exists in how income inequality changes in societies experiencing rapid economic growth. First, inequality increases as some move to higher-productivity urban work while others stay put in low-productivity rural work, and some utilize new technologies early (and receive a windfall gain) while others stay too long with obsolete technology and go broke. But

1 The Hartz reformswas a set of recommendations submitted by a commission on reforms to the German labour market in 2002. Named after the head of the commission, Peter Hartz, these recommendations went on to become part of the German government's Agenda 2010 series of reforms, known as Hartz I - Hartz IV. Hartz IV brought together the former unemployment benefits for long-term unemployed (Arbeitslosenhilfe) and the welfare benefits (Sozialhilfe), leaving them both at approximately the lower level of the former Sozialhilfe (social assistance).

at some stage the tendency turns, and inequality decreases again. This "inverted U" hypothesis was popular in the 1950s and 60s, went out of academic fashion in the 1970s and 1980s, but has made a limited comeback after 1990 (Moran, 2005). It is no longer regarded as a law-like regularity, but rather as a trajectory that some countries, through deliberate efforts, go through, while others don't.

One of the mechanisms Kuznets (1955, 17-8) suggested to explain why inequality declined was a political economy — argument. He suggested that across time demands increases for social welfare policies that protect workers and ensure some degree of income redistribution. For reasons spelled out in part 2, politicians may gradually expand such systems to larger population groups. If so, this further compresses inequality.

Too large and growing inequalities are a possible indicator of social disintegration. Hence the equality and the integration argument are related. As argued in part 1 and 2, integrated social welfare systems have been pursued by political elites as a means to foster a national (and European) identity, and limit the risk of secessionism. If the long-term survival of these systems is regarded as a success factor in itself, Bismarck's old idea to tie the loyalty of ordinary citizens closer to the state through broad-based social welfare systems has been extraordinary successful. In most European countries the social welfare systems are even older that the present political decision-making systems. They represent national continuity, and are often a source of national pride. Perhaps they are even indicators of a successful nation-building process.

References

Aaberge R, U Colombino and S Strom 1999. Labour supply in Italy: An empirical analysis of joint household decisions. Journal of Applied Economics 14(4),403-422.

Amenta E 2003. What do we know about the development of social policy: Comparative and historical research in comparative and historical perspective. In J Mahoney and D Rueschmeyer (eds): Comparative historical analysis in the social sciences. Cambridge: Cambridge University Press.

Anttonen A, L Häikiö and K Stéfansson (eds) 2012. Welfare state, universalism and diversity. Northampton: Edward Elgar Publishing.

Atkinson B and S Davoudi 2000. The concept of social exclusion in the European Union: Context, development and possibilities. Journal of Common Market Studies vol 38(3), 427-48.

Baldwin P 1990.The politics of social solidarity. Cambridge: Cambridge University Press.

Barr N. 1992. Economic theory and the welfare state.Journal of Economic Literature vol XXX p 741-803.

Barr N 1993. The economics of the welfare state. London: Weidenfeld and Nicolson.

Barth E and KO Moene 2013.Why do small open economies have such small wage differentials? Nordic Economic Policy Review2013 ;Vol 1,139-170.

Barth E and KO Moene 2012.The Equality Multiplier: How Wage Setting and Welfare Spending Make Similar Countries Diverge. IZA Research Paper 9494, Bonn, Institute for the Study of Labor (IZA).

Beckfield J 2013.The end of equality in Europe? Current History, March, 94-99.

Briggs A 1961. The welfare state in historical perspective.Archives Européennes de sociologie vol 11 (2), 221-128.

Bruijn H 2007. Managing performance in the public sector. London: Routledge.

Born AW and PH Jensen 2010.Dialogued-based activation – a new "positif"? International Journal of Sociology and Social Policy vol 30(5/6), 326-336

Börsch-Supan A and CB Wilke 2004. The German public pension system: How it is, how it will be. NBER Working Paper 10525, Cambridge: National Bureau of Economic Research.

Busse R, RB Saltman and FW Dubois 2004a. Organization and financing of social health insurance systems: current status and recent policy developments. In RB Saltman, R Bysse and J Figueras (eds): Social health insurance systems in western Europe. Berkshire: Open University Press.

Busse R, RB Saltman and H FW Dubois 2004b.Patterns and performance in social health insurance systems. In RB Saltman, R Bysse and J Figueras (eds): Social health insurance systems in western Europe. Berkshire: Open University Press.

Castles F 2010. Black swans and elephants on the move: The impact of emergencies on the welfare state. Journal of European Social Policy vol 20 (2), 91-101.

Ciss 2006. The Americas social security report: Globalization and social protection. Inter-American conference on social security, Mexico D.F.

Coleman JA 1991. Neither liberal nor socialist. In JA Coleman (ed): One hundred years of Catholic social thought. New York: Orbis books.

Dahlgren G and M Whitehead 1991.Policies and strategies to promote social equity in health. Background document to WHO. Working Paper no 14, Institute of future studies, Stockholm

Davies G 2006. The process and side-effects of harmonization of European welfare states. Jean Monnet Working Paper 02/06, New York: NYU School of Law.

Delhey J and K Newton 2005. Predicting cross-national levels of social trust: Global pattern or Nordic exceptionalism? European Sociological Review vol 21(4), 331-327.

Dixon A M Pfaff and J Hermesse 2004. Solidarity and competition in social health insurance countries. RB Saltman, R Bysse and J Figueras (eds): Social health insurance systems in western Europe. Berkshire: Open University Press.

Durkheim E (1893) [1987] Suicide. London: Routledge.

Eriksen EO and J Loftager 1996.Challenging the normative foundation of the welfare state. In EO Eriksen and J Loftager (eds): The rationality of the welfare state. Oslo: Scandinavian University Press.

Esping-Andersen G 1996. Welfare states without work: The impasse of labour shredding and familialism in Continental European social policy. In G Esping-Andersen (ed): Welfare states in transition. London: Sage.

Esping-Andersen G and F C Billari 2013.Re-theorizing Family Demographics.Mimeo, Pompeu Fara University, Spain.

Evans PB, D Rueschemeyer and T Skocpol 1985. Bringing the state back in. Cambridge: Cambridge University Press.

Ferragina, E., Seeleib-Kaiser, M. and Tomlinson, M. (2012).Unemployment Protection and Family Policy at the turn of the 21st Century. Social Policy and Administration (in press), DOI 10.1111/j.1467-9515.2012.00855.x

Figueiras J et al. 2004. Patterns and performance in social health insurance systems. In RB Saltman, R Bysse and J Figueras (eds): Social health insurance systems in western Europe. Berkshire: Open University Press.

Flora P and J Alber 1981.Modernization, democratization, and the development of welfare states in Western Europe. In P Flora and AJ Heidenheimer (eds): The development of welfare states in Europe and America. London: Transition Books.

Garret G 1998.Partisan politics in the global economy. Cambridge: Cambridge University Press.

Gilbert N and B Gilbert 1990.The enabling state. Oxford: Oxford University Press

Ginneken W 2003.Extending social security: Policies for developing countries. ESS Extension of social security Paper no 13. Geneva: International Labour Office.

Glennester H 1999. Which welfare states are most likely to survive? International Journal of Social Welfare 8, 2-13.

Goldsmith M 1992. Normative theories of local government: A European comparison. In D King and G Stoker (eds): Rethinking local democracy. Basingstoke: MacMillian Press.

Goodin R and J Grand 1987. Not only the poor. London: Allen & Unwin.

Gordon M S 1988.Social security policies in industrialized countries. Cambridge: Cambridge University Press.

Grand J 2007.The other invisible hand.Delivering public services through choice and competition. Princeton: Princeton University Press.

Hinrichs K 2001.Elephants on the move. Patterns of public pension reform in OECD countries. In S Leibfried (ed): Welfare state futures. Cambridge, Cambridge University Press.

Hofmarcher M H and I Durand-Zaleski 2004. Contracting and paying providers in social health insurance systems. In RB Saltman, R Bysse and J Figueras (eds): Social health insurance systems in western Europe. Berkshire: Open University Press.

Immergut E. Institutions, veto points, and policy results: A comparative analysis of health care. In S Leibfried and S Mau (eds): Welfare states: Construction, deconstruction, reconstruction. Cheltenham: Elgar Reference Collection.

Iversen T 2010.Democracy and capitalism. In F Castles et al (eds): The Oxford Handbook of the Welfare State. Oxford: Oxford University Press.

Jessoula M and T Alti 2010. Italy: An uncompleted departure from Bismarck. In B Palier (ed): A long goodbye to Bismarck? Amsterdam: Amsetrdam University Press.

Kaa D 1987. Europe's second demographic transition.Population Bulletin vol 42 (1), 64 pages.

Kautto M 2012. The pension puzzle: pension security for all without universal schemes? In A Anttonen, L Häikiö and K Stéfansson (eds) 2012. Welfare state, universalism and diversity. Northampton: Edward Elgar Publishing.

Kerr C 1983. The future of industrial societies. Cambridge: Harvard University Press.

Kuznets S 1955. Economic growth and income inequality.The American Economic Review vol XLV (1), 1-28.

Kolb R. 1989. One hundred years of German pension insurance legislation. International Social Security Review 2, 195-202.

Korpi W 1983. The democratic class struggle. London: Routlegde and Paul Kegan.

Korpi W and J Palme. 1998. The strategy of equality and the paradox of redistribution. American Sociological Review, Vol. 63 (5), 661-687

Kuckuck J 2012.Testing Wagners's Law at Different Stages of Economic Development: A Historical Analysis of Five Western European Countries.Working Paper 91 August 2012, Institute of empirical economic research, University of Osnabrueck

Kuhnle S and A Sander. 2010. The emergence of the western welfare state. In F Castles et al (eds): The Oxford handbook of the welfare state. Oxford: Oxford University Press.

Laegereid P and S Neby.2012. Gaming the system and accountability relations: Negative side-effects of activity-based funding in the Norwegian hospital system. Uni Rokkan Centre Bergen, Working Paper 12-2012.

Lindstrand A et al 2006. Global health. Lund: Studentlitteratur.

Lollar D 2009.People with disabilities. In R Detels et al (eds): Oxford textbook of public health. Oxford: Oxford University Press.

Marshall TH (1950) [2006].Citizenship and social class. In F Castles and C Pierson (eds): The welfare state reader.Cambridge: Polity Press.

Marx I, L Salananskaite and G Verbist 2013. The paradox of redistribution revisited: And that it may rest in peace? IZA Discussion Paper No 7414, Bonn: Institute for the Study of Labor.

Moran TP 2005. Kuznet's inverted U-curve hypothesis: The rise, demise, and continued relevance of a socioeconomic law. Sociological Forum vol 20 (2), 209-244.

Lundberg U 2001.Socialdemokratin och 1990-talets pensions reform. In J Palme (ed): Hur blev den store kompromissen möjlig? Stockholm: Pensions forum.

Morel N B Palier and J Palme. 2012. Towards a social investment welfare state? Bristol: Policy Press.

Morgan, K. J. 2012. Promoting social investment through work-family policies: which nations do it and why? In Morel N, B Palier and J Palme (eds):***Towards a social investment state?*** Bristol: Policy Press.

Mueller DC 1989. Public Choice II. Cambridge: Cambridge university Press.

Murray C 1984.Losing Ground: American Social Policy, 1950-1980. New York: Basic Books.

Nikolai R 2012.Towards social investment?Patterns of public policy in the OECD world.In NB Morel, B Palier and J Palme. 2012. Towards a social investment welfare state? Bristol: Policy Press.

Nullmeier F and FX Kaufmann. 2010. Post-war welfare development. In F Castles et al (eds): The Oxford Handbook of the Welfare State. Oxford: Oxford University Press.

Overbye E. 1994.Convergence in policy outcomes. Journal of Public Policy vol 14(2), 147-174.

Overbye E. 1995.Explaining welfare spending.Public Choice vol 83(3), 313-35.

Overbye E 1996. How do organizational designs influence welfare policies? Scandinavian Political Studies 19(3), 227-255.

Overbye E 1997. Convergence theory reconsidered: The politics of pensions in Scandinavia and Australia. Australian Journal of Political Science vol 31(1), 7-27.

Overbye E 2001a.Globalisation and the design of the welfare state. In D Pieters (ed): European social security and global politics. London: Kluwer Law International.

Overbye 2001b.The redistributional impact of a World Bank "pension regime". In J Clasen (ed): What future for social security? Debates and reform in national and cross-national perspective. London: Kluwer Law International.

Palier B (ed) 2010. A long goodbye to Bismarck? The politics of welfare reform in Continental Europe. Amsterdam: Amsterdam University Press.

Palier B (2010b) The dualization of the French welfare system. In Palme J 1990. Pension rights in welfare capitalism. Report no 14, Stockholm: Institute of Social Research.

Peacock, A. R., Wiseman, J. 1961. The Growth of Public Expenditure in the United Kingdom. Princeton, NJ: Princeton Univ. Press

Pakaslahti 1998.Social security vision of the European Union. In D Pieters (ed): International impact upon social security. London: Kluwer Law International.

Pedersen AW. 1999. The taming of inequality in retirement. A comparative analysis of pension policy outcomes.Doctoral Dissertation, European University Institute, Florence.

Petersen J 1990. The Danish 1889 act on old age relief: A response to agrarian demand and pressure. Journal of Social Policy 19, 69-91.

Pierson P 2000.Increasing returns, path dependence, and the study of politics.American Political Science Review vol 94 (2), 251-67.

Priestly M 2010.Disability. In F Castles et al (eds): The Oxford Handbook of the Welfare State. Oxford: Oxford University Press.

Propper C, D Wilson and S Burgess 2006.Extending choice in English health care: The implications of the economic evidence. Journal of Social Policy 35(4), 537-557.

Rimmerman A 2013. Social inclusion of people with disabilities. Cambridge: Cambridge university Press.

Robbins BG. 2012. A Blessing and a Curse? Political Institutions in the Growth and Decay of Generalized Trust: A Cross-National Panel Analysis, 1980–2009. PlosOne vol 7(4), 1-14.

Rodriguez-Pose A and N Gill. 2003. The global trend towards devolution and its implications. Environment and Planning C: Government and Policy vol 21, p 333-51.

Rodrik D 1997. Has globalization gone too far? Washington DC: Institute for International Economics.

Rokkan S 1974. Dimensions of state formation and nation building. In C Tilly (ed): The formation of nation states in Western Europe. Princeton: Princeton University Press.

Roo A, L Chambaud and BJ Güntert 2004.Long-term care in social insurance systems. In RB Saltman, R Bysse and J Figueras (eds): Social health insurance systems in western Europe. Berkshire: Open University Press.

Rothstein B 2008.The political and moral logic of the universal welfare state. In S Leibfried and S Mau (eds): Welfare states: Construction, deconstruction, reconstruction. Cheltenham: Elgar Reference Collection.

Rovik KA 2007. Trender og translasjoner. Oslo: Universitetsforlaget.

Salminen K. 1993. Pension schemes in the making.A comparative study of the Nordic countries. Report no 2, Helsinki: The Social Insurance Institution.

Saltman RB 2004.Assessing social health insurance systems: present and future policy issues. In RB Saltman, R Bysse and J Figueras (eds): Social health insurance systems in western Europe. Berkshire: Open University Press.

Saltman RB and H FW Dubois 2004.The historical and social base of social health insurance systems. In RB Saltman, R Bysse and J Figueras (eds): Social health insurance systems in western Europe. Berkshire: Open University Press.

Schmidt MG. 2010. Parties. In F Castles et al (eds): The Oxford Handbook of the Welfare State. Oxford: Oxford University Press.

Seeliger R 1996. Conceptualizing and researching policy convergence. Policy Studies Journal vol 24(2),287-306.

Sehnbruch K 2006. Unemployment insurance or individual savings accounts: Can Chile's new scheme serve as a model for other developing countries? International Social Security Review vol 59(1), 27-48.

Shen C and JB Williamnson 2010. China's new rural pension scheme: Can it be improved? International Journal of Sociology vol 30(5/6), 239-250.

Stjernö S 2009. Solicarity in Europe: The history of an idea. Cambridge: Cambridge University Press.

Stolleis M 2013. Origins of the German welfare state: Social policy in Germany to 1945. Heidelberg: Springer.

Streeck W. 2010. The fiscal crisis continues: From liberalization to consolidation. Comparative European Politics vol 8 (4), 505-514.

Taleb NN 2007. The Black Swan: The Impact of the Highly Improbable. New York: Random House.

Titmuss R (1955)1976.War and social policy. In RM Titmuss: Essays on "the welfare state". London: George Allen & Unwin.

Titmuss R 1977. What is social policy? In B Abel-Smith and K Titmuss (eds): Richard M Titmuss social policy. London: George Allen & Unwin.

Tsoukala P 2013.Narratives of the European crisis and the future of (social) Europe.Texas International Law Journal vol 28, 241-267.

Tullock G 1983. The economics of income redistribution. Boston: Kluwer Nijhoff Publisjing.

Vabo S and E Overbye 2009.Decentralisation and privatisation in the Norwegian welfare state since 1980. Report no 3, Oslo: Oslo University College.

Vis B, K Kersbergen and T Hylands 2011.To What Extent Did the Financial Crisis Intensify the Pressure to Reform the Welfare State? Social policy & Administration 45(4), 338-53

Wasem J, S Gress and K GH Okma 2004.The role of private health insurance in social health insurance countries. RB Saltman, R Bysse and J Figueras (eds): Social health insurance systems in western Europe. Berkshire: Open University Press.

Whiteford, P. 1994. Is Australia Particularly Unequal? Discussion Paper, Social Policy Research Center, University of New South Wales.

Wilensky H and C Lebeaux 1965.Industrial society and social welfare. New York: Russell Sage.

Wilensky H 1975. The welfare state and equality. Berkeley: University of California Press.

World Bank 1994. Averting the old age crisis. Oxford: Oxford University Press.

APPENDIX TABLE 1

Table: Social protection receipts by type (as percentage of total receipt)

	General government contributions		Social contributions						Other receipts(2)	
			Total		Employers		Protected persons(1)			
	2002	2009	2002	2009	2002	2009	2002	2009	2002	2009
EU-27*		39.1		56.8		36.7		20.1		4.1
EA-17	33.3	36.6	63.1	60.1	40.8	38.0	22.3	22.1	3.6	3.3
BE	30.0	33.6	66.6	63.8	44.4	42.7	22.3	21.1	3.3	2.6
BG*		48.7		49.6		31.2		18.4		1.8
CZ	24.1	24.3	75.0	74.8	50.4	50.3	24.6	24.5	0.9	0.9
DK	62.4	64.1	31.6	31.2	9.7	11.1	21.9	20.1	6.0	4.7
DE	33.8	35.2	64.4	62.9	37.0	34.0	27.4	28.9	1.9	1.9
EE	22.2	18.0	77.6	81.7	77.6	77.8	0.0	4.0	0.2	0.3
IE	54.9	55.4	40.1	40.3	25.4	24.6	14.7	15.7	5.0	4.3
EL	27.2	38.3	62.5	52.5	39.4	31.9	23.1	20.6	10.3	0.2
ES	32.5	43.1	65.3	55.5	51.1	43.4	14.2	12.1	2.2	1.4
FR	30.2	31.9	66.2	64.6	45.7	43.6	20.6	21.0	3.6	3.5
IT	41.5	43.8	56.8	54.6	41.7	39.0	15.1	15.6	1.7	1.6
CY	42.8	49.8	42.0	38.6	25.9	23.3	16.0	15.3	15.2	11.6
LV	33.6	43.2	66.4	55.9	49.9	41.7	16.5	14.2	0.0	0.9
LT	39.6	33.0	59.5	64.0	53.4	48.8	6.1	15.2	0.9	3.0
LU	43.5	45.1	52.1	50.3	27.3	27.0	24.9	23.3	4.3	4.6
HU	36.4	34.8	55.8	52.1	42.7	32.8	13.0	19.3	7.9	13.1
MT	29.8	43.4	67.2	54.0	46.9	37.8	20.2	16.2	3.1	2.6
NL	18.4	24.7	67.4	65.4	33.8	33.3	33.7	32.0	14.1	9.9
AT	33.4	34.8	64.9	63.4	38.3	37.0	26.6	26.4	1.7	1.7
PL	34.9	18.9	49.2	60.7	26.2	43.6	23.0	17.2	15.9	20.4
PT	38.9	44.3	52.9	44.7	35.8	30.3	17.1	14.4	8.2	11.0
RO	18.5	48.1	76.9	50.6	46.6	35.1	30.3	15.5	4.6	1.3
SI	32.0	33.2	66.4	65.2	26.6	26.4	39.8	38.8	1.6	1.7
SK	33.4	26.7	64.7	62.1	46.2	42.7	18.5	19.4	1.8	11.2
FI	42.8	45.2	50.5	48.4	39.5	37.2	10.9	11.2	6.7	6.5
SE	47.0	51.9	51.1	46.0	41.9	36.4	9.2	9.6	2.0	2.1
UK*	51.0	48.9	47.6	43.9	32.6	32.1	15.0	11.8	1.5	7.2
IS	51.5	53.9	48.3	41.3	38.9	34.4	9.4	6.9	0.3	4.8
NO	52.4	52.5	47.4	47.3	32.4	32.4	15.0	14.9	0.2	0.2
CH*	23.9		67.4		32.4		35.0		8.7	

(*) see methodological notes on specific countries details on calculations.

(1) Employers, self-employed, pensioners and other persons; (2) Miscellaneous current receipts; among which property income (income receivable by the owner of a financial asset or a tangible non-produced asset in turn for providing funds to, or putting the asset at the disposal of, another institutional unit), proceeds of collections and claims on insurance companies.

Source: Eurostat (online data code:sp_erc_sumt)

Source: Eurostat Statistics in focus 14/2012, 10

the EU-27 comprises Belgium(BE), Bulgaria(BG), the Czech Republic(CZ), Denmark(DK), Germany(DE) Estonia(EE), Ireland(IE), Greece(EL), Spain(ES), France(FR), Italy(IT), Cyprus(CY), Latvia(LV), Lithuania(LT), Luxembourg(LU), Hungary(HU), Malta(MT), the Netherlands(NL), Austria(AT), Poland(PL), Portugal(PT), Romania(RO), Slovenia(SI), Slovakia(SK), Finland(FI), Sweden(SE) and the United Kingdom(UK)

APPENDIX TABLE 2

Table: Social protection benefits by function group as percentage of total social protection benefits(TSB) and as percentage of GDP, 2009

	Old-age and survivors		Sickness/Health care		Disability		Family/Children		Unemployment		Housing and social exclusion		Social Protection Benefits	
	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP
EU-27	45.0	12.8	29.6	8.4	8.0	2.3	8.0	2.3	6.1	1.7	3.4	1.0	100.0	28.4
EA-17	45.2	13.1	29.9	8.7	7.1	2.1	8.1	2.3	6.8	2.0	3.1	0.9	100.0	29.0
BE	40.2	11.6	28.2	8.2	7.1	2.1	7.7	2.2	13.3	3.8	3.5	1.0	100.0	28.9
BG	51.8	8.6	23.5	3.9	8.3	1.4	12.0	2.0	3.1	0.5	1.3	0.2	100.0	16.7
CZ	45.8	9.1	32.3	6.4	7.7	1.5	7.3	1.4	5.3	1.1	1.6	0.3	100.0	19.8
DK	37.2	12.1	23.3	7.6	15.1	4.9	12.9	4.2	6.6	2.2	5.0	1.6	100.0	32.5
DE	40.3	12.1	32.1	9.7	8.1	2.4	1.5	3.2	6.3	1.9	2.8	0.8	100.0	30.1
EE	42.5	8.1	28.4	5.4	9.9	1.9	11.9	2.3	6.5	1.2	0.8	0.2	100.0	19.0
IE	25.2	6.7	40.6	10.7	5.1	1.4	13.9	3.7	11.7	3.1	3.5	0.9	100.0	26.4
EL	49.6	13.5	29.1	8.0	4.7	1.3	6.7	1.8	5.9	1.6	4.0	1.1	100.0	27.3
ES	40.1	9.8	29.8	7.3	7.0	1.7	6.2	1.5	15.0	3.7	1.9	0.5	100.0	24.5
FR	45.6	14.4	29.7	9.4	5.9	1.9	8.4	2.7	6.1	1.9	4.4	1.4	100.0	31.7
IT	60.1	17.1	25.7	7.3	6.1	1.7	4.9	1.4	2.8	0.8	0.4	0.1	100.0	28.4
CY	44.2	9.1	24.6	5.1	3.6	0.8	10.7	2.2	4.6	1.0	12.3	2.5	100.0	20.6
LV	47.1	7.8	23.6	3.9	7.8	1.3	10.4	1.7	9.5	1.6	1.6	0.3	100.0	16.6
LT	43.8	9.0	26.2	5.4	10.1	2.1	13.7	2.8	4.3	0.9	1.9	0.4	100.0	20.6
LU	36.2	8.2	25.4	5.8	11.4	2.6	17.8	4.0	5.6	1.3	3.6	0.8	100.0	22.7
HU	45.5	10.5	24.7	5.7	9.1	2.1	13.2	3.0	4.2	1.0	3.3	0.8	100.0	23.0
MT	52.3	10.3	30.8	6.1	4.7	0.9	6.4	1.3	3.0	0.6	2.8	0.6	100.0	19.8
NL	39.4	11.7	34.8	10.3	8.4	2.5	4.4	1.3	4.9	1.5	8.1	2.4	100.0	29.7
AT	49.2	14.7	25.5	7.6	7.6	2.3	10.3	3.1	5.9	1.8	1.5	0.5	100.0	29.9
PL	61.1	11.8	24.5	4.8	7.4	1.4	3.9	0.8	2.0	0.4	1.1	0.2	100.0	19.4
PT	50.7	13.0	28.4	7.3	8.4	2.2	5.8	1.5	5.3	1.4	1.3	0.3	100.0	25.6
RO	52.1	8.8	24.6	4.2	9.6	1.6	10.0	1.7	2.4	0.4	1.4	0.2	100.0	16.9
SI	46.2	11.0	33.0	7.8	7.3	1.7	8.9	2.1	2.5	0.6	2.2	0.5	100.0	23.8
SK	42.0	7.7	31.3	5.7	9.4	1.7	9.2	1.7	5.7	1.0	2.3	0.4	100.0	18.3
FI	38.6	11.3	25.6	7.5	12.3	3.6	11.3	3.3	8.2	2.4	4.1	1.2	100.0	29.4
SE	42.1	13.3	25.4	8.0	14.4	4.6	10.2	3.2	4.1	1.3	3.8	1.2	100.0	31.5
UK	43.2	12.2	30.8	8.7	10.6	3.0	6.5	1.8	3.0	0.8	6.0	1.7	100.0	28.2
IS	23.7	5.9	36.0	9.0	14.1	3.6	12.6	3.2	6.8	1.7	6.8	1.7	100.0	25.1
NO	31.2	8.1	32.8	8.5	17.2	4.4	12.6	3.3	2.8	0.7	3.6	0.9	100.0	25.9
CH														

Note: In Italy, old-age and survivors benefits also include serverance allowances (TFR — trattamento di fine rapporto), which partly come under unmeployment. In Luxembourg the disability function also includes 'dependence insurance' benefits. (According to the ESSPROS Manual, some of these benefits should be recorded under 'olg-age benefits', but the breakdown is not available).

Source: Eurostat (online data code:spr_exp_sum)

Source: Eurostat Statistics in focus 14/2012, 5

APPENDIX TABLE 3

Table: At-risk-of-poverty rate before and after social transfers (%) and at-risk-of-poverty threshold (for a single person), 2009 and 2010

	At-risk-of-poverty before social transfers		At-risk-of-poverty after social transfers		At-risk-of-poverty threshold	
	2009	2010	2009	2010	2009	2010
EU-27	25.1	25.7(s)	16.3	16.4(s)		
BE	26.7	26.7	14.6	14.6	11586	11678
BG	26.4	27.1	21.8	20.7	1697	1810
CZ	17.9	18.1	8.6	9.0	4377	4235
DK	31.2	29.1	13.1	13.3	15017	15401
DE	24.1	24.2	15.5	15.6	11151	11278
EE	25.9	24.9	19.7	15.8	3725	3436
IE	37.5		15.0		13467	
EL	22.7	23.8	19.7	20.1	6897	7178
ES	24.4	28.1	19.5	20.7	7980	7818
FR	23.8	25.0	12.9	13.5	11856	12027
IT	23.2	23.3	18.4	18.2	9382	9562
CY	22.7		16.2		10459	
LV	30.3	29.1	25.7	21.3	3284	2722
LT	29.4	31.8	20.6	20.2	2889	2436
LU	27.0	29.1	14.9	14.5	19059	19400
HU	28.9	28.4	12.4	12.3	2844	2544
MT	23.1	22.9	15.3	15.5	6392	6275
NL	20.5	21.1	11.1	10.3	12094	12175
AT	24.1	24.1	12.0	12.1	11931	12371
PL	23.6	24.4	17.1	17.6	3058	2643
PT	24.3	26.4	17.9	17.9	4969	5207
RO	29.1	27.5	22.4	21.1	1297	1222
SI	22.0	24.2	11.3	12.7	7118	7042
SK	17.1	19.8	11.0	12.0	3403	3670
FI	26.2	27.0	13.8	13.1	12577	12809
SE	26.6	26.7	13.3	12.9	12749	11825
UK	30.4	31.0	17.3	17.1	9757	10263
IS	19.7	22.8	10.2	9.8	13417	10992
NO	25.2	26.6	11.7	11.2	20242	19438
CH	22.1	22.9	15.1	15.6	17586	18409

Note:(s) Eurostat estimation, data not available for IE and CY in 2010.

