PATHWAYS TO UNIVERSAL SOCIAL SECURITY
IN LOWER INCOME COUNTRIES:
EXPLAINING THE EMERGENCE OF
WELFARE STATES IN THE DEVELOPING WORLD

The Graduate School of Economics and Social Sciences
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ANKARA

November 2016

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ABSTRACT

PATHWAYS TO UNIVERSAL SOCIAL SECURITY IN LOWER INCOME COUNTRIES: EXPLAINING THE EMERGENCE OF WELFARE STATES IN THE DEVELOPING WORLD

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Are there welfare states in the developing world? According to conventional wisdom there cannot be. The 'orthodox model' of welfare state emergence assumes that only industrialised countries can become welfare states. Yet, there is a growing literature on welfare states in developing countries. In this dissertation, I address this puzzle through two research questions: *are there welfare states in the developing world*? And if there are, *how can we explain the emergence of these deviant cases*? I explore these questions through a sequential mixed-method research design. First, I conduct a large-n fuzzy set analysis to *identify* welfare states in the developing world. Second, I undertake a small-n comparative-historical analysis to *explain* how three developing countries - Brazil, Costa Rica and South Africa – became welfare states.

I find two pathways to welfare stateness in lower income contexts: (1) a social democratic pathway in which centre-left parties build the welfare state in the context of democracy (2) a Bismarckian pathway, in which state elites build the welfare state in a non-democratic context. The first pathway resembles *power resources* theory, but labