

Explaining Social Welfare Expansion in Hong Kong and South Korea: The Relevance of Comparative Policy Paradigms of Industrialization and Labor Mobilization

KWONG-LEUNG TANG AND SUN-WOO LEE*

The question of what explains social welfare development over the world has been haunting researchers for some time. Different theories are formulated to account for this phenomenon, though conflicting empirical findings result from these theories. In the study of comparative social welfare development, two dominant theories stand out: the industrial society perspective (convergence theory) and the labor mobilization model. They both advance their arguments in social structural term. Their validity for other parts of the world has not been established. The article examines whether these two theories can be applied to the East Asian Newly Industrializing Countries (NICs). Hong Kong and South Korea are selected as the focus of this study. Using quantitative regression methods, hypotheses derived from these two theoretical standpoints are tested. The empirical study arrives at the following conclusions: (1) evidence for welfare convergence is rather weak, and (2) the industrial society perspective seems to be a stronger model to explain social welfare growth in these two countries than the labor mobilization model.

Introduction

The post-war welfare state development has proven perplexing to those social policy analysts who wish to identify common driving forces for social welfare development across countries and cultures. To date, there has been no consensus over the ultimate determinants of social welfare policy. There are a plethora of theories which have emerged since the 1950s to explain the phenomenon of welfare state in advanced capitalist societies (Flora 1985; Pierson 1991; Janoski and Hicks 1994). On balance, they have advanced a host of competing economic, social, cultural, or political explanations for social welfare development (Cutright 1965; Wilensky 1975; Miller 1976; Castles 1978; Stephens 1979; O'Connor 1988). Not surprisingly, the research agenda is dominated by numerous studies on the advanced capitalist countries, given the great amounts of public expenditures on social welfare programs.

*Professor and Chair, Social Work Program, University of Northern British Columbia, Canada; and Researcher, Korean Institute of Health; respectively.

In this debate, two theoretical approaches capture the most attention: industrial society perspective and the labor mobilization model. They share some similarities. First, they offer social structural explanations which are broad-based. Taken together, these two theories argue that the processes of social transformation that create the modern world are either industrial/technological or political (Pierson 1991). A complementary but equally important argument which follows from these two theoretical stances is the notion of welfare convergence. Owing to underlying political or economic forces, welfare systems over the world would converge in due course. This certainly would cover all the developing nations which are deemed to be heading toward the same destination as the industrialized countries.

While research undertakings from these two theories are many, the efficacy of this assumption has not been much examined in the context of developing countries. This paper is intended to study the relevance of these theories to developing countries. A binary study will be done. Two cases are examined: Hong Kong and South Korea. They are selected because they represent a prime example of high-income developing countries whose structural and economic complexities are far closer to those of the industrialized nations than other developing societies. The growth performance of the Hong Kong and Korean economies is probably unparalleled in the development history of the postwar period (Leipziger, Dollar, Shorrocks, and Song 1992; Krueger 1995). The development of modern social welfare in these countries therefore provides good opportunities for testing theories about the impact of politics and technological changes on changes in this policy area.

Theoretical Contexts

The industrial society perspective (also known as convergence theory) is the most influential of all the comparative policy theories. Backed by a series of early but sophisticated research findings since the 1960s, the industrial society perspective posits that the welfare state is a product of the needs generated by industrialization and economic development. It claims that all industrialized countries would respond to the growth of cities and industries by creating formal social welfare institutions to help citizens cope with their economic and social predicaments. As societies move toward higher levels of industrialization, the relatively simple exchange relationships of agrarian societies are replaced by more complex industrial economies. Employment for a wage becomes the dominant mode of economic exchange. Regular income employment becomes the major source of livelihood for the industrial work force. As a result, unemployment, sickness, and old age would cause major social problems, a sign of national social vulnerability. This is exacerbated by the reduction of the level of family functioning in an industrial society (Wilensky and Lebeaux 1965).

This "logic of industrialism" thesis is backed by a number of empirical studies (Cutright 1965; Aaron 1967; Peters 1972; Wilensky 1975). For instance, Aaron (1967) showed that per capita income was the most important factor of per capita social security spending. Peters (1972) found that the correlation between per capita

gross domestic product and per capita spending was significant in France, Sweden, and United Kingdom from the period 1850-1965.

Aided by these empirical studies, the industrial society perspective has been the leading explanation in this field. Wilensky an active proponent of this perspective, states unambiguously, "with economic growth, all countries develop similar social security programs" (1975: 86). His main emphasis is on the level of economic development rather than political ideology or political struggle as the key variable of social welfare development. Obviously, this perspective is deemed by its supporters as a grand theory to explain and predict social welfare development, which is applicable and relevant to all parts of the world.

