

**Different Worlds of Welfare
Capitalism:**

**Australia, the United States, the United Kingdom, Sweden,
Germany, Italy, Hong Kong and Singapore**

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Abstract

Since the ideologically coloured meaning of the 'welfare state', implying a massive level of redistribution and high government spending in the field of social policy, does not match the reality of a number of today's welfare state systems, especially outside Europe, this article examines the existence of at least eight different forms of welfare capitalism, i.e. welfare state systems, all represented by model countries. There are very distinct approaches to ensure high levels of social security, either by governmental welfare provision or welfare regulation, with or without redistribution of personal income.

Introduction

Since the publication of Esping-Andersen's 1990 book, i.e. 'The three worlds of welfare capitalism', the world of welfare state analysts was shaken by the seemingly new and very profound argumentation of that study. However, while leaning strongly on the insights given more than three decades earlier by Titmuss (1958), i.e. the tripartite classification of social policy along the British, Swedish and German models of social policy, the results of this study did not surprise most of its readers. Trying to divide the worlds of welfare capitalism by terms of decommodification, stratification and State-economy relations, Esping-Andersen (1987, 1990) created a new open field for discussion about which welfare state systems represent welfare state models. These models may function, to a large extent, as models for other countries, or merely stand out in terms of their unique approach in delivering societal welfare. In the meanwhile, other researchers have added a couple of welfare state models that, so far, have been accepted as representing different worlds of welfare capitalism (cf e.g. Goodin *et al.*, 1999: 4-5). The term welfare capitalism is highly in fashion, not at last because there is not one concrete definition at hand that is universally applied. In general, the broadest consent may be one definition of welfare capitalism that is 'the social dimension of capitalism'. The term welfare capitalism not only holds the advantage of being widely accepted in all political camps (due today's liberal economic hegemony in society and politics), but also avoids an overemphasis of the State in the provision of social welfare. Welfare mix, i.e. the participation of the private and the third sectors in welfare provision, has increased in importance around the world, in the theoretical circles, as well as in policy-making. The State needs not to provide all social welfare benefits and services in order to ensure a welfare optimum of society. The case studies of Singapore and Hong Kong below show e.g. that State regulation may be sufficient and that a close cooperation of the State and the Third sector can reduce the load of the State in securing social welfare respectively. Thus, the term welfare capitalism, indeed, may be very useful in avoiding misunderstandings of the traditional and very troublesome term 'welfare state' since many different concepts may be associated with the term 'welfare state' (such as redistribution, governmental welfare expenditures, or social assistance that is creating welfare dependency). This article tries to sketch different worlds of welfare capitalism by first giving a short review of the development and the status quo of welfare state systems in eight selected case studies. These case studies represent countries that are either widely accepted as representing different worlds of welfare capitalism – the UK, Sweden, Germany, Italy and Australia – and countries that are not yet – the United States, Hong Kong and Singapore – (cf Esping-Andersen, 1990, 1992a; Castles and Mitchell, 1991; Leibfried, 1992; Ferrera, 1996, 1997). Thereafter, the author goes on to classify these eight models along the criterion of what kind of model of responsibility for social welfare is in place, i.e. individual versus collective responsibility and also making more detailed distinctions thereof. The issue of individual versus collective responsibility marks a great deal of current discussions in the public and the academic circles. The issue of responsibility marks the policy stand of certain governments as well as the welfare outcomes of certain welfare systems and, thus, may serve as a good criterion to distinguish between different worlds of welfare capitalism. The author has chosen a qualitative method, since pure

quantitative methods seem to either polarize between different models (e.g. by taking the measure of welfare expenditures) or lose important feature of welfare states. The advantage of qualitative methods (that include quantitative data sets) derives from the fact that welfare state systems have developed many different ways of guaranteeing high standards of social welfare: e.g. laws, regulations, social assistance and insurance schemes, provident funds, subsidies, taxation, different social service institutions, etc. At the end of this article, the author summarizes the major features of the eight welfare state models discussed in this study, knowing that the number of studies included here is not sufficient to give a fully-fledged view of different worlds of welfare capitalism in all corners of the world.

The Australian Welfare State

On the surface, the Australian welfare state represents just another case of a residual welfare state in the rim of Anglo-Saxon countries. Australia has one of the lowest levels of social security spending as a percentage of the GDP among the advanced industrial countries. The Australian welfare system is based on means-tested and targeted social assistance schemes and not on social security or citizens' rights (cf e.g. Mitchell, 1997). The Australian welfare state represents a model of its own. Castles and Mitchell (1991) proposed the existence of (at least) a fourth type of welfare state, i.e. the Australian welfare state. The combination of high-level minimum wage policies and the strong emphasis on relatively generous means-tested welfare programs represents the essence of the Australian model of welfare state. These two columns of the Australian welfare state produce a welfare system that is fairly egalitarian in its impact (ibid.). On the contrary to Swedish, American and British style welfare capitalism, the Australian welfare system is more corporatist-centered; or labor market-centered. Castles put forward the term 'wage earners' welfare state' (cf Rosenman, 1997: 21; Castles, 1996), however, this term may also apply to welfare state systems in Singapore or Japan, and partly also e.g. the United States and Canada (cf e.g. Aspalter, 2001a, Myles, 1996: 124). The Australian kind of corporatism produced a welfare system that guarantees the right to work at high wages rather than general right of citizens for state welfare.