Source: Eurostat (online data codes: ilc_li10 and ilc_li02)

Source: Eurostat Statistics in focus 9/2012, 3

APPENDIX C: SUPPORTING REPORT 2

DIVERSITY IN MOVING TOWARDS INTEGRATED, COORDINATED AND EQUITABLE SOCIAL PROTECTION SYSTEMS: EXPERIENCES OF JAPAN, THE REPUBLIC OF KOREA, AND TAIWAN PROVINCE OF CHINA

Author: Ilcheong Yi
United Nations Research Institute for Social Development

INTRODUCTION

The fragmented social protection system of China, with significant coverage gaps and high administrative costs, is not a unique phenomenon considering the experiences of advanced welfare states in their early stages of welfare system development. For instance, many Scandinavian countries have had a number of insurance schemes for a vast range of occupationally differentiated social strata which were diminished as welfare states expanded (Kangas and Palme 2005). However, a national unified system was not an automatic result of the expansion of welfare states but rather of the consistent policy efforts to address the problems of a fragmented system, such as conflicts and tension over who should get what, which tier of government should regulate and administer the system, and which level of government should bear the costs of the spending involved. The distinctive features of the political, economic, and social institutions of these countries identified and generated solutions to social problems, and shaped the diverse ways that they phased out these fragmented schemes and established a nation-wide system. Nation-wide unified systems themselves are diverse in terms of their impacts on poverty and inequality. Some are highly universal and egalitarian while others are universal but stratified, as Esping-Andersen describes with social democratic and conservative models(Esping-Anderesen, 1990). This observation immediately raise important questions to policy makers struggling with the problems of fragmented systems of welfare provision: what were the institutional features of these systems that overcame fragmentation in welfare provision? What were the key institutions facilitating the transformation of a fragmented system into an integrated and coordinated system? How could a system be unified without sacrificing equality?

In order to answer these questions, this chapter reviews and extracts lessons from the experiences of Japan, South Korea, and Taiwan in building up their welfare systems, in particular how they dealt with fragmentation in state provision of welfare benefits and social services in the areas of primary health and medical insurance, compulsory education, and social assistance and basic pension programmes. Research on state provision of social benefits and services in these three East Asian countries/regions have found many similarities among their social policies. First, the historical legacies of the systems of welfare provision, in particular in the areas of health and education established under Japanese imperialism has had a significant influence on the post-war welfare institutions. Second, the institutions, actors, and processes of rapid industrialization have significantly affected the shape of welfare institutions. Third, poverty was considered an "economic structural problem" to be solved through private employment rather than public assistance, and social policy was understood as both a short-term strategy to legitimize political power and a preemptive measure to contain the problems of industrialization (Ku, 1995; Kwon, 1999; Manow, 2001; Peng, 2005; Yi, 2007). Fourth, although all three cases are struggling with increasing inequality over the last two decades (Chung Forthcoming in 2014;J ones 2007; Vere, 2005), these three cases have performed well in terms of reduction of poverty and inequality in various social and economic spheres, such as wage and income, education, and health until the 1990s (Jacobs, 2000; Kwon, 2005). These three similar experiences provide good lesson-drawing cases for those countries with rapid industrialization facing the task of developing systems of welfare to overcome fragmented systems of welfare provision, and unify their system of welfare provision in a way that is equitable and sustainable.

The chapter is structured as follows: it will explain the diverse types of fragmentation, and suggest an institutional complementarity approach as an analytical framework of those policies to overcome fragmentation. Then we move on to explain the experiences of the three cases in the fields of primary health and medical insurance, compulsory education, social assistance, and basic pension schemes. Based on the findings, we will suggest policy guidelines, in particular on how to configure institutions for moving towards integrated, coordinated, and equitable systems of welfare provision.

FRAGMENTATION AND INSTITUTIONAL COMPLEMENTARITY

1) Fragmentation of System of Welfare Provision

In social policy studies, fragmentation is interpreted in three ways. Research focusing on multi-level governance and welfare state variation highlights the fragmentation of authority between the central, regional (provincial), and local government levels, i.e. vertical fragmentation. Another variant of fragmentation is about the degree of coordination between plural actors on the same government level, particularly in delivering specific benefits or services, i.e. horizontal fragmentation (Rauch and Vabo, 2008). A typical example of horizontal fragmentation is internal divisions within a specific scheme to address a specific risk. This could be intra-sectoral fragmentation, which is more often found in developing countries than developed countries. When ad-hoc "short termism" dominates the design and implementation of social protection schemes to address a specific risk, the system of specific welfare provision is more likely to be fragmented. Intra-sectoral fragmentation is accompanied by duplication, inefficiency and ineffectiveness in meeting needs. Many loopholes and gaps are created in the system of welfare provision, which in turn become a source of corruption. It is argued that fragmentation in either form is negatively related to welfare state universalism, and a concentrated government system rather than a dispersed governance system is more likely to co-exist with universal welfare solutions.

The other strand of research on fragmentation focuses on functional fragmentation such as inter-sectoral division. The inter-sectoral fragmentation of social security systems became perceived as particularly problematic in European welfare states in the 1990s when they shifted objectives from income protection to labour market integration, in which income maintenance and employment are closely linked to each other (van Berkel and Borghi, 2008; Champion and Bonoli, 2011). The lack of coordination between labour and social policies became a policy bottleneck and prevented adressing social risks such as unemployment, invalidity or sickness.

2) Coordination Initiatives and Institutional Complementarity

Two major problems of lesson taking or policy transfer are decontextualisation and monopolization of good institution. First, a lot of policies and institutions transferred from one country to another through various channels have often been installed without taking into account historical and institutional contexts, and consequently could not produce a result as well as that in original context. Many failed cases of cash transfer programmes modeled after Brazilian and Mexican cases which transferred to other developing countries would be the case in point (World Bank, 1993; Soares, 2012). Second, there might not be one but several different institutional forms associated with "good" performance. Discussions on a variety of capitalisms found various institutional forms for good performance such as productivity enhancement, wage moderation and capital control (Amable, 2003). Both cases strongly indicates a necessity to probe into institutional context, in particular institutional relationships, i.e. how institutions in different domains interact with each other and affects the performance in other as well as their domains. Theories of institutional complementarity provide us with a very useful analytical tool to explain these issues. In this strand of approach, institutional complementarity is understood as two institutions can be said to be complementary when the presence of one increases the efficiency of the other (Aoki 1994). Therefore, in this line of thinking, institutional benchmarking becomes more complex since it is not possible to identify the effect of one institution independent of other institutions. The specifics of how to make institutions complementary are likely to differ considerably from country to country, depending on the power of the state vis a vis the private sector, administrative capability, the degree of flexibility and sophistication of the existing system, and underlying political economy. Therefore, the task of institutional benchmarking is to identify the institutional configuration rather than a single institution to produce a certain outcome in a specific context, and come up with its own institutional configuration reflecting the historical and institutional contexts.

Complementarities are different from similarities or structural isomorphism. For instance the case where different institutional forms adopt same principle is not complementarities but structural isomorphism. In the latter case, we still do not know whether the institutions adopting similar principle or way of doing increase the efficiency of all. For instance, centralization and unification to integrate the fragmented schemes or systems of welfare provision may involve both processes to create institutional complementarities and structural isomorphism. However, there are many others such as establishing institutions to link and coordinate disparate schemes.

3) Basic Services and Transfers: Health, Education, Income Transfer for the Aged, and Social Assistance

The concept of "basic" is a highly contentious and political one. Basic services and transfers vary depending on the way social security is defined and realized in a country. Without variation, however, the fundamental elements of these basic services and transfers are often defined as "primary" services and transfers in the national legislation or decrees. We are going to focus on these primary services and transfers which are assumed to constitute basic services and transfers in the areas of health, education, income transfer for the aged, and social assistance; primary health care, compulsory education, social assistance for the poor and basic pension for the elderly.

Primary Health Care and Health Insurance

Primary health care is a multidimensional concept which is composed of both public and personal health services. It can be defined as a certain set of medical specialties (i.e. family medicine, general internal medicine, general pediatrics, and obstetrics and gynecology), a certain set of activities (i.e. curing or alleviating common illness and disabilities), a level of care of setting (i.e. an entry point to a system that includes secondary care by community hospitals and tertiary care by medical centres and teaching hospitals, or a set of attributes such an accessible, comprehensive, coordinated, continuous and accountable care, and care characterized by first contact, accessibility, longitudinality and comprehensiveness. Within a context of health care systems as a whole, primary care is understood in both senses of "first in time or order" or "first contact," i.e. the entry point or ground floor of health care delivery and of "chief, principal or main" care that is central and fundamental to health care (Donaldson, Yordy et al. 1996). The WHO definition expands the parameters of primary health care, emphasizing the importance of socio-economic, environmental and behavioural factors affecting health and populations by including public health measures such as sanitation and ensuring clean water (WHO, 1978). Although there is a lack of clarity and consensus about the meaning of the concept, primary health care defined and used by any country includes many of these meanings. Although in analyzing primary health care we employ the concept defined and used by the health authority of each country, we also pay attention to all the actors, institutions and processes involved in delivering care "first in time or order." Therefore, our focus will be the relationship between primary health care and health insurance in the process of integration of health systems in each country. We will explain the process of integration of fragmented systems with a focus on the nature of national insurance systems, financing (premiums, government's spending, cost containment measures etc.), benefits packages, reimbursement of health care costs, and supervisory systems.

Compulsory schooling

The difference in basic schooling across countries has long been recognized as one of the keys to global income inequalities(Easterlin, 1981; Gregorio and Lee, 2002). Expenditure on public schooling is one of the most positively productive social services in terms of raising national product per capita. Yet this fact was not a widely accepted truth when countries started the industrialization process. Various institutional obstacles to the expansion of mass schooling were found in different countries. Landed classes such as the Junker aristocracy in Prussia blocked the provision of education by the central government and left it to local forces. In the case of the British, education reform was delayed by suffrage restrictions and government centralization(Lindert, 2004). Factors such as capitalist social control, the dominance of religion, vested interests within the education sector, and decentralization of finance and curriculum, are often cited as the obstacles to a centralized and universally mandatory school system. Different political, economic, social, and cultural contexts have shaped education. One major consensus on the development of a centralized and mandatory school system for all is that the state-building process is linked to education (Melton, 1988; Green, 1990). This finding is also prominent in Japan, Korea and Taiwan. All three cases established universal compulsory primary schooling in their early phases of development, and expanded compulsory schooling to higher levels.

Social Assistance and Basic Pension

Social assistance includes all means-tested benefits in cash and kind including those which provide benefits to higher income groups (Gough et al., 1997). It aims at addressing the problems of material deprivation, which links with basic pension for the elderly to provide basic security for the elderly as a first tier of the pension system. We will explain social assistance schemes and basic pensions for the elderly in the three cases. All three cases share commonalties in the areas of social assistance policies and pension schemes. Social assistance schemes clearly favoured labour market solutions rather than state provision and a pension system, and the pension systems were established and developed along lines of occupational status.

CASE STUDIES: JAPAN, SOUTH KOREA AND TAIWAN, PROVINCE OF CHINA

All three cases have significantly different characteristics from those of advanced countries, reflecting late industrialization with a strong developmental state. All three cases are considered champions of developmental states at least during the period of rapid industrialization which was characterized by strong leadership of bureaucrats, the state's financial control, a state and capital alliance to promote strategic export industries, and exclusion, albeit with varying degrees across the countries and time, of labour from politics. All three cases achieved rapid economic growth with low inequality and low levels of social expenditure. Research on the system of welfare provision, particularly on the totality of welfare output composed of government, market, and household, i.e. the regime characteristics, also consider the key characteristics of the welfare states of these countries/regions more or less similar. Japan until the 1990s was often described as a hybrid of conservative and liberal welfare regimes, but with more similarities to conservative welfare regimes, due to the stratified nature of its state welfare provision (Esping-Andersen, 1992; Esping-Andersen, 1999). Ku also suggested that the Taiwanese welfare state may be classified as a conservative welfare regime for similar reasons (Ku, 1997). The three cases fall under the same regime category, highlighting the specific nature of developmentalist political economy: social policy's subordination to or instrumentalization for economic or industrial priorities such as productivist welfare regime developmental welfare regime (Holliday, 2000; Gough, 2001; Kwon, 2005).

Regime-centred characteristics, however, may mask the cross-sectoral differences between countries belonging to the same regime, in particular in social service areas such as health care and education (Kasza, 2002; Kautto, 2002; Bambra, 2005). The more variables with which we examine regime characteristics the more variation we can find between countries belonging to the same regime category. For instance, an empirical study with a large set of indicators by Lee and Ku found during the period of the 1980s and 1990s, South Korea and Taiwan, unlike Japan, share peculiar welfare regime characteristics such as low/medium social security expenditure, high social investment, more extensive gender discrimination in salary, medium/high welfare stratification, a high non-coverage rate for pensions, high individual welfare loading, and high family welfare responsibility (Lee and Ku, 2007). The Taiwanese tax cut responding to the global economic crisis that began in 2008 effectively reduced the ratio of tax revenues to GDP. The national tax burden ratio fell from 20 per cent in 1990 to 11.9 per cent in 2010, the world's sixth lowest, even below that of Singapore at 13.5 per cent and Hong Kong (13.9 per cent)(Chang 2012). This is in stark contrast to Japan and Korea whose national tax burden ratios are 27.6 per cent and 25.1 per cent, respectively. This suggests a significantly different institutional environment for welfare reform in these countries (OECDiLibrary, 2013). These differences imply that in order to explain how countries overcome fragmented systems of welfare provision, we must pay attention to key institutions and their specific relationships in the welfare areas health, education, and pension and the historical and institutional context in which they were formed.

Case I : Japan

Primary Health Care and Health Insurance

Japan's health system is characterized by the separation of curative medicine and preventive services differentiated by funding and delivery mechanisms. Japan's universal coverage of health curative care is achieved through various public and private insurance schemes with about 3,400 insurers as of 2012 and is marked by the predominance of private health care providers. The major health insurance schemes constituting this multi-payer system are: the government-managed fund (from October 2008, a quasi-governmental body (which is a public corporation calledthe Japan Health Insurance Association) for employees of small to medium-sized companies and their dependents which is often called "Public-corporation-run health (Kyoukai Kenpo)," municipal funds for the self-employed, retired and unemployed which are labeled as National Health Insurance (Kokumin Kenkou Hoken), society-managed and employment-based funds for employees of large companies (over 700 employees as of April 2013) and their dependents which are often called "Health Insurance Society (Kenpo Kumiai)," and mutual aid society managed funds for government employees and dependents which is often called "Mutual-Aid Associations' Health Insurance (Kyousai Kumiai Kenpo)," and prefecture funds for those aged 75 and above which are labeled as Medical System for the latter stage elderly (75 years and over) (Kouki Koureisya Iryou Hoken), each with different premium rates (Tatara and Okamoto, 2009; Matsuda, 2012; Japan Medical Association, 2013).[1] (for the comparison of each insurers, see Appendix 13)

In this system, curative medicine and preventive services are separated while primary care and specialist care are not explicitly divided. Preventive services are funded by general tax and delivered mainly by local public health authorities while curative medicine is funded through contribution based insurance and delivered by private and public practitioners(Tatara and Okamoto, 2009). In general, physicians are trained as specialists and the clinics, more than 90 percent of which are privately owned by either individuals or medical corporations, provide primary as well as specialist care. Specialist care requires hospitalization, and the use of expensive medical services is usually provided by hospital outpatient departments (Matsuda, 2012; WHO and Ministry of Health, 2012).

Although individuals cannot freely choose their plans, individuals can choose health care providers regardless of their different insurance schemes since there is no system to designate primary health doctors. The unified scales of fee-for-service and the same benefit package are applied to all the insured. Since 2000, long-term care for the aged has been covered under the health insurance system administered by municipalities. Various scales of premiums are set based on income and ability to pay. The government plays a significant role of regulator by setting the fee schedule, giving subsidies to various stakeholders of insurance schemes such as local governments, insurers, and service providers to implement its policies, and establishing and enforcing detailed regulations for insurance funds and providers. Although the government has strong regulatory power over health care financing and the operation of health insurance, the control of the delivery of health care service is left largely to medical professionals.

1 There are also about 165 health insurance society managed funds for some occupational groups such as medical doctors, dentists, pharmacists, and lawyers. Most of these funds belong to the organization coordinating funds of National Health Insurance (Kokumin Kenkou Hoken), which is called Japan National Health Insurance Association.

Although the system is fragmented, it has been lauded for its universal coverage at low cost with equity. Japan has demonstrated the greatest longevity and the lowest infant mortality rates compared to other OECD countries. Japan's health system serves as a typical example of intra-sectoral integration to generate synergies between different insurance schemes. Since many insurance societies also provide different kinds of welfare benefits and services, the Japanese case also be an example of inter-sectoral integration between different programmes of welfare service provisions in both private and public sectors.

The system of fragmented insurance schemes under a unified regulatory framework has been shaped by the interactions between a strong state, including both central and local governments, and the community-based public health movements. The institutional origins of the system can be traced back to the pre-war period with evidence first found in the Factory Act of 1911 which made it obligatory for employers to help their workers if they became ill or were injured, provided that the injury arose when the workers was working in the factory. The health insurance system, modeled after Bismarck system, was implemented in 1927 and was based on the Health Insurance Act of 1922 which initially covered only blue-collar workers. The insurer was either the government (in the case of small companies who did not have the management capacity or sufficiently large risk pools), which we call the Government-managed Health Insurance (GMHI) or self-managed health insurance societies in the case of companies with more than 300 workers, which we call Society-managed Health Insurance (SMHI). The strong intervention of the government into the business, in particular during the war time planned economy from the 1930s, analogous to the structure of the Soviet economy, made possible the widespread company-based welfare schemes, including health schemes, together with the lifetime employment, a seniority-based wage system, and company unions (Okazaki 1994). Sangyo Hokoku Kai, a form of company union, dealt with a broad range of issues at the company level, including welfare as well as allocation of resources and production, provided a strong organizational basis for the development of company-based welfare programmes including health insurance. The industrial relations which Sanyo Hokoku Kai was at the centre of were one of the main pillars of the wartime planned economy, and shaped the fragmented system of health insurances.

Both GMHI and SMHI expanded their coverage rapidly, from 1.9 million in 1927 to 5.63 million in 1941. Following the Public Health Centre Act of 1937 which was established to prepare the country for the war that had just started in China, and to tackle TB, which had caused a significant number of deaths, the National Health Insurance Act was established in 1938 to protect health and welfare, mainly of farmers (Tatara and Okamoto, 2009). The newly established Ministry of Health and Welfare in the same year took over the various responsibilities under the Home Office, the Ministry of Education, and the Ministry of Trade and Industry such as physical activity, hygiene, prevention of diseases, and labour. The number of public health centres staffed with two doctors, one pharmacist, one clerk, three hygienic instructors and three public health nurses increased from 49 in 1937 to 770 in 1944. Under the National Health Insurance Act, the municipal authorities had the power to organize their own health insurance system for their residents, which was called Municipal NHI or often translated as Citizens' Health Insurance. Although the establishment of health insurance funds and membership in the schemes was not compulsory, both increased significantly over time. The number of insurers (the municipals) increased from 168 in 1868 to 10,158 in 1943, while the number of those insured rose from 578,759 to 37.3 million people over the same time period. Thanks to these insurance plans, in 1944, about 68.5 percent of the total population of 73.06 million in Japan was covered by some kind of health insurance (Tatara and Okamoto, 2009).

Since self-employed people such as farmers and fishermen and most employees of small companies were not included in the GMHI, however, the coverage rate of these two statutory insurance systems was less than 8 percent of the total population in 1941. The reimbursement system was various depending on the contract between individual insurers and providers until 1942. In 1943, the Council for the Estimation of the Fee-for-Medical Service in Social Insurance (CEFS) was established and was composed of the Japanese Medical Association, SMHI Association, and the GMHI Association. The purpose of the Council was to set the fees for the services reimbursed by insurance, and to set standards for various systems of reimbursement such as capitation systems for GMHI, and others for SMHI were standardized with a fee-for-service system in 1944.

The overall structure of the health system continued after the war. The three public health and medical affairs related bureaus of Public Health, Medical Affairs, and Prevention were established within the Ministry of Health and Welfare in 1946. The bureaus of Hygiene and Welfare were established in prefectures to deal with public health under the Local Government Act of 1947. The system of central decision over the fee-for-service schedule based on the stakeholder consultation continued and was strengthened after the war. The CEFS merged with the Council for Social Insurance for Medical Care which had been monitoring and supervising medical practices to become the Central Social Insurance Medical Care Council. It was the role of this Council to decide the insurance coverage of medical services, devices, and medicines, and set the fees for services in 1950. After a series of consultations between General Headquarter of Supreme Commander for the Allied Powers (hereafter SCAP) (1945-1952), and the Japanese government, a new National Health Insurance Act was passed in 1958 which made National Health Insurance compulsory and for all municipal governments to establish their own insurance system in fiscal year 1960, with a reimbursement rate of 50 percent. All persons in Japan were covered by some kind of insurance by 1961(Tatara and Okamoto, 2009). The increasing transfer of budget from the central government to local governmentsdue to the increasing importance of rural constituents to the politicians of the National Diet since 1945played a significant role in strengthening the financial stability of the local government run insurance society. The poorer local governments received the larger transfer from the national government in various forms through various public schemes public works, agricultural subsidies, the establishment of incentive mechanisms to attract the business investment epitomized by Tanaka Kakuei's Plan for the Remodeling of the Japanese Archipelago in the early 1970s and the Regional Promotion Facilities Corporation om the mid-1970s, and three policies to establish technology based business in the "periphery" in the 1980s (Caldor, 1988). In particular the health insurance subsidy to the local government played key role since the share of the national government expenditure, despite its fluctuation, has been always far larger than that of the local governments.'

The role of company-based health insurance plans is quite significant in understanding the financial integration of health insurance, since they have assumed part of the cost for medical benefits for the elderly since 1982. The government established a financial pooling system for the aged in which the National Foundation of Health Insurance Societies, an organization consisting of big industries, donates part of its fund to the pool. In 1982, medical benefits for the elderly were financed through national government contributions (20 percent), local government contributions (10 percent, divided between prefectural

Table 1. The share of central and local government in support of medical costs (per cent)

	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010
National governemnt	15.7	22.1	24.2	28.9	30.4	24.8	24.6	24.2	24.7	25.1	25.9
Local government	4	3.9	3.5	4.6	5.1	4.5	6.8	7.5	8.5	11.4	12.2
Premiums to health insurance schemes	50.4	53.5	53	53.5	53.2	58.2	56.3	56.4	53.4	49.2	48.5
Copayment by patient	30.8	20.6	19.3	13	11.3	12.5	12.3	11.9	13.5	14.4	12.7

Source: (Caldor 1988) p.344, Ministry of Health, Welfare and Labour, White Paper on Health, Welfare and Labour, 1995, 2000, 2005, 2010, Electronic data from http://homepage2.nifty.com/tanimurasakaei/zaigen.html for the year of 1990.

and city, town, or village governments), and contributions from employee health insurance (paid by employers), and community health insurance plans (Ohi, Akabayashi et al., 1998).

In addition to this financial integration mechanism, there are many institutional devices in place to tie them into a unified system to avoid inefficiency and redundancies. Firstly, the Medical Sub-Council and the Health Insurance Sub-Council of the Social Security Council, a statutory body within the Ministry of Health, Labour and Welfare establish national strategies and guidelines on quality and safety, cost control, and the fee schedule (Matsuda, 2012). Central Social Insurance Medical Care Council, an advisory committee to the Minister of Health, Labour and Welfare, composed of seven providers (five physicians, two dentists, and one pharmacists), seven payers (four insurers, including government representatives, two employers and two labour representatives) and six public interest representatives including three economists and one lawyer negotiate the fee schedule with medical professionals represented by medical doctors every other year within a range set by the guidelines of the Social Security Council to limit the overall increase in costs. This centralized system based on the stakeholders' consultations with the Social Security Council and the Central Social Insurance Medical Care Council resulted in successful cost containment as well as standardization of medical costs.

Secondly, the quality of medical care and safety-related capacities of hospitals are assessed and certified by both civil society and the government. The Japan Council for Quality Health Care, a non-profit organization, was founded in 1995 to implement third party accreditation of hospitals, and about 30 percent of all hospitals have been assessed by the organization as of 2011. The Medical Care Act Amendment of 2006 established patient safety centres in each prefecture to handle complaints and consultations concerning medical treatment while the Act on the Protection of Personal Information of 2005 legally obliges patients to be informed and medical records to be disclosed to medical professionals to enhance the quality of medical care and safety (WHO and Ministry of Health, 2012).

Thirdly, health professionals' societies also contribute to the integration of fragmented insurance funds. Specialist medical doctors' societies produce clinical guidelines by themselves, and the Pharmaceutical and Medical Devices Agency, a regulatory agency of the government, assesses the medical, social and ethical implications of technology and medical devices. These institutions that assure the unified system of fragmented insurance plans are only possible with a very developed system of horizontal and vertical consultations, which is one of the major features shaping the Japanese political economy, in particular the production system.

However, the Japanese health care system is not without weak points. The quality of hospitals is deteriorating. Many are understaffed with run-down facilities due to under investment. In addition to this, the consumption of prescription drugs is disproportionately high. It has been frequently argued that universal coverage in Japan is the result of sacrificed quality (Marmor, 1992). Quality of care has improved in urban areas since the War, but varies markedly geographically. The fragmented nature of Japan's hospital network and the lack of government's control over physicians and hospitals are often raised as the drivers of this regional disparity (Henke, Kadonaa et al., 2009). Even with the fragmented system of multiple health insurances, people can get good basic care and are less likely to be bankrupted by medical bills thanks to the strong regulation of the government on price, and redistributive mechanism between insurance plans. However, the lack of control on the quality of care and infrastructure of medical facilities that fuels regional disparity, and the increasing financial burden of the system due to structural changes such as an ageing population threatens the sustainability of the Japanese health system. These threats to long term viability demand major reforms such as redefinition of the roles of the central and local governments in health care provision and insurance schemes, and improvements in the quality of health care (Shybuya, Hashimoto et al., 2011).

Compulsory Education

Despite various problems such as fierce competition, often dubbed "examination hell," and school violence and bullying.[1] Japan has one of the world's best records in terms of school enrollment and literacy, with 100 percent enrollment in compulsory elementary schools (6 years) and lower middle schools (3 years) and no illiteracy. Although it is not compulsory, high school enrollment is over 96 percent nationwide and nearly 100 percent in cities. The high school drop-out rate is as low as only 2 percent(Sinkovec, 2012).

Although the current education system has been shaped by the education reforms that started at the end of the Second World War, there is still controversy about to what extent this system parts from the institutions established before the Second World War. In particular, the institutional legacies of the organizational structure of schools and school governance are especially prominent in elementary and lower middle schools. The origin of the compulsory education system can be traced back to the first educational reform of the 1870s.

As the fief system was abolished and the prefectures were established throughout the country in 1871, the central government for the first time could begin to introduce a unified educational structure for the entire nation. All prefecture schools were made subject to the direct control of the Department of Education established in 1871. Despite the abolition of the fiefs, the former fief lords could retain their power as prefectural governors and could limit the central government's influence in local affairs. The power balance was significantly skewed to the central government after the dissolution and reapportionment of the prefecture in which 305 prefectures, as of January 2, 1872, were consolidated into 75 prefectures, and the central government appointed those with closer ties to the Meiji government as governors(MEXT, 2013).

The Education System Order of 1872 marked the beginning of the Japan's first reform process which transformed feudalistic "dual" education systems into the modern "unified" education system modeled after the Western educational systems. These Western-style systems incorporated "a highly centralized administrative structure with an emphasis on state-run normal schools" from France, a "system of higher education rooted in a handful of elite public universities" from Germany, and the "English model of Spartan-like, character-building preparatory schools stressing moral discipline" (Passin, 1965; Beauchamp, 1987: 300). Although most systems of schools were completely new, the decentralized territory-based governance system, which was one of the main features of the Japanese fief system, still provided a basis for education governance under the newly established school district system. Widespread traditional elementary schools for commoners called Terrakoya played a significant role in facilitating the opening of modern elementary schools throughout the country, while the fief schools for higher education of the samurai class constituted the base from which middle and higher level schools developed following the Education System Order (Passin, 1965) (MEXT, 2013).

One of the major elements which provided a basis of the modern school system was for students to learn abroad. Many students who studied abroad disseminated what they learned through various private and public schools. The concept of Civilization and Enlightenment was the order of the day after the Meiji Restoration, and various schools incorporated courses in Western learning into the existing Chinese curriculum of traditional subjects. Sending promising young students abroad for study and hiring foreign experts were both tools for intensive learning (Beauchamp, 1987). Although they were small in number, schools for girls were also established in this context (MEXT, 2013).

One of the three major guide lines in the Education System Order of 1872 was to establish a school district system in which university, middle schools, and elementary schools were to be set up as the basic institution in each of eight university districts: 32

1 The assessment of an education system, in particular a schooling system, through only enrollment ratios and literacy is grossly incomplete. As for the critical review of research on the Japanese education system in both English and Japanese until 1999, see Okano, K. and M. Tsuchiya (1999). Education in Contemporary Japan.Cambridge, UK, Cambridge University Press.

middle school districts in each of university districts, 210 elementary school districts in each of middle school districts (whose respective names were the university district, the middle school district, and the elementary school district). The school district system was intended to provide at least one elementary school for approximately 600 persons and one middle school for 130,000 persons (MEXT, 2013). Although this ambitious plan fell short of full realization due mainly to financial difficulty,[1] and the school district system was replaced with the prefecture government-centered system in 1879, the design of this system, emphasizing regional parity in terms of access to schools, remained a target to be achieved by the central and local governments.

Following the establishment of the Meiji Constitution and National Diet in 1881 and the introduction of the cabinet system in 1885, the newly established Ministry of Education created two kinds of elementary schools, a four-year elementary school and a three-year elementary school in 1886. The latter was for those of lower income groups and had a very basic curriculum which was less comprehensive than the former. The Ministry also promulgated compulsory schooling of four years of elementary education. Although the three-year elementary school was tuition-free, parents were obligated to pay school fees for the four-years elementary education. The overall enrollment rate even decreased from 53 percent in 1883 to 45 percent in 1887, reflecting economic difficulty in rural areas where more than 83 percent of the working population resided (Nihon Kindai Kyouiku Jiten Hensyuu Iinkai, 1971; Macpherson, 1987). Although the share of students enrolled in three-year elementary schools increased from 182,295 in 1886 to 785,829 in 1889, its share against the total number of elementary school students was less than 28 percent throughout the period (Tanaka, 1984). The understanding of education also changed from education as a source for personal success in life of the previous period to an understanding of education as an instrument for national development and prosperity. The 1890 Imperial Rescript on Education gave both legal form and moral force to an education system that supported the rise of militarism and ultra-nationalism during the 1920s and 1930s, and was an extension of the nationalistic understanding of education in the 1880s (Beauchamp, 1987). However, most four-year elementary education was fee-paid education, and the enrollment rate was low. In 1900, the government established a principle of "no-tuition for elementary schools" but gave autonomy to individual schools to decide about the tuition fees. The subsidy to cover the salaries of teachers at elementary schools was also provided by the central government. This reduced the number of elementary schools collecting tuition fees from 17,000 in 1900 to 1,968 in 1901, and only nine percent of schools and 15 percent of students were in the fee-paying elementary schools in 1901 (Ito, 1968). The enrollment rate increased from almost 73 per cent in 1899 to 81 per cent in 1900, 90 percent in 1902, 95 percent in 1905, and reached 97.38 percent in 1907 (Nihon Kindai Kyouiku Jiten Hensyuu Iinkai 1971). The compulsory education was extended to six years of elementary school education in 1908. The no-tuition principle was widely implemented, and in 1917, less than one percent of students were enrolled in the fee-paying elementary schools, which constituted only three percent of all elementary schools (Ito, 1968).