Admittedly, it is not difficult to see that the industrial society perspective pinpoints the supremacy of economic and technological development which impacts on western societies while downplaying the importance of political forces in social welfare development. Another school of thought – the labor mobilization model – vigorously disputes this claim. Essentially, it finds fault with any belief which leave out political analysis of welfare state development. As one of its proponents puts it, "politics does matter" in accounting for social welfare development.

Their theoretical position is well articulated by Castles and McKinlay (1979) who tried to demonstrate the importance of social democratic party in the development of public welfare. They found that in the case of Scandinavia, it is the strength of working-class movements which has augmented the demand for social welfare. On the other hand, Heidenheimer (1973) stressed the importance of the growth of unionization as the main force creating modern social welfare institutions. This was evidenced by the fact that liberal governments in Europe did not introduce social insurance programs until after the unionization of their work forces. Piven and Cloward (1971) further documented the importance of national crisis in the United States which forced the government to initiate social programs rapidly. In short, this approach sees social welfare development as determined by political forces which find expression in the levels of unionization, the existence of labor party, mobilization of labor force, and the threat of national crisis.

Social Welfare Development in Korea and Hong Kong

Thus far, debates between the industrial society perspective and the labor mobilization model, though highly contentious, assume either of these approaches could offer adequate explanations of social welfare development in the world. Yet we want to raise a crucial yet fundamental question: could they really explain social welfare development in the non-western countries? The answer to this question has been rather tenuous. In actuality, very few of the empirical studies in the tradition of industrial society perspective and labor mobilization model have touched on the third world. A few exceptions are: Cutright's (1965) research of 76 nation-states, Wilensky's (1975) study of social security spending in 64 countries, and Williamson and Pampel's

(1993) study of 32 developing countries. While the neglect of developing countries is understandable given the low level of social welfare development in the 1950s and 1960s, it is disappointing to see that such omission lingers on. The paucity of research into the relevance of comparative policy theories for the developing nations is due partly to the widely held belief that theories derived from the western countries could be adopted to explain social welfare development in the Third World (Midgley 1984). The latter is considered as regions where traditional social welfare institutions are rapidly disintegrating under the modernizing pressures of social change and they would soon be replaced with modern social welfare institutions (Midgley 1984; Hardiman and Midgley 1989).

Economically, Hong Kong and South Korea stand out from the rest of developing nations. They have reduced significantly the incidence of poverty through rapid economic and social development (Tang 1996). Per capita income grew at an average rate of more than 6 percent per annum during the period of 1970-90. Though economic development in many of these Asian countries has been based on free market principles, there has been an impressive increase of social welfare spending in these two countries (Midgley 1984; Deyo 1992; Ramest 1995).

South Korea

South Korea has emphasized economic development as its primary goal of development in the last three decades. In the 1960s, its national priority was economic growth which was embodied in its "production-led" policy. Government spending on social welfare was very limited. As a result, inequalities among social groups were great and social safety net designed to maintain a minimum level of living for every citizen was rudimentary. The need for social welfare programs had been low until the end of 1980s due to the abundant labor force and the state's effective control of the labor movement.

The mid-1980s marked a turning point. The process of democratization led to significant upheaval in labor markets, with widespread strikes and unionization activity (Leipziger, Dollar, Shorrocks, and Song 1992). More public expenditures were spent on social development. Government spending on social security as a percentage of GDP increased consistently (Ramesh 1995). As expected, its welfare effort is far lower than what is found in the developed countries.

Social welfare in Korea comprises the following: social security, public assistance, and social welfare services. The main components of social security are medical insurance, national pension, workers' compensation, and unemployment insurance. Medical insurance was introduced in 1977 for workers of big corporations and it was gradually extended to cover all citizens in 1989 after the workers' nationwide struggle. A national pension scheme began to operate for workers of workplaces with ten or more employees. In 1995, the scheme was expanded to cover farmers.

Presently, part-time workers and the self-employed are not covered by the scheme. Workers' compensation came into force in 1964, and was considered as a necessary tool for economic development. Public assistance was provided for lowest-income people under the 1961 Act of Relief for the Livelihood. The Act was amended in 1982. Public assistance now provides cash and medical benefits to 3.9 percent of the total population. On the other hand, unemployment insurance was just introduced in 1995. This is the latest addition to the welfare provisions. Lastly, social welfare services are mainly provided for the elderly, children, and the disabled. Services for the elderly and the disabled include cash aids to lowest-income people who are over 70 years old or who are disabled.

According to the latest figures, in 1994, the Korean government spent some 777.7 billion Won (US \$1 = 870 Won, approximately), 14.9 billion Won, 528.1 billion Won, and 212.8 billion Won on medical insurance, national pension, public assistance, and social welfare services, respectively. In the same year, social security spending by the central government accounted for 0.08 percent of the GNP, or 6.05 percent of the total government expenditures. The expenditures on public assistance and social welfare services were 0.18 and 0.07 percent of GNP respectively. Public assistance and social welfare services account for 1.22 percent and 0.49 percent of total government spending, respectively.