Australian politics in the post war period was determined by 'an almost complete right-wing political hegemony' (Castles, 1996). However, the victory of the Australian Labour Party (ALP) in the parliamentary elections of 1983 introduced an era of Labour dominance that put an end to the long-standing right-wing hegemony. After 1983, the welfare state in Australia took the path of welfare state extension and consolidation. The ALP government introduced new social welfare policies, such as universal health care and an earnings-related superannuation scheme based on mandatory private savings (Ingles, 2000). Nonetheless, the sum of new welfare policies did not necessarily mean that long-standing conservative policy values had been replaced. The welfare state had been reorganized, i.e. the integration of tax and social security policy, the elimination of distinctions between social, fiscal and occupational welfare, the integration of income support programs and other services, and the design of individual measures which will help people to re-enter work and other social activities by requiring them to do so on pain of loss or reduction of state support (Castles, 1996; Carney, 1994). The ALP government of Prime Minister Paul Keating, which came to office in 1993, did not alter the conservative policies of the

conservatives, but even tried to surpass them, i.e. the responsibility of the individual was stressed and a policy of reducing the government sector was pursued.

The Australian welfare state represents a highly work-oriented model. The main characteristics of the Australian welfare system are high labor force participation rate, protected domestic markets, and a residual welfare state for those left outside the labor market. The means-tested welfare arrangement has been strengthened since the mid-1980s. The second essential feature of the Australian welfare state, i.e. a system of judicially set high minimum wages, rests already on a long history of corporatism. Beginning with roughly the turn of the century, courts of conciliation and arbitration located at both the federal and state level set wages through judicial proceedings. The tradition of setting high minimum wages dates back until the year 1907 when the federal court set the first minimum wages and installed a parity of approximately ten to seven between the wages of skilled and unskilled workers. Thereafter, the ruling of the federal court began to set the benchmark for state courts. Australian corporatism resulted from the attempt of avoiding class conflict in form of strikes and lockouts. The state tried to incorporate labor unions into government by granting them a monopoly of representation, thus, empowering their bargaining position. Australian labor unions are organized on occupational rather than territorial basis. After the federal court had set a national minimum wage in 1921, the percentage of laborers covered by federal awards rose from 14 percent in 1921 to 59 percent between 1926-29. Since the 1930s, the vast majority of the labor force has been covered either by state or federal wage awards, i.e. 85 to 90 percent. In 1922, an automatic quarterly indexation that was adjusting the basic wages had been installed in order to protect the wages from inflation. The establishment of the wage awards system at the turn of the century was crucial to the development of labor unions. Whereas in the mid-1890s only around 5 percent of the labor force had joined labor unions, 28 percent of workers were organized by 1911. This percentage rose to 60 percent by the year 1951 (Schwartz, 1998).

The Australian type of welfare capitalism offers a residual and a highly selective welfare state designed to minority groups of the population. With the exception of the health insurance scheme, there are no contributory social security schemes (Ife, 1989). The non-contributory character of the Australian welfare state limits the available resources that can be distributed to the targeted population. The big difference to the British welfare states is that welfare programs in Australia are not given to everybody. On the contrary, the Australian welfare state tries to exclude as many people from welfare benefits as possible. This means that only those who really need welfare can possibly receive welfare benefits provided, for the most part, after passing a means test.

The American Welfare State

Though general welfare state literature still does not acknowledge the existence of a rather comprehensive welfare state system in America at the end of the 19th century, American scholars, most notably Weir *et al.* (1988), Orloff (1988) and Skocpol (1992), have proved the opposite. America, in fact, can be regarded as the first welfare state in the modern era, since we ought not to neglect America' huge pension and disability systems to Civil War veterans and their dependants beginning from the 1870s. The reasons for this were the introduction of suffrage of all white males in

America (by the 1930s all white males could vote) and the greatest war in American history, the Civil War. Those who could credibly claim to have served the Union forces during the Civil War were entitled to disability and old age benefits. In the year 1890, one third of the federal budget was consumed by post-Civil War welfare program for the veterans, their wives and, in some cases, their children (cf Weir *et al.*, 1988a: 18; Skocpol, 1987a: 39, 1987b: 362; Berkowitz, 1991: 17). Skocpol noted that “[b]y the early twentieth century, some 28 per cent of all American men over 65 years old, and over a third of elderly men in the North, were receiving regular pensions from the federal government” (1987b: 362). In the late 19th century, it were the Republicans who stood behind the extension of major welfare programs aimed at veterans and their dependants.