After the Second World War, a series of reform bills, including the Basic Act on Education of 1947, the Special Act on Educational Civil Servants of 1954, the Provisional Act on Political Neutrality of Teachers for Compulsory Education of 1954, and the Act on Organisation and Management of Local Education Administration of 1956, shaped the new structure of the Japanese school system. Overall, those acts served to strengthen the power of the central government, i.e. the Ministry of Education. Although education committees were established at the local level, all the committee members were appointed by the Ministry, and they did not have power to decide the budget or curricula for education at the local level (Kanai, 2011).

Within this strong centralization process, the Basic

1 The enrollment rates in the 1870s were as low as 28 per cent in 1873 and 40 per cent in 1877. In particular, the enrollment rate of girls was only about 30 per cent. Nihon Kindai Kyouiku Jiten Hensyuu Iinkai (1971). Gimukyouiku Syuugakuritsu. Dictionary of Modern Japanese Education (in Japanese).Editorial Committee for History of Modern Japanese Education, Heibonshya.

Act on Education of 1947 promulgated nine years of compulsory education without fees for those between six and 15 years old in the schools run by the central or local governments.[1] Apart from the length of the compulsory schooling, one of the major differences between compulsory schooling of the pre-war and post-war periods is the interpretation of "compulsory education."[2] In the pre-war period when "forced" or "compelled" education was used instead of an understanding of compulsory education in official document, the state was seen as intervening to have children receive the level of education set by the state. This state-centric and intervention-oriented understanding changed to one of citizens realizing their obligation to have their children receive compulsory education, and conversely, that the state has a legal and ethical responsibility to provide as much support as possible in the service of this education (Ito, 1968). The framework of compulsory education was strongly influenced by two factors: the state's responsibility to provide support for compulsory education as a part of post-war reform for a new democratic Japan, and financial difficulty. Although there were heated debates in the government and parliament over to what extent the government should be responsible for compulsory education, the final decision with regard to financing education was that the tuition fees for compulsory education would be free only at government-run schools. Private schools were allowed to collect tuition fees (MEXT, 2013) since the government thought it would be only a small number of parents who could afford the high school tuitions charged by private schools(Nihon Kindai Kyouikusiryou Kenkyuukai, 1995).[3]

This system could contribute to universal coverage of compulsory education since the majority of elementary and middle schools were already either national government-run or local government schools. In 1948, the share of private elementary schools and students enrolled in private schools were 0.4 percent and 0.2 percent, respectively while the share of private middle schools and students enrolled in private middle schools were 5.3 percent and 7.1 percent. (See Appendix 3). The government had strong regulatory mechanism on these private schools. Dominance of the public sector in compulsory education has continued up until now with only a slight change in the share of private elementary schools. It is mainly due to the consistent allocation of the government budget on elementary and middle schools, which is about 70 percent of the education budget on average (See Appendix 4) .

Intensive improvement of school facilities and learning environment, in particular in remote and isolated areas, has been made since the 1950s. Under the 1954 Law for the Promotion of Education in Remote and Isolated Areas, the government could give financial incentives to teachers working in mountainous and remote areas. The School Lunch Law of 1954, and the Law of the Free Distribution of Textbooks in Compulsory Education Level of 1963 contributed to reduce educational costs. The role of civil society organisations in reducing the costs of compulsory education, which was organized as a part of the democratization movement to resist political forces reverting to pre-war nationalist ideology, is particularly notable as in the case of the free distribution of textbooks (Yi, 2009; Aoki, 1984).

The Japanese education system often surprises outsiders with its institutional continuity, the dark side of which is an inability or incapacity to change the system itself. However, there have been several attempts, such as the Central Council for Education's Report calling for comprehensive expansion of the education system in the early 1970s, the National Council on Education Reform initiative in the early 1980s and 1990s, and the recent revision of the Basic Act of Education in 2006. However, most debates have been over quality issues rather than quantity

1 In the cases of special schools for disabled children between the ages of six to 14, compulsory education started with six year old children and complete compulsory education for all ages between six and 14 was realized in 1956.

2 Compulsory education is a context-bound and historical concept. One of the widely accepted definitions of compulsory education is associated with the concepts related to the right to education recognized in the International Covenant on Economic, Social and Cultural Rights. The right to education is a universal entitlement to education which includes the right to free, compulsory primary education for all. The right to education also includes a responsibility to provide basic education for individuals who have not completed primary education.

3 Another big departure from the pre-war education system was to interpret compulsory education in age-terms rather than school terms, meaning that children between six and 14 should receive elementary level education rather than to attend a specific type of school.

ones such as internationalization, government control of education, liberalization of education, information technology, and lifelong learning (Hood, 2001). The reform of the compulsory education system also focused on the enhancement of the overall quality of the compulsory education system as we can see in the Special Act for Securing Capable Educational Personnel in Compulsory Education Schools for the Maintenance and Enhancement of School Education Standards of 1974. According to this, during the period from 1974 to 1978, the salary of teachers of elementary and middle schools was greatly improved, and became higher than the salary of general civil servants. Significant reforms on financing compulsory education were made in the context of reform of the relationship between central and local governments, which aimed to reduce the intervention of the central government into local governments since the 1990s. As the local governments assume more responsibility for taxation and spending, the central government's share of compulsory education expenditure was reduced from the ratio of 50 percent to 33 percent in 2008 (Saito, 2011). Although this had a significant negative financial impact on some local governments, this seemed to be placed on upper level higher education rather than compulsory education, which did not change much in terms of organizational structure.

Social Assistance and Pension for the Elderly

The issue of poverty and inequality has only recently attracted attention in policy debates in Japan. In fact cross-nationally Japan fared well over the three decades of postwar in terms of poverty and inequality reduction. However, the economic growth has not been consistently strong, and inequalities and poverty certainly affect certain disadvantaged groups (Milly, 1999). The rapid economic growth and visibly enhanced living standards of middle class conjuring the image of egalitarian middle class society have been concealing various problems of poverty and inequality which in fact had been deepening since the 1980s (OECD, 2006). One of the major causes was increasingly unequal income distribution among the working age population as a result of increased unemployment, non-regular forms of employment and ageing of the workforce (Inaba, 2011). Although social spending as a share of GDP has been expanding in the context of population ageing, its size is still below the OECD average, and the proportion of the social spending received by low-income households is small. One of the main problems is that the poor not only receive little assistance from the government but also bear a heavy tax burden than many other OECD countries (Whiteford and Willem, 2006; Inaba,

Table 2. Public Assistance and Social Insurance Schemes by the early 1960s

Year	Public Assistance	Contribution based Insurance
1946	The Livelihood Protection Act (the old act – means tested social assistance)	
1947	The Children's Welfare Act	The Unemployment Insurance Act
1949	The Disabled Welfare Act	
1950	The Livelihood Protection Act (the new act – widening its scope and creating right of appeal)	
1954		Reform of the Employees' Pension Insurance
1961		Reform of the National Health Insurance (managed by local authorities), The National Pension Insurance (a flat-rate schemes managed by local authorities)

Source: (Uzuhashi 2009)

2011) (as for the safety net programmes in both cash and benefit see Appendix 8). This low benefit for and heavy tax burden on the poor carry the formative traces of public assistance schemes established after the Second World War.

Since the end of the War, until the early 1960s, a series of welfare schemes, both public assistance and social insurance schemes were established.

The first government-provided public assistance programme for the poor was established with the Livelihood Protection (Seikatsu Hogo) Law of 1946 to guarantee a minimum standard of living for all citizens by providing the necessary benefits according to the level of poverty. However, the main principle of the government policy to address poverty was to encourage overall income equality through work (Milly, 1999), and those able bodied were not entitled to public assistance benefits. The Law was not changed despite the Article 25 of the Constitution which stipulate the entitlement of the poor to livelihood protection up until 1950 when it became the state responsibility to maintain the minimum standard of living of all on condition of means test (Inoue.H., 1994; Uzuhashi, 2009). Minseiin system, inherited from pre-war system, which had a significant number of government-commissioned voluntary local agents dealing with the elderly, the poor, the disabled, children, and single parent family of around 100 – 200 households in the village, called Minseiin, played a significant role of gatekeeper to check the access of the poor to the public assistance benefits(Goodman 1998).[1]

After the reform of Employees' Pension Insurance based on the same system of Employees' Health Insurance explained in the previous section, the National Pension Insurance of 1961 aimed at providing flat rate basic pension to those outside Employees' Pension Schemes such as the unemployed, the self-employed, and farmers. Since the provincial government would administrate both National Health Insurance and National Pension Insurance, administration costs and problems of fragmentation could be minimized.

With an objective to reduce direct transfers to the poor, the government implemented policies to indirectly address poverty through generation of jobs, subsidies to small sized companies, minimum wage, public works, and agricultural subsidies which contributed to strengthening various contribution-based insurance policies (Milly, 1999). These policies could redistribute resources from industrial centres to rural areas due to the rapid economic growth (Estevez-Abe, 2009).

The approach with an emphasis on income growth supplemented by selective social policies to meet the specific needs, which were effective in terms of reducing inequality and poverty up until the 1970s at least, placed Japan at the egalitarian end of the scale par with Australia and Sweden in the 1960s (Sawyer, 1976). The political democracy made an environment where both progressive and conservative politicians and social forces, in particular trade unions could negotiate social contract for growth and equality (Milly, 1999).

Despite these egalitarian growth policies, there were several disadvantaged groups. The elderly, in particular in the 1960s and 1970s when the Japanese economy recorded rapid growth, was one of them. Although labour force participation rates for old workers continued to be higher in Japan than in other industrialized countries, old workers could not get decent jobs because of their lower levels of educational attainment compared to their younger colleagues. In addition, early mandatory retirement ages that failed to take into account already significantly longer life expectancy and the minimum age for receiving pension payments that was much higher than these retirement ages placed many elderly people in a financially vulnerable positions (Milly,

1 Goodman also relates the Minseiin system with the size of staffs of the Japanese welfare ministry which is far smaller than other countries. For instance, in 1976, the Japanese Ministry of Health and Welfare had 11,200 staffs while the US Department of Health, Education, and Welfare, with only double the Japanese population, had 155,100. In the late 1990s, the number of voluntary workers under the Minseiin system was 190,000, while the number of paid local government welfare officers for the whole of Japan was only 15,000 Vogel, E. (1980). Japan as Number One: Lessons for America. Tokyo, Tuttle. , Goodman, R. (1998). The 'Japanese-style welfare state' and the delivery of peronal social services.The East Asian Welfare Model. R. Goodman, G. White and H. Kwon. London and New York, Routledge.

1999). The livelihood of those outside of labour market was also significantly damaged as the youth went urban areas leaving their parents. In response to these problems, the government established the Elderly Welfare Act of 1963 which aimed at responding various needs including income maintenance for the poor and care service for single elderly household. It partly reflects the increasing social concern about the welfare of the elderly as we can see in the establishment of the Day to Respect the Elderly as a national holiday in 1966.

Another disadvantaged group was women, in particular women in their working age. Women whose labour market participation rate has been par with other industrialised countries such as Australia, France and Germany, i.e. about 50 to 60 percent (almost 80 percent when including self-employed) depending on the methods, continuously suffered from the gendered differentials in wages, benefits, and job security which were far lower than those with similar participation rates (Milly, 1999; Uzuhashi, 2009). It continued despites the Equal Employment Opportunity Act in 1986 and its revisions in 1997 which aimed at eliminating discrimination in hiring and promotion processes.

The size of benefit packages and scope of government provision started to be significantly expanded in the late 1960s. In 1968, fees for service of the NHI borne by the insured persons were drastically reduced from 50 percent of the whole medical bill to 30 percent, and in 1972 the Children's Allowance was introduced. The government further reduced the fees for services of the EHI borne by the insured employees' dependent families from 50 percent to 30 percent, increased benefits of Employees' Pensions, and National Pensions, and the non-contributory welfare benefits through various measures including the introduction of sliding scale indexing system, and made medial service for the elderly aged 70 and over free in 1973, which the government called "the first year of welfare in Japan"(Uzuhashi, 2009). Despite the increase of social spending, the amount in terms of share of GDP was still far below than other European welfare states, and concentrated in the pension for the elderly and medical care and the bias of the welfare system in favour of the elderly became prominent. This biased system, however, did not cause any financial problem as long as the economy rapidly grew and absorb the youth in labour market (Estevez-Abe, 2009).

Since the early 1980s, Japan faced multiple challenges which led to a series of reform of social protection system. Limited investment opportunities in domestic industry coupled with loose monetary policy in the face of the yen's rapid appreciation resulted in credit bubble which accelerated speculative investments in securities and property markets. Related social problems such as unemployment, and environment and quality of life deterioration increased and became more visible. As those who had been a major workforce for economic growth after the War reached the retirement age and birth rate started to decline, Japanese population began aging. Public pressure, in particular from trade unions, civil society, and the media to ensure adequate income security and social services forced the government to launch a series of welfare reform. The approach the government took, however, was continuation of the underinvestment in social protection and concentration of available resources in the pension funds such as the abolishment of free medical service for the elderly aged 70 and over in 1982, and reintroduction of fees for service to be borne by the insured person of EHI of 10 percent of the whole medical bill in 1984. The government reduced benefits in NPI and EPI in 1986 and changed entitlement age from 60 to 65 of EPI in 1994 (Uzuhashi, 2009).

One of the reasons for the failed fundamental reform of welfare system can be found in the political institutions. For instance the peculiar election system, which was multi-member electoral districts without proportional representation. In this system multiple candidates from the same party were supposed to compete against each other over the party voters and the optimal vote allocation among the same party candidates within the same district became more important than the increase of overall votes for party. This system hindered the policies for fundamental reform and facilitated piecemeal and patchwork reform appeasing organized voters, for instance the elderly(Estevez-Abe 2009). It continued until 1994 when the proportional representation system was introduced.

The industrial policy to generate jobs and reduce the income inequality with low cost welfare schemes heavily dependent upon contribution-based insurance schemes and targeted public assistance to the poor, however, could continue with the rapid economic growth up until the early 1970s, and then the bubble economy up until the bubble burst and the Japanese economy plunged into stagnation.

In the early 1990s when the bubble burst, the government started tightening budget further and carried out more significant welfare reform. The electoral system reform in 1994 facilitated this welfare reform process. Since the major objectives of the reform was to address the financial problems and as the same time, problems of aging population, the nature of reform cannot be said as monolithic "retrenchment". Firstly, such changes in demography (ageing), family structure (the increase of one-person households and single elderly person households), and labour market (the increase in female labour market participation) have forced the government increased its role in providing long-term care, and the Long-Term Care Insurance (LTCI) was introduced in 2000. The reduction of fiscal outlay of the government was also a major objective of the LTCI which was implicit in official documents. The result is the system to strengthen gender inequality in which home care provided by women in the immediate family is emphasized over institutional care, and care workers are suffering from low wage, and job insecurity (Abe, 2010). Secondly, the government reduced the financial expenses of the central government across the social security schemes, in particular in pensions and medical services. It also involved increased share of financial burden by local government in Livelihood Protection Benefits, the Child Rearing Allowances and the running costs of welfare facilities such as nursing homes for frail older people (Uzuhashi, 2009). As of 2011, the three-quarters of the benefits exclusively financed from tax revenues are from the budget of the central government, and the rest of it is provided by prefecture and municipal governments. This 25 percent of burden becomes disincentive for the local governments, in particular those where the eligible persons are concentrated, to certify eligible persons and provide benefits (Inaba, 2011). Although the share of social security expenditure including pensions, medical service and welfare and others drastically increased from 9.5 percent of GDP in 1975 to 23.1 percent in 2010, the level is still not high compared to other countries (see the Appendix 9) (National Institute of Population and Social Security Research, 2013). In particular, the social expenditure on public assistance schemes, child allowance and personal social services excluding long-term care is remarkably small, i.e. about 10 percent, compared toother than those on medical care, pensions and long-term care. This shows the less improvement of Japanese public assistance programmes in terms of benefit level compared to other countries. For instance, international comparison of functional social expenditure shows that the benefits in the category of family and incapacity related benefits, the major components of public assistance of Japan is only 2.11 percent of GDP compared to 6.86 percent of UK, 5.57 percent of Germany, 5.32 percent of France, and 9.16 percent of Sweden. (see the Appendix 9).

Although the increase rate of public assistance was lower than pensions and medical care over the last three decades, marginalized groups could make themselves covered by the public assistance schemes thanks to the active civil society organizations and movement. For instance, Organization of homeless people is notable since they forced the government to abolish the permanent residency requirement for being eligible to public assistance and started receiving the benefits from 2009 (Inaba, 2011). In 2002, the "Law to promote the Independence of Homeless People" was established to provide the homeless with support to find stable employment, counseling, skill development, housing, medical care and daily life. As of 2007, the largest groups receiving public assistance are households headed with the elderly (45.1 percent), families with a person with disabilities (36.4 percent), and single-mother (8.4 percent) (Inaba, 2011).

Case II: South Korea

Primary Health Care and Health Insurance

The health care system in Korea can be characterized as universal health coverage by National Health Insurance as a single payer, the predominance of private hospitals and clinics in medical service delivery, the concentration of health care personnel and facilities in urban areas, disparity in health care quality between urban and rural areas and relatively high level of out-of-pocket payment for health care service. These characteristics, which are closely related to each other, are both causes and consequences of the previously fragmented structure of the health insurance system together with political, economic and social factors. This section will explain the development process of the health care system with a focus on the development of national health insurance system and its relationship with primary health care. It will pay particular attention to the role of private providers in different stages of health insurance system development.

After the independence of South Korea in 1945, the priority of the government's health policy was to prevent communicable diseases and promote public health, such as sanitation rather than the provision of curative care. Curative care was considered to be taken care of private hospitals and clinics which were under-staffed and lack of resource. Meanwhile the medical education system began to be reorganized based on the US style medical specialist system under heavy influence of US Military government which governed South Korea between 1945 and 1948. Despite the WHO recommendation to establish a health system based on general practitioners with medical doctors licensed after a four year education in medical school, the newly established Korean government established a medical education system in which six years of medical school education followed by five years of training as intern and resident in a teaching hospital become the accepted standard for qualifying as a 'proper' medical doctor (Lee, 1969; Cho, 1990). These stringent and long-term requirements for the education of doctors established the South Korean health system as a specialist-centred system for secondary or tertiary care rather than primary care.

Although public health centres providing primary care, mainly funded by foreign aid resources, began to be set up in rural areas in 1945 to meet the health care needs of the rural residents, they were small in number. This was not significantly changed until the 1970s when the government started intensive investment for rural development (Shin and Seo, 2002). In addition, the public sector was hollowed out partly because medical doctors, already few, preferred to work for the private sector rather than the public sector due to the poor working conditions and low pay of public health sector work.

The growing number of private pharmacies played a significant role in providing a first point of consultation, prescription and dispensing of medicine to those who could not access hospital care for geographic or financial reasons. Most pharmacies were established by pharmacists after four years of pharmacy education at the university which rapidly expanded after the Korean War. Although the law to separate the prescribing and dispensing of medicines was legislated in the early 1950s, the weak enforcement capacity of the government resulted in rather a long list of over-the-counter medicines. A few who could pay for high fees sought services from the hospitals and clinics while the poor, the majority of the population, went to pharmacies for medicines dispensed without prescription (Cho, 1990) .

The government has strengthened the public health sector through investment in public health centres in rural areas, in particular since the early 1970s when a wide range of intensive rural development projects with the label of Saemaul Movement (New Village Movement) was implemented. Additionally, licensed medical doctors for public health centres were mobilized by the scheme which exempts them from military service; however, the preponderance of private hospitals continued(Douglas Forthcoming in 2014; Yi Forthcoming in 2014).

It is in this context that National Health Insurance (NHI) has developed. The development of NHI can be divided into three distinctive stages: a pilot stage with very little coverage in a few companies (1965-June, 1977), a compulsory health insurance stage during which the coverage gradually increased from 10.49 percent to 51.3 percent of the population (July 1977-1987), and a universal national health insurance stage (since 1988 -) (Kwon, 1999). In this gradual expansion process the nature of health insurance financing which is heavily dependent upon insurance contributions from employers and the insured rather than tax and the role of the government in regulating the health insurance system with a centralized system to review claim and pay to health care providers, and making statutory benefit package identical across various insurance schemes as a regulator with reviewing claims shaped the fragmented health insurance system.

In the first stage, health insurance was not compulsory and only several voluntary health insurance funds (insurance society) were formed based on companies or resident areas.The government did not fund these insurance societies and the participation rate was low. In total, 11 company-based or residence-based insurance socieities covering only 0.2 percent of the population were established as of June 1977 (Kim, 2002). Each insurance society had an individual contract with its own service provider, and the mobility of entitlement to health care service was often confined to a specific area. The contribution rate was set low but the demand was very high. As a consequence, the financial situation of these cooperatives became worse. Recognizing the various problems of voluntary schemes such as financial difficulty and low participation rate, the government decided to change health insurance from a voluntary to compulsory scheme in 1970. This scheme was not implemented until 1977 due to the economic difficulties caused by international oil shock.

Health insurance coverage during the second stage gradually expanded through legislation making the provision of health insurance mandatory for companies of a certain size. The system for claim review and payment to health service providers was established based on the consultation with a then already powerful interest group of medical doctors, the Korean Medical Association. The fee-for-service system with a limited set of services was adopted and the level of fees for service was set lower than the market price. The payment system of the NHI, in particular the fee-for-service system, however, had a built-in difficulty to contain costs compared to the prospective system such as "global budget" or "Diagnosis-related group" since the fee-for-service with a limited set of insured services would encourage overuse of medical tehnology, and use of uninsured expensive medicines and consequently resulted in a high volume and intensity of service (Kwon, 2009 ;Yi Forthcoming in 2014). With regard to financing, the contributions from both employers and employees together with copayment of patients accounted for almost all of the financial resources of the insurance scheme, while the government, which provided only meager administration costs for insurance entities to the health insurance cooperatives, continued its role as regulator. The financial reliance on the employees and employers was one of the main reasons for the government targeting of salaried employees through designating companies of a certain size, for instance, companies with more than 500 employees in 1977, more than 300 employees in 1979, more than 100 in 1981 and more than 16 in 1983, in which it was much more feasible to collect contributions in stable and sustainable way (Kwon, 1999). Government employees and teachers joined the NHI in 1979. Although these companies have their own health insurance societies including single company-based health insurance societies or multiple companies-based health insurance, according to the law, the contribution rate was fixed by the government, the claims from health providers reviewed centrally by the quasi-government organization, and the payment to providers was also handled centrally. For industrial workers and government and school employees, contribution was proportional to wage income and shared equally between the employee and employer. Until the merger of the insurance funds, the average contribution rate was 5.6 percent (of wage income) for government and school employees, and 3.75 percent for industrial workers, which a range of 3.0-4.2 percent depending on the insurance society. The contribution rate of the insurance society was subject to approval by the Ministry of Health and Welfare (Kwon, 2009).

The development of a tax collection system during this period also provided a favorable environment for the collection of contributions(Lee Forthcoming in 2014). Under the circumstances of a rapidly growing industrial sector with increasing revenues, the health system in the compulsory health insurance stage allowed companies or occupational groups to be able to establish individual health insurance societies based on their own independent insurance funds, which continued and facilitated the expansion of coverage. Health insurance coverage gradually expanded to cover most employees and their dependents in the industrial sector, 51.1 percent of the total population, by 1987.[1]

As the mandatory clause applied to small and medium sized companies, the number of insurance societies gradually increased and some cooperatives with small membership size started to suffer from financial difficulties and managerial inefficiency (Kim, 2002). In response, the government established a rule in 1980 that companies with fewer than 3,000 employees should merge to establish a single cooperative. The overwhelming power of the developmental state on business reduced the potential veto power from the business sector (Yi, 2007; Ringen, Kwon et al., 2011). Employer organizations for both big chaebols, and small and medium companies through which the strong power of the state reached down to the shop floor in the absence of strong trade unions facilitated this merger (Hart-Landsberg, 1993). This partial merger initiative resulted in the decrease of the number of single company-based insurance societiesfrom 494 in 1977 to 70 in 1985 by forcing small and medium sized companies to form a single insurance society which expanded to include new members (see the Appendix 1).

The third stage began in 1987 with the politics of democratization in which intense political competition for votes took place and civil society groups, in particular those of farmers who had been outside of health insurance coverage emerged as powerful political force. Concern about the health inequity between the insured employed and the uninsured was growing as health care providers charged higher fees which were unregulated to the insured to increase the profits, and all the political parties facing the democratic presidential election went for universal health insurance system covering all the uninsured as a solution to health inequity. This third stage resulted in the establishment of universal health insurance through the expansion of the existing system to those without salaried jobs such as farmers, the self-employed, informal sector employees and the unemployed who remained outside the health insurance system in the form of residence-based health insurance societies. While income was the only basis for the contributions of the employees, the contribution for those of the residence-based insurance society was set by the assessment of income, property, and household size. The benefit package was same across all the schemes regardless of the size of the contribution. For the members of residence-based health insurance societies in poor areas, i.e. mostly rural areas, the burden of contributions as a proportion of income was greater than for those in rich regions. In the case of residence-based insurance societies in rural areas, structural problems such as decreasing population, high prevalence of poor health, and the increase of proportion of the elderly drastically increased health expenditure and reduced the revenues. Under the pressure of civil society, particularly farmers' organisations, the government provided 50 percent of the expenditure of this residence-based insurance societies, which signified the role change of the state in the provision of health services, from regulator to provider.[2] The government helped to establish residence-based cooperatives, and the number of health insurance societies, including those residence-based, drastically increased. Well-established administrative organizations across the country, in particular in rural areas through the intensive rural development program, facilitated the establishment of residence-based health insurance societies. Although these health insurance societies were orga-

1 This process of expansion of health insurance coverage was also accompanied by the Medical Aid Programme, established in 1977, in which the public health sector provided health service to those receiving benefits under the Public Assistance Programme Kwon, H. (1999). The Welfare State in Korea.London and New York, Macmillan Press Ltd.

2 The provision of the government to residence-based cooperatives gradually decreased to 26.3 percent in 1999, which became one of the major reasons for residence-based cooperatives' financial difficulties Lee, J. (2006). Welfare Politics in the Integration of National Health Insurance in Korea and Taiwan.Graduate School of Social Welfare.Seoul, Chung-Ang University.**Masters Degree:** 88.

nizationally independent, the Association of Medical Insurance, an association composed of health insurance socieities, had a significant role in coordinating the financial and administrative functions of member socieites. Strongly regulating the Association, the government granted it power over member socieites and authority over the service providers (Kim, 2002). The Association had authority to review and audit the reimbursement of fees for health service, and power to redistribute financial risks among member societies, such as the Stabilization Fund for Insurance Finance for the financially vulnerable health insurance societies to which company-based cooperatives and state owned corporations with relatively better financial status contributed more than the residence-based cooperatives. The Association was a quasi-governmental organization to regulate, coordinate and administer fragmented cooperatives and private health care service providers. It provided a strong organizational basis to the government which tried to overcome the fragmented structure of health insurance from 1998.

However, this expansion of coverage based on "additive reform" could not sort out the inherent problems of National Health Insurance such as high levels of out-of-pocket payments which constituted 59.7 percent of all health care financing in 1990, due to the small size of benefit package and regressive redistribution within insurance societies which threatened financial stability of insurance societies with low level of contribution but high reimbursement for service (Kwon, 1999; Wong, 2004). Although the government introduced a regional health care system in 1989, which divided the country into 140 medium sized health care regions and eight large health care regions. The system made a compulsory referral system in which all the patients should visit a clinic or health center in their region before they could go to a general hospital. The idea was to reduce the costs by reducing unnecessary visits to expensive general hospital but it did not make a significant impact on the reduction of costs as we can see in the increase of deficit since 1997 (Kwon, 1999). Another initiative to sort out the financial instability of health insurance societies was a new bill for the establishment of National Health Insurance Fund to merge all health insurance funds which proposed by the opposition parties and passed at the National Assembly. The idea was to transfer money from a stable fund, in most cases funds for the employees of government and big companies, to a weak fund, in most cases regional funds with those self-employed, farmers, or employed in informal sector. It was, however, vetoed by the President who feared losing the support from the upper and middle class such as the employees of government and big companies who concerned about the money transfer from their funds to other funds (Kwon, 1999).