Hong Kong

On the other hand, Hong Kong is a British colony that was returned to China in 1997. Like South Korea, the British government was fully committed to economic growth of the colony. Scarce financial resources were not to be used for social welfare unless dictated by extreme adversities while education and health services received early recognition from the government. Obviously a growing capitalist society would require substantial human resources development. For a long time, there was no comprehensive social policy development. Massive social needs remained unmet. The boost in social policy expansion was a result of the 1966-67 Riots which shattered the legitimacy of the colonial government (Scott 1989). However, the impact of this crisis was short-lived and the government reverted to a social policy of incrementalism after 1977. Each year, more money was expended on social welfare services though the increments remained small. Like Korea, Hong Kong's welfare effort is far lower than what is done in other industrialized countries.

Social welfare is known locally as social services, which is a broad conception covering five services: education, housing, medical care, social welfare services and labor services. Social welfare services in turn include social security and personal social services (for instance, services for the family, school social work, children and youth services, etc.). This broadly refers to all the social work activities undertaken by the Social Welfare Department and nongovernmental organizations.

Basically, social security, introduced in early 1970s, is limited to public assistance and social allowance for the disabled and the aged. Both are non-contributory and are financed from the general revenue of the government. Unlike other developed countries, unemployment insurance is strikingly absent. Likewise, social insurance for the retired has not been instituted, though debates on its relevance have been going on for years.

Government spending on social welfare services showed a steadily increasing trend from the early 1970s through 1990s. Spending on social welfare services has increased from HK\$137 million (US\$17.7 million) in 1973-74 to HK\$4.6 billion (US\$0.6 billion) in 1990-91. The share of social welfare services in government spending rose from 2.6 percent to 4.6 percent in 1990-91 (Hong Kong Government 1991). In the same period, social welfare services as a percentage of gross domestic product ranged between 0.7 percent and 0.9 percent. Two-thirds of the social welfare services spending is devoted to social security. As a percentage of gross domestic product, social security spending went up from 0.44 percent in 1981 to 0.57 percent in 1990.

Comparatively, government social spending in Hong Kong and South Korea, whether measured by the share in total spending or in absolute levels, was still relatively low by international standards (Table 1). Social spending (i.e. expenses on social welfare, education, housing, health and community services) as a percentage of gross domestic product measures the extent of the social wage relative to the size of the national economy (Deyo 1992). Using this measure, Hong Kong has higher social expenditures than Korea. Increasingly, during the period under examination, Hong Kong does not do as well since there is a drop from 8.1 percent to 7.8 percent. On the other hand, Korea has experienced some increase of social spending from 4.6 percent to 5.0 percent. Another measure comes to the same conclusion. Using the measure of social welfare spending as percentage of total government spending, Hong Kong fare better than Korea. But both countries increased their social welfare spending from 1980 to 1987, which indicates greater concern for social development.

Table 1. Social Spending in Hong Kong and South Korea

	<i>South Korea</i>	<i>Hong Kong</i>
Per capita (US\$)	1987: 148	1987: 652
As Percent of GDP	1980: 4.6 1987: 5.0	1980: 7.8 1987: 8.1
As Percent of Total Government Spending	1980: 26.6 1987: 29.1	1980: 50.2 1987: 53.1

Research Design

As stated above, the purpose of this study is to test the applicability of these two comparative policy theories to the developing world. Basically, this study is an exploratory one. A major aim for the research results to serve as benchmarks so that more specific research might proceed in future. The focus of this exploratory study will be on Hong Kong and South Korea, two of the four East Asian Newly Industrializing Countries. The central question is to identify structural determinants of social welfare institutions in Hong Kong and South Korea. Specifically, the "logic of industrialism" thesis and "politics matter" prediction will be quantified and tested against social welfare spending over a period of time. Accordingly, two questions are raised: Are factors like level of economic development, economic growth rate, and the proportion of aged population good predictors of social welfare spending in Hong Kong and Korea over time? Could we use factors like number of strikes, number of work-day lost, unionization rate, and unemployment rate to account for social welfare spending in these two countries?

A multivariate regression analysis was conducted on these two countries. The time-series data for Hong Kong ran from 1966 to 1986 while that of South Korea covered the period of 1966-1990. The dependent variable was measured as social welfare spending as a proportion of gross domestic product. Social welfare was defined to cover such services as education, health, housing, social security, and personal social services. The independent variables included: gross domestic product (GDP), rate of gross domestic product (GDPRATE), and the proportion of aged over 65 (AGE). They were all derived from the industrial society perspective. From the labor mobilization model, four determinants were chosen and tested: the number of strikes (STRIKE), the number of days lost due to strikes (WORKLOST), unemployment rate (UNEMPLOY), and unionization rate (UNION). These data were analyzed using SPSS Trend. Since only two countries are involved, the regression models from one country will be analyzed independently and their statistical findings will be interpreted and compared.