In the 1930s, as a consequence of the deepest depression in American history, President Roosevelt pushed the legislation of social insurance programs, i.e. pension and unemployment insurance schemes. Although the year 1935 is widely regarded to represent the birth of the American welfare state, it is not, as we just mentioned. However, 1935 marks the birth of America’s beloved social insurance system. Roosevelt tried to avoid large-scale welfare programs that not only threatened federal funds, but also the spirit of self-reliance and work of the people. Roosevelt, therefore, did not address the needs and the wants of the people, as he decided to implement the minimal cost variants of contributory social insurance programs. The government used the social insurance funds for other purposes (such as social assistance programs, public works programs, and the army’s payroll) and promised it to pay the money back by taxing the working population. In the late 1930s, there had been a new atmosphere of distinguishing between social insurance and social welfare programs. Whereas in the mid-1930s social insurance had been seen as a complementary tool to social welfare programs, now social insurance programs were promoted as positive alternatives to social assistance programs (Berkowitz, 1991: 42-7). As electoral politics underwent a tremendous change in the 1950s and 1960s (i.e. black Americans receiving suffrage in the South, and their mass migration to the cities in the north), President John F. Kennedy proposed new social welfare programs. These new programs focused on the need of the poor in America’s large cities. They emphasized the need for prevention and rehabilitation based social welfare programs. President Lyndon B. Johnson tried to surpass the welfare ambitions of his predecessor and declared the war on poverty (cf Amenta and Skocpol, 1989, 328; Berkowitz, 1991: 106-11) and highlighted the role of social welfare services provided by social workers.

The Aid to Families with Dependent Children (AFDC) was set up in 1935 in the New Deal era. In the first years, AFDC was destined for widows and their children. Policy makers planned to be abolished the program at a time when social security schemes have matured. The percentage of non-white recipients (mostly Afro-Americans) rose from 32 percent in 1950 to 46 percent in 1967 (Hagen, 1998: 4; Berkowitz, 1991: 116). The support for the AFDC program among the white population fell accordingly. The AFDC program pushed fathers away from their families since they otherwise could not profit from this welfare program. It also punished mothers who actively looked for work, by way of withdrawal of welfare benefits. After thirty years of attempting welfare programs with work, the Temporary Assistance for Needy Families (TANF) scheme, finally, replaced AFDC in 1996. The Aid to Families with Dependent Children (AFDC) welfare program served primarily poor children. Two-thirds of AFDC recipients were children, not adults. Now, under

the new scheme women were expected to find a job within two years or five years (Hagen, 1998: 2-5). Thus, when mothers could not find work in this time, she *and her children* got punished by the stoppage of welfare payments. Social insurance schemes, on the contrary to social assistance schemes, did not suffer a severe setback after the New Deal.

Moreover, Howard (1993) notes that when including education and housing into the definition of the welfare state, tax subsidies and exemptions add up to about 50 percent of all directly spent governmental welfare expenditures. These tax subsidies and exemptions make up the hidden part of the American welfare state. In conclusion, the American welfare state offers a unique approach among the different worlds of welfare capitalism we find today. The unique way of welfare capitalism here is characterized by a welfare state system that emphasizes social insurance, tries to marginalise the role of social assistance programs in welfare provision and uses, to a great extent, the means of taxation to enhance social welfare of the middle and upper classes.

The Welfare State in Great Britain

Britain represents its own variant of welfare state capitalism that has been founded along Beveridge-style universal social security programs. In the late 1940s and the 1950s, the British welfare state did not differ considerably from its Swedish counterpart. The main difference between Swedish and British welfare capitalism, ever since, is the quantity of welfare benefits. Whereas the Swedish welfare state has installed a social security system with highest levels of income maintenance, the British welfare state retained its characteristic feature of flat-rate social security benefits.

Nonetheless, the welfare state in Britain has experienced an expansion of welfare through to the mid-1970s owing to changing patterns of need, changing state priorities, and changing costs of welfare. The share of the elderly in the population contributed to the increase of welfare needs. Especially the share of those over the age of 75 added to the demand for welfare services due to the enormous costs of increased health care services. The State, furthermore, increased the shares of social security, education and housing expenditure in total public expenditure (cf e.g. Clarke and Langan, 1989: 33-5). In the field of social insurance, there has been a sharp rise in the number of persons receiving pensions between 1950 and 1980, with 4.1 and 8.9 million persons respectively. Whereas in 1950 there were 4.7 million children who attracted family allowances, thirty years later, 13.3 million children were covered by the family allowance system. Due to the change of the family allowance system in 1977, also those families with less than three children could receive family allowances. The number of persons receiving unemployment benefits also increased significantly from 226 to 709 thousand persons during the same period.