As the use of the health services increased, however, the number of societies with a deficit in the balance of payment increased from one in 1991 to 15 in 1993 and 183 in 1997. The gradually decreased government funding to the residence-based health insurance societies, which was 50 percent of the revenue in 1988, and fellto 25.6. percent in 1999, accentuated the financial difficulties of residence-based health insurance societies (Kwon, 2003; Lee 2006). As a response, some residence-based insurance societies had to increase contributions from the insured persons. However, ability of those insured in residence-based insurance societies, in particular those in rural areas, to pay was limited, which resulted in chronic financial instability for many of the residence-based health insurance societies. The size of the residence based insurance society was too small to pool the financial risks of their members, and consequently they were quite vulnerable to financial shocks due to illness among their members. Administrative costs of residence-based health insurance was also the highest (9.5 percent) compared to others such as 4.8 percent of the insurance society for government employees and teachers. The top-down appointment of CEOs of the residence-based insurance societies lowered the chance for better management of autonomous funds which we can see in the case of German system of autonomous sickness funds(Seitz, Koenig et al., 1998; Kwon, 2003). High burden for the contribution of those of the residence based insurance societies was still a significant problem. Health insurance societies, in particular residence-based health insurance societies, demanded integration with other insurance societies with better financial situations, mainly those company-based health insurance societies. The Asian financial crisis, and the newly elected President, Kim Dae-jung opened a window of opportunity for reform. Concerns on inequity in health care financing and differences in financial capacity among insurance societies grew in the midst of the Asian Financial Crisis, progressive civil society groups, academics, trade unions of residence-based insurance societies and small and medium sized firms with financial difficulties and farmers' organizations were mobilized to support the President's initiative to merge the insurance societies for improving horizontal equity among insurance societies. The opponents who could have made a strong voice against the merger such as employers and big company based insurance societies, and health providers paid less attention to this merge issue. Employers and big company based insurance societies and their members were much more interested in the economic issues under the financial crisis such as corporate reform and employment adjustment while health providers paid more attention to the issues concerning prospective payment systems and the separation of drug prescribing and dispensing which the new government also tried to introduce (Kwon, 2003).

Financial instability of the health insurance societies became one of the major election agendas for the presidential election of 1997. The Kim Dae-Jung government, which made integration of health insurance cooperatives as election manifesto established a law to merge health insurance societies into a single insurance fund despite protests from the opposition parties and company-based cooperatives just after they power (Wong, 2004). It reduced resistance from service providers who feared the increasing power of the single insurer by establishing an independent tripartite institution composed of representatives of the government, insurers, service providers, and consumers to review and audit the system of reimbursement of fees for service.

Before the merger, there were three different types of health insurance programmes:

- Health insurance for industrial workers and their dependents (36.0 percent of the population).
- Health insurance for teachers and government employees and their dependents (10.4 percent of the population.
- Health insurance for self employed workers, the so called residence based insurance society members (50.1 percent of the population)(Kwon 2003).

The government of the newly elected President Kim Dae-Jung initially merged the residence-based health insurance societies with the insurance society for government employees and teachers to create the National Health Insurance Corporation (NHIC) in 1998, and the societies for industrial workers were merged into the NHIC in 2000, by which National Health Insurance now has one single unified insurer. The rationale behind merger was to make a positive impact on horizontal equity among different types of insurance societies, in particular between those of residence based insurance societies and others rather than across the entire population.

The NHIC set a uniform contribution schedule for all members who had belonged to residence based insurance societies, and provided a discount on contributions for people who are disadvantaged in terms of income and geographical region. After the merger, 62.2 percent of households paid a smaller monthly contribution (by 3.8 USD on average) than the pre-merger level, and 37.8 percent paid a greater contribution(by 5.6 USD on average). For example, the average rate of increase in contribution was 36.3 percent for the residents of one of the wealthiest counties in Seoul. It can be said that there was an improvement in equity in health financing among the members who had belonged to residence based insurance societies after the merger (Kwon, 2003). The unified system has improved equity in contributions among industrial workers too in that about 56.6 percent of those insured paid a lower contribution. The greater the earnings the greater the increase in contributions (Kwon, 2003) (see the Appendix 14).

Although this unified system of national health insurance is not without problems, particularly financial difficulties due to the rapidly aging population, small benefit package, overtreatment by private health providers for profit, and large share of out-of-pocket payment (47 percent of national health expenditure in 2004;Kwon, 2009) it has successfully reduced inefficiencies from the fragmented structure of the previous national health insurance system.

Compulsory Education[1]

The Japanese colonial authority which ruled South Korea a protectorate from 1905 and 1910 and then as a colony until 1945, established the foundation of modern education, but with distinctive features which contributed to strengthening the Japanese colonial regime. The Western school systems and curriculum introduced by the Japanese colonial government had a strong "Japanization" element, emphasizing Japanese language learning and cultural values. While placing a significant emphasis on primary education, the Japanese colonial government promoted vocational school for secondary education, where they could train workers for colonial policy implementation, such as land surveying (Kang, 1997).

During the 1930s, the colonial regime emphasized both primary and secondary education, in particular Japanese language instruction, to prepare for the wars in Asia and beyond in order to strengthen the Japanese identity among Koreans (for an overview of this trend, see Appendix 6). With diverse motives ranging from strengthening Japanese identity to increasing human capital, there was also a strong demand from the media and academia for the legislation of universal primary education. The Japanese colonial government implemented a series of policies to expand primary education such as the "one village one school policy", which was created in 1929 and continued for eight years. Due to a lack of resources for education, the colonial government relied on school fees, and instead of increasing six-year primary schools established a four-year primary school system, which accounted for 46.8 percent of all primary schools in 1936, in order to reduce the financial burden (Kim, 2005). Although primary education continued to expand, it was under severe financial constraints and resulted in the underachievement of literacy and numeracy. Universal compulsory primary education was not legislated until the end of colonial rule (Sano, 2006). Nor did the Japanese colonial government pay particular attention to gender disparity in education. Female enrollment for primary school was consistently lower than for their male counterparts, stagnating at less than half of male enrollment rates, and fell even lower at the secondary education level. According to several estimates of primary school enrollment rates in the 1940s, the female school enrollment rate was either 24.2 or 33.1 percent in 1942, which was less than the 56.3 or 75.5 percent male enrollment rate (Kim, 2005).

The Japanese colonial government's recruitment system also had a great impact on Korean attitudes toward education and education systems. Koreans were recruited to play the role of intermediate-level managers, with a fairly competitive merit-based examination used to hire them for these positions. One of the largest public sectors from which Koreans were recruited was education. From 1921, the Japanese colonial government established public teachers' colleges and recruited Korean teachers. Entrance was highly competitive and those who passed the exams were required to have both a strong loyalty to Imperial Japan and a high level of academic competence. For Koreans, passing the exams and being recruited by the Japanese colonial government meant upgrading their political, economic and social status, which is partly responsible for encouraging society to pay more attention to their children's higher education.

The enrolment ratio gradually increased during the Japanese colonial period to around 33 percent in 1939, which was already higher than those of other South Asian countries such as Burma, India, Indonesia, and Pakistan in the 1950s (UNESCO, 1954; Myrdal, 1968). These estimates indicate that colonial Korea witnessed an improvement in education even during the severe economic exploitation process.

Features of Japanese-introduced education systems, such as Japanization, militaristic discipline, use of

1 This part has borrowed substantially from Yi,I. (2014 forthcoming) How Could Enhancement of Education and Health Contribute to Economic Growth in South Korea? Yi, I. and Mkandawire, T. eds. Learning from the South Korean Developmental Success: Effective Developmental Cooperation and Synergistic Institutions and Policies, Macmillan Palgrave.

education as a colonial policy tool, the dual structure of education for Japanese and Koreans, and the deficit of attention to female education consolidated for almost 40 years and had a significant influence on the post-independence Korean development of education. Some of these characteristics have been retained, while others have been modified. Some of them have been revived in different forms after a hiatus, and others have disappeared completely throughout the process of development.

After liberation, one of the most important educational policy tasks of the US Army Military Government in Korea (USAMGIK) from 1945 to 1948 was to de-Japanize and transform existing Korean institutions into an American-style system (Meade, 1951). De-Japanization continued under the First Republic led by President Rhee Syngman. An anti-Japanese sentiment was embedded in the education policies during this period.

One of the key challenges in establishing a new education system during this period was the high rate of illiteracy in the Korean language due to the colonial education policy that made Japanese the standard language and banned the Korean language on school campuses. It was estimated that 78 percent of the population was illiterate in the Korean language in 1945. An additional challenge was the shortage of teachers who could properly teach school subjects in Korean. According to 1939 statistics, most of the school teachers under the colonial regime were Japanese and accounted for 40, 80 and 76 percent of the teachers in primary, secondary and higher education, respectively. The number of Korean graduates of secondary and higher education was insufficient to fill the vacancies in the primary schools left by the Japanese (Sorensen, 1994). Teaching materials, including textbooks in Korean, also were not readily available.

In order to sort out the problems in the education field, policies were implemented and institutions were built. The Education Policy Council established by USAMGIK in 1945 consisted of about 100 Korean intellectuals and set important policies upon which education systems were to be established, an example of which was the expansion of secondary education to include one senior high school per sub-province (approximately 130 sub-provinces existed in South Korea in 1945). One of the hotly debated issues was the year structure in school systems: 6-3-3-4 vs. 6-6-4. A system initially compromised of 6-4-2-4 years at each education level was adopted in 1949, but changed to a 6-3-3-4 system in 1951, recognizing the financial difficulties required to finish a 4 year junior high school (Lee, Choi et al., 1998). One of the most important recommendations it made was to make six-year education compulsory during the period between 1946 and 1951. The government was obligated to provide financial resources, establish institutions to produce teachers, and establish committees at the local levels to supervise and monitor compulsory primary schooling. There had been a series of initiatives for compulsory education such as the increase in the education budget for compulsory education, and the establishment of the clause of six-year compulsory and free education in the new Constitution of 1948, and Education Act of 1949, and the Plan for Six-Year Compulsory Education of 1953. In 1959 Korea achieved a 95 percent enrollment rate for those children aged between 6 and 12 years (Lee, Choi et al., 1998). It is particularly notable that for six years, from 1953 to 1959, about 80 percent of the education budget was spent on the compulsory education.

Several policies and institutions cultivated an enabling environment for the compulsory education at the primary school level. First, the government established a series of budget-related laws to secure financing compulsory education such as the Education Tax of 1951, the Fiscal Grant for Compulsory Education of 1958, and the Act of Fiscal Grant for Local Education of 1958. These laws were continuously revised to further secure the budget, in particular against the tendency of financial ministries to allocate the minimum available resource for compulsory education (The Natioanl Assembly of the Republic of Korea, 1968). Another consequence of the Act of Fiscal Grant for Local Education of 1958 was the strengthened power of central government, which had full authority to decide the budget allocated to local educational facilities.

Second, both USAMGIK and the Rhee government increased the number of qualified teachers by issuing licenses to those with secondary education. They actively supported in-service training and established teachers' colleges. One of the most important contributions to increasing the teaching staff was the government's emphasis on secondary and higher education. The policies paid off. From 1945 to 1948, the number of elementary school students rose by 82 percent, and the number of secondary school students increased by 183 percent. During the same period, the number of available teachers increased by 55, 569 and 268 percent at the elementary, middle, and secondary levels, respectively (Krueger, 1982). Most notably, to respond to the explosion in demand for education, in particular higher education, which Koreans previously had difficulty in obtaining under Japanese colonialism, USAMGIK facilitated the free establishment of universities. As a result, the number of universities increased from 19 in 1945 to 42 in 1948, of which more than half were private universities (Kim, 1979). The quality of the teaching staff also improved as higher education expanded. The governments up until the 1970s established and managed a flexible system in which various types of institutions to produce teachers for various levels of schools (Lee, Choi et al., 1998).

Third, central government's resources and power to establish or close down institutions played a significant role in regulating schools. The government with a significant power in wage policy across the board also responded to changing demands of teachers from various schools by unilateral adjustment of salaries of teachers (Yoon, Park et al., 2012).

The expansion of private sector involvement in secondary education is also noticeable. In 1945, the proportion of private schools at all levels was only 19 percent. By 1952, the share reached around 40 percent with a rapid increase in private schools at the secondary and higher education levels and accounted for 44.4 percent of total middle school students and 50.7 percent of total high school students in 1965 (UNESCO, 1955; Korea Institute of Curriculum and Evaluation, 2009). Although the share of private sectors are substantial in higher education and senior higher schools, the share of private junior high schools are also significant; about 17 percent of total junior high school students are in private schools in 2013 (see Appendix 7).

The expansion of the private sector was a consequence of consistent government policies to encourage private investment in education in general and specifically in secondary and higher education. Although the government spent most of the education budget (more than 75 percent) on primary education, it created an incentive for private investment in secondary and higher education through the land reform process. In the late 1940s, both USAMGIK and the Rhee government regarded land reform as an imperative process for political reasons (Cummings 1981) and landowners were desperate to regain the value of their land. The Rhee government established the Law on Special Compensation for the Land Owned by the Education Foundation to encourage landowners to invest their land in public goods such as religious activities and education. Knowing that the compensation for the land to be subjected to land reform would be small and the process delayed, landowners established or donated their land to established private schools, in particular secondary schools and universities. In this way, landowners could retain the value of their land in different forms such as the asset belonging to private schools (Editorial Committe for Korean Education 10 Year History, 1960). This meant that land reform and related policies created a momentum that made new resources available for investment in education. During this period of transition from colonialism to liberation, the foundation of the Korean education system of universal primary education was based in the public sector, while substantial dependency was established in the private sector to provide secondary and higher education.

One of the problems these policies could not solve was the lack of facilities for primary schooling, in particular the number of class rooms. Due to financial difficulties, the government could not build schools and class rooms enough to accommodate increasing students. A shift system of two, three, or even four shifts of students from the early morning to the late evening and oversized classes that accommodated between 65 and 70 students were often used(Lee, Choi et al., 1998). Another problem was the increased competition through the use of entrance tests for junior high schools as a result of increased graduates of primary schools. It increased the financial burden on the parents of paying for private cram schools, so the government abolished the entrance test for junior high school over three years from 1969.[1]

Various control measures over exit from primary schools and entry to junior high schools as well as on oversized classes were established to respond to increased students in junior high schools. School guidance at the primary school encouraged graduates to choose other options than junior high schools, and the government only allowed those who deposited a certain amount of money for entrance fees to enroll (Lee, Choi et al., 1998). These measures clearly show that the abolition of the entrance test did not aim at expanding the education opportunity for junior high schools, but to reduce various problems that resulted from the fierce competition for junior high school. However, this only transferred problems from primary education to the junior high school process, wherein students could again be thrown into the competition of entrance test for senior high school. These problems were also sorted out in similar ways, mainly the abolition of entrance test for senior high schools from 1974. The entrance tests were replaced by lottery system which assigned students to any school in the same school district. This lottery system required similar quality of facilities and teaching staff for schools, and strong government regulation on these matters. The government could regulate the quality of facilities and teaching staff in a very strict sense through the recruitment system of teachers for both public and private schools, the control of financial subsidies and through administrative decrees to close down some poorly performing schools throughout the 1970s(Lee, Choi et al., 1998). However, the gap between schools in terms of educational environment, in particular those between urban and rural areas, were not reduced and still remain a serious problem of the Korean education system.

An important consequence of the abolition of entrance tests was an increase in the opportunity for junior high and senior high school educations. Enrolment rates of junior high schools increased from 41.4 percent in 1965 to 95.1 percent in 1980, and reached almost 100 percent in the early 1980s. The senior high school enrolment rate increased from 26.4 percent in 1965 to 63.5 percent in 1980, and reached 94.6 percent in 1997 (Lee, Choi et al., 1998).

The enrolment rate of three-year junior high school reached 82 percent when the extension of compulsory education from six to nine years was implemented in 1985, initially in remote areas. Since all the students of junior high schools, be they private or public, were required to pay school fees, the compulsory education policy which started to cover the students in remote areas meant fee-free junior high schools. Although the coverage was extended to sub-provincial areas during the 1990s, by 2001, only 19 percent of junior high school students could benefit from the fee-free compulsory education. As the enrolment rate of junior high school reached more than 95 percent, the demand from civil society organizations for fee-free compulsory education for all junior high schools increased. Comparisons to other OECD countries with nine to 12 years of free compulsory education, after South Korea joined OECD, also played a significant role in influencing the government to move forward to free compulsory education (National Archives of Korea, 2006). The government extended free compulsory education of junior high school from 2001 and completed in 2004. However, most middle schools collected donations from students called Contribution to School Management which was set by School Management Committee which consisted of representatives of parents, teachers, and regional stakeholders in the regions to which the schools belong. Compulsory education accounted for up to about 26 percent of the school budget in certain areas in 2004. The government has increased budgets for junior high schools to reduce the share of Contribution to School Management in response to increasing demand for free compulsory junior high school education from civil society,

1 The abolition of entrance tests for junior high school was called the "715 Revolution" named after the date when it was announced. All the procedures to prepare the policies were very secretive, including the open consultation Kim, S. (1968). "The Night Before the Reform of Entrance Test System (in Korean)." Gyoyuk Pyeongron.

and in 2012, the collection of Contribution to School Management in public school was abolished based on the Constitutional Court's decision to ban the Collection to School Management in public schools (Voice of People 2012). Contribution to School Management are still collected in some private schools has been decreasing and is currently less than 15 to 25 USD per student per month on average, which is far lower than the costs for private cram schools for junior high school students, which are 270 USD per student per month on average (Munhwa.com, 2013).

Social Assistance and Basic Pension

The first public assistance programme in South Korea, the Livelihood Protection Programme of 1961, had featured strong workfare principles, family-help principles, and residualism to relieve poverty of the extreme poor who had no relatives or families and were not able to work. The programme targeted those aged 18 or below, aged 65 and above, pregnant women and disabled men who had no relatives to rely on. Assistance to these groups was composed of four kinds of benefits and services: livelihood protection benefits, free medical service, maternity protection benefits and the costs of a funeral ceremony. The unemployed and low wage workers in urban areas and seasonal workers in rural areas who had no relatives or families were also suffering from a lack of basic food and clothing, but were left outside of government assistance. Although the Livelihood Protection Programme was revised to address the poverty of these people by providing them with wages for public works projects, the scale and wages of public works project were not big enough to cover those working poor (Yi, 2007).

As in Japan, the 1970s was the pension decade. Various pension schemes were established in addition to the 1960 government-run pension schemes for civil servants that included public school teachers and military personnel. The first national pension scheme, the National Welfare Pension Plan of 1973 was established for two reasons: securing funds available for government's heavy and chemical industrialization plan and enhancing legitimacy (Kwon, 1999; Yi, 2007). However, it was not implemented until 1988 due to a government decision in responding to the economic difficulty caused by oil crisis. Instead, the government forced companies to provide their workers with various welfare schemes and occupational welfare through direct and indirect regulations(Yi 2007). The Private School Teachers Pension scheme was established in 1975, despite the economic difficulties of the oil crisis. The increasing importance of private schools in secondary education and the pension scheme of the public school teachers made the demand from private school teachers more pressing. The government initially did not consider playing the role of financier in insurance scheme for teachers, but strong pressure from school owners and teachers led to the government paying a third of contributions to teacher's pensions in addition to contributions from school owners and teachers. Consequently, private school teachers were supposed to contribute 5.5 percent of their salary, the government 2 percent, and employers 3.5 percent. In return, the government established various regulatory schemes for the management of funds including the establishment of a single unified organization called the Private School Pension Foundation to which all of the private schools belonged. The fund was not allowed to be invested anywhere other than the National Investment Fund established specifically for investment in heavy and chemical industries, despite the fact that investment profits from the National Investment Fund were far less than those of others (the Korea Teachers Pension, 1994: 84).

Although it served to absorb highly educated workers, the concentration of investment in heavy and chemical industrialization in the 1970s caused inflation and inequality, in particular there was a growing wage gap between large heavy and chemical companies and labour-intensive small companies. The government of President Chun, seized power through a coup (1980-1987), implemented a strong wage control by freezing the wages of civil servants and workers in public enterprises in 1984, and forced private enterprises to follow the example of state-owned companies (Whang, 1992: 318). It held wage-increases for civil servants and workers in public enterprises below 5 percent until 1987. In addition, the government used the state-owned banks as agents to control wage increases in private companies. The banks pressed their borrowers, mostly large firms, to reduce their debt-equity ratio to specific targets before granting wage raises (Haggard & Collins, 1994:89-90). The heavy-handed repression of workers and strong promotion of company-based occupational welfare schemes played a significant role in this wage control regime (Yi, 2007).

During the period of the Chun government, the major principle of welfare policy was to mobilise private resources for public welfare programmes. Although the "Plan for the Extension of Medical Treatment for People of Low Income" of 1980 was established to increase the number of people covered by the Medical Protection Scheme from 2,140,000 to 3,720,000 (almost 10 percent of the total population in 1981), the government did not pay all costs for this progrmme. About 75 percent of the beneficiaries of the programme were partial beneficiaries who had to pay some of their medical treatment fees. Due to this non-financier stance, despite the expansion of coverage of the medical insurance programme and public assistance programmes, there was no drastic change in the government's spending on welfare and social security (Yi, 2007).

The mobilization of private resources and the government acting as regulator but non-financier were also found in the public assistance programmes for the elderly and the disabled. In addition, the government used the campaign method to promote the voluntary participation of civil society into the government plan.

The government established the "Courteous Treatment Scheme for the Elderly" in 1980. This programme had a strong moralistic flavour which encouraged the maintenance and development of a sound family system based on the idea of "respecting the elderly and honouring one's parents." Under this scheme, citizens aged 70 and over received free public transportation and free access to public utilities. The government extended welfare benefits to those aged 65 or over in 1981, and increased the range of benefits. In 1982, it established the Constitution for the Welfare of the Aged and carried out various campaigns. The main aim was to solve the problems of the elderly by promoting moralistic virtues within the family and community, namely, "fundamental solutions" to the problems of the elderly (The government of the Republic of Korea, 1982: 306). Although there was a debate over the inclusion of cash benefits for the elderly without family or carers, the final version of the law did not include this (The National Assembly Secretariat, 1981: 27).

In 1980 the government carried out a survey on the living conditions of the disabled in which international factors played a role. Because 1981 was the UN's "Year of the Disabled," the government promoted various events and programmes for the disabled to enhance its international image. The 1981 decision that the 1988 Olympic games would be held in Seoul further prompted the government in this direction. In June 1981 an Act of Welfare for the Mentally and Physically Disabled was passed. However, most funds were raised by charity organisations and private institutions (The Government of the Republic of Korea, 1981: 265).

Although Korea had had formal democratic institutions such as elections, a parliament and political parties, it is widely agreed that the institutions that were introduced in 1987, in particular the direct presidential election system, were the first that were genuinely democratic. The presidential election in 1987 was the first direct presidential election in 26 years and was carried out with reasonable fairness. This was the beginning point of the transition to democracy (Linz & Stepan, 1996: 3, 4). Democratization, however, also resulted in a wide range of changes of various economic and social dimensions. The power of the state in disciplining the employers of private companies, including big conglomerates called Chaebol groups and workers, particularly trade unions, began to weaken. In particular the emergence of trade unions as a powerful social force is started playing a significant role in shaping the welfare system onwards.

The competitive presidential election held in December 1987 provided an arena for active debate over social welfare. Candidates competitively made election pledges to establish and expand social welfare programmes including providing national pensions, building public housing, and stipulating minimum incomes. In order to mobilize electoral support for the ruling party candidate, the government also legislated a series of laws and regulations related to livelihood such as the Enforcement Regulations of a Minimum Wage (November, 1987), the Enforcement Regulations of the National Pension Plan (October, 1987), and the Amendment of the National Health Insurance (December, 1987). The latter two announced that the government would implement a national pension scheme for people in the private sector and expand the coverage of National Medical Insurance. Both pension and health insurance schemes had mixed elements in terms of funding methods. While the national pension plan preserved the principle to mobilize private resources for workers' welfare, the amendment of the National Health Insurance Sysem stipulated that the government should pay half of the premium for newly included resident members. Although the government funded only half which was matched by contributions from the residence based health insurance societies, the injection of government funding represented a significant change in role from regulator to financier in the social insurance system (see the previous section on primary health care and national health insurance).

The early period of the Roh's democratic government (1987-1992) was an unstable situation. Victory had not been won by majority support but by the split of the majority opposing President Roh. He therefore needed to widen the constituency supporting his government. The impending general election of 1988 was further motivation for this. A rapid expansion of the economy in the late 1980s due in part to lower oil prices, lower world-interest rates, and a stronger Japanese Yen which helped Korea compete with Japan in export markets, provided a good environment where the government could carry out welfare schemes and could play the role of financier as well as regulator.

The National Pension Plan for workers was implemented under these circumstances. In 1988 all employees between the ages of 18 and 60, excluding beneficiaries of other public pension programmes (civil servants, private-school teachers, and military personnel) were covered by the Plan. Initially, any workplaces with 10 or more employees were compulsorily covered. From 1992, coverage was expanded to include work-places with five to nine workers. There are four kinds of benefits under the National Pension Scheme,namely the old-age pension, the invalidity pension, the survivors' pension, and a lump-sum redundancy payment. The basic old-age pension was to be paid at age 60 to those insured for 20 years or longer, at an average level of 40 percent of the last monthly wage. For those who could not make contribution for full pension, the special pension or lump sum payment would be paid at sliding scale.

It is defined benefit funded scheme with a redistributive element among workers (Kwon, 1999). However, the funding was heavily dependent upon contributions from employees and employers. The government subsidised a small portion for administration costs. The combined contribution rate of employers and employees had been fixed at three percent of the average wage for five years beginning in 1988, but would be increased to six percent for the five years beginning in 1993 and would finally be increased to nine per cent after 1998.

As shown in the table below, due to the introduction of the National Pension Plan, employers had a new financial burden worth one and a half per cent of their employees' average monthly income. Strong resistance from employers was expected. Caught between the need for welfare measures for workers and strong resistance from employers, the government devised a funding method in which, from 1993, 33 percent of contributions would be transferred from reserved funds for retirement pay which employers were obligated to set aside according to the Labour Standard Law. For employers, this had the effect of reducing the financial burden. For workers, the method was not so visible since, they could not estimate clearly how much it would affect their final pension from the National Pension and retirement pay from the companies.

Table 3. Schedule of Contribution Rates

Year	1988-1992	1993-1997	1998-
Employee (% of average wage)	1.5	2.0	3.0
Employer (% of average wage)	1.5	2.0	3.0
From retirement pay reserve(% of average wage)	-	2.0	3.0
Total (% of average wage)	3.0	6.0	9.0

Source: the Ministry of Public Health and Social Affairs (1992) White Paper of Public Health and Social Affairs. Kwach'ŏn, the Ministry of Public Health and Social Affairs, 268.

This policy solution to link retirement pay and the pension plan vividly shows that the government considered the relationship between the social insurance-type of welfare programmes and occupational welfare programmes to be that of substitution rather than a complementary one in the welfare structure (Yi, 2007). The establishment of National Pension, which partly replaced retirement pay, was accompanied with legalization of various occupational welfare schemes. This legislation directly imposed the obligation of welfare provision on workers in those companies. In a similar vein, the government also strengthened the enforcement of rules and regulations on occupational welfare in order to force employers to improve occupational welfare programmes. For instance, in 1988, the government made the establishment of the Company Welfare Fund mandatory. Although the scheme had been introduced by the previous government, since it was a recommendation rather than a legal obligation, less than 25 percent of companies had been running the programme. In 1988 the Ministry of Labour proposed a bill that companies should contribute five per cent of their net profit before tax to the Company Welfare Fund. Employers strongly objected on the grounds that legal enforcement of the establishment of welfare funds was a direct government intervention into the fund management of the company and the imposition of another form of taxation. Despite a strong lobby of the employers' organisations against the law, in 1991, the government legislated the Act of the Company Welfare Fund, by which the establishment of funds was subject to agreement between employers and workers. Relying on this law, trade unions were able to make company welfare funds a legitimate issue for bargaining (Yi, 2007).

In 1990, the Child Care Act was introduced, which made it compulsory for companies with more than 1000 employees to establish nurseries. The size of companies subject to this Act was lowered to those with more than 500 employees in 1991. This was another aspect of those policy measures which encouraged married women to work in response to the labour shortage. The law provided a platform for many women's organisations to engage in campaigning for the welfare of female workers (Korea Women's Association United, 1998).

The 1990s witnessed a series of drastic changes in both economic and social spheres. Since the late 1980s, the GDP growth rate gradually decreased and was recorded at just less than five per cent in 1992, which was far lower than the average rate of GDP growth in the 1970s and 80s. The government identified the rigid labour market based on life-time employment and increasing labour costs as the main causes of the low economic growth, and tried to introduce a more flexible labour market system that made lay-offs easy, and reduced the indirect labour costs which had been increasing as the trade unions, which had become powerful by this point, focused on increasing occupational welfare benefits and wages. In addition, the government abandoned the wage control policy by leaving it to industrial bargaining between employers and trade unions. As a space for industrial bargaining emerged, a new federation of trade unions at the national level, the Korean Confederation of Trade Unions emerged with more radical agendas on labour laws, working conditions and wages than those of existing federation, the Federation of Korean Trade Unions (Yi, 2007). To address the social problems of these reforms, the government implemented unemployment insurance and expanded the coverage of the national pension from private sector workers to rural resident in 1995 (Yi and Lee, 2005).

As the government implemented financial liberalization starting in 1993 through interest rate deregulation, foreign exchange reregulation and capital market opening to foreign investors, the abolition of policy loans, and loosening capital controls the-private sector's short-term debt started to build up until it reached three times higher than the average level of non-OECD developing countries. It caused financial crisis in Korea as the Southeast Asian financial crisis spread to the international financial market in 1997, and led many companies, including big conglomerates, to go bankrupt. The financial crisis and the government's response to it, such as devaluation of Korean currency, caused the contraction of the Korean economy to almost negative six percent, and the unemployment rate increased from less than three per cent on average over the previous two decades, to eight percent in 1998. Social consequences of the financial crisis were even more serious. Inequality increased; the Gini index increased from 0.291 in 1996 to 0.316 in 1998, and the headcount poverty rate rose from just over nine and a half in 1996 to 19.2 in 1998 (Yang Forthcoming in 2014).

The presidential election in 1997 was the forum for the presentation of policies to deal with economic and social problems. The new government of the President Kim Dae-jung implemented a series of economic reform measures which followed mainly neo-liberal prescriptions (Mo and Moon, 1998; Yang Forthcoming in 2014). It also, however, minimized the social problems caused by these measures by expanding the coverage and benefits of the four major state-administered social insurance schemes for industrial accidents, health, pensions, and unemployment, and drastically reforming public assistance programmes.

In particular, the measures related to unemployment were notable. In 1998 and 1999, the government spent about just over eight and a half percent of the budget on unemployment-related emergency measures, including unemployment benefits, public works, training, employment subsidies, loans and tuition support, and food assistance for the children of the unemployed. Unemployment Insurance coverage extended from full-time workers of the firms with more than 30 employees in 1995 to all employees including part-time and temporary workers in 1998.The duration of benefits extended from two months to one year, and the period for entitlement was shortened from one year to three months of work history (Yang, 2000). Also, the coverage of pension extended from rural residents to urban residents in 1999, and the National Pension became a single national pension scheme which entire population could join.