Research Results

Hong Kong

Three variables from the industrial society perspective were regressed on the social welfare spending. Table 2 shows the regression results. In the model 1 where ordinary least squares analysis is done, the variable GDPRATE was found significant. However there is strong indication of positive autocorrelation (Durbin-Watson $d = 0.7712$). A Praxis-Winsten reestimate was conducted with the Autoreg method (Model 1a). The variable GDPRATE remained significant, without the problem of autocorrelation. However, the correlation matrix shows a very high correlation between the variables AGE and GDP. This problem of multicollinearity was tackled by eliminating the variable GDP from the analysis. The result is model 2 (OLS analysis)

which yielded two significant variables: AGE and GDPRATE. A better estimate based on Autoreg was undertaken which yielded model 2a (Durbin-Watson $d = 1.84$). The two variables retained their level of significance.

Table 2. Regression Analysis of the Determinants of Social Welfare Spending in Hong Kong, 1966-1986 (The Industrial Society Model)

	<i>Model 1</i>	<i>Model 1a</i>	<i>Model 2</i>	<i>Model 2a</i>
Gross Domestic Product	0.3463 (0.968)	0.2513 (1.190)	-	-
Aged over 65	0.1881 (1.371)	0.6156 (0.511)	0.0001*** (12.16)	0.0001*** (6.210)
Rate of GDP	0.0073** (-3.043)	0.0013 (-3.875)	0.0040** (-3.546)	0.0020** (-3.644)
Intercept	0.0345 (2.297)	0.0296 (2.387)	0.0023 (3.546)	0.0186 (2.601)
Durbin-Watson	0.77	1.73	0.82	1.84
R ²	0.88	0.69	0.78	0.67

(Figures in parenthesis are the T statistics)

* Significant at $p = 0.05$

** Significant at $p = 0.01$

*** Significant at $p = 0.001$

A similar analysis was done for the labor mobilization model (Table 3) where four independent variables were tested against the dependent variable. In both the OLS and ARIMA analyses, none of the variable was found important.

This result would have indicated the stronger explanatory power of the industrial society perspective over the labor mobilization model. The above analysis is premised on the individual regression results for each theory. It would make sense to measure the relative strength of the two theories by putting all the variables as predicted by each into one analysis. The results are reported in Table 6. Two variables (GDP and GDPRATE) were seen to be significant in the OLS while the Autoreg analysis indicated the relevance of only one variable: GDPRATE (Models 1 and 1a). As noted, the problem of multicollinearity entailed the elimination of the variable GDP from the model. The final result showed that both AGE and GDPRATE are good predictors (Model 2a). This would confirm the relative superiority of the industrial society perspective over the labor mobilization model.

Table 3. Regression Analysis of the Determinants of Social Welfare Spending in Hong Kong, 1966-1986 (The Labor Mobilization Model)

	<i>Model 1</i>	<i>Model 1a</i>
	OLS	ARIMA
Number of Strikes	0.4896 (0.707)	0.5547 (0.604)
Number of Work Days Lost	0.0564 (-2.05)	0.7964 (-0.262)
Unemployment Rate	0.8948 (0.134)	0.2129 (1.301)
Unionization	0.4391 (-0.79)	0.3484 (-0.967)
Intercept	0.0001 (5.948)	0.0005 (4.337)
Durbin-Watson	0.79	1.85
R ²	0.11	0.12

(Figures in parentheses are the T Statistics)

* Significant at $p = 0.05$

South Korea

Similar analysis was done on the Korean data. Three variables from the industrial society perspective were regressed on the social welfare spending. However, there was the problem of multicollinearity as indicated in the correlation matrix. In the first model, AGE and GDP were very closely related with a correlation coefficient of 0.9242. Therefore it was necessary to drop AGE in this model. Table 4 shows the regression results. In the OLS analysis, the variable GDP was found significant. However, the model suffered from the problem of positive autocorrelation (Durbin-Watson = 0.9002). A data transformation was done (Model 3a). The variable GDP was still significant with $p = 0.0001$ while the Durbin-Watson coefficient improved. This model explained 77.1 percent of variations. It can be concluded that GDP can be a valid predictor though Durbin-Watson statistics may fall within the uncertainty zone.