From 1945 to 1948, the British installed the first modern welfare state in Europe. The Beveridge Plan promoted the inclusion of the entire population into social insurance schemes. The aim of doing so was to cure the great social problems of the common people, i.e. mainly the problem of income maintenance during old age, times of sickness, injury and unemployment, by compulsory, universal social insurance programs without sacrificing the individuals right of self-determination. Beveridge, a liberal politician, sought to manage a balancing act between collectivism

and individualism with universal social insurance programs (cf Baldwin, 1992: 57). In 1946, a universal provision of health care was also set up by the National Health Service Act that was founded on the Beveridge Report. However, the *shiny years* of the British welfare state should only last five years (cf Gregg, 1967) as the Labour government was voted out of office on October 26, 1951. The next 13 years of Conservative hegemony in British politics brought a harsh wind of anti-welfare politics and led to a virtual standstill of welfare state development (cf Glennester, 1998). Only in the Labour dominated era between October 1964 and May 1979 (with the notable exception of the Conservative government of PM Heath from June 1970 to March 1974; cf Woldendorp et al., 1998), a significant extension of the British welfare state what concerns social security expenditures occurred.

The verbal onslaught on the British welfare state under the Thatcher government did not materialize in welfare state retrenchment until Margaret Thatcher began her third term in office as prime minister (cf Castles and Pierson, 1996; Clarke and Langan, 1995; Gould, 1993) due to widespread middle class support of popular social insurance systems. The political debate¹, ever since, changed in favor of a new welfare strategy which can be described, as follows “[to] achieve security by redistributing opportunity rather than just redistributing income” (Commission on Social Justice, 1994, quoted in Taylor-Gooby, 1997: 177). In the 1980s, the government kept relying on means-tests for determining the eligibility for insurance-based and universal social security benefits and “wanted to reduce the value of means-tested benefits and discourage too great a reliance on them” (Gould, 1993: 119). Tony Blair’s New Labour Party of the 1990s, in essence, pursues the same set Conservative social policies as did the conservative governments before. Not extensive redistributive programs, but work incentives and less welfare dependency have become core arguments of the social policy of New Labour. It needs to note that the British welfare state could not succeed in abolishing major income and wealth inequalities and since the 1960s there had been a significant slowdown in the extension of welfare programs (cf George, 1980: 56; and cf Glennester, 1998). British welfare capitalism, therefore, has not changed much in its overall appearance when compared to the late 1940s; i.e. some programs had been extended while others had been downgraded (most notably the replacement of unemployment benefits by job-seeker allowances). The United Kingdom developed a unique form of welfare capitalism that is mainly based on flat-rate universal social security programs.

The Swedish Welfare State

The Swedish welfare state represents a distinct form of welfare capitalism that guarantees highest levels of equality and incorporates the majority of the population into welfare state arrangements. The Swedish welfare state represents the pure model of an institutional welfare state that, in addition, emphasizes the citizens’ right to public social welfare and tries to prevent rather than just meet welfare needs. In Sweden, welfare state programs are, for the most part, financed by taxes. Furthermore, the State’s social policies are guided by the principle of equality rather than a needs-based ideology (cf Olsson Hort, 1993).

¹ For further details of the popular social policy debate in Britain after the 1970s cf e.g. Michael Hill (1990), *Social Security Policy in Britain*, Edward Elgar: Aldershot, and Peter Taylor-Gooby (1996), *Euroclerosis in European Welfare States: regime theory and dynamics of change*, in *Policy and Politics*, Vol. 24, No. 2.

The Swedish welfare state is based on the principle that the welfare of the individual is the responsibility of the social collective (Esping-Andersen *et al.*, 1987: 40). The Swedish welfare state is widely attributed to the achievements of Swedish social democracy. However, the birth of the Swedish welfare state preceded the establishment of the Social Democratic labor movement (cf Esping-Andersen, 1992b: 35). In 1884, the governing Liberal party set up a Royal Commission to prepare proposals for workers’ insurance. In 1913, the Swedish parliament passed a universal pension and invalidity system. The year 1932 marked a watershed in Swedish social politics because, from then on, a long-term collaboration between the ‘reds’ (i.e. the Social Democrats) and ‘the greens’ (i.e. the farmers’ party, the Agrarians) started. This grand collaboration lasted until the late 1950s. Both the Social Democrats and the Agrarians introduced a series of welfare reforms that had lasting effects on the Swedish welfare state system (cf Olsson, 1993). Until the year 1948, pensions were subject to means tests.