The government also established a new public assistance system, the National Basic Livelihood Security System (NBLSS) to provide the poor with a minimum level of income as a right, regardless of whether they have the ability to work, which indicates a radical break from the old scheme in which the benefits were not available to households that included at least one person aged between 18 and 64 deemed capable of working, even if their income was less than the minimum cost of living. It marked a significant change in South Korea's history of social welfare in that the notorious 'Elizabethan poor law' type of public assistance program was finally replaced with a modern form of rights based poverty relief (Chung Forthcoming in 2014; Yang Forthcoming in 2014). In 2008, the elderly accounted for about 26.5 percent of the NBLSS recipients whereas 45.1 percent of the elderly had incomes below half the population median in 2005, the highest old-age poverty rate among the 30 OECD countries (Chung, 2010).

In 2008, the government implemented two important policies to address problems of the elderly, in particular the elderly poor. Firstly, the additional Basic Old Aged Pension Allowance was implemented in 2008 based on the Law on the Basic Old Aged Pension Allowance of 2007 to address the elderly in poverty. This is a policy response to the limited impact of National Pension Insurance from which low proportion of the elderly, for instance 25 percent of the total elderly in 2008, actually received benefits due to its prematurity and low membership. Depending on the financial situation of the local government, the national government would provide budget support ranging from 40 to 90 percent. It provided five percent of three-year average earnings of the national pension insured to the relatively poor 60 percent of the elderly aged 65 and over in 2008, and extended to the relatively poor 70 percent in 2009. The number of recipients increased from 61.0 percent in 2008 to 68.6 percent in 2009 (Chung, 2010). The size of benefits, as of 2010, was about 83 USD per month for those living alone, and 133 USD per month for those with spouse. This is too small to address poverty given that the average minimum wage in 2010 was 874 USD, already one of the lowest in terms of ratio of minimum wage to median wage among OECD countries in 2010. Announcing its plan for long-term care insurance in 2001 after a series of consultations and pilot projects, in 2008 the government finally implemented the Elderly Long-term Care Insurance (ELCI) to meet the long-term care needs of people over the age of 65, and all age-related long-term care services to people under the age of 65 in both domiciliary and institutional settings. The insurance contribution of 4.7 percent of wages is added onto the existing health insurance contribution, and the estimate of the government spending on long-term care insurance is 25.4 percent of total spending. Although the share of the people over the age of 65 with necessity for long-term care stood at 12.5 percent, the government set the limit of the coverage of the ELCI at just over three per cent, indicating the government's financial concern. National health insurance staffs who make final decisions about the benefits played the role of gatekeeper, and as of 2009 over four per cent of the elderly benefit comes from ECLI. Since the users are obligated to pay for user fees, such as the 15 percent of home care costs and 20 percent of institutional care services, the elderly with low incomes that mostly live alone tend to prefer institutional care, but cannot do so because of their inability to pay the fees, while the rich who mostly live with their dependents tend to prefer care from their own family members rather than social workers from the ECLI schemes, since they do not trust the quality of service (Yoon, Park et al., 2010).

Despite the development of insurance schemes, in particular those for the elderly, and the public assistance schemes, there are many problems to be addressed. Korea has rapidly expanded coverage for insurance schemes since the late 1980s, but has imposed strict rules on contributory obligation for the insurance benefits, and has been reluctant to take a policy option to subsidize low-income groups. Consequently, a large segment of low-income people in the informal and marginal sectors who could not pay contributions continued to be excluded from the benefit entitlement (Chung Forthcoming in 2014). The exclusion of the low income group is particularly serious for rural residents. For instance, in 2007, according to survey research conducted by Choi and Hwang (2007) only 53.2 per cent of rural residents joined the National Pension Insurance, compared to national average of 75.6 per cent(Choi and Hwang, 2007; Chun and Lee, 2010). Therefore, real effective coverage is very low, and most insurance programmes, except for health insurance, actually protect about only half of the population with legal entitlement to join the insurance schemes (see the Appendix 10)(Chung Forthcoming in 2014). Although the introduction of the NBLSS and the increase in the number of beneficiaries and the budget, tripled since the establishment of NBLSS,a remarkable achievement, a strict means test and a 'family responsibility rule' by which the applicant's children or parents should fall below a certain income threshold still remain. It is estimated that due to this 'family responsibility' criteria, about 0.6 million households or one million poor people, most of whom elderly, were not permitted to receive social assistance benefits in 2008. And the means test of the NBLSS was estimated to account for the exclusion of 70.1 percent of those below the government-set official poverty line from the NBLSS scheme(People's Solidarity for Participatory Democracy, 2009).

President Park's election pledge of expanding the benefits and coverage of the Basic Elderly Pension Allowance (Gicho Noryeong Yeongeum) regardless of the income has been scaled back recently due to budget pressure. Only 70 percent of the elderly would receive the benefits of the Basic Pension Allowance (Gicho Yeongeum) which has not increased to the amount pledged during the election. One of the major points in this Pension Allowance is that the Pension Allowance benefits would be reduced depending on the amount the beneficiaries would get from the National Pension. The government considers the Pension Allowance as a substitute for the basic pension of the Natioanl Pension rather than an top-up benefits to the National Pension. (Cho, 2013; Choi and Hunny, 2013).

Case III: Taiwan, Province of China

Primary Health Care and Health Insurance

The National Health Insurance of Taiwan, established in 1995, covers about 99 percent of the population (23,074,487 people) as of 2010. With various contribution schedules dependent upon occupational and income status, the government pays 100 percent of the contributions for the low income unemployed while the high-income self-employed insured pay 100 percent of the premium themselves (Lee, Huang et al., 2010). National Health Insurance replaced 13 occupation-based insurance funds covering about 60 percent of the population, largely the working age population; 14 percent, 77 percent and 57 percent of those under 20, 20-64 and over 65 years of age respectively. Among these 13 occupation-based schemes were ten different public insurance schemes covering different groups of the population including Labor Insurance (1950), Government Employees Insurance (1958), Farmer's Insurance (1985) and Low-Income Household Insurance (1990). They covered 59 percent of Taiwan's population of 21.4 million (Cheng, 2003).

The huge size of public insurance schemes, which is particularly important to understanding the development of the health insurance system, can be traced back to the fact that government employees including civil servants, military personnel and the employees of state owned companies were the first groups to be covered by various types of social insurance, including health insurance in the 1950s. These government employees constitute the majority of the nearly one and a half million immigrants from the mainland (Cheng, 2001; Wong, 2005). In response to a legitimacy crisis due to its retreat to Taiwan, the Kuomintang carried out large-scale political purges and set up various mechanisms to strengthen its power. Various health insurance schemes established in the 1950s as a part of a system of social insurance was one of those measures, together with others such as the establishment of government-controlled occupational unions and farmers associations. In 1958 the central government formally legislated the Labour Insurance(LI) and Government Employees' Insurance (GEI) Acts. Labour Insurance covered non state workers at firms with at least ten employees or more was one of the major schemes (Lee, 1992; Gong, 1998; Lin, 1998; Lin, 2002).

Since then, the government extended health insurance coverage to both the public and private sectors through an extension of LI and the establishment of insurance for fishermen, sugarcane growers, and government employees—both current and retired. These social insurance schemes provided 'bundled benefits' packages, of which health care accounted for the majority of insurance expenditure (Wong, 2005). Consequently, most workers in large companies, and a segment of self-employed and agricultural workers, were covered by health insurance. Despite increased coverage, the size of the insurance benefits was small and the quality of health services delivered was poor. Most insurance did not cover dependents of the members or outpatient care. Moreover, only a few public hospitals were designated to deliver health care to insured members. Although the contribution rate of workers was low, and those of both the government and employers was as high as 20 to 40 percent and 80 percent respectively, the benefit package was designed to cover only catastrophic health expenditure by providing expensive inpatient care (Wong, 2004). The medical agencies had to make contracts separately with each scheme, and for example those members of LI could receive the insured medical service only from the medical agencies with a contract with LI. The cost of medical service was paid directly by the LI and GEI, and insured patients were not required to pay copayment. The system of payment to health care providers was the fee-for-service system with a limited list of insured services. The hospitals and clinics usually charged unregulated market prices for services rendered to those without health insurance which uninsured services. Since they were higher than the prices under the fee-for-service schedule, the uninsured, approximately 80 percent of the population in the 1980s were adversely affected by this system of payment.

Social insurance contribution rates differed between the LI and GEI programmes. Members in the LI programme contributed the equivalent of 7 percent of their monthly income for social insurance. The employer paid 80 percent of the contribution while the member contributed the remaining 20 percent. Self-employed workers enrolled in the voluntary LI programme paid 70 percent of the contribution while the remaining 30 percent was paid by the government. Government employees also paid a 7 percent contribution. For them the government paid 65 per cent and the employees themselves paid the rest. In 1977 the monthly contribution rate for government employees was increased to 9 percent of an employee's monthly income (Wong, 2005).

Until the late 1960s, those covered by insurance accounted for only 5 percent of the population. Even if dependents and spouses had been included, this would not have risen to more than 20 percent. As a result, health insurance—which was considered a tool for social and labour control—did not cost the government and employers much.

As the economy grew fast and living standards were upgraded, the demand for medical service and health care increased dramatically. In addition to this increasing demand, in the 1970s, to respond to diplomatic setbacks and a legitimacy crisis, the government further expanded health insurance coverage to white collar workers and their spouses and dependents. It also included outpatient care in the health insurance benefit package. (Wong, 2004). Workers employed in smaller firms (five or more employees) were enrolled into the LI programme on a non-voluntary basis. The contribution rate of the self-employed workers who enrolled in the scheme on a voluntary basis was reduced to 60 percent of the contribution from 70 percent with the government paying the remaining 40 percent (Wong, 2005). The payments for outpatient care exceeded those of inpatient care in the 1970s and the coverage rate was increased from 19.8 percent of the total population in 1970 to 38.7 percent in 1980, and to more than 40 percent in 1985 (Chow, 2001: 32; Lin, 1997: 115). However the continued exclusion of dependents and self-employed workers was a barrier to further expansion of the coverage. Although the health insurance had a limited coverage, the structural organization of social insurance in Taiwan was more or less an integrated system with few insurance carriers compared to the South Korean system prior to the merger. Though contributions to social insurance programmes were collected by decentralized insurance units such as trade unions, the funds were consolidated under each of the social insurance schemes. Financial pooling across wage groups and occupational risk-pooling was thus greatly enhanced. However inequality between schemes such as LI and GEI was significant. Firstly, the LI did not provide coverage for the dependents of members, excluding children and the aged, despite the fact that most frequent users of health care services tended to be these specific age groups. In contrast, beginning in 1982, GEI started to provide social insurance benefits to dependents. Secondly, the claim for old age benefits which are lump sum by the members of the LI would forfeit their medical care coverage, which meant that they had to choose either old age benefits or health coverage. As a revision to the GEI programme in 1965, the members of the GEI could enjoy both old age benefits and medical coverage after their retirement. Further, the value of old age payments under the GEI was twice that of the old age benefits of the LI (Wong, 2005).

Another policy emphasis during the 1980s was placed on the increase in the supply of health care resources, such as the expansion of medical education with an objective of one physician and four hospital beds per 1000 people. Geographical disparity due to the concentration of increased physicians in urban areas was addressed by the group practice centers programme launched in 1983 through which the government began to assign physicians who had received medical scholarships to serve in rural areas (Chiang, 1997). However, public hospitals also charged the market prices as if they were private hospitals, and the financial barriers were still high (Chiang, 1997).

With the growth in outpatient care covered by health insurance, along with greater coverage, came an increase in administrative burdens. In order to reduce administrative costs, the government established a rule known as "payment without review" which enabled the insurance body to pay a fee forservice up to a certain maximum price. It resulted in the unexpected consequence of the overinvestment in expensive medical facilities in the private sector which was seeking more profits. A good investment environment, in the form of public subsidies and administrative guidance for investment in medical facilities which had begun in the 1960s accentuated the investment (Rodrik, Grossman et al., 1995). The increased competition among hospitals due to the concentration of accumulated human resources and physical infrastructure in urban areas was also a cause for overinvestment. The increased investment, particularly from the private sector resulted in two consequences of the health care delivery system; private sector dominance over the public sector and the expansion of the size of the hospitals (see the Appendix 2). In the 1980s, the share of private hospital beds became bigger than the public sector. Many small clinics which had been offering primary health care in both urban and rural areas were closed down due to fierce competition with large private hospitals. The share of the clinics decreased substantially from 83 per cent in 1963 to 54.6 per cent in 1982 (Chow, 2001; Lee, 2007: 63). In 1987, the government's policy measures to control health care quality by regulating, for example, the minimum staffing levels also contributed to this trend of concentrating medical capital in large hospitals, since the cost of a minimum number of staff was too high for small clinics and comparatively low for large hospitals (Cheng, 2003).

With this expansion of health infrastructure, political liberalization, which broadened the political participation of Non-Koumintang forces from local to national levels in the 1980s, played a significant role in expanding the coverage of health insurance. Responding to the strong demand for better social policy programmes from the opposition political party, the government implemented Farmers' Insurance (FI) in 1988 which covered all farmers in 1988. This process of expansion of social insurance including health insurance can be described as "crisis and compensation" (Caldor, 1988) which means, in authoritarian Taiwan, policy innovation was always initiated in response to a political crisis of the ruling party which is caused from immediate and visible threats to the ruling party during the election or the uncertainty in maintaining power in the upcoming elections (Wong, 2005). The policy response to political crisis is particularly prominent in redistributive policy such as land reform, agricultural policy, and social welfare provision since extreme socioeconomic inequality, in particular between mainlanders and the ethnic Taiwanese was understood by the KMT leadership as a potential source of political conflict and thus crisis. However, the policy response to the political crisis in social welfare provision, in particular health insurance was strategically selective in terms of its targets, and piecemeal up to the early 1980s before the democratization began in 1987 (Wong, 2005).

The democratization process beginning from the lifting martial law in 1987 provided both KMT and opposition parties with a strong political reason for radical reform of redistributive policy, particularly health insurance system whose inequality between LI and GEI schemes had been causing increasing public discontent and the Chiang's KMT government announced its plan for universal health insurance system in the late 1980s and passed the law in 1994.

Apart from the political reason, increasing demand for better health care, increased health care costs due to the massive investment, and the increased coverage of health insurance which resulted in the financial crisis of both the LI and GEI shaped the three objectives of the NHI: the provision of equal access to adequate health care for all citizens in order to improve the health of the people, the control of health care costs at a reasonable (or socially affordable) level, and the promotion of efficient use of health care resources(ROC Council for Economic Planning and Development 1990). Various institutional mechanisms were chosen to realize these three objectives in the NHI. First, pay roll tax instead of a general tax was chosen to finance the NHI.Since only 17 percent of personal income was subject to tax, it was more effective to collect pay roll tax to avoid the political risk of raising general tax rate[1]. The premium rate was set on an actuarial basis to achieve vertical equity. Together with the government's direct contribution of more than one third of the total NHI budget, variation in the share of contributions among different groups enhanced vertical equity. In particular, the government paid 70 percent and 100 percent of the contribution for farmers and low income families. This relatively low premium and increasing health costs resulted in a significant level of financial crisis of National Health Insurance. Integration of a single-payer system, a uniform fee schedule, and a global budget was the response to address this financial crisis. A broad consensus between providers, employers, and consumers was imperative and the government was needed to implement this single payer with global budget system. The government established the Negotiation Commission on Health Expenditure, which consists of representatives of providers, employers, consumers, scholars/experts and the government (Chiang, 1997). The Bureau of National Health Insurance was established which consolidated all existing social health insurance schemes under the NHI and set up six regional offices to process enrolment and review claims increased administrative efficiency. The position of the government as the only payer in NHI financing made the government more interested in containing overall health spending, which demanded more coordination between the government, health providers and consumers. Although the Negotiation Commission on Health Expenditure played a significant role in making a consensus on the co-payment scales to reduce abusive or wasteful use of medical services, instituted a cap on out-of-pocket payments to prevent low-income families from adverse effects, and created a prospective payment system to reduce the over-treatment, the NHI has continuously suffered financial deficits from 1998 (Lu and Hsiao, 2003; Hung and Chang, 2008). This financial difficulty is more likely to be increased due to the ageing population, an influx of expensive new drugs, and technologies, and increasing demand for better health care quality. Another important factor contributing to this financial difficulty is the profit-seeking private health providers' inappropriate means of management. For instance, adoption of new technology often causes an increase in hospital costs and results in excessive capacity of hospitals, and a fee-for-service system which is abused by hospitals engaging in overtreatment, such as increasing the days of hospitalization more than needed (Hung and Chang, 2008).

One of the notable facts concerning the process to establish universal health insurance, i.e. National Health Insurance (NHI) is that whole process of design and implementation was dominated by the state apparatus largely excluding civil society organizations and opposition parties. Both the KMT's strategy and capacity to control the design and legislation of NHI on the one hand, and on the other the opposition party (DPP), civil society organisations, and social movement which were too fragmented to voice any coherent challenges to the government's plan contributed to this state apparatus dominated reform process (Wong, 2005).

The NHI, administratively and financially centralized universal health insurance was implemented in March 1995. Its benefits cover a wide range of health and medical care provided by the public and private hospitals and clinics with contract with the NHI. All members enjoy equal and comprehensive benefits excluding cosmetic surgery, long-term care, denture, hearing aid and prosthetics. In 2010, about 99 percent of the total population is covered by the NHI. Co-payment requirement was introduced except for certain cases such as atients with major illness requiring long-term expensive treatment, childbirth and preventive health services, low income households, veterans and their dependents, and those residing in mountaneous areas or an offshore islands are exempted from copayment. Although the copayment rate is generally modest compared to other countries and patients' out-of-pocket payments fell, for instance from 48 percent of the total amount spent on health care in 1993 to 30 percent in 2000, it is considered regressive because they are fixed and un-

1 Other financial resources as stated in the NHI Law include lotteries and the sin tax of tobacco and wine.

varied by a patient's income(Lu and Hsiao, 2003). The monthly contribution rate was set by the law, which increased the rate from 4.25 percent of the employee's monthly income in 1995, to 4.55 percent in 2007 and 5.17 percent in 2010. The share of contribution varies across the different categories of the insured as follows.

Although it is difficult to provide an definitive judgment on the impact of NHI in terms of equity in health financing due to the lack of available data and the absence of solid method, Lu and Hsia's analysis using WHO's Fairness in Financial Contribution(FFC) index shows that the equity in financing health care in Taiwan improved since the implementation of the NHI (0.992 in 1998 versus 0.8981 in 1994), and is more equitable than others such as Canada (0.974), Germany(0.978), and Japan (0.977) in 1998 (Lu and Hsiao, 2003).

In addition various cost containment measures such as diagnosis-related group payment system for a number of common diseases, and sling fee schedule for outpatient visits above a reasonable volume standard, separate global budgets for hospital outpatient and inpatient services were introduced to contain the health care costs. Overall, the establishment of NHI has contributed to providing more equal access to health care and financial risk protection, and managing health spending increase.

Table 4. Contribution Ratio of Different Insurance Category

Classification of the Insured			Contribution Ratio (%)		
Insured Group Insurance Applicants (i.e. employers and associations)			Government		
Category 1	Civil servants, volunteer servicemen, public office holders	Insured and dependents	30	70	0
	Private school teachers	Insured and dependents	30	35	35
	Employees of publicly or privately owned enterprises or institutions	Insured and dependents	30	60	10
	Employers Self-employed Independent professionals and technical specialists	Insured and dependents	100	0	0
Category 2	Occupation union members Foreign crew members	Insured and dependents	60	0	40
Category 3	Members of farmers', fishermen's and irrigation associations	Insured and dependents	30	0	70
Category 4	Military conscripts, alternative servicemen, military school students on scholarships, widows of deceased military personnel on pensions, prisoners	Insured	0	0	100
Category 5	Low-income households	Household members	0	0	100
Category 6	Veterans and their dependents	Insured	0	0	100
		Dependents	30	0	70
	Other individuals	Insured and dependents	60	0	40

Source: Natinal Health Insurance Administration, Ministry of Health and Welfare, http://www.nhi.gov.tw/English/webdata/webdata.aspx?menu=11&menu_id=591&WD_ID=591&webdata_id=3153 accessed January 2, 2014.

Compulsory Education

Taiwan, Province of China, which is going to implement 12 years of compulsory education in 2014, had almost 100 percent enrolment for both six-year elementary and three-year lower level secondary school (middle schools) in 2012. In achieving these remarkable enrolment rates, government-run elementary and middle schools play a significant role in providing education. In 2011, about 97.8 percent and 89.6 per cent of elementary and middle school students study in the government-run elementary and middle schools, which account for 98.4 percent and 92.1 percent of classrooms, respectively (see Appendix 5). The government budget for education, however, was just 3.6 percent of GDP in 2010, lower than that of Hong Kong (4.4 percent), South Korea (4.6 percent) and Japan (5.2 percent).

The remarkable success in Taiwan's economic development is attributed to many factors: land reform, Japanese colonial infrastructure, American economic aid, fertility decline, a stable Confucian family structure, a free labour market, a strong and relatively autonomous state, small-and medium-sized enterprises, and education (Kuznets, 1979; Amsden, 1986; Liu and Armer, 1993). In particular, empirical analysis of education's effect on economic growth between 1953 and 1985 shows that nine years of primary and junior high school education, rather than those of senior high and college education, contributed much to economic growth based on textiles, basic metal products, chemicals, plastics, and food-processing industries (Liu and Armer, 1993). The nine-year primary and junior high school education met the needs of the industry for workers with basic education and skills rather than higher levels of training.

The education system, in particular the compulsory education system, was significantly influenced by Japan[1]. Since 1898 when the first modern six-year elementary schools were established by the Japanese colonial government, all schools, including both public and private, were heavily Japanized in terms of teaching language and methods, curricula and organizational structure. In particular, private schools, which became a basis for the anti-Japanese movement in the case of Korea, had more Japanese teachers than Taiwanese and could not play a role in nurturing nationalistic sentiment as the South Korean ones did (Hirotani and Hirokawa, 1973).

Various types of schools such as public eight-year elementary and middle schools in urban areas, and four-year and two-year elementary schools in rural areas were established starting from the early 1900s, but most costs were covered by various contributions from parents. The secondary schools for Taiwanese were established from 1915, but the level of education in these schools focused on practical skills, and was far lower in quality than the secondary schools for Japanese. One of noticeable exception is medical schools. Suffering from a bad sanitary environment and tropical diseases, the Japanese colonial government established the medical schools to produce Taiwanese doctors in 1900, which was the first public higher education available to Taiwanese (Hirotani and Hirokawa, 1973). Graduates became not just medical doctors but formed an influential and powerful group in Taiwanese society. Formation of a pro-Japanese group was accelerated since 1919 when higher education institutions for Taiwanese began to be established.

After Japan started invading China in the early 1930s, both demand for skilled and educated workers for the war and anti-Japanese sentiment gradually increased, and the enrolment rate of elementary schools and secondary schools notably increased. For instance, the enrolment rate of public elementary schools increased from 32.6 percent in 1930 to 57.6 percent in 1940, and the number of Taiwanese students in secondary engineering schools increased from 197 in 1931 to 998 in 1941 (Hirotani and Hirokawa, 1973). The rapid increase of the enrolment ratio of elementary schools in Taiwan as well as South Korea was the result of the Japanese colonial government's policy to "Japanize" the Taiwanese, including a

1 The Japanese influence was far more significant in Taiwan than in South Korea. Unlike South Korea, Taiwan had never been an independent state with its own indigenous bureaucratic and landed elite. In the absence of preexisting cohesive and legitimate organ of state power in Taiwan, the Japanese had an open opportunity for establishing their own structure of control and guidance Wade, R. (1990). Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization.Princeton, New Jersey, Princeton University Press.. Education system was not an exception to this.

ban on the Chinese language as the official language (Hirotani and Hirokawa, 1973).

After the War, the Kuomintang government's take over of power from Japan in Taiwan did not just mean liberation from Japan, but the imposition of different "foreign" regimes on the Taiwanese who had been heavily assimilated to Japanese culture and language for 50 years. Policies that were discriminatory against the local Taiwanese by the mainlanders such as higher political positions monopolized by mainlanders, the designation of Mandarin Chinese as the role official language rather than the local Hakka and the lower salary of the local Taiwanese compared to the mainlanders, far lower than those under the Japanese colonial regime, soon invoked resistance from the local Taiwanese, culminating in a violent clash between the Kuomintang government and local people in February 1947 (Shackleton, 1998). Highly centralized education policy to indoctrinate "Chineseness" into the Taiwanese was an imperative of the Kuomintang government. Two factors facilitated the realization of this centralized education policy. First, the enrolment ratio of the elementary school in Taiwan was almost twice of that of South Korea. Second, many intellectuals who could readily take over the posts of Japanese teachers arrived after the Kuomintang's defeat in China. In particular, high enrolment rates, estimated at more than 70 percent, provided a good basis for six years of free compulsory education for children aged between six and 12 years as stipulated in the Constitution (article 160).

After the Kuomintang government retreated to Taiwan in 1949, one of the major concerns to the government was to prevent communist insurgencies in rural areas. Establishing schools and having children receive primary education were major preemptive policies together with land reform, the organization of pro-government famers' associations and nominal local elections (Wade, 1990). Between 1950 and 1965, when the enrolment rate of elementary school reached almost 97 percent, the number of primary students more than doubled, from a little over 900,000 to almost 2.3 million. Although the increase in the number of students enrolled in elementary school was very fast, the Kuomintang government kept quality high and spent more resources per each primary school student.

Under the Marshall Law of 1949, the authoritarian and centralist education system was established based on the inculcation of Kuomintang's version of Chinese nationalism. This centralization of power in the educational administration also shaped the content of education at schools through central control over school text books, intervention in the management of universities, and regimentation of all levels of schools. In order to respond to the increasing demand for higher education, the government, which had sole authority to control the establishment of all levels of schools, increased the number of schools and the entrance to higher education became increasingly competitive (Yamanokuchi, 2008). The government established strict rules and regulations to ensure the fairness in entrance to higher education through a national examination system. The government had complete authority and total control of the content og education within these institutions.

The educational reform in 1968 was an extension of the "chinisation" of the Koumintang government. It was also a response to the increasing demand for skilled labour from the labour intensive industries. The reform bought about a drastic change which shaped the education system up until the 1990s. While resisting public pressure for expansion of higher education for the elevation of status and the reproduction of elite groups, the government expanded vocational schools at the senior high schools and junior college levels as separate streams from the existing highly selective academic high schools and colleges (Liu and Armer, 1993)[1]. Strengthening centralized education administration, such as the central government's total control over curricular content and textbook screening, it also extended the period of schooling without entrance exams and school fees from six years to nine years, meaning graduates of

1 Both strong demand for skilled workers and the government's emphasis on vocational education resulted in the bigger number of vocational high school students than those of normal high schools since 1971. It reached its peak in 1994 when the number of vocational high school students was double that of normal high school. However, the dominance of the vocational high school has decreased since then, and reversed in 2002.

elementary schools could enroll to assigned middle schools in the same school district with no school tuition fees [1].

After 1987, when Martial Law was lifted, the democratization process and a shift in the industrial structure to more technology-intensive production brought drastic change to the education sector. First, many civil society organizations dealing with education formed a substantial pressure group for education reform. After the first "Non-Governmental Conference on Education", organized by 32 non-governmental organizations in 1988, consistent efforts of civil society organizations resulted in "410 Education Reform League" established in 1994. As the name implies, this group was composed of 410 civil society organizations concerned with education (Wang, 2012). It heralded a new beginning of education policy reform, since for the first time a grassroots movement formed a substantial pressure group for national-level education reform. In particular, their role in enhancing the quality of schools through decreases in school and class size and lessening the burden of entrance examinations for senior high schools and colleges is notable. Second, responding to this pressure, the government established a Council on Education Reform as a part of a broad reformist framework including the areas of politics and the judiciary as well as education in November 1994. The Council, composed of mainly independent experts to enhance credibility and legitimacy including the Nobel Prize Winner Dr. Y.Z. Lee as a Director, proposed to reduce the regulation of the central government over education administration, curricular and teaching methods of primary, secondary, and higher education. Third, the education system for teachers was drastically changed by the Teacher Education Act of 1994. The system in which only the national Normal Universities and Teacher Colleges could produce teachers for primary and secondary schools was changed to allow every university and college to set up a teacher education programme as long as those programmes meet the requirements set by the Ministry of Education. Fourth, the Joint Entrance Examination System, a national level single unified examination system for entrance in senior high schools, which was one of the reasons for fierce competition in the junior high schools and the concentration of students in certain senior high schools, was changed to a system combining both recommendation and examination for senior high schools and vocational schools since 1996 with the purpose to facilitate students to enter community high schools without testing. Fifth, all textbooks for primary education were open to the market in 1996, and any individual book publishing company can now issue books for designated school use after they have been reviewed by the Ministry of Education. Seventh, the Basic Act of Education (Article 9) of 1999 restricted the role of the central government to planning and implementing national education policy and supervising, monitoring and evaluating local education. And finally, the Local Institution Act of 1999 (Articles 18 and 19) clearly stipulate that municipalities or provinces have the authority to establish and manage pre-school education, education at all levels of school, and social education. This can be either a challenge or opportunity to local governments depending on their financial situations. Notably, in 1997 the National Parliament abolished the a clause guaranteeing at least 15 percent of the total budget for expenses on education, science and technology in the midst of Asian Financial Crisis (Pan and Yu, 1999).

The discussions on the extension of compulsory education have continued. In 2003, the National Educational Development Conference made a consensus on the progressive realization of 12 years of national basic education and the national census carried out by National Education Research Centre Preparation Group found that 78.4 percent of those surveyed supported 12 years of national basic education.