Table 4. Regression Analysis of the Determinants of Social Welfare Spending in South Korea, 1966-1990 (The Industrial Society Model)

	<i>Model 1</i>	<i>Model 1a</i>
Gross Domestic Product	0.215E-1** (6.333)	0.2558E-4* (4.782)
Rate of GDP	-0.5690E-1 (-3.043)	-0.2052E-1 (-3.875)
Intercept	4.5460 (9.938)	4.1015 (8.846)
Durbin-Watson	0.902	1.295
R ²	0.67	0.77

(Figures in parentheses are the T statistics)

* Significant at $p = 0.05$

** Significant at $p = 0.01$

*** Significant at $p = 0.001$

Four indicators of the labor mobilization model were first tested against the dependent variable of social welfare spending. In this model, two sets of variables STRIKENO and WORKLOST ($R^2 = -0.8268$) showed a clear sign of multicollinearity. Therefore, it was necessary to eliminate two variables from the model: WORKLOST and UNEMPLOY.

In Table 5, only one variable UNION from the labor mobilization model was statistically significant in the OLS model. But the Durbin-Watson statistic was 0.611 which suggested a strong autocorrelation. After data transformation was made, unionization was still the only variable which was significant ($p = 0.0016$). The R^2 was 77.6 percent for this model. It can be concluded that UNION may be a valid predictor.

These results indicate that both the industrial society perspective and the labor mobilization model partly explains the dependent variable in the case of Korea. Table 6 shows the results of the regression analysis of all the variables from both theories in order to test their relative strength. No variable was found significant (Models 1 and 1a). Because of the problem of multicollinearity, AGE, WORKLOST, and UNEMPLOY were all taken out of the model. The final model showed GDP as the only statistically significant explanatory factor in the OLS and the Autoreg analyses. Thus, the results indicate that the industrial society perspective has more explanatory power over the labor mobilization model in affecting social welfare spending.

Table 5. Regression Analysis of the Determinants of Social Welfare Spending in South Korea 1966-1990 (The Labor Mobilization Model)

	<i>Model 1</i>	<i>Model 1a</i>
	OLS	ARIMA
Number of Strikes	1.596E-4 (-0.653)	-8.788E-5 (-0.492)
Unionization	0.5448** (5.020)	0.5020** (3.624)
Intercept	1.3856 (1.972)	1.6810 (1.696)
Durbin-Watson	0.611	1.408
R ²	0.575	0.776

(Figures in parentheses are the T Statistics)

* Significant at p = 0.05

** Significant at p = 0.01

These results are in accord with the findings of Tae-Sung Kim's study (1990). His research shows that the proportion of the population aged 60 or older, gross domestic product, and the percentage of union members in the total labor force are three significant determinants for social welfare spending in under-developed countries including South Korea. This study, however, shows that AGE and GDP are highly correlated. AGE was dropped from the model. As a result, the final model only accommodated two significant variables: GDP and UNION.

Discussion

In South Korea, both industrial society perspective and labor mobilization approach have limited validity to account for social welfare development since only one variable from each perspective might be significant. As noted, GDP seems to be the most significant variable. South Korea could expand her social welfare programs only when she has resources to spend on social welfare (Shin 1993). While emphasizing economic development, South Korea has accumulated much resources since the late 1970s. Economic development has led to improved quality of life and provided resources for social programs. The rapid development was mostly due to her export-led growth strategy. But the growth of social welfare is restricted by the dominant

Table 6. Regression Results of the Determinants of Social Welfare Spending in South Korea 1966-1990 (Mixed Model)

	<i>Model 1</i>	<i>Model 1a</i>	<i>Model 2</i>	<i>Model 2a</i>
	OLS	ARIMA	OLS	ARIMA
Age over 65	0.8105 (0.883)	0.6612 (0.808)	-	-
GDP	1.46E-5 (1.144)	1.35E-5 (1.043)	2.35E-5** (3.417)	1.99E-5* (2.351)
Rate of GDP	-0.0479 (-1.007)	-0.0328 (-0.810)	-0.0344 (-0.869)	-0.0205 (-0.616)
Number of Strikes	-6.73E-4 (-1.161)	-5.23E-7 (-0.865)	-4.44E-4 (-1.965)	-2.37E-4 (-1.213)
Number of Work days Lost	1.36E-7 (0.516)	1.52E-7 (0.525)	-	-
Unionization	0.068 (0.274)	0.0525 (0.173)	0.1451 (1.017)	0.2031 (1.162)
Unemployment Rate	-0.1148 (-0.372)	-0.1962 (-0.565)	-	-
Intercept	1.8393 (0.430)	2.6895 (0.624)	3.5214 (3.885)	3.0723 (3.030)
Durbin-Watson	1.240	1.146	1.162	1.447
R ²	0.7586	0.6672	0.7416	0.6350

(Figures in parentheses are the T statistics)

* Significant at $p = 0.05$

** Significant at $p = 0.01$

Table 7. Regression Results of the Determinants of Social Welfare Spending in Hong Kong 1966-1986 (Mixed Model)