The 1948 pension law introduced a universal, unconditional flat-rate pension system with additional means tested supplements to ensure the level of subsistence of the very needy (Baldwin, 1990). In 1954, a universal compulsory accident insurance replaced the formerly voluntary accident insurance (implemented in 1901). One year later, the government introduced a universal, compulsory state financed sickness insurance system with wage and earnings-related benefits which replaced the voluntary sickness insurance system (implemented in 1891). The superannuation (=supplementary pension) issue of the late 1950s lead to the breakup of the long-standing red-green coalition that was replaced by a Social Democratic hegemony in Swedish politics. In 1959, a universal, earnings-related second-tier pension (superannuation) system had been introduced, the state earnings-related pension system, i.e. the ATP pension system. The new pension system varied pensions by supplementing the basic pensions. It was compulsory for employees, and voluntarily for the self-employed and non-employed. Thereafter, the introduction of the income-related health insurance, unemployment benefit and ATP pension systems marked a shift in Social Democratic social politics, i.e. the replacement of working class politics by middle class politics (cf e.g. Bergström, 1991; Esping-Andersen *et al.*, 1987).

The Swedish type of welfare capitalism was born only in the 1960s, since before it had not yet developed features of its own kind. High income-replacement schemes for all citizens mark the widely praised Swedish welfare state that is highly associated with Swedish social democracy. However, the first five decades of welfare capitalism in Sweden had been more shaped by the Swedish Liberals than the Social Democrats.

The German Welfare State

Though Otto von Bismarck, a conservative, was setting up first governmental insurance programs for the better-off workers in the 1880s, beginning with the accident insurance in 1883, it were the Christian Democrats after 1949 who determined the course of the welfare state after World War Two. The Christian Democrats created, under the leadership of economic minister Ludwig Erhard, the concept of ‘social market economy’, which led the way in economic and social politics since the beginning of the 1950s. Social market economy combined, in

essence, liberal economic thought with Germany's long-term experience of state planning in economic affairs. Moreover, social policy making was based on Christian social teachings that had been directly derived from the teaching of Bishop Ketteler and the papal encyclicals, *Rerum Novarum* and *Quadragesimo Anno*. The Christian Social teachings embraced the principle of subsidiarity (the duty of self-help according to one's capabilities and the duty of State's help in case of need) and the principle of solidarity at the same time. Both, the concept of social market economy and Christian social teachings were promoted intensively by the Christian social wing of Germany's two large Christian democratic parties, the Christian Democratic Union (CDU) and the Christian Social Union (CSU). It is for these reasons that we cannot refer to Germany as representing the outcome of conservative politics, but instead, must recognize the vital role of Christian democrats and their labor unions in German social policy making (cf Klausen, 1998: 168-9; Lawson, 1996: 32; Aspalter, 2001d; cf also Kersbergen, 1994).

Germany's welfare state system has three major columns of welfare state programs: social insurance, social assistance and social welfare services. Social insurance programs are occupationally divided, benefits are based on contributions, and the insurance system is run by semi-governmental insurance institutions controlled by the State, labor unions and employers' associations. The various programs of the German social insurance system cover all major risks, i.e. health, pensions, unemployment, and even long-term care needs (introduced in 1995). Social assistance – though largely directed by the State – is conducted by the municipalities and the Länder governments. The local governments provide most of the financial means needed (i.e. up to 80 percent). Social assistance is means tested and takes the responsibility of the family into account when determining the eligibility of those seeking social assistance. The family's responsibility (that is based on the principle of subsidiarity) has become a cornerstone of the German social assistance system. Social welfare services are operated by local authorities (cf Toft, 1997: 152).

On the contrary to the British and the Swedish counterparts, Germany's minimum security function of the welfare state system is exercised by social assistance programs, and not national social insurance programs based on citizens' rights. Germany's social insurance schemes provide, on the other hand, living standard security for the insured and their dependents (cf Döring, 1997: 46). Conversely, in Sweden, for example, it is the ATP pension system that provides the same kind of living standard security. Welfare capitalism in Germany is, thus, characterized by the existence of comprehensive social insurance schemes for occupational groups which emphasize group solidarity in terms of insurance pooling and welfare redistribution, and not national solidarity. The collective responsibility for the societal well-being – as promoted by social democrats and Christian democrats – has been modified according to the principle of subsidiarity which lays down the right level of responsibility (e.g. State, Länder, municipalities, NGOs, family, individual) case by case. All in all, the German welfare state system achieves similar results than that of Sweden, however while applying different means guided by, to some extent, different welfare principles.

The Italian Welfare State

The Italian welfare state leads the group of 'Latin Rim' welfare states. This league of

welfare systems includes Italy, Spain, Portugal, Greece and to some extent also France and Ireland (Leibfried, 1992; Palier and Bonoli, 1995; Ferrera, 1996; Martin, 1997). Welfare capitalism in Southern Europe is characterized, in essence, by a mix of Bismarckian and Beveridgean social insurance systems, i.e. contributory, non-universal and non-contributory, universal social security systems respectively.