In response, in 2007, the government announced the 12 Years National Basic Education Plan for 12 years of compulsory education.It aimed to extend the compulsory education from nine to 12 years by

1 The major change in this Presidential Decree was the abolishment of entrance examination and school fees for junior high school which prevented a considerable number of motivated primary graduates from continuing their education. Although universal education up to junior high schools began in 1968, the formal extension of compulsory education up to junior high school is 1982 when "forced enrolment decree" based on the National Education Act of 1979 that made the enrolment to middle school compulsory was established. Liu, C. and J. M. Armer (1993)."Education's Effect on Economic Growth in Taiwan."Comparative Education Review**37**(3): 304-321.

reducing the gaps between urban and rural education and the cost gap between vocational and normal high schools in both public and private sectors. In June 2013, the National Parliament passed the Law of Senior High School Education which will act as the basis of a 12 year compulsory education system from 2014 (Lee, 2013). According to the law, those who are repeaters, non-citizens, and private school students will not benefit from free tuition programmes. There has not been a plan for a revision of the existing subsidy scheme for senior high school students, such as the Project for Promoting Measures to Help General and Vocational High School Students Pay Tuition Fees affected[1]. Given the high percentage of transition rate from junior high to senior high schools, which was 97.7 percent in 2011, the Act also aims to change the entrance examination system by further reducing the role of the Joint Education System ("Basic Complacency Test"), and consequently boost rural schools with poor performance in the entrance examination for higher education (Gao, 2012).

Social Assistance and Basic Pension

Post-war social policy in Taiwan has been dominated by state-initiated social insurance schemes. Beginning with Labour Insurance, the authoritarian KMT government launched 16 different social insurance schemes by 1995. During this period, family allowances did not exist, and income security was provided to low income households as poor relief. Unemployment insurance was not introduced until 1999.

The social security system, in particular the income security system before 1987, was very limited. The social security system was heavily based on social-insurance programmes tied to certain occupational statuses such as civil servants, teachers, military personnel and private sector workers. One of the underlying ideas of this employment or occupation based system was to reduce the mobility of workers, with an element of social control (Chen, 2005) [2].

The system of old-age income security was mainly based on both old-age benefits from insurance and old-age payments from the employers. Insurance system was based on three major insurances established along the line of occupations: Labor Insurance (LI) for private business employees implemented at the provincial level in 1950, Military Servicemen's Insurance (MSI) legislated in 1953, and Government Employees Insurance (GEI) legislated in 1958. Starting with workers employed in companies with at least twenty employees, LI was extended to companies with ten or more employees, and fishermen and on a voluntary basis to those working in companies with fewer than ten employees by 1953. As the government legislated LI as national level insurance together with the GEI in 1958, the overarching administrative and financial responsibilities for social insurance were moved from provincial jurisdiction to the central government. Two principal ministries in the cabinet carried out the collection of insurance funds and the administration of the separate schemes. The GEI scheme was managed by the Ministry of Examination (Examination Yuan) while the LI was under the administrative aegis of the Ministry of the Interior (the Bureau of Labor Insurance; Wong, 2004).

These schemes covered old age income security as well as sickness, maternity, disability and death. The employers' contribution rate was as high as 80 percent of premium while the employees paid just 20 percent. The LI scheme covering private business employees was the largest in terms of its membership, but covered a workforce of 8.8 million, equivalent to only 38.2 percent of the total population in 2007. Those insured by the LI scheme received old age lump sum benefits and occupational pensions if they satisfied the qualifying criteria regulated by either the Labor Standard Law or New Pension Act of 2008. In the case of self-employed workers enrolled in the voluntary LI scheme, 70 percent of the monthly contribution was paid by the enrollees and

1 Some categories of students such as disabled students, those students from low income families, students from single parent families, and indigenous students have been exempted from fees in private normal and vocational high schools. And various categories of students have received different amounts of government subsidies The Ministry of Edcuation, T. (2013). The Intelligent Taiwan - Manpower Cultivation Project (Forming Parto of the "i-Taiwan" 12 Projects), The Ministry of Education, Taiwan,.

2 For instance, civil servants transferred to private firms, their work experiences in public departments were not automatically incorporated into the calculation of work years in the insurance system for the private sector workers.

the remaining 30 percent was subsidized by the government (Wong, 2004).

The other source of old age income security was old age benefit from employers legislated by the Labour Law and the Government Employees Retirement Law. Contributors could usually collect their benefits from insurance schemes when they reached retirement age, but they could not claim old age benefits from their employers if they had lost their job before retirement. Since the size of the benefits from employers were in general bigger than the benefits from the insurance, the system of old age income security based on benefits from employers played a more significant role in reducing the workers' mobility than those of insurances. The employers tried to avoid payment of old age benefits to workers by closing down and opening a new company or dismissal of workers before reaching their retirement age (Chen, 2005). The lack of any regulation on the portability of the entitlement to occupational pensions further disadvantaged the works, in particularly those workers with low income who had relatively high turnover rate (Shih and Mok, 2012). The short time span of the small and medium sized companies in Taiwan was both cause and result of the development of this employers' old age payment system (Wu, 1997). Although the enactment of Labour Standard Law of 1984 significantly strengthening labour protection and the implementation of the law's enforcement measures which substantially increased the costs of firing helped to reduce the employers' tendency to fire and helped the workers receive old-age payment from them, the impact on those in small companies was rather limited compared to that of workers in medium and large sized companies, and the impact on old-age security was not significant (Kan and Lin, 2011; Shih and Mok, 2012).

However, even if workers were able to receive old age benefits both from the LI and the lump sum payment from the employers, its earnings replacement rate would be only approximately 33 percent at best, whereas government employees and military personnel could gather up to 90 percent or more than 100 percent of pre-retirement income (Fu, 1994; Guo, 1998; Lin, 2005).

The first social assistance law was the Social Relief Law of 1943 which aimed to help those living in poverty due to age, youth, pregnancy, disability or disaster. The system was residual and targeted at very low-income families. It was replaced by the Social Assistance Law of 1980 which provided benefits to those with low income rather those affected by causes of poverty. However, it did not have a specific formula for selecting beneficiaries, and left discretionary power to government officials to select them. In general, a very low poverty line was set up by government officials, and the population covered by the social assistance schemes gradually declined (Ku, 1995).

The declined coverage of social assistance schemes was parallel with the increase of social insurance schemes. As the government established various policies to expand the coverage of social insurance[1], the coverage of social assistance schemes drastically reduced. For instance, while the coverage of social insurance increased from 12.0 percent of the population in 1965 to 45.8 percent in 1997, the coverage of social assistance declined from 8.9 percent of the population in 1965 to only 0.5 percent in 1997 (Huang and Ku, 2011). The "golden era of welfare reforms" in Taiwan had a dark side of it, in particular in the field of social assistance (Peng, 2001).

After the lifting of martial law in 1987 onwards, in particular since 1992 when the opposition Democratic Progressive Party (DPP) successfully mobilized electoral support through the election manifesto of universal non-contributory old-age allowance , politics, in particular the universalist welfare policy of the DPP and the economy-first policy stance of the Kuomintang party (KMT), dominated the development trajectory of the social security system. This was particularly true of the income security system. Poverty among the retired population, especially farmers who were not mandatorily covered by insurance schemes, was a hot political issue in the 1990s

1 For instance, the government relaxed the enrolment standards of the LI, the urban middle class wage earners were allowed to join the scheme in the 1980s. It resulted in a 130 percent increase of enrollees in the 1980sLin, C. (2005). Pension Reform in Taiwan: The old and new politics of welfare.Ageing and Pension Reform Around the World. G. Bonoli and T. Shinkawa. Cheltenham, UK and Northhampton, MA, USA, Edward Elgar.

(Chen, 2005; Lin, 2005). In the 1990 election, the DPP proposed a universal non-contributory old-age allowance (lao-ren nianjin translated as old-age pension), which gained ample support, and the KMT responded to this challenge by launching its allowance programme for the poor elderly population in 1993 and extending the programme's eligibility by up to 250 percent of the poverty line in 1994 (Huang and Ku, 2011). However, as we can see in the case of a non-contributory Welfare Allowance for Aged Farmers established in 1995, the size of the benefit was very modest[1].

Although the KMT government established various social assistance schemes such as the Living Allowance for Middle-Low Income Elderly People (1994), the Welfare Allowance for Aged Farmers (1995), and the Living Allowance for Elderly People (2002), it did not reform the system of old-age income security system heavily favouring government employees and military personnel with modest social assistance programmes. However, due to a very generous replacement rate of pension schemes, the financial burden on the government grew, and in 1995 when the health part of the insurance schemes merged into the National Health Insurance, the public service pension system was changed from a totally government-financed system to a "Contributory Pension Fund" supported by funds jointly contributed by the government and the participants. Public and private school personnel and military personnel took part in this Fund in 1996 and 1997, respectively.

In 1997, the KMT government took a significant move in terms of welfare reform. Firstly, it decided to launch new pension system composed of two tier, flat-rate pension for all, and second tier, contribution based earnings-related occupational pension in 2000 (Shi). However, this was postponed due to the earthquake in 1999. Secondly, it revised the Social Assistance Law and specified the poverty line at 60 per cent of per capita consumption expenditure of the previous year. Although the estimate by the scholars and the government about the potential beneficiaries was about five to eight percent of the total population, the actual take-up rate of 1999 was only 0.85 percent since the government put strict conditions on the benefits. In particular an overly broad definition of "family members" prevented many applicants from entitlement to the benefits. Another problem is the small size of benefits. Although the government increased the benefit level, the cash benefit only covered around 50 percent of minimum expenditure (Huang and Ku, 2011).

Under the tenure of the DPP government launched in 2000, the first non-KMT government to ever take power in the post-war history of Taiwan, the debate concerning old age income security continued. The DPP government has proposed two plans for pension reform for discussion. The first was a plan composed of the defined contribution pension for the first tier pension for those not insured by any current pension systems, and an existing occupation-based earnings-related pension. The second plan consisted of universal non-contributory basic pension (first tier) to be financed by the sales of public enterprises as financial resources, and the existing occupation based pension insurance with the reduction of premiums and the contribution of the government. The two plans were put at the Legislative Yuan, but the plans, in particular the non-contributory basic pension, were severely criticized for financial unsustainability at the Yuan in which DPP was still a minority. This legislative bottle neck continued in the midst of economic recession in the early 2000s. The public wanted the government to focus on reinvigoration of economy rather than welfare reform and the DPP government postponed the introduction of new pension system by announcing that they would "give priority to economic development and delay social welfare reforms" (Ku, 2003; Lin, 2005).

Although the government announced a priority of economic development, the debate on pension reform continued. However, the pension reform issue was often engulfed in the partisan politics and competition over policy solution among different administrations, such as CEPD and Council of Labour Affairs, and the process consequently stalled. In order to avoid being blamed for the stalemate of the

1 The allowance for farmers, for instance, was no more than one-eighth of the average monthly income Ibid.

pension reform, in particular from those outside the pension schemes, politicians across the parties went for an easy option, increasing old-age allowances for farmers when they faced the elections such as 2004. (Shi, 2010).

After a series of public hearings and planning meetings between 2002 and 2006, the Council of Labour Affairs drew up a draft which was passed in the Legislative Yuan in July 2008 and was set to launch in January 2009. The National Pension Insurance, which aimed at those hitherto not covered by other pension schemes, such as unemployed people and housewives, was introduced and the pension of the LI was annuitized (Shi, 2010).

The introduction of a new National Pension Insurance and the pension annuitization of the LI in 2008 led to the attainment of comprehensive coverage. However, the new system, which has recently integrated existing military personnel, public school teacher and labour pension schemes, as well as individual accounts and farmers' non-contributory welfare subsidies, is still highly fragmented, with a number of occupationally segregated pension insurance or allowance schemes concurrently operating with various degrees of old-age protection. Different from the previous two-track system, with social insurance as the main form and social relief as the subsidiary form of retirement security, the new system amalgamated individual savings accounts and new elements of social subsidy. However, it still displays the old problems of fragmentation along lines of occupation and inequality and regressive redistribution between insurance schemes (see the Appendix 11).

The global economic crisis in the late 2000s significantly affected the Taiwanese economy and society (Chow, 2009). In addition to deteriorated economic performance, unemployment rate, income inequality and poverty significantly increased due to the financial crisis. In particular, the increase of youth and lower middle aged (20-29) unemployment rate was notable. While the middle and old aged (45 years and over) group was heavily affected during the two previous economic crises of 1982-1986 and 1998-2000, in the late 2000, youth and middle aged (i.e. 25-44) group was the one heavily affected, accounting for about 60 percent of the all un employed (Chen and Lui 2011). [1] According to data of Directorate-General of Budget, Accounting and Statistics, Executive Yuan, while the average unemployment rate was 5.85 percent in 2009, the average unemployment rate of the 20-24 years old age group was 14.67 percent, and that of the 25-29 years old age group was 8.77 percent. (Appendix 12). The weak social security system which has seen decreased spending in terms of share of the GDP since the early 2000 served to magnify the social impact of the global economic crisis (Chen and Lui, 2011).

In addition, the government created a shopping voucher programme in 2008, a kind of universal cash benefit paid to all, to respond to the global financial crisis. However, it was only provided once and offered a relatively low single payment of NT 3,600, which was about eight percent of the annual poverty line. Although the take up rate was close to 100 percent, it has been found that the shopping voucher had little effect on income equality, largely due to the small benefit amount (Huang and Ku, 2011).

The financial sustainability of the pension system became one of the major policy concerns of the Ma government, and President Ma announced overhaul of the Taiwanese pension system in early 2013. The recent government's pension reform bills, currently awaiting the approval of the legislature, aim to restructure retirement plans for private sector workers, military personnel, and public school teachers. The bills proposing changes to benefits, replacement rates, and retirement age would increase contributions, push for later retirement, and reduce benefits. The reform bills have sparked protests and dented popularity ratings for Ma and the ruling KMT party (Bowie, 2013).

1 Youth and middle aged (25-44) unemployed people accounted for 55.78 percent and 57.44 percent of the unemployed in 2008 and January 2009 57.44 percent respectively. Chen, I. and J. Lui (2011). "Develoment and Reform of Taiwanese Social Security System under the Economic Crisis (in Korean)." Asia Yeongu **54**(1): 72-275.

CONCLUSION

Developmental trajectories of health and pension schemes of these three cases show various pathways in expanding the coverage involving diverse actors, institutional arrangements, and processes to reduce the costs of fragmentation. With regard to the fragmentation issue, although Japan has a system to enhance the coordination level of intra-sectoral and inter-schemes such as different insurance societies dealing with both health and pension schemes, and transfer of members and resources from one scheme to another in the cases of health care and old aged health care, it is still fragmented. In contrast, South Korea and Taiwan, beginning with fragmented health schemes, achieved single payer schemes through the strong state's role in coordinating different insurance societies. In both cases, the government played a significant role in redistributing from financially sound insurance societies to financially less sound insurance societies. The question is why the fragmented health insurance schemes in South Korea and Taiwan eventually became unified, while Japanese health system even with its significant contribution of heath finance and strong and efficient governments with a strong capacity in achieving rapid economic growth still remains fragmented in the sense that there is no one single payer. It becomes more interesting considering Japan, South Korea and Taiwan all of which are arch typical models of the developmental state for rapid economic growth started its system of health insurance with fragmented system and expanded in a similar trajectory up to the point where South Korea and Taiwan transformed their fragmented systems into single unified payer system. We may be able to highlight the following factors drawn from our explanations as reasons for the divergence of South Korea and Taiwan from Japan, in transforming fragmented systems into single payer systems. Firstly, the politics of democratization played a significant role in facilitating the establishment of single payer system of health insurance. Introduction of election has created a space in which the political competition over the solution to the problems of fragmented health insurance system. Compared to piecemeal and gradual expansion of the existing system under the period of authoritarian regimes, the changes initiated by the ruling parties in the process of democratization in both countries were much more transformative in both countries since the ruling parties facing the uncertainty on the maintenance of the power could no longer rely on selective distributional coalitions of political support and had to target broad popular support. Secondly, weak resistance from the policy opponents, internal division within the opposition party in the case of Taiwan, and strategic choice of policy priority of the employers and trade unions of big companies in the case of South Korea also reduce the costs for the reform of the insurance system.

In contrast Japan has lacked these factors. Firstly, the transition from authoritarian to democracy during the 1940s and 50s were mainly controlled and guided by foreign force and could not create the political space for policy change. What politicians needed to garner votes were the capacity to maintain status quo rather than change. Secondly, weak executive power of the Prime Minister partly due to the intra-party factional politics, and the strongly entrenched bureaucracy at the national and local governments have made radical changes in policy difficult. Frequent ministerial reshuffles and resulting weak resulting ministerial leadership, in particular those social and labour affairs compared to financial ministries reinforced this the bureaucrat-dominant decision-making system which was one of the major factors for economic success but not the driving force for social policy reform (Oyama and Takeda, 2010). The system in which "the politicians reign and the bureaucrats rule" was effectively working at least until the mid 1970s (Johnson, 1978). Although there was not an initiative to integrate fragmented insurance societies, from neither politicians nor bureaucrats, the resistance of bureaucrats to any radical reform such as integration of health insurance schemes would have been great as we can see in the process of privatization of post office case under Koizumi's leadership. Third, incapacity of bureaucracy in Japan is also a factor for the continuation of fragmented insurance society. Since the mid-1970s when the politicians gained strength, the bureaucrats also could not take a full control in shaping public policy and had to consult frequently changing politically appointed ministers.

The "dual government" in which politicians and bureaucrats had to compete and compromise over the policy issues did not make a favourable environment for radical policy changes. Since the early 1990s, after 10 years of stagnation, increasing demand for strong political leadership for change resulted in several radical reforms such as electoral system change to abolish intra-party factional competition and corruption, and streamlined administration by reducing the number of ministries and to enhance the capacity of the Prime Minister and his Cabinet to exercise leadership. These reforms led to a limited success of several economic and public policy reforms such as privatisation of post office but not to social policy reform.

Be it integrated or not, development of welfare provision in terms of the coverage expansion in Japan, South Korea and Taiwan offers several important policy messages. First, it challenges the assumption that a welfare state is a luxury which can only be built after a certain level of economic development. All three cases planned or started to build social benefits and services targeting a substantial number of people either before or in the middle of industrialization for such reasons as nation building, legitimacy enhancement, social integration, and resource mobilization for industrialization. Second, uneven development trajectory of institutional infrastructure of different service and transfers (i.e. health, education and pension) has significantly affected the contents, nature and timing of introduction in the system of public sector provision of different services and transfer schemes. Infrastructure of compulsory education in all three cases developed well before the start of massive post World War II industrialization, and achieved universal coverage well before other systems of welfare provision achieved similar coverage. Third, related to the second lesson, each system of benefits and service provision has its own developmental path. Fourth, as each system of welfare benefits and service provision expands coverage, the interaction between the systems creates structural isomorphism in which a particular principle dominates in most system for ease of government coordination. In Japan, both health and pension have equally fragmented systems. The same insurance societies dealing with health and pension schemes are the key institutions creating this structural isomorphism. Korea went for a single payer system for health schemes. Except for pension funds for government employees and private school teachers, only one single payer, National Pension Service, covers whole population. And all the pensions schemes are based on defined-benefit funded pension scheme. Inequality between different schemes for the same kind of service become a political agenda easily and unified system for all the beneficiaries become a key agenda for political strategy to mobilize supports. Taiwan is rather exceptional in this convergence trend as pension schemes in Taiwan are still fragmented in terms of rules and regulations on beneficiaries and benefits even they are under the single umbrella of National Pension Insurance. However, as health insurance became unified, Taiwanese government did plan for a more unified scheme of pension for greater coordination efficiency. Recent attempts to reform pension system is one of evidences for this government policy effort. Fifth, a fragmented system of welfare provision does not necessarily prevent coverage for a whole population. With significant government funding, and a well organized system of coordination in covering and allocating adequate budgets for the target groups, universal coverage can be achieved. However, it needs to be a really well organized system including redistributive policy transferring resources from the rich administrative unit to the poor ones, and substantial participation of civil society as seen in the case of Japan. Sixth, universal entitlement to join the contribution-based insurance scheme in which the insured have to pay substantial premiums is less likely to guarantee actual universal coverage of benefits and services due to the reluctance of those with low income to pay premiums, as in the case of South Korea. Seventh, both Korean and Japanese health system (and Taiwanese with less extent) show that the private sector can play a significant role in enhancing accessibility to health care systems. However, it should be noted that the state, rather than market, has played a significant role in certification, controlling the reimbursement of insured services, and monitoring the quality of service, and consequently managing the insurance system in both countries. Eighth, although it is difficult to draw a lesson on the sequence of universalization or the integration of fragmented system from the three cases we have observed, what we can find in the experiences of South Korea and Taiwan in achieving in the integration is the system of welfare service or transfer with the schemes with financial instability and intra-schemes inequality was the first to be integrated. The political pressure from those concerned with these issues have played a key role in determining which system of welfare provision should be prioritized first. Ninth, as mentioned previously, in all three cases, civil society organisations have played a significant role in shaping the reform of systems of welfare provision. Various spaces provided by the democratic system such as a judiciary that is relatively easily accessed by the public, public hearings and consultations, and open and transparent electoral systems provide ample opportunities to people to translate their demands into policies. Again, the role of government as a mediator and coordinator among different interests is a key to the reform. Governments without adequate capacity to exercise leadership over multiple players are more likely to complicate systems or cause more harm than to make a synergistic integrated system. The systems of benefits and service provision we review in this paper are diverse, and not without their unique problems and challenges, but are equally built upon by the strong role of the state in coordinating different interests.

APPENDIX 1.TABLE 1. NUMBER OF HEALTH INSURANCE COOPERATIVES BY YEAR

		1977	1981	1985	1989	1993	1996	1997	1998	1999
Total		521	196	169	408	419	372	372	372	142
Company-based cooperatives	Sub-total	513	185	144	154	153	145	145	145	142
	Single company cooperative	494	114	70	71	70	63	63	63	60
	Cooperative for multiple companies	19	71	74	83	83	82	82	82	82
Residence-based coopera-tives	Sub-total	8	10	13	254	266	227	227	227	0
	Rural area	n.a.	n.a.	n.a.	137	136	94	92	92	0
	Urban area	n.a.	n.a.	n.a.	117	130	133	135	135	0
Trade-based cooperatives		n.a.	1	12	0	0	0	0	0	0
State owned corporation to administer medical insurances for government employees and teachers		0	1	1	1	1	1	1	1	1

Source: Author's modification based on (Kim, 2002)

APPENDIX 2. BASIC AND HEALTH CARE INDICATORS : TAIWAN, 1960-1994 (CHIANG, 1997)

	1960	1970	1980	1990	1994
Basic Indicators					
Population (million)	10.7	14.7	17.8	20.2	21.0
Per capital GNP (USD)	154	389	2344	7954	11604
Crude death rate (1/1000)	6.8	4.9	4.8	5.2	5.4
Life expectancy (years)					
Male	61.8	66.1	69.6	71.3	71.8
Female	67.1	71.2	74.5	76.8	77.7
% of population aged 65+	2.5	3.0	2.3	6.2	7.2
Health Care Resources					
Physicians per 1000 persons	0.5	0.4	0.7	1.0	1.1
Hospital beds per 1000 persons	0.7a	2.4b	3.2c	4.1	4.5
% of public hospital beds	71.3a	60.8b	53.3c	42.7	39.9
Health Care Financing					
Per capita health spending (USD)	NA	NA	78	330	599
Health spending as % of GDP	NA	NA	3.3	4.2	5.1
% of population insured	6.3	7.9	16.0	47.3	57.0

Source: Council for Economics Planning and Development, Republic of China, Taiwan Statistical Data Book, 1995; Department of Health, Executive Yuan, Republic of China, Health and Vital Statistics, Volume 1, General Health Statistics, 1994; Chiang, T.L., Hospital policies in Taiwan, 1945-1994 (in preparation); Wu, K.S., Social health insurance in Taiwan: A review. In C.L., Yaung (ed.), Health Insurance (2nd edn.), Chu-Liu Book Co,. Taipei,1995.(in Chinese)

[a] *1961*

[b] *1971*

[c] *1982*

APPENDIX 3. JAPANESE SCHOOLS AND STUDENTS BY YEAR AND SECTOR

Elementary Schools										
	total	National government run	Local government run	Private	share of private schools	Total	National government run	Local government run	Private	share of students in private schools
1948	25,237	91	25,050	96	0.4	10,774,652	44,469	10,706,599	23,584	0.2
1949	25,638	86	25,329	223	0.9	10,991,927	42,232	10,905,837	43,858	0.4
1950	25,878	81	25,702	95	0.4	11,191,401	42,887	11,123,449	25,065	0.2
1951	26,056	77	25,874	105	0.4	11,422,992	43,847	11,351,453	27,692	0.2
1952	26,377	78	26,184	115	0.4	11,148,325	44,358	11,073,690	30,277	0.3
1953	26,555	76	26,352	127	0.5	11,225,469	44,939	11,148,176	32,354	0.3
1954	26,804	76	26,590	138	0.5	11,750,925	44,864	11,669,345	36,716	0.3
1955	26,880	76	26,659	145	0.5	12,266,952	45,691	12,181,255	40,006	0.3
1956	26,957	76	26,730	151	0.6	12,616,311	46,050	12,529,459	40,802	0.3
1957	26,988	76	26,755	157	0.6	12,956,285	46,239	12,866,071	43,975	0.3
1958	26,964	75	26,731	158	0.6	13,492,087	46,618	13,398,465	47,004	0.3
1959	26,916	76	26,681	159	0.6	13,374,700	46,490	13,279,428	48,782	0.4
1960	26,858	76	26,620	162	0.6	12,590,680	45,968	12,495,514	49,198	0.4
1961	26,741	75	26,505	161	0.6	11,810,874	45,911	11,716,706	48,257	0.4
1962	26,615	75	26,379	161	0.6	11,056,915	45,674	10,962,450	48,791	0.4
1963	26,423	74	26,189	160	0.6	10,471,383	45,644	10,376,601	49,138	0.5
1964	26,210	73	25,976	161	0.6	10,030,990	45,460	9,935,044	50,486	0.5
1965	25,977	72	25,745	160	0.6	9,775,532	45,389	9,678,329	51,814	0.5
1966	25,687	70	25,457	160	0.6	9,584,061	45,467	9,486,011	52,583	0.5
1967	25,487	70	25,257	160	0.6	9,452,071	45,983	9,353,035	53,053	0.6
1968	25,262	71	25,029	162	0.6	9,383,182	46,409	9,283,028	53,745	0.6
1969	25,013	71	24,781	161	0.6	9,403,193	46,778	9,301,825	54,590	0.6
1970	24,790	71	24,558	161	0.6	9,493,485	47,215	9,391,425	54,845	0.6
1971	24,540	71	24,308	161	0.7	9,595,021	47,468	9,491,804	55,749	0.6
1972	24,325	71	24,092	162	0.7	9,696,233	47,480	9,592,677	56,076	0.6
1973	24,592	71	24,358	163	0.7	9,816,536	47,354	9,712,707	56,475	0.6
1974	24,606	71	24,373	162	0.7	10,088,776	47,036	9,984,363	57,377	0.6
1975	24,650	71	24,419	160	0.6	10,364,846	46,868	10,259,848	58,130	0.6
1976	24,717	71	24,486	160	0.6	10,609,985	46,762	10,504,577	58,646	0.6
1977	24,777	71	24,544	162	0.7	10,819,651	46,596	10,714,312	58,743	0.5
1978	24,828	71	24,591	166	0.7	11,146,874	46,301	11,041,244	59,329	0.5
1979	24,899	71	24,662	166	0.7	11,629,110	46,204	11,522,896	60,010	0.5
1980	24,945	72	24,707	166	0.7	11,826,573	46,144	11,720,694	59,735	0.5
1981	25,005	73	24,766	166	0.7	11,924,653	46,355	11,819,002	59,296	0.5
1982	25,043	73	24,802	168	0.7	11,901,520	46,689	11,795,275	59,556	0.5
1983	25,045	73	24,804	168	0.7	11,739,452	47,149	11,632,497	59,806	0.5
1984	25,064	73	24,822	169	0.7	11,464,221	47,300	11,357,064	59,857	0.5
1985	25,040	73	24,799	168	0.7	11,095,372	47,400	10,988,104	59,868	0.5
1986	24,982	73	24,739	170	0.7	10,665,404	47,513	10,557,749	60,142	0.6
1987	24,933	73	24,692	168	0.7	10,226,323	47,541	10,118,229	60,553	0.6
1988	24,901	73	24,658	170	0.7	9,872,520	47,527	9,763,547	61,446	0.6
1989	24,851	73	24,608	170	0.7	9,606,627	47,400	9,496,553	62,674	0.7
1990	24,827	73	24,586	168	0.7	9,373,295	47,304	9,262,201	63,790	0.7

continued

continued

1991	24,798	73	24,557	168	0.7	9,157,429	47,234	9,045,154	65,041	0.7
1992	24,730	73	24,487	170	0.7	8,947,226	47,231	8,834,049	65,946	0.7
1993	24,676	73	24,432	171	0.7	8,768,881	47,226	8,654,680	66,975	0.8
1994	24,635	73	24,390	172	0.7	8,582,871	47,248	8,468,014	67,609	0.8
1995	24,548	73	24,302	173	0.7	8,370,246	47,318	8,254,741	68,187	0.8
1996	24,482	73	24,235	174	0.7	8,105,629	47,248	7,990,020	68,361	0.8
1997	24,376	73	24,132	171	0.7	7,855,387	47,294	7,739,957	68,136	0.9
1998	24,295	73	24,051	171	0.7	7,663,533	47,334	7,548,163	68,036	0.9
1999	24,188	73	23,944	171	0.7	7,500,317	47,351	7,385,068	67,898	0.9
2000	24,106	73	23,861	172	0.7	7,366,079	47,288	7,251,265	67,526	0.9
2001	23,964	73	23,719	172	0.7	7,296,920	47,260	7,182,433	67,227	0.9
2002	23,808	73	23,560	175	0.7	7,239,327	47,238	7,124,712	67,377	0.9
2003	23,633	73	23,381	179	0.8	7,226,910	47,152	7,111,695	68,063	0.9
2004	23,420	73	23,160	187	0.8	7,200,933	46,958	7,084,675	69,300	1.0
2005	23,123	73	22,856	194	0.8	7,197,458	46,720	7,079,788	70,950	1.0
2006	22,878	73	22,607	198	0.9	7,187,417	46,484	7,067,863	73,070	1.0
2007	22,693	73	22,420	200	0.9	7,132,874	46,202	7,011,876	74,796	1.0
2008	22,476	73	22,197	206	0.9	7,121,781	45,871	6,999,006	76,904	1.1
2009	22,258	74	21,974	210	0.9	7,063,606	45,507	6,939,922	78,177	1.1
2010	22,000	74	21,713	213	1.0	6,993,376	45,016	6,869,318	79,042	1.1
2011	21,721	74	21,431	216	1.0	6,887,292	44,580	6,763,713	78,999	1.1
2012	21,460	74	21,166	220	1.0	6,764,619	43,257	6,642,721	78,641	1.2
2013	21,132	74	20,837	221	1.0	6,676,948	42,111	6,556,537	78,300	1.2