	<i>Model 1</i>	<i>Model 1a</i>	<i>Model 2</i>	<i>Model 2a</i>
	OLS	ARIMA	OLS	ARIMA
Aged over 65	0.3199 (-1.03)	0.8420 (-0.20)	0.0001*** (8.98)	0.0003*** (4.76)
GDP	0.0550* (2.10)	0.1973 (1.36)	- -	- -
Rate of GDP	0.0107** (-2.97)	0.0079** (-3.17)	0.0325** (-2.37)	0.014** (-2.83)
Number of Strikes	0.1557 (1.50)	0.9810 (-0.02)	0.5951 (0.54)	0.7461 (-0.33)
Number of Work Days Lost	0.4243 (-0.82)	0.7885 (0.27)	0.7674 (0.30)	0.5959 (0.54)
Unemployment Rate	0.3775 (0.91)	0.4549 (0.77)	0.9799 (0.02)	0.5285 (0.64)
Unionization	0.2601 (1.17)	0.5931 (0.54)	0.8589 (-0.18)	0.6837 (-0.41)
Intercept	0.0125 (2.89)	0.0612 (2.06)	0.0833 (1.86)	0.1657 (1.46)
Durbin-Watson	1.33	1.67	0.95	1.88
R ²	0.88	0.63	0.85	0.56

(Figures in parentheses are the T statistics)

* Significant at p = 0.05

** Significant at p = 0.01

*** Significant at p = 0.001

ideology of economic development. Though national wealth has increased dramatically since the 1980s as a result of the extensive economic development planning, the government still considers social programs as a drain on its precious resources.

However, the gap between the haves and the have-nots has increased because of unequal distribution of income. Therefore, labor unions started to demand more shares by forming a newly politicized labor movement in the 1980s. The voice of the labor became louder when the political situation got volatile in 1987-88. Thus, the percentage of unions in the total work force seemed to be a significant variable in explaining social welfare spending. The Korean government could not ignore the discontent of its working class because it might disrupt social unity and disturb social stability (Oh 1993). As a result, it had to provide labor with some social programs while maintaining the economic policy to facilitate capital accumulation. On the whole, social welfare in South Korea still remains under-developed when compared with other advanced industrial countries.

It has to be noted that until late 1980s, labor unions in Korea have not played a major role in the social welfare development. After the 1987 democratic movement, labor unions expanded their membership and strengthened their political power. Former President Rho Tae-Woo had to please workers by giving them full medical insurance and national pension. However, the unions' political power has subsided because of labor's satisfaction with their livings in the wake of rapid economic development. Recently, the economic conditions in Korea made a sudden downward turn. The government has been advocating competitiveness with the beginning of the World Trade Organization era world-wide. It then tried to establish a new labor law in 1996. This law was approved by the Korean Parliament on the Christmas Day 1996, without the blessings from the opposition parties. This quick passage of the new law sparked strong opposition from two Korean labor unions. The influential Democratic Labor Union Association, staged large-scale strikes for an extended period of time. The strikes were supported by other people who were fed up with economic depression and were worried about their own job security. Finally, President Kim Young-Sam conceded to opposition's request and promised to amend the new labor law. Lately, the Parliament passed the new labor law legalizing the Democratic Labor Union and the Korean Labor Unions which have been the only recognized unions till now showed their dissatisfaction. Undoubtedly, labor unions have successfully become a political power in Korean politics, which did not happen in the past. It is still too early to gauge the impact of labor unions on Korean politics but it is certain that both the ruling party and the opposition parties cannot ignore labor presence, as they have done before.

In the case of Hong Kong, labor movement has been rather weak. This is not surprising since the colonial administration allowed no political party in the colony until very recently. Other factors were at work: a large number of immigrant workers who fear deportation back to China, political competition between Communist-oriented and Taiwan-oriented labor unions, and pressure from Beijing to minimize political disturbances in an economically important entrepot and financial center (Chan 1988).

On the whole, working class partisans are far weaker than the employers. No centralized neo-corporatist system of industrial relations has taken root. In almost every case, strikers and the unemployed were unable to successfully influence the government for increased transfer payments. One can easily conclude that the labor mobilization model is not applicable to Hong Kong. This supports the opinion of many western scholars that this model is historically specific and not applicable outside the framework of the advanced industrial democracies.

It is expected that in Hong Kong, like other western industrial nations, industrialization has changed the demographic and social structures. Demographic processes changed the age structure of the population; the proportion of old people grew. In conjunction with urbanization and the weakening of primary groups such as family and kinship, a substantial proportion of the population was deprived of the necessary care and thus needed the support of the government. This formed the background to the social intervention of the government. Thus need-related factors like elderly proportion of populations could by no means be slighted.