In Italy, first social security systems had been implemented in the Liberal political era between 1880 and 1920. On the contrary to other Continental European welfare states in the North, Italy did not correspond as quickly to the labor question of the time, and thus, found itself in a *tabula rasa* situation which enabled the late introduction of universal social security schemes. Between 1900 and 1920, social legislation progressed more rapidly. In 1907 and 1909, working standards for women and the youth had been regulated. The coverage of the accident (anti-infortunista) insurance had been extended to the tobacco industry, salt-works, and the agricultural sector. Moreover, pension and invalidity insurance schemes and an obligatory maternity insurance scheme for female workers had been set up. There were a series of proposals for making pension insurance obligatory for workers, and for introducing sickness and unemployment benefits (Ferrera, 1993).

Today, the Italian welfare state represents a mix of occupationally fragmented social security systems (i.e. the German or Bismarckian system), especially with regard to pensions, and social security systems that are based on universal coverage (i.e. the British or Beveridgean System) as in the field of health care provision. Italy, thus, represents a mixed model of societal and occupational solidarity. The national health service, the 'Servizio Sanitario Nazionale' (SSN), introduced in 1978, is a universal health insurance scheme. The SSN introduced a new era of social politics that was in favor of universal welfare provision. The high share of self-employed in the Italian labor force pushed the long-term ruling Christian Democratic dominated government to implement universal rather than occupational social security systems. Another factor behind universal social politics was the Article 32 of the Italian Constitution which emphasized the importance of the inclusion of social groups in the social security system and the unity of social insurance schemes. The Article 32 stressed the fundamental right of the individual and the interest of the collective for such welfare arrangements. From 1950 to 1966, social legislation was characterized by a massive extension of the welfare state that aimed at political clientele, and not the collective social as a whole. Due to greater inclusion of left-wing political forces into government since 1963, i.e. especially the Socialist Party and the Social Democratic Party, the political ideology shifted in favor of universal welfare programs. The Law 833 of the year 1978 introduced a completely universal social security scheme, the health insurance scheme. The new scheme guaranteed the right of free medical treatments and drugs. The Italian health care and social service sectors are, moreover, highly relying on the support of the third sector (France, 1996; Woldendorp *et al.*, 1998; Ferrera, 1993; Maino, forthcoming). Italian-style welfare capitalism represents, in essence, a mix of German-style Christian democratic social policy with a focus on occupational insurance schemes and means tested social assistance and British-style liberal (i.e. Beveridgean) social policy based on universal social insurance schemes.

The Welfare State in Hong Kong

The Hong Kong welfare system is based on the one hand on non-contributory social security systems and on the other on social welfare services run by non-governmental organizations (NGOs). The level of governmental expenditures is comparatively low in Hong Kong when compared to Western welfare states (Chan, 1996, 2001). The government provides cash benefits to the very poor and, in addition, extensive subventions to voluntary welfare organizations. With respect to social security and welfare services, the middle class is, for the most part, excluded from the welfare state in Hong Kong. The Hong Kong government set up a non-contributory social security system which is aimed at the provision of basic and special needs for the elderly, the sick, the disabled, single parent families, the unemployed and people with low incomes (Aspalter, 2001b). The two largest schemes providing social security are the Comprehensive Social Security Assistance Scheme (CSSAS) and the Social Security Allowance Scheme (SSAS). Today, the Social Security Assistance Scheme offers aid to all these social groups. The CSSAS is a means-tested assistance scheme. The second large social security scheme, the Social Security Allowance Scheme (SSAS) grants monthly allowances to the elderly and the disabled exclusively. The share of old-age allowance cases of the SSAS has risen over the past two decades from 79 per cent in 1976 to 86.3 per cent in 1996. Everybody who meets the criteria of being older than 65 years and having an income that does not exceed a certain amount is entitled to the benefit (HKGOV, 1984: 205, 1994: 254, 1996: 12-6). Hong Kong's non-contributory social security system alone cannot cope with the needs of people. Therefore, the state relies mostly on the private and voluntary sector to provide social services. The mounting problems of the elderly population in Hong Kong has led to growth in social security expenditures. Governmental expenditures for the CSSAS and the SSAS rose by an average 24.85 percent per year between 1993 and 1996. Other components of Hong Kong's social security system are: the Traffic Accident Victims Assistance Scheme (HK dollar 110.7 million in 1995/96), the Criminal and Law Enforcement Injuries Compensation Scheme (HK dollar 12.5 million in 1995/96), emergency relief, and other services, such as the Social Security Appeal Board and Legal Aid (HKGOV, 1996: 9-23).

Until 1965, social welfare was mainly provided by religious and welfare organizations. These NGOs filled the gap between the welfare needs of the people and disposable public welfare. Most welfare agencies, that supplied social services to the unfortunate and the poor, were branch organizations of internationally operating NGOs. In the early 1970s, the welfare ideologies responsible for the engagement of voluntary organizations began to change. The ideals of various religious and humanitarian beliefs were gradually replaced by an ideology of social justice and equality. NGOs demanded that every individual have the opportunity to realize his or her potential. This appeal for a more equal society echoed the ideas of the British Fabian society (Chow, 1994: 324-7). The social workers, a strong social pressure group, were largely attracted by the ideal of social equality as the fast growth of the economy was accompanied by a degenerating income distribution.