Source: e-Stat Japanese government statistics portal

http://www.e-stat.go.jp/SG1/estat/GL02020101.do?method=extendTclass&refTarget=toukeihyo&listFormat=hierarchy&statCode=00400001&tstatCode=000001011528&tclass1=000001021812&tclass2=&tclass3=&tclass4=&tclass5=

Middle Schools										
	Number of Schools					Number of Students				
	Total	National government run	Local government run	Private	share of private schools(%)	Total	National government run	Local government run	Private	share of students in private schools(%)
1948	16,285	98	15,326	861	5.3	4,792,504	24,568	4,429,423	338,513	7.1
1949	14,200	95	13,317	788	5.5	5,186,188	30,371	4,864,066	291,751	5.6
1950	14,165	92	13,302	771	5.4	5,332,515	31,435	5,031,862	269,218	5.0
1951	13,836	86	13,004	746	5.4	5,129,482	31,933	4,870,055	227,494	4.4
1952	13,748	84	12,952	712	5.2	5,076,495	31,948	4,853,144	191,403	3.8
1953	13,685	82	12,920	683	5.0	5,187,378	32,813	4,978,878	175,687	3.4
1954	13,773	81	13,008	684	5.0	5,664,066	33,475	5,449,008	181,583	3.2
1955	13,767	81	13,022	664	4.8	5,883,692	34,062	5,667,651	181,979	3.1
1956	13,724	81	13,001	642	4.7	5,962,449	34,400	5,745,727	182,322	3.1
1957	13,622	81	12,913	628	4.6	5,718,182	34,510	5,504,428	179,244	3.1
1958	13,392	80	12,694	618	4.6	5,209,951	34,573	5,004,476	170,902	3.3
1959	13,135	80	12,460	595	4.5	5,180,319	34,598	4,969,327	176,394	3.4
1960	12,986	79	12,304	603	4.6	5,899,973	34,819	5,657,251	207,903	3.5
1961	12,849	79	12,159	611	4.8	6,924,693	35,674	6,642,691	246,328	3.6
1962	12,647	79	11,951	617	4.9	7,328,344	36,032	7,031,096	261,216	3.6
1963	12,502	78	11,804	620	5.0	6,963,975	36,075	6,690,651	237,249	3.4
1964	12,310	78	11,611	621	5.0	6,475,693	35,914	6,232,155	207,624	3.2
1965	12,079	76	11,384	619	5.1	5,956,630	36,018	5,739,621	180,991	3.0
1966	11,851	75	11,159	617	5.2	5,555,762	36,595	5,356,434	162,733	2.9
1967	11,684	75	11,004	605	5.2	5,270,854	37,392	5,082,108	151,354	2.9
1968	11,463	75	10,787	601	5.2	5,043,069	37,981	4,860,214	144,874	2.9
1969	11,278	76	10,610	592	5.2	4,865,196	38,253	4,685,073	141,870	2.9
1970	11,040	76	10,380	584	5.3	4,716,833	38,097	4,536,538	142,198	3.0
1971	10,839	76	10,195	568	5.2	4,694,250	37,900	4,511,771	144,579	3.1
1972	10,686	76	10,042	568	5.3	4,688,444	37,517	4,503,756	147,171	3.1
1973	10,836	76	10,195	565	5.2	4,779,593	37,253	4,592,736	149,604	3.1
1974	10,802	76	10,165	561	5.2	4,735,705	36,909	4,548,102	150,694	3.2
1975	10,751	76	10,120	555	5.2	4,762,442	36,685	4,573,225	152,532	3.2
1976	10,719	76	10,092	551	5.1	4,833,902	36,501	4,643,594	153,807	3.2
1977	10,723	76	10,100	547	5.1	4,977,119	36,445	4,785,410	155,264	3.1
1978	10,778	76	10,151	551	5.1	5,048,296	36,328	4,857,562	154,406	3.1
1979	10,746	76	10,118	552	5.1	4,966,972	36,159	4,779,920	150,893	3.0
1980	10,780	76	10,156	548	5.1	5,094,402	35,997	4,908,665	149,740	2.9
1981	10,810	77	10,183	550	5.1	5,299,282	35,975	5,111,854	151,453	2.9
1982	10,879	77	10,252	550	5.1	5,623,975	36,137	5,429,701	158,137	2.8
1983	10,950	77	10,314	559	5.1	5,706,810	36,261	5,506,783	163,766	2.9
1984	11,047	78	10,402	567	5.1	5,828,867	36,408	5,622,895	169,564	2.9
1985	11,131	78	10,472	581	5.2	5,990,183	36,674	5,777,753	175,756	2.9
1986	11,190	78	10,517	595	5.3	6,105,749	36,917	5,885,843	182,989	3.0
1987	11,230	78	10,555	597	5.3	6,081,330	37,067	5,855,407	188,856	3.1
1988	11,266	78	10,585	603	5.4	5,896,080	37,008	5,665,968	193,104	3.3
1989	11,264	78	10,578	608	5.4	5,619,297	36,502	5,386,134	196,661	3.5
1990	11,275	78	10,588	609	5.4	5,369,162	35,851	5,130,708	202,603	3.8

continued

continued

1991	11,290	78	10,595	617	5.5	5,188,314	35,170	4,942,223	210,921	4.1
1992	11,300	78	10,596	626	5.5	5,036,840	34,811	4,782,499	219,530	4.4
1993	11,292	78	10,578	636	5.6	4,850,137	34,678	4,588,523	226,936	4.7
1994	11,289	78	10,568	643	5.7	4,681,166	34,575	4,415,185	231,406	4.9
1995	11,274	78	10,551	645	5.7	4,570,390	34,500	4,300,507	235,383	5.2
1996	11,269	78	10,537	654	5.8	4,527,400	34,423	4,255,168	237,809	5.3
1997	11,257	78	10,518	661	5.9	4,481,480	34,382	4,207,655	239,443	5.3
1998	11,236	78	10,497	661	5.9	4,380,604	34,415	4,107,590	238,599	5.4
1999	11,220	78	10,473	669	6.0	4,243,762	34,479	3,972,115	237,168	5.6
2000	11,209	76	10,453	680	6.1	4,103,717	33,732	3,835,338	234,647	5.7
2001	11,191	76	10,429	686	6.1	3,991,911	33,647	3,724,711	233,553	5.9
2002	11,159	76	10,392	691	6.2	3,862,849	33,544	3,597,997	231,308	6.0
2003	11,134	76	10,358	700	6.3	3,748,319	33,504	3,482,087	232,728	6.2
2004	11,102	76	10,317	709	6.4	3,663,513	33,453	3,394,055	236,005	6.4
2005	11,035	76	10,238	721	6.5	3,626,415	33,402	3,350,507	242,506	6.7
2006	10,992	76	10,190	726	6.6	3,601,527	33,407	3,320,772	247,348	6.9
2007	10,955	76	10,150	729	6.7	3,614,552	33,228	3,327,531	253,793	7.0
2008	10,915	76	10,104	735	6.7	3,592,378	33,069	3,302,207	257,102	7.2
2009	10,864	75	10,044	745	6.9	3,600,323	32,460	3,308,105	259,758	7.2
2010	10,815	75	9,982	758	7.0	3,558,166	32,077	3,270,582	255,507	7.2
2011	10,751	73	9,915	763	7.1	3,573,821	31,681	3,287,437	254,703	7.1
2012	10,699	73	9,860	766	7.2	3,552,663	31,580	3,269,759	251,324	7.1
2013	10,628	73	9,784	771	7.3	3,536,201	31,456	3,255,326	249,419	7.1

Source : e-Stat Japanese government statistics portal

http://www.e-stat.go.jp/SG1/estat/GL02020101.do?method=extendTclass&refTarget=toukeihyo&listFormat=hierarchy&statCode=00400001&tstatCode=000001011528&tclass1=000001021812&tclass2=&tclass3=&tclass4=&tclass5=

APPENDIX 4. SHARE OF JAPANESE GOVERNMENT SPENDING ON ELEMENTARY AND MIDDLE SCHOOLS BY YEAR

1960	1965	1970	1975	1980	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
79.6	74.8	75.0	75.2	74.8	72.5	71.6	71.6	71.5	70.7	70.4	70.3	69.9	69.7	69.7	69.8	69.6	69.8	69.8	70.0	70.1	70.3	70.3	70.3	70.7	71.2	71.3

Source: e-Stat Japanese government statistics portal

http://www.e-stat.go.jp/SG1/estat/GL02020101.do?method=extendTclass&refTarget=toukeihyo&listFormat=hierarchy&statCode=00400202&tstatCode=000001011660&tclass1=000001021291&tclass2=000001056466&tclass3=000001056467&tclass4=&tclass5=

APPENDIX 5. NUMBER OF SCHOOL-AGED AND STUDENTS

		Grand Total	Primary School	Junior High School	Senior High School
		5007273	1373375	844884	402688
	Male	2593976	718473	440711	202025
	Female	2413297	654902	404173	200663
3-	Male	58263	0	0	0
	Female	50237	0	0	0
4-	Male	83801	0	0	0
	Female	75701	0	0	0
5-	Male	100024	98	0	0
	Female	91720	98	0	0
6-	Male	105808	105527	0	0
	Female	95840	95720	0	0
7-	Male	108815	108751	0	0
	Female	100049	100006	0	0
8-	Male	113067	113001	0	0
	Female	101658	101617	0	0
9-	Male	120483	120409	0	0
	Female	109582	109527	0	0
10-	Male	126813	126729	0	0
	Female	115807	115754	0	0
11-	Male	143823	143227	514	0
	Female	132192	131660	476	0
12-	Male	149288	650	148427	0
	Female	136073	454	135491	0
13-	Male	141353	64	141073	3
	Female	130052	49	129840	2
14-	Male	150357	14	149165	599
	Female	138256	9	137223	562
15-	Male	158290	3	1372	67530
	Female	146829	8	1022	66578
16-	Male	156645	0	134	66104
	Female	148077	0	100	66548
17-	Male	151939	0	22	64149
	Female	144887	0	15	64458
18-	Male	113356	0	2	3165
	Female	116224	0	3	2262
19-	Male	122268	0	2	375
	Female	125561	0	3	216
20-	Male	116299	0	0	74
	Female	117556	0	0	21

continued

21-	Male	110811	0	0	18
	Female	112219	0	0	11
22-	Male	70416	0	0	8
	Female	68710	0	0	5
23-	Male	39269	0	0	0
	Female	25494	0	0	0
24-	Male	25052	0	0	0
	Female	15724	0	0	0
25-	Male	15129	0	0	0
	Female	10181	0	0	0
26-	Male	10520	0	0	0
	Female	7421	0	0	0
27-	Male	9252	0	0	0
	Female	6839	0	0	0
28-	Male	8106	0	0	0
	Female	6186	0	0	0
29-	Male	7601	0	0	0
	Female	5765	0	0	0
30 and	Male	77128	0	0	0
over	Female	78457	0	0	0

Source: Ministry of Education

http://www.edu.tw/pages/detail.aspx?Node=4075&Page=20046&Index=5&WID=31d75a44-efff-4c44-a075-15a9eb7aecdf

Elementary and Middle Schools in Taiwan

		Elementary Schools	Middle Schools
Number of Schools	Government-run	2,623	726
	Private	36	16
Number of Classes	Government-run	57,057	25,471
	Private	951	2,174
Number of Students	Government-run	1,425,102	782,606
	Private	31,902	90,614

Source: Ministry of Education

http://www.edu.tw/userfiles/url/20121224161932/%e5%9c%8b%e6%b0%91%e6%95%99%e8%82%b2.pdf

APPENDIX 6. SCHOOLS AND STUDENTS DURING SOUTH KOREA'S COLONIAL PERIOD*

Type of education	School type	Schools/ students	Year			
			1915	1920	1930	1940
Primary education	Traditional form of private village school for elementary education	Schools	23,441	25,482	15,036	4,105
		Students	229,556	292,625	150,892	158,320
	Modern primary schoola	Schools	1,519 (429)	1,342 (681)	2,240 (1,727)	4,700 (4,483)
		Students	112,384 (60,660)	158,293 (107,285)	514,110 (459,457)	1,543,507 (1,385,187)
Vocational educationb	Vocational middle school	Schools	70	46	83	139
		Students	1,540	788	3,520	8,261
	Vocational high school	Schools	20	31	52	90
		Students	1,422	1,951	8,757	22,855
Secondary education	Public secondary school Type Ic	Schools	2	5	15	121d
		Students	882	1,346	6,198	32,753d
	Private secondary school Type Ic	Schools	2	9	9	-
		Students	278	1,672	4,776	-
	Public secondary school Type IIc	Schools	-	5	11	-
		Students	-	2,045	5,792	-
	Private secondary school Type IIc	Schools	-	0	0	-
		Students	-	0	0	-
	Public female secondary school Type Ic	Schools	2	2	6	-
		Students	250	268	1,556	-
	Private female secondary school Type Ic	Schools	2	5	10	-
		Students	128	441	2,866	-
	Public female secondary school Type IIc	Schools	-	12	24	51
		Students	-	2,276	7,546	12,443
	Private female secondary school Type IIc	Schools	-	-	1	13
		Students	-	-	162	5,035
Higher education	Public professional college	Schools	0	4	5	-
		Students	0	613 (265)f	1192 (835)f	5,225e (-)f
	Private professional college	Schools	1	3	8	-
		Students	14 (14)f	201 (137)f	1,410 (332)f	-
	Public teachers college	Schools	-	1	3	10
		Graduates	-	29 (29)f	437 (181)f	2,643 (-)f
	Public Kyungseong Imperial University	Japanese students	-	124 (in 1924)	599	720
		Korean students	-	44 (in 1924)	276	455

Notes:
* In 1910, the total population of South Korea was estimated at 13,128,780 and the number of school aged children about 2.6 million.
[a] Figures include those of various forms of private and public schools for primary education excluding traditional village schools. Figures in ( ) are the numbers of public schools.
[b] Figures of vocational schools include those of both public and private schools in agriculture, fishery, commerce and engineering. In 1943, the numbers of students in these schools were: 14,150 (agriculture); 968 (fishery); 10,545 (commerce); and 2,802 (engineering).
[c]'Type I' is for Korean students and 'Type II' is for Japanese students.
[d] Both public and private female and male secondary Type I schools.
[e] Statistics for public and private schools.
[f] Figures in ( ) are the number of Japanese students.
- indicates data non-existent.

Sources:Japanese Colonial Governor-General Office (various dates) based on Hirotani and Hirokawa (1973) and Lee et al. (1997).

APPENDIX 7. NUMBER OF SCHOOLS, CLASSES AND STUDENTS BY SECTOR IN KOREA (2013)

		Number of Schools	Share (%)	Number of Classes	Share (%)	Number of Students	Share (%)
Primarty Schools	Central government run	17	0.3	387	0.3	9,798	0.4
	Local government run	5,820	98.4	118,082	98.5	2,733,287	98.2
	Private	76	1.3	1,427	1.2	40,915	1.5
	Total	5,913	100.0	119,896	100.0	2,784,000	100.0
Junior High Schools	Central government run	9	0.3	186	0.3	5,764	0.3
	Local government run	2,520	79.4	46,688	82.1	1,479,595	82.0
	Private	644	20.3	9,969	17.5	318,830	17.7
	total	3,173	100.0	56,843	100.0	1,804,189	100.0
Senior High School	Central government run	19	0.8	515	0.9	14,737	0.8
	Local government run	1,355	58.4	33,622	56.6	1,053,424	55.6
	Private	948	40.8	25,268	42.5	825,542	43.6
	Total	2,322	100.0	59,405	100.0	1,893,703	100.0

Source: (Korean Educational Development Institute, 2013)

APPENDIX 8. MAJOR GOVERNMENT SAFETY NET PROGRAMMES (CASH AND IN KIND) IN JAPAN

Eligible persons	Cash benefits	In-kind benefits
Sick Elderly	Assistance for households who take care of their own elderly (limited) Long-term care insurance system (LTCIS)	Health –care services, Home-based services, Institutional services
People with disability	Disability pensions	Institutional services
Children	Child-rearing allowance for single-parent households , Child Allowance	Institutions for special children
Poor	Public assistance (Livelihood, education, housing, long-term care,etc)	Health-care services
Unemployed	Unemployment benefits	Personal support Model project (Pilot project)

APPENDIX 9. INTERNATIONAL COMPARISON OF SOCIAL EXPENDITURE PER GDP IN FY 2009

	Old Age	Survivors	Incapacity related benefits	Health	Family	Active labor market parogramme	Unemployment	Housing	Other policy areas	Total
Japan	10.99	1.45	1.15	7.19	0.96	0.43	0.39	0.16	0.25	22.97
USA	6.08	0.77	1.7	8.47	0.7	0.15	0.88		0.74	19.49
UK	7.34	0.1	3.03	8.08	3.83	0.33	0.65	1.45	0.22	25.03
Germany	9.12	2.16	3.46	8.65	2.11	1.01	1.68	0.65	0.18	29.02
France	12.33	1.94	2.12	8.97	3.2	0.99	1.53	0.85	0.44	32.37
Sweden	10.24	0.55	5.42	7.33	3.76	1.13	0.73	0.48	0.71	30.35

Source: (National Institute of Population and Social Security Research, 2013: 10)

APPENDIX 10. ACTUAL COVERAGE OF MAJOR SOCIAL INSURANCES, 1985–2010

Year	Total employees (thousands)	Non-agriculture employees		Actual coverage			
		(thousands)	Total %	Public pensionsa	Health Insurance Programb	Worker Injury Insurancec	Employment Insurance Programd
1985	14,970	11,165	74.6	5.5	44.1 (51.1)	40.3	-
1990	18,085	14,629	80.9	31.2	-	51.6	-
1995	20,414	17,729	86.8	41.1	-	44.5	23.7
1996	20,853	18,237	87.5	42.2	-	44.7	23.7
1997	21,214	18,644	87.9	40.3	-	44.2	23.0
1998	19,938	17,330	88.9	38.8	-	42.8	29.7
1999	20,291	17,765	87.6	58.5 (85.7)	-	41.9	34.1
2000	21,156	18,650	88.2	60.8 (81.9)	-	50.9	35.2
2001	21,572	19,125	88.7	59.9 (80.70	-	55.3	36.1
2002	22,169	19,771	89.2	60.4 (79.6)	-	52.9	36.2
2003	22,139	20,189	91.2	62.2 (82.9)	-	51.8	35.6
2004	22,557	20,732	91.9	60.0 (80.8)	-	50.0	36.4
2005	22,856	21,041	92.1	60.0 (80.3)	-	56.8	38.2
2006	23,151	21,366	92.3	60.7 (82.0)	-	54.2	39.8
2007	23,433	21,707	92.6	61.6 (83.4)	-	58.4	42.2
2008	23,577	21,629	91.7	61.9 (83.2)	-	62.3	43.6
2009	23,506	21,541	91.6	63.3 (84.8)	-	64.4	45.3
2010	23,829	21,904	91.9	64.8 (86.2)	-	64.8	46.2

Notes:

[a] The figures include those contributing premiums to national pensions, civil servant pensions and school teachers' pensions. The figures in the brackets include the people who should pay contributions based on the legal criteria, but are offically exempt by the government due to their low income in addition to the actual receipients of the pension (the number in the left column).

[b] Health insurance began to cover the entire population from 1989, but it is difficult to estimate the number of non-recipients due to non-payment of contributions. It is roughly estimated that the actual receiving rate of health insurance is more than 90 percent. In 1985, the 51.1 percent included those protected by the medical assistance program.

[c] The actual coverage of all employees in the non-agricultural sector is calculated from (the number of employees covered by the Worker Injury Insurance Program/all the employees in the non-agricultural sector) x 100.

[d] The actual coverage of all employees in the non-agricultural sector is calculated from (the number of workers covered by the Employment Insurance Program/all the employees in the non-agricultural sector) x 100.

[c, d] The actual coverage rate of the Worker Injury Insurance Program and the Employment Insurance Program includes the special category of workers who should be covered, but are legally excluded due to their particular job characteristics (e.g. heavy truck drivers, golf club caddies and teachers for homework studies).

- indicates not applicable.

Sources: For 1985–2007, Wook (2010:72); for 2008–10, Ministry of Health and Welfare (2012). From (Chung Forthcoming in 2014)

APPENDIX 11. THE THREE PILLAR PENSION SYSTEM IN TAIWAN

<table>
<tr><td>3rd Pillar</td><td colspan="7">Private savings and commercial insurance</td></tr>
<tr><td>2nd Pillar</td><td colspan="3"></td><td colspan="2">Labour Pension Act (Individual account)</td><td rowspan="3">Social insurance for civil servants, teachers</td><td rowspan="3">Social insurance for military personnel</td></tr>
<tr><td>1st Pillar</td><td>Farmer allowance</td><td>National pension insurance</td><td colspan="3">Labour insurance</td></tr>
<tr><td rowspan="4">Occupational group categories</td><td>Farmers</td><td>Others (housewives, unemployed, etc.)</td><td>Self-employed</td><td>Employed workers</td><td>State enterprise workers</td></tr>
<tr><td colspan="3" rowspan="2">Employed</td><td colspan="2">State enterprises</td><td>Civil services</td><td rowspan="2">Army</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td colspan="3">Private sector</td><td colspan="4">Public sector</td></tr>
</table>

Figure 1. The three-pillar pension system in Taiwan

Source: Compiled by the authors

Source: (Shi and Mok, 2012)

APPENDIX 12. TIME SERIES OF UNEMPLOYMENT RATE BY AGE IN TAIWAN (PROVINCE OF CHINA) (UNIT: PERCENT, ANNUAL AVERAGE)

e		Total	15~19 years	20~24 years	25~29 years	30~34 years	35~39 years	40~44 years	45~49 years	50~54 years	55~59 years	60~64 years	65 years & over
1978	Ave.	1.67	3.95	3.77	1.54	0.64	0.38	0.43	0.43	0.82	0.76	0.43	0.17
1979	Ave.	1.27	3.12	3.36	1.02	0.42	0.23	0.24	0.32	0.48	0.47	0.41	0.00
1980	Ave.	1.23	3.21	3.13	1.09	0.44	0.31	0.19	0.29	0.43	0.44	0.29	0.00
1981	Ave.	1.36	3.75	3.50	1.12	0.50	0.40	0.35	0.34	0.44	0.38	0.17	0.04
1982	Ave.	2.14	5.18	5.45	2.02	0.98	0.88	0.64	0.56	0.88	0.71	0.59	0.00
1983	Ave.	2.71	6.60	6.49	2.65	1.44	1.18	0.90	0.99	1.26	1.22	0.57	0.00
1983	Jan.	2.73	5.80	6.98	2.25	1.25	1.26	1.09	1.35	1.12	1.76	0.93	0.00
1984	Ave.	2.45	5.85	6.24	2.65	1.30	1.00	0.71	0.72	0.98	1.02	0.69	0.12
1985	Ave.	2.91	7.53	7.12	3.05	1.76	1.21	1.13	0.91	1.25	1.20	0.79	0.20
1986	Ave.	2.66	6.76	6.79	2.95	1.50	1.22	1.05	1.01	0.95	0.82	0.89	0.24
1987	Ave.	1.97	5.57	5.39	2.13	1.04	0.84	0.62	0.65	0.66	0.62	0.44	0.12
1988	Ave.	1.69	5.02	4.78	1.95	0.94	0.70	0.56	0.57	0.43	0.40	0.55	0.12
1989	Ave.	1.57	5.03	4.39	1.88	0.89	0.68	0.50	0.55	0.47	0.42	0.25	0.22
1990	Ave.	1.67	5.68	4.79	1.92	0.99	0.84	0.64	0.64	0.52	0.36	0.22	0.03
1991	Ave.	1.51	4.93	4.41	1.91	0.91	0.76	0.62	0.49	0.55	0.41	0.23	0.11
1992	Ave.	1.51	4.98	4.70	2.00	1.00	0.64	0.53	0.52	0.48	0.35	0.31	0.08
1993	Ave.	1.45	4.78	4.60	1.94	0.96	0.68	0.53	0.48	0.45	0.40	0.25	0.10
1994	Ave.	1.56	4.96	4.67	2.19	1.19	0.74	0.65	0.60	0.45	0.43	0.29	0.13
1995	Ave.	1.79	5.59	5.16	2.55	1.36	1.00	0.82	0.78	0.70	0.42	0.31	0.12
1996	Ave.	2.60	7.47	6.72	3.65	2.08	1.65	1.49	1.37	1.20	1.05	0.65	0.15
1997	Ave.	2.72	7.35	6.76	3.68	2.15	1.84	1.63	1.61	1.76	1.31	0.80	0.28
1998	Ave.	2.69	8.26	7.01	3.61	2.06	1.76	1.60	1.64	1.60	1.20	0.68	0.19
1999	Ave.	2.92	9.03	6.83	3.82	2.42	2.08	1.87	1.89	1.79	1.35	0.87	0.29
2000	Ave.	2.99	9.04	6.89	3.77	2.59	2.24	1.98	1.93	1.85	1.61	0.92	0.24
2001	Ave.	4.57	13.64	9.65	5.46	4.19	3.72	3.36	3.34	3.08	2.41	1.33	0.06
2002	Ave.	5.17	14.59	11.31	6.46	4.64	3.87	4.00	3.84	3.60	2.78	1.45	0.13
2003	Ave.	4.99	13.84	10.95	6.26	4.16	3.61	3.85	3.97	3.77	3.77	2.69	0.14
2004	Ave.	4.44	13.00	10.44	5.69	3.86	3.12	3.18	3.22	3.56	3.01	2.19	0.07
2005	Ave.	4.13	11.97	10.33	5.75	3.63	2.84	2.81	2.89	2.91	2.63	2.08	0.43
2006	Ave.	3.91	11.46	10.10	5.92	3.80	2.86	2.40	2.31	2.50	2.25	1.60	0.28
2007	Ave.	3.91	11.13	10.56	5.87	3.87	2.76	2.81	2.47	2.33	1.95	1.29	0.16
2008	Ave.	4.14	11.42	11.89	6.38	3.89	2.97	2.63	2.76	2.65	2.33	1.38	0.17
2009	Ave.	5.85	13.55	14.67	8.77	5.82	4.64	4.23	4.27	4.14	3.54	2.00	0.13
2010	Ave.	5.21	10.93	13.51	8.15	5.19	4.10	3.77	3.89	3.50	3.06	1.50	0.19
2011	Ave.	4.39	11.22	12.71	7.11	4.32	3.32	3.02	2.99	2.66	2.44	1.57	0.15
2012	Ave.	4.24	9.80	13.17	7.08	4.34	3.37	2.76	2.55	2.35	2.14	1.69	0.17
2013	Nov.	4.16	10.40	14.08	7.21	4.24	3.22	2.44	2.57	2.19	2.02	1.07	0.03

Data source: "Time Series", National Statistics Republic of China (Taiwan), accessed December 30, 2013, http://eng.stat.gov.tw/ct.asp?xItem=15761&ctNode=1609&mp=5Appendix 13

APPENDIX 13. COMPARISON OF EACH INSURER

	Municipality controlled National Health Insurance	National Health Insurance society	Public-corporation-run health insurance	Society-managed, employment-based health insurance	Mutual Aid Association	Medical system for the elderly aged 75 and over
Number of insurers (End of March 2011)	1723	165	1	1458	85	47
Number of members (End of March 2011)	35.49 mil. (20.37 mil. Households)	3.27 mil.	34.85 mil. (The insured 19.58 mil. Dependents 15.27 mil.)	29.61 mil. (The insured 15.57 mil. Dependents 14.03 mil.)	9.20 mil. (The insured 4.53 mil. Dependents 4.67 mil.)	14.34 mil.
Average age of members (FY2010)	49.7	39.0	36.3	34.0	33.4	81.9
Average income (total compensation) (FY2010) (*1)	¥910000 ¥1580000 per household (FY2009)	(¥3470000 ¥7430000 per household (*2) (FY2008))	(¥1370000 ¥2420000 per household (*3))	¥1960000 (¥3720000 per household (*3))	¥2290000 (¥4670000 per household (*3))	¥800000 (FY2010)
Amount used to work out the premiums per member (FY2010)	(¥740000 (*4) ¥1290000 per household (FY2009))	- (*5)	(¥2090000 (*6) ¥3700000 per household (*3))	(¥2810000 (*6) ¥5330000 per household (*3))	(¥3190000 (*6) ¥6510000 per household (*3))	¥670000 (*4) (FY2010)
Healthcare expenses per member (FY2010) (*7)	¥299000	¥176000	¥156000	138000	¥140000	¥905000
Average premium per member (FY2010) (*8) <amount including employers' contribution>	(¥81000 ¥142000 per household)	¥126000	97000 yen <193000 yen> (172000 yen <344000 yen> per insured person) Health insurance premium rate: 10.0% (FY2012)	93000 yen <207000 yen> (177000 yen <394000 yen> per insured person) Health insurance premium rate: 7.67% (FY2010 audit estimate)	112000 yen <224000 yen> (227000 yen <455000 yen> per insured person) Health insurance premium rate: 8.03% (FY2010 audit estimate)	¥63000
Government subsidies (Fixed rate portion only)	50% of benefits, etc.	42% of benefits, etc. (*9)	16.4% of benefits (*10)	Fixed amount contribution to those associations that are in financial hardship	Nil	Approx. 50% of benefits
Amount of government subsidies (*11) (Average based on FY2012 budget)	3445.9 billion yen	284.2 billion yen	1182.2 billion yen	1.6 billion yen		6177.4 billion yen

(*1) Means "total income, etc." (an amount worked out by subtracting work-related expenses, salary earners deduction, and public pension deduction and son on from the total earning.)