Moreover, industrial and economic growth is a crucial precondition for the development of social welfare: the more developed the country is, the more it can afford to spend on social welfare. Moreover, developing nations like Hong Kong have to pay attention to the quality of their labor force which is integral to economic development (Deyo 1992), so they must provide education and health services. In short, the industrial society perspective could identify a few preconditions for social policy expansion.

Conclusion

Social welfare provisions in South Korea and Hong Kong have been expanding but their levels of provisions are not able to meet all the social needs. Further, their social welfare development clearly lags behind other industrial countries. More important, experiences from advanced industrial countries tell us that at very similar levels of economic development, their social welfare spending was much higher. Undoubtedly, both countries still have considerable potential for translating their income into improved well-being for the people. Up till now, there is little evidence of welfare convergence.

In both cases, this comparative analysis shows that the industrial society perspective has more explanatory power vis-à-vis the labor mobilization model. The latter model is more influential over Korean social spending after 1980 while it has little explanatory power for Hong Kong in the period under examination. As economic development and its resulting social changes in large measure foster social welfare development in both countries, our study shows that their impact has not been as great as they have been in the industrial countries.

As it stands, comparative policy analysis which stems from advanced industrial countries is a useful tool for the study of developing countries. Evidently, one must not be over-optimistic about its applicability since many variables from both theories are not significant in our study. Whether the industrial society perspective could be extended to other developing countries is an open question. More important, whether its supremacy would continue to hold in the case of East Asia NICs if more variables are factored into the regression equations is an empirical question amenable to further research.

References

- Aaron, H.
1967 Social Security: International Comparisons. In O. Eckstein, ed. *Studies in the Economics of Income Maintenance*. Washington DC: Brookings Institute.
- Appelbaum, R.P. and J. Henderson (eds.)
1992 *States and Development in the Asian Pacific Rim*. Thousand Oaks: Sage.
- Cameron, D. R.
1978 Expansion of the Public Economy: A Comparative Analysis. *American Political Science Review*.
- Castles, F. G.
1978 *The Social Democratic Image of Society: A Study in the Achievements and Origins of Scandinavian Social Democracy in Comparative Perspective*. London: Routledge and Kegan Paul.
- Castles, F. and R. McKinlay
1979 Public Welfare Provisions: Scandinavia and the Sheer Futility of the Sociological Approach to Politics. *British Journal of Political Science*.
- Chan, M. K.
1988 A Historical Perspective on the Understanding of the Hong Kong Labor Movement. In Y. C. Yao et al., eds. *Labor Movement in a Changing Society: The Experience of Hong Kong*. Hong Kong: University of Hong Kong.
- Collier, D. and R.E. Messick
1975 Prerequisites versus Diffusion: Testing Alternative Explanations of Social Security Adoption. *American Political Science Review*.
- Cutright, P.
1965 Political Structure, Economic Development, and National Social Security Programs. *American Journal of Sociology*.
- Deyo, Frederic C.
1992 The Political Economy of Social Policy Formation: East Asia's Newly Industrializing Countries. In R. P. Appelbaum and J. Henderson, eds. *States and Development in the Asian Pacific Rim*. Thousand Oaks: Sage.
- Eisenstadt, S.N. and O. Ahimer (eds.)
1985 *The Welfare State and Its Aftermath*. London: Croom Helm.

- Esping-Andersen, G.
1990 *The Three Worlds of Welfare Capitalism*. Oxford: Polity.
- Fisher, P.
1968 Social Security and Development Planning: Some Issues. In E.M. Kassalow, ed. *The Role of Social Security in Economic Development*. Washington D.C.: US Department of Health, Education and Welfare.
- Flora, P.
1985 History and Current Problems of the Welfare State. In S.N. Eisenstadt and O. Ahimer, eds. *The Welfare State and Its Aftermath*. London: Croom Helm.
- Hardiman, M. and J. Midgley
1989 *The Social Dimensions of Development*. London: Wiley.
- Heidenheimer, A.
1973 The Politics of Public Education, Health, and Welfare in the USA and Western Europe. *British Journal of Political Science*.
- Heidenheimer, A., H. Hecló and C. Adams
1983 *Comparative Public Policy: The Politics of Social Choice in Europe and America*. New York: St. Martin's Press.
- Hong Kong Government
1991 *Social Welfare into the 1990s and Beyond White Paper*. Hong Kong: Government Printer.
- International Labor Organization (ILO)
1961-87 *Yearbook of Labor Statistics*. Geneva: International Labor Organization.
- Ito, T. and A.O. Krueger (eds.)
1995 *Growth Theories in Light of the East Asian Experience*. Chicago: The University of Chicago Press.
- Janoski, T. and A. Hicks
1994 *The Comparative Political Economy of the Welfare State*. New York: Cambridge University Press.
- Kassalow, E.M. (ed.)
1968 *The Role of Social Security in Economic Development*. Washington, DC: Department of Health, Education and Welfare.
- Korpi, W. and M. Shalev
1980 *Strikes, Power, and Politics in the Western Nations, 1900-1976*. Political Power and Social Theory.
- Krueger, Anne O.
1995 East Asian Experience and Endogenous Growth Theory. In T. Ito and A.O. Krueger, eds. *Growth Theories in Light of the East Asian Experience*. Chicago: The University of Chicago Press.
- Leipziger, D.M., D. Dollar, A.F. Shorrocks and S.Y. Song
1992 *The Distribution of Income and Wealth in Korea*. Washington D.C.: World Bank.
- Lewis-Beck, M.S.
1992 *Applied Regression*. Newbury Park, CA: Sage.