In 1973, the White Paper on Social Welfare (HKGOV, 1973) initiated the close co-operation between the government and non-governmental welfare organizations in provision of welfare services. This year brought a change towards greater participation by the NGOs in running social services and a close partnership between the government and NGOs in planning, provision and development of social welfare and rehabilitation services (HKCSS, 1996). In the mid-1960s, the key source of income of voluntary welfare organizations had been overseas donations, which

counted for up to 50 per cent of total NGO revenues. After 1973, the NGOs became the most important supplier of social services, especially in the field of services for young people and the elderly, through a system in which government subventions provided most of financial resources needed by the NGOs. However, by the year 1987 up to 70 per cent of these agencies relied solely on public funding (Chow, 1994: 325; HKCSS, 1987). The increased importance of NGOs stemmed from the rising needs of the people. The demand for social services grew owing to changes in the age structure of the population, decreasing labor force participation rate by the elderly, and the abandonment of traditional family structures. In 2000, the Hong Kong government introduced the Mandatory Provident Fund that has been modeled after the Singaporean Central Provident Fund. Both focus on private savings instead of State-financed social insurance programs.

The Welfare State in Singapore

Singaporeans benefit from a mandatory membership in the Central Provident Fund (CPF), a fully funded social security scheme that is based on the pay-as-you-earn principle. The Central Provident Fund, in essence, represents four different personal savings accounts which are designed to provide financial resources in times of need; especially after retirement, but also in times of home purchase, sickness, accident, death, and enrolment in tertiary educational institutions. The fully funded principle which is one of the key aspects of the Central Provident Fund implies that welfare state expenditures in Singapore are marginal in comparison to traditional, Western welfare states. The government acts merely as the regulator of public welfare, not as the provider. The social security schemes that are incorporated in the Central Provident Fund rely almost exclusively on employees' and employers' contributions (cf Aspalter, 2001c).

The Central Provident Fund comprehends various different schemes that are connected to four personal savings accounts of CPF members. In the beginning, there was just one account for the contributions of members and their employers. In 1977, the government decided to reinstall old age security and to raise the balances of CPF members' accounts after massive withdrawals had heavily reduced average CPF savings due to the very successful CPF housing schemes of the late sixties. Hence, the government created two separated accounts, the Ordinary Account and the Special Account. The Special Account's function was set up in order to provide better old age security by separating a fixed share from the Ordinary Account. In April 1984, the government responded to the increasing problem of health care costs of the elderly and installed a third account, the Medisave Account. Contributions in excess of the maximum balance of the Medisave Account are shifted into the Ordinary Account. In 1987, the fourth account of the Central Provident Fund, the Retirement Account, came into existence with the establishment of the Minimum Sum Scheme which tried to secure the accumulation of sufficient funds at the age of retirement. The Retirement Account is operated under the Minimum Sum Scheme that sets aside a certain amount from the members' accounts at the age of 55 in order to ensure the members' capability of meeting their most basic welfare needs. Of the employees' and employers' contributions, i.e. 20 percent of members' income each, three-quarters are credited into the Ordinary Account. Out of the remaining ten percentage

points, six are assigned to the Medisave Account and four to the Special Account (Nga, 1995; CPF, 1996).

The Singapore government had, for the most part, avoided the introduction of social assistance schemes. The long-term policy of the Singaporean Republic was the encouragement of 'workfare' and the avoidance of comprehensive non-contributory welfare programs. The Singaporean welfare state created a new form of welfare capitalism that is, for the most part, relying on 'asset building' (cf Sherraden, 1997: 55), and not on tax-financed welfare programs that create welfare dependency. It is for this reason that Singapore represents a form of welfare capitalism in itself and, thus, serves – or can serve – as a model for other welfare state systems.

Different Worlds of Welfare Capitalism: A Résumé

Before we summarize shortly again the main features of the examined eight welfare state systems, we study different responsibility patterns across different worlds of welfare capitalism. This study arose from the daily discourse of whether welfare recipients should take up more responsibility themselves and, thus, lessen the burden of the State in financing social welfare provision. There are different societal levels to which a certain welfare responsibility may be ascribed, e.g. the nation, a federal state, a municipality, private non-profit organizations, the neighborhood, and the family. More and more, the responsibility, especially that of finding work, is shifted back to the individual. The responsibility to save for, or to get insurance for times of sickness and old age may be no longer the sole responsibility of the State in many of the long-established European welfare states. The patterns of welfare responsibilities vary a great deal across welfare states. Different welfare regimes can display different patterns of responsibility. Therefore, the author identifies different worlds of welfare capitalism by focusing on the nature of welfare responsibilities across model countries each representing a unique kind of welfare capitalism. The results of this study are summarized in Table 1. It ascribes different types of welfare responsibilities to different models of welfare state systems. It also contains information on the type of social security that is offered in these welfare states by distinguishing between basic/minimum social security provision and social security provision that aims at maintaining people's living standards, i.e. during sickness, after accidents, in old age, in times of unemployment, and in case of poverty (i.e. for the working poor).