Under the municipality-managed national health insurance scheme and medical care system for the latter stage elderly people, this is "total income and forestry income" plus "brought-forward deduction in relation to miscellaneous income" and "amount of separate transfer income". The figure is worked out based on, in case of municipality-managed national health insurance scheme, "National Health Insurance Survey" and "Survey of Insured Persons under the Medical Care System for the Latter-stage Elderly People" in case of medical care system for the latter-stage elder people.

The figures for national health insurance association are the data for your reference worked out by adding up the standard taxable income for municipal locality tax (total income after such deductions as basic deduction and income deduction including dependent family deduction and spouse deduction etc.), basic deduction, and "income deduction other than basic deduction (such as dependent family deduction, spouse deduction etc.)"(an estimated amount calculated using the figure obtained by dividing the amount of income deduction for each bracket (excluding basic deduction) applicable to "standard taxable income for those who have salary income and business income etc." worked out from "FY2009 survey of the current taxation status etc. with respect to municipal locality tax" conducted by Ministry of Internal Affairs and Communications by number of tax payers).

As for Kyokai Kenpo, association-managed health insurance, and mutual aid association, the figure is a reference value worked out by subtracting an amount equivalent to salary income deduction from "an amount to be used to work out the insurance premium per subscriber" (the amount obtained by dividing the total amount of standard remuneration with the number of subscribers.)

(*2) The amount per household is worked out by multiplying the amount per subscriber with average number of person per household.
(*3) Means an amount per insured person
(*4) This is the standard taxable amount (a base to calculate the insurance premiums) worked out by old provisory method. Being a method used to calculate the bases on which the insurance premium of the medical care system for the latter-stage elderly people and most municipality-managed national health insurance schemes are worked out, the old provisory method calculates the amount by subtracting basic deduction etc. from the amount of total income (the amount worked out by subtracting work-related expenses, salary earners deduction, and public pension deduction etc. from the total amount of earning.)
(*5) Not included because, with regard to national health insurance association scheme, the calculation method to work out the income and insurance premium is widely different from one insurer to another. According to the data from 2009 income study, the standard trade-by-trade taxable incomes for municipal locality tax are 6.41 million yen for medical practitioners national health insurance association, 2.21 million yen for dentists national health insurance association, 2.18 million yen for pharmacists national health insurance association, 1.25 million yen for general trades national health insurance association, and 0.70 million yen for building industry related national health insurance association. The average amount of whole sector, calculated based on the number of insured persons for each association, is worked out to be 2.15 million yen (no income study was conducted in 2010).
(*6) This is the amount obtained by dividing the whole amount of standard remuneration with the number of subscribers.
(*7) Figure for healthcare expenditure per subscriber for Kyokai Kenpo and association-managed health insurance scheme are preliminary ones. In addition, figures for mutual aid association are healthcare expenditure assessed by the assessment/payment agent.
(*8) The insurance premium per subscriber for municipality-managed national health insurance scheme/the medical care system for the latter-stage elderly people were estimated based on the insurance premiums arranged/set out for the year; and, premiums of employee insurance were estimated based on the insurance premiums cited in the final accounts of expenditures and revenues. The amount of insurance premiums does not include the portion for aged care.
(*9) Average based on FY2012 budget.
(*10) The rate of government subsidies for Kyokai Kenpo to June 2010 in the FY2010 budget was 13.0% excluding the contribution to the latter-stage elderly people medical care system.
(*11) State subsidies and grants for the long-term care insurance levy, specified health examination/specified healthcare guidance, etc., are not included.
(*12)

Data Source: "About Health System in Japan", Ministry of Health, Labour and Welfare, accessedDecember 30, 2013, http://www.mhlw.go.jp/stf/seisakunitsuite/bunya/kenkou_iryou/iryouhoken/iryouhoken01/index.html

APPENDIX 14. EFFECT OF THE NEW (UNIFORM) CONTRIBUTION SCHEDULE ON CONTRIBUTIONS TO INDUSTRIAL WORKERS' HEALTH INSURANCE (SIMULATION RESULTS), 2000

Standardized monthly income: contribution base (10,000 won)	Rate of change in contributions (%)	Average change in monthly contributions (won)
0-52	–41.0	–7,934
52-75	–24.2	–5,588
75-100	–17.6	–5,082
100-126	–11.5	–3,999
126-154	–6.1	–2,492
154-199	3.0	1,371
199-249	9.6	5,311
249-303	15.9	10,232
303-	33.9	29,455

Source: (NHIC, 2000) from (Kwon, 2003)

REFERENCES

Amable, B. (2003). The Diversity of Modern Capitalism. Oxford, Oxford University Press.

Amsden, A. H. (1986). The State and Taiwan's Economic Development.Bring the State Back In. P. Evans, D. Rueschemeyer and T. Skocpol. Cambridge, Cambridge University Press.

Aoki, M. (1984).Compilation of Court Rulings on Education Issues After the War (in Japanese). Tokyo, Syunposha.

Aoki, M. (1994). "The contingent governance of teams: Analysis of Institutional Complementarity." International Economic Review35(657-76).

Bambra, C. (2005). "Cash versus services: 'worlds of welfare' and the decommodification of cash benefits and health care services." Journal of Social Policy34(2): 195-213.

Beauchamp, E. R. (1987). "The Development of Japanese Education Policy: 1945-85." History of Education Quarterly27(3): 299-324.

Bowie, O. (2013) Taiwan moves closer to pension reform. Investment and Pensions AsiaVolume, DOI:

Caldor, K. (1988). Crisis and Compesation: Public Policy and Stability in Japan. Princeton, Princeton University Press.

Champion, C. and G. Bonoli (2011)."Institutional fragmentation and coordination initiatives in western European welfare states."Journal of European Social Policy21(4): 323-334.

Chang, H. (2012). Taiwan's Unfair Tax System: Helping the Rich Get Richer. Common Wealth Magazine.

Chen, F. (2005). Unemployment and Policy Responses in Taiwan: Gender and Family Implications. Transforming the Developmental Welfare State in East Asia. H. Kwon. New York, Palgrave Macmillan.

Chen, I. and J. Lui (2011)."Develoment and Reform of Taiwanese Social Security System under the Economic Crisis (in Korean)."Asia Yeongu 54(1): 72-275.

Chen, I. and J. Lui (2011)."Develoment and Reform of Taiwanese Social Security System under the Economic Crisis (in Korean)." Asia Yeongu 54(1): 72-275.

Cheng, T. (2001)."Transforming Taiwan's Economic Structure in the 20th Century."The China Quarterly 165: 19-36.

Cheng, T. (2003)."Taiwan's New National Helath Insurnce Programme: Genesis and Experience So Far."Health Affairs22(3): 61-76.

Chiang, T. (1997). "Taiwan's 1995 Health Care Reform." Health Policy39: 225-239.

Cho, B. (1990). "State's Regulation on Medical Services and Specialization of Medical Treatment: Historical Background of Conflictual Structure(Guggaui Uiryotongjewa Uiryoui Keonmunhaw: Hangug Uiryo Chegyeui Galdeung Gujo)." Korean Journal of Sociology24(1): 131-52.

Cho, C. (2013). Welfare row spreads to Assembly audit. the Korea Herald. the Korea Herald. Seoul, the Korea Herald,.

Choi, H. and J. Hunny (2013). Park names audit and health chiefs. the Korea Herald. Seoul.

Choi, K. and E. Hwang (2007).Research on Old Age Income Seucirty of Agricultural Workers (in Korean).Korea Rural Economic Institute.Seoul, Korea Rural Economic Institute.

Chow, P. (2001). Social Expenditure in Taiwan (China). Washington D.C., The World Bank.

Chun, B. and E. Lee (2010).Prospect of Social Insurance Finance and Policy Task (in Korean).Research Paper.Korea Institute of Public Finance.Seoul, Korea Institute of Public Finance.

Chung, M. (Forthcoming in 2014). Development of Transformative Social Policy in South Korea: Lessons from the Korean Experience. Learning from the South Korean Developmental Success Effective Developmental Cooperation and Synergistic Institutions and Policies. I. Yi and T. Mkandawire. London, Macmillan Palgrave.

Chung, W. (2010).Social Protection in Korea - Current State and Challenges.Social Protection in East Asia - Current State and Challenges.ERIA Research Project Report 2009-9.M. G. Asher, S. Oum and F. Parulian. Jakarta, ERIA: 55-89.

Cummings, B. (1981). "The Origins of The Korean War: Liberation and the Emergence of Separate Regimes 1945-1947."

Donaldson, M. S., K. D. Yordy, et al. (1996). Primary Care: America's Health in a New Era. Washington D.C., National Academcy Press.

Douglas, M. (Forthcoming in 2014).The Saemaul Undong in Historical Perspective and in the Contemporary World.Learning from the South Korean Developmental Success.

Easterlin, R. A. (1981). "Why isn't the whole world developed?" The Journal of Economic History41(1): 1-19.

Editorial Committe for Korean Education 10 Year History (1960).Ten Years History of Education in Korea(in Korean). Seoul, Pungmunsa.

Esping-Anderesen, G. (1990). The Three Worlds of Welfare Capitalism. Oxford, Polity Press.

Esping-Andersen, G. (1992). the Making of a Social Democratic Welfare State. Creating Social Democracy. K. Misgeld, K. Molin and K. Aamark. University Park, PA., Pennsylvania State University Press.

Esping-Andersen, G. (1999). Social Foundations of Postindustrial Economies. Oxford, Oxford University Press.

Estevez-Abe, M. (2009). "Voters(Finally) in Command: the Changing Japanese Welfare State." Global Asia4(1).

Fu, L. (1994). A preliminary study on the stratification effect of welfare institutinos of Taiwan (in Chinese).Popular Opinions of Taiwanese Society - A Social Sciecne Analysis Q. Yi. Taiwan, Taipei, Academia Sinica.

Gao, P. (2012). Learning Free and Fair.Taiwan Review.

GfK Bridgehead (2013). Taiwanese Healthcare Budgetary Constraints are a Threat for the Pharmaceutical Industry, GfK Bridgehead.

Gong, Y. (1998)."Wailai-zhengquan" yu bentu-shehui: gaizao-hou guomindang-zhengquan shehui-jichu de xingcheng(1950-1969) Foreign Regime and Native Society: The Formation of the KMT regime's social foundation after the KMT's internal reforms (1950-1969). Taipei, Daoxiang.

Goodman, R. (1998). The 'Japanese-style welfare state' and the delivery of peronal social services.The East Asian Welfare Model. R. Goodman, G. White and H. Kwon. London and New York, Routledge.

Gough, I. (2001). "Globalization and regional welfare regimes: the East Asian case." Global Social Policy1(1): 163-89.

Green, A. (1990). Ecuation and State Formation: The Rise of Education Systems in England, France and the USA. New York, St. Martin's Press.

Gregorio, J. D. and J. Lee (2002). "Education and Income Inequality:New Evidence From Cross-country Data." Review of Income and Wealth48(3): 395-416.

Guo, M. (1998). A study of combining national basic pension, government employees and teachers pension, and labour pension (in Chinese). Compilation of Commissioned Reports on the Instittuions of National Pension. Council of Economic Planning and Development.Taipei, Taiwan, Council of Economic Planning and Development.

Hart-Landsberg, M. (1993).The Rush to Development: Economic Change and Political Struggle in South Korea. New York, Monthly Review Press.

Hirotani, T. and Y. Hirokawa (1973). "Nihon Touchikano Taiwan Tyousenniokeru Syokuminti Kyouiku Seisakuno Hikakusiteki Kenkyuu(Comparative Historical Analysis on Taiwan and Korea under the Japanese Colonial Rule)." The Annual Reports on Educaional Science22: 19-92.

Holliday, I. (2000). "Productivist welfare capitalism: social policy in East Asia." Political Studies48: 706-23.

Hood, C. P. (2001). Japanese Education Reform. London and New York, Routledge.

http://www.med.or.jp/insura/medical/02.html

Huang, C. and Y. Ku (2011). "Effectiveness of Social Welfare Programmes in East Asia: A Case Study of Taiwan." Social Policy and Administration45(7): 733-751.

Hung, J. and L. Chang (2008). "Has cost containment after the National Health Insurance system been successful? Determinants of Taiwan hospital costs."Health Policy85: 321-335.

Inaba, M. (2011)."Increasing Poverty in Japan: Social Policy and Public Assistance Program."Asian Social Work and Policy Review5: 79-91.

Inoue.H. (1994).Entitlement to Public Assistance - From Charity to Human Rights Protection (in Japanese).Poverty in the midst of prosperity. Y. Kawai. Tokyo, Hourits Bunkashya.

Ito, H. (1968). Ideas of Compulsory Education. Tokyo, Dai 1 Houkisha.

Jacobs, D. (2000). Low inequality with low redistribution? An Analysis of income distribution in Japan, South Korea and Taiwan compared to Britain. CASEPaper. Centre for Analysis of Social Exclusion LSE. London, London School of Economics.

Japan Medical Association (2013). Understanding of Health Insurance Accessed December 30, 2013,

Johnson, C. (1978). MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-75. Stanford, Stanford

University Press.

Jones, R. S. (2007). Income Inequality, Poverty and Social Spending in Japan.OECD Economics Department Working Papers.OECD. Paris, OECD.

Kan, K. and Y. Lin (2011). "The Effects of Employment Protection on Labor Turnover: Empirical Evidence from Taiwan." Economic Inquiry49(2): 398-433.

Kanai, T. (2011). "The Estimation of the Post-war Educational Reform by then Reformers." Touhoku Daigaku Daigakuin Kyouikugakukenkyuukanenbo60(1): 131-141.

Kang, J. (1997). "Syokuminti Tyousenniokeru Tihouseidoto Syotou Kyouiku (Local Authorities and Elementary Education in the Colonial Days of Korea)." Gunma Daigaku Syakai Jyouhougakufu Kenkyuu Ronsyuu4: 191-214.

Kangas, O. and J. Palme (2005). "Coming Late - Catching Up: The Formation of a 'Nordic Model'." Social Policy and Economic Development in the Nordic Countries.

Kasza, G. (2002). "The illusion of welfare regimes."Journal of Social Policy31(2): 271-87.

Kautto, M. (2002)."Investing in services in West European welfare states."Journal of European Social Policy12(1): 53-65.

Kim, B. (2005). Education and Gender in Colonial Korea (in Japanese).Yokohama, Seori-Shobo.

Kim, J. (1979). Research on Korean Higher Education(in Korean). Seoul, Baeyoungsa.

Kim, M. (2002)."A Note on the History of Medical Insurance Administration (in Korean)."Hanguk Haenjeongsahakhoeji11: 261-291.

Kim, S. (1968). "The Night Before the Reform of Entrance Test System (in Korean)." Gyoyuk Pyeongron.

Korea Institute of Curriculum and Evaluation (2009). "60 Years of Korea's Education(Hangug Gyeoyuk 60Nyeon)."

Korea Women's Association United (1998). Open Hope : 10 Years History of Women's Associations (in Korean). Seoul, Korea Women's Association United.

Korean Educational Development Institute (2013). Korean Educational Statistics Service, Korean Educational Development Institute.

Krueger, A. O. (1982). "The Developmental Role of the Foreign Sector and Aid."

Ku, Y. (1995). "The Development of State Welfare in the Asian NICs with Special Reference to Taiwan."Social Policy and Administration29(4): 345-364.

Ku, Y. (1997). Welfare Capitalism in Taiwan State: State, Economy and Social Policy. London, Macmillan Press.

Ku, Y. (2003). Social Security.Welfare Capitalism in East Asia: Social Policy in the Tiger Economies. I. Holiday and P. Wilding. New York, Palgrave Macmillan.

Kuznets, S. (1979). Growth and Structural Shifts.Economic Growth and Structural Change in Taiwan. W. Gallenson. Ithaca, N.Y. and London, Cornell University Press.

Kwon, H. (1999). The Welfare State in Korea.London and New York, Macmillan Press Ltd.

Kwon, H. (2005). "Transforming the Developmental Welfare State in East Asia."Development and Change36(3): 477-497.

Kwon, S. (2003). "Healthcare financing reform and the new single payer system in the Republic of Korea: Social solidarity or efficiency." International Social Security Review 56.

Kwon, S. (2009). "Thirty years of national health insurance in South Korea: lessons for achieving unviersal health coverage." Health Policy and Planning 24: 63-71.

Lee, H., K. Choi, et al. (1998). Research on 100 Years of Korean Modern School Education Vol.3 (in Korean). Seoul, KEDI.

Lee, J. (2006). Welfare Politics in the Integration of National Health Insurance in Korea and Taiwan.Graduate School of Social Welfare.Seoul, Chung-Ang University.Masters Degree: 88.

Lee, J. (2013). 12-Year Compulsory Education Law Passed. The China Post. Taipei.

Lee, J. (Forthcoming in 2014). Institutional Linkages between Social Protection Measures and Industrialization in South Korea.Learning from the South Korean Developmental Success Effective Developmental Cooperation and Synergistic Institutions and Policies. I. Yi and T. Mkandawire. London, Macmillan Palgrave.

Lee, R. (2007). Kankokuto Taiwanno Koutekiiryohokensesakuno Hikakukenkyuu(Comparative Analysis on the Public Health Insurance Policy in South Korea and Taiwan). Tokyo, Waseda University.PhD.

Lee, W. (1969)."Medical Education and Medical Practice in Korea."Yonsei Medical Journal10(1): 92-100.

Lee, Y. (1992). Taiwan Gonghui Zhence de Zhengzhi jingji Fenxi (The Political Economy of Labor Union Policies in Taiwan). Taipei, Juliu Publishing.

Lee, Y. and Y. Ku (2007). "East Asian Welfare Regimes: Testing the Hypothesis of the Developmental Welfare State." Social Policy and Administration41(2): 197-212.

Lee, Y., Y. Huang, et al. (2010). "The Impact of Universal National Heatlh Insurance on Population Health: The Experience of Taiwan." BMC Health Services Research10(225): 1-8.

Lin, C. (1998). Paths to Democracy: Taiwan in Comparative Perspective. Boston, Yale University.PhD.

Lin, C. (2002). Syakaihousyoseido Kaikakuwo Meguru Seiji Katei : Taiwanto Kankokuno Hikaku Bunseki(Political Process of Social Security Reform: Comparative Studies on Taiwan and Korea). Tokyo, Tokyo University.PhD.

Lin, C. (2005). Pension Reform in Taiwan: The old and new politics of welfare.Ageing and Pension Reform Around the World. G. Bonoli and T. Shinkawa. Cheltenham, UK and Northhampton, MA, USA, Edward Elgar.

Lin, K. (1997). From Authoritarianism to Statism: The Politics of National Health Insurance in Taiwa. New Heaven, Yale University.PhD Thesis.

Lindert, P. H. (2004). Growing Public: Social Spending and Economic Growth Since the Eighteenth Century. New York, Cambridge University Press.

Liu, C. and J. M. Armer (1993)."Education's Effect on Economic Growth in Taiwan."Comparative Education Review37(3): 304-321.

Lu, J. R. and W. C. Hsiao (2003). "Does universal health insurance make healthcare unaffordable lessons from Taiwan? ."Health Affairs22(3): 77-86.

Macpherson, W. J. (1987). The Economic Development of Japan 1868-1941. New York, the Press Syndicate of the University of Cambridge.

Manow, P. (2001). Welfare State Building and Coordinated Capitalism in Japan and Germany. The Origins of Nonliberal Capitalism Germany and Japan in Comparison. W. Streeck and K. Yamamura. Ithaca, New York, Cornell University.

Matsuda, R. (2012). The Japanese Health Care Systemm, 2012.Internatioanl Profiles of Health Care Systems, 2012. S. Thomson, R. Osoborn, D. Squire and M. Jun. New York and Washington D.C., The Commond Wealth Fund.

Meade, E. G. (1951).American Military Government in Korea. New York, King's Crown Press.

Melton, J. V. H. (1988).Absolutism and the Eighteenth-Century Origins of Compulsory Schooling in Prussia and Austria.Cambridge, UK, Cambridge University Press.

MEXT (2013). Japan's Modern Educational System, Ministry of Education, Culture, Sports, Science and Technologies, Japan.

MEXT (2013). Questions and Answers on the Clauses of the Basic Act of Education at the Imperial Parliament (in Japanese), MEXT,.

Milly, D. J. (1999).Poverty, Equality, and Growth: The politics of economic need in postwar Japan. Cambridge, MA and London, Harvard University Asia Center.

Mo, J. and C. Moon (1998).Democracy and the Origin of the 1997 Korean Econoimc Crisis.Democracy and the Korean Economy. J. Mo and C. Moon. Stanford, Hoover Institution Press.

Munhwa.com (2013). Monthly Costs for Private Cram School, 270 USD per month for Junior high, and 220 USD per month for Senior High School Student. Munhwa.com, Munhwa.com,.

Myrdal, G. (1968). "Asian Drama: An Inquiry Into the Poverty of Nations." 3.

National Archives of Korea (2006).Compulsory Education of Junior High School (in Korean), National Archives of Korea.

National Institute of Population and Social Security Research (2013).The Financial Statistics of Social Security in Japan.Tokyo, National Institute of Population and Social Security Research.

NHIC (2000).Internal Reports (in Korean). Seoul, National Health Insurance Corporation.

Nihon Kindai Kyouiku Jiten Hensyuu Iinkai (1971). Gimukyouiku Syuugakuritsu. Dictionary of Modern Japanese Education (in Japanese).Editorial Committee for History of Modern Japanese Education, Heibonshya.

Nihon Kindai Kyouikusiryou Kenkyuukai (1995). Education Reform Committee, Education Reform Council Mintutes Tokyo, Iwanami.

OECD (2006).OECD Economic Surveys Japan. Paris, OECD.

OECDiLibrary (2013). Taxation: Key Tables from OECD, OECD.

Okano, K. and M. Tsuchiya (1999).Education in Contemporary Japan.Cambridge, UK, Cambridge University Press.

Oyama, R. and T. Takeda (2010).Weakness in Japan's Postwar Politics.Discussion Paper. London, The Suntory and Toyota Internatioanl Centre for Economics and Related Disciplines, London School of Economics and Political Science.

Pan, H. L. and C. Yu (1999)."Educational Reforms and Their Impacts on School Effectiveness and Improvement in Taiwan."School Effectiveness and Improvement10(1): 72-85.

Passin, H. (1965). Society and Education in Japan. New York, Teachers College Press.

Peng, I. (2001). The East Asian Welfare States and the New Challenge: Japan, South Korea, and Taiwan (in Japanese). Fukushikokka no Shitei.Shakaiseisakugakai. Kyoto, Minerba Shobo.

Peng, I. (2005). The New Politics of the Welfare State in a Developmental Context: Explaining the 1990s Social Care Expansion in Japan. Transforming the Developmental Welfare State in East Asia. H. Kwon. New York, Palgrave Macmillan.

People's Solidarity for Participatory Democracy (2009). Again! We voice up for National Minimum (in Korean). People's Solidarity for Participatory Democracy. Seoul, People's Solidarity for Participatory Democracy.

Rauch, D. and S. I. Vabo (2008).Multi-level governance in Europe - Exploring the relationship between universalism and the governance of care services for older people. Transforming elderly care at local, natinoal and transnational levels, Copenhagen, the Danish National Centre for Social Research.

Ringen, S., H. Kwon, et al. (2011). The Korean State and Social Policy. New York, Oxford Univrsity Press.

ROC Council for Economic Planning and Development (1990).The Report of National Health Insurance Plan (The CEPD Report).Taipei, ROC Council for Economic Planning and Development.

Rodrik, D., M. Grossman, et al. (1995). "Getting Intervensions Right: How South Korean and Taiwan Grew Rich."Economic Policy10(20): 53-107.

Saito, Y. (2011) Education in Japan : Past and Present. Volume, DOI:

Sano, M. (2006).Devevelopment of Japanese Colonial Education and Korean People's Response (in Japanese). Tokyo, Syakai Hyouronsya.

Sawyer, M. (1976).Income Distribution in OECD Countries. Paris, OECD.

Seitz, R., H. Koenig, et al. (1998). Managed Care: An option for the German health care system? London, Office of Health Economics.

Shackleton, A. J. (1998). Formosa Calling: An Eyewitness Account of the Feburary 28th, 1947 Incident, The Taiwan Library Online.

Shi, S. (2010). The Fragmentation of the Old-Age Security System: The Politics of Pension Reform in Taiwan. Social

Cohesion in Greater China. K. Mok and Y. Ku. Singapore, World Scientific Publishing Co.Pte. Ltd.

Shi, S. and K. Mok (2012). “Pension Privatisation in Greater China: Institutional patterns and policy outcomes.” International Journal of Social Welfare21: 30-45.

Shih, S. and K. Mok (2012). “Pension Privatisation in Greater China: Institutional patterns and policy outcomes.” International Journal of Social Welfare21: 30-45.

Shin, K. and H. Seo (2002).”Hanguk Geundae Sari0pbyeongwonui Baljeongwajeong 1885-1960 (The Development of Private Hospital in Modern Korea, 1885-1960).”Uihaksa(Korean Journal of Medical History) 11(1): 850-910.

Sinkovec, B. (2012). The Japanese Education System.Weekly Brief. KEN. Brussels, KEN.

Soares, S. (2012). Bolsa Famila, Its Design, Its Impacts and Possibilities for the Future.Working Paper.IPCIG. Brasilia, IPCIG.

Sorensen, C. W. (1994). “Successs and Education in South Korea.”Comparative Education Review38(1): 10-35.

Tanaka, K. (1984). Ideas and Institutions of Compulsory Education (in Japanese).Lectures on History of Education in Japan. M. Ishikawa. Tokyo, Dai 1 Houki. 3.

Tatara, K. and E. Okamoto (2009). Japan Health System Review. Health Systems in Transition. S. Allin and R. Matsuda. Copenhagen, WHO.

The Ministry of Edcuation, T. (2013). The Intelligent Taiwan - Manpower Cultivation Project (Forming Parto of the “i-Taiwan 12 Projects), The Ministry of Education, Taiwan,.

The Natioanl Assembly of the Republic of Korea (1968). Bill for Revision of Fiscal Grant for Compulsory Education (in Korean), The Natioanl Assembly of the Republic of Korea.

UNESCO (1954).”Rebuilding Education in the Republic of Korea: Report of the UNESCO-UNKRA Education Planning Mission to Korea.”

UNESCO (1955).”World Education Survey.”

Uzuhashi, T. (2009).The Political and Social Economy of Care.Japan Research Report. UNRISD. Geneva, UNRISD.

van Berkel, R. and V. Borghi (2008). “Introduction: The Governance of Activation.” Social Policy and Society7(3): 331-40.

Vere, J. P. (2005). “Education, Development, and Wage Inequality: the Case of Taiwan.” Economic Development and Cultural Change53(3): 711-735.

Vogel, E. (1980). Japan as Number One: Lessons for America. Tokyo, Tuttle.

Voice of People (2012). Violation of Constittuion, Constitutional Court: Collection of Contribuition to School Management(in Korean).

Wade, R. (1990). Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization.Princeton, New Jersey, Princeton University Press.

Wang, H. (2012). "Cultivating "Postmodern Citizens" ?Reflections on the New Trends of Edcuation in Taiwan."Multicultural Education Review4(1): 51-89.

WHO (1978). Alma-Ata 1978: Primary Health Care. Report of the International Conference on Primary Health Care.Alma-Ata, Union of Soviet Socialist Republics, WHO.

WHO and Ministry of Health, L. a. W., Japan, (2012).Health Service Deliverty Profile, WHO.

Wong, J. (2004). Healthy Demoracies. Ithaca and London, Cornell University Press.

Wong, J. (2005). Democracy, Development and Health in Taiwan.Transforming the Development Welfare State in East Asia. H. Kwon. London and New York, Palgrave Macmillan.

World Bank (1993). The East Asian Miracle: Economic Growth and Public Policy. the World Bank. Washington, D.C., the World Bank.

Wu, M. (1997)."Analysis of future reforms on occupational pension instituions in Taiwan."Social Policy and Social Work1(2): 137-186.

Yamanokuchi, T. (2008). "Reconstruction on the Grade 1-9 Curriculum Guidelines in Taiwan: The Transition from Standards to Guidelines with Seven Learning Areas (in Japanese)." Kokurits Kyouiku Seisaku Kenkyuushyo Kiyo137(261-270).

Yang, J. (2000). "The Rise of the Korean Welfare State amid Economic Crisis, 1997-1999: Implications for the Globalization Debate." Development Policy Review18(3).

Yang, J. (Forthcoming in 2014). Change and Continuity in Social Policy Responses to Economic Crises in South Korea: 1979–81 versus 1997–98 Learning from the South Korean Developmental Success Effective Developmental Cooperation and Synergistic Institutions and Policies. I. Yi and T. Mkandawire. London, Macmillan Palgrave.

Yi, I. (2007). The Politics of Occupational Welfare in Korea. Fukuoka, Hanasyoin.

Yi, I. (2009). "History in Action: the Japanese Textbook Controversy in Northeast Asia." Japan Studies Association Journal7: 79-96.

Yi, I. (Forthcoming in 2014). How Could Enhancement of Education and Health Contribute to Economic Growth in South Korea? .Learning from the South Korean Developmental Success: Effective Developmental Cooperation and Synergistic Institutions and Policies. I. Yi and T. Mkandawire. London, Macmillan Palgrave.

Yi, I. and Mkandawire, T. (forthcoming 2014) Effective Developmental Cooperation and Synergistic Institutions and Policies. London, Macmillan Palgrave.

Yi, I. and B. Lee (2005).Development Strategies and Unemployment Policies in Korea.Transforming the Developmental Welfare State in East Asia. H. Kwon. New York, Palgrave Macmillan.

Yoon, H., N. Park, et al. (2010). Problems of the Elderly Long-term Care Insurance and Policy Recommendations for Improvement (in Korean) KDI Focus. KDI. Seoul, Korea Development Institute. 3.

An Analysis for An Equitable and Sustainable Welfare System

This report is a collaboration between UNDP China and the Development Research Center of the State Council. Special thanks go to the Royal Norwegian Embassy for the kind sponsorships.

ISBN 978-7-5001-4185-3

9 787500 141853 >

ISBN 978-7-5001-4185-3

定价：38.00元