- Lin, W.I.
1991 The Structural Determinants of Welfare Effort in Post-war Taiwan. *International Social Work*.
- MacPherson, S. and J. Midgley
1987 *Comparative Social Policy and the Third World*. New York: St. Martin's Press.
- Mesa-Lago, C.
1978 *Social Security in Latin America*. Pittsburgh: University of Pittsburgh Press.
- Midgley, J.
1993 Social Security and Third World Poverty: The Challenge to Policymakers. *Policy Studies Review*.
- 1990 International Social Work: Learning from the Third World. *Social Work*.
- 1986 Industrialization and Welfare: The Case of the Four Little Tigers. *Social Policy and Administration*.
- 1984 Diffusion and the Development of Social Policy: Evidence from the Third World. *Journal of Social Policy*.
- Miller, L.
1976 The Structural Determinants of the Welfare Effort: A Critique and a Contribution. *Social Service Review*.
- Muller, E. N.
1989 Distribution of Income in Advanced Industrial Societies: Political Parties, Labor Union, and the International Economy. *European Journal of Political Research*.
- O'Connor, J. S.
1988 Convergence or Divergence? Change in Welfare Effort in OECD Countries, 1960-1980. *European Journal of Political Research*.
- Park, Byung Hyun
1990 The development of Social Welfare Institutions in East Asia: Case Studies of Japan, Korea, and the People's Republic of China, 1945-1989. Ph.D. Dissertation, Pennsylvania: University of Pennsylvania.
- Peters, B. G.
1972 Economic and Political Effects on the Development of Social Expenditures in France, Sweden and the United Kingdom. *Midwest Journal of Political Science*.
- Pierson, Christopher
1991 *Beyond the Welfare State*. Oxford: Polity.
- Piven, F. and R. Cloward
1971 *Regulating the Poor: The Functions of Public Welfare*. New York: Vintage Books.
- Ramesh, M.
1995 Social Security in South Korea and Singapore: Explaining the Difference. *Social Policy and Administration*.
- Schmidt, M. G.
1989 Social Policy in Rich and Poor Countries: Socio-economic Trend and Political-Institutional Determinants. *European Journal of Political Research*.

- Schmidt, Sonke
1995 *Social Security in Developing Countries: Basic Tenets and Fields of State Intervention. International Social Work.*
- Scott, Ian
1989 *Political Change and the Crisis of Legitimacy in Hong Kong.* Hong Kong: Hurst and Co.
- Sivard, R. L.
1985 *World Military and Social Expenditures, 1987-88.* Washington D. C.: World Priorities.
- Skocpol, T. and E. Amenta
1986 *State and Social Policies. Annual Review of Sociology.*
- Stephens, J.
1979 *The Transition from Capitalism to Socialism.* London: Macmillan.
- Tang, Kwong-leung
1996 *Social Security and Social Development: East Asian Newly Industrializing Countries. Canadian Review of Social Policy.* No. 38, Winter.
- Todaro, M. P.
1992 *Economics in a Developing World.* New York: Longman.
- Uusitalo, H.
1984 *Comparative Research on the Determinants of the Welfare State: The State of the Art. European Journal of Political Research.*
- Weed, Frank J.
1979 *Industrialization and Welfare Systems: A Critical Evaluation of the Convergence Hypothesis. International Journal of Comparative Sociology.*
- Weir, M., A.S. Orloff and T. Skocpol
1988 *The Politics of Social Policy in the United States.* Princeton, N.J.: Princeton University Press.
- Wilensky, H.
1975 *The Welfare State and Equality: Structural and Ideological Roots of Public Expenditure.* Berkeley, Calif.: University of California Press.
- Wilensky, H.L. and C.N. Lebeaux
1965 *Industrial Society and Social Welfare.* New York: Free Press.
- Williamson, J.B. and F.C. Pampel
1993 *Old-Age Security in Comparative Perspective.* New York: Oxford University Press.
- World Bank (WB)
1978-90 *World Development Report.* Washington D. C.: World Bank.
- Yao, Y.C. et al. (eds.)
1988 *Labor Movement in a Changing Society: The Experience of Hong Kong.* Hong Kong: University of Hong Kong.