Table 1: Different Worlds of Welfare Capitalism: The Results of the Eight-Country Study

<i>World of welfare capitalism (i.e. the representative country)</i>	<i>Type of responsibility emphasized</i>	<i>Type of security offered (minimum security vs. living standard security)</i>	<i>Field of social security covered</i>
Australia	'focused' collective responsibility	minimum security (means tested and flat-rate social assistance, health care, and e.g. governmental 'age pensions' for long-term citizens) living standard security (e.g. the mandatory private superannuation pensions system)	health, pensions, unemployment
US	individual responsibility	minimum security (means tested social assistance) living standard security (pensions, unemployment only)	pensions, unemployment
UK	'limited' collective responsibility	minimum security (universal insurance schemes)	health, pensions
Sweden	collective responsibility	minimum security (universal insurance schemes) living standard security (second-tier pensions; and partly by universal insurance programs, e.g. unemployment, health)	health, pensions, unemployment
Germany	'modified' collective responsibility	minimum security (means tested social assistance) living standard security (occupational insurance schemes)	health, pensions, unemployment
Italy	'semi-modified' collective responsibility	minimum security (means tested social assistance) living standard security (occupational and universal insurance schemes)	health, pensions, unemployment
Hong Kong	'shared' responsibility between the collective and the individual	minimum security (means tested social assistance schemes) living standard security (provident funds)	health, pensions
Singapore	'regulated' individual responsibility	living standard security (provident funds)	health, pensions

The first case study, Australia, has highlighted the special approach of Australian social policy makers to guaranteeing high standards of social welfare. In no other country, there had been such a large focus on stringent means tests in order to ensure highest degrees of efficiency in public welfare provision, i.e. a greatest possible focus on the very poor. The Australian model of welfare capitalism, furthermore, is very labor market-centered since it emphasizes a great deal the welfare-enhancing effects of high-minimum salaries. These high salaries are guaranteed by strong, corporatist institutions. While the collective (i.e. the State and, thus, the majority of the population paying taxes) is clearly taking up welfare responsibilities, these are highly focused on a small part of the population. The United States pursued a different approach in ensuring relatively high levels of social security. The State focused on the individual's drive to work and his capabilities to take care for himself or herself. While public employment and pension insurance schemes are available, health care services must be financed by private welfare provisions; i.e. savings and insurance policies. Social assistance schemes have been marginalised in their importance and dismantled in recent years. Moreover, the American welfare state system features a great emphasis on tax reductions, especially for middle and upper classes. In the United Kingdom, policy makers opted for the implementation of universal, flat rate insurance schemes that are highly based on citizens' rights. Universal insurance schemes reduce the need for means tested social assistance schemes. Since these insurance schemes provide only flat-rate benefits and since there is even no insurance scheme for unemployment, the extent of collective welfare responsibilities is rather limited in the UK. Sweden, instead, chose to transform its flat-rate universal insurance schemes into high-benefit insurance schemes since the 1960s. With the notable exception of the pension system, that is separated into basic and second-tier ATP pensions, these universal insurance schemes provide not minimum, but living standard security, i.e. high income-replacement rates that ensure comfortable living standards. Tough also providing high levels of social security, Germany has set up a dual social security system, where social assistance schemes guarantee minimum security and social insurance schemes are designed to the needs of the better-off societal groups. Social insurance schemes are divided along occupational groups. Social assistance programs are means tested and take family income rather than individual incomes into account. Welfare responsibilities are carried by the society at large, different regions (the Länder), different occupational groups, or the family. In short, collective welfare responsibilities have been modified according to the principle of subsidiarity. In Italy, a mix of Christian democratic and liberal (i.e. Beveridgean) social policy emerged over the past decades. With the notable exception of health care services, collective welfare responsibilities have also been here modified, i.e. societal solidarity has been partly replaced by solidarity among members of a certain occupational groups. In Hong Kong, the government developed a different approach, i.e. a NGO-State partnership in social welfare provision combined with flat-rate, means tested social assistance schemes. The government pays social assistance benefits and finances social welfare services provided by the Third sector. In Singapore, the government again resorted to different means in order to guarantee a relative maximum of social welfare, i.e. an extended form of provident funds system. The Singaporean type of welfare capitalism is based solely on forced private savings that are regulated by the State. Welfare dependencies, redistribution and, thus, negative work incentives are completely avoided. This particular type of

welfare state capitalism is based on Singapore's successful full-employment strategies in national development.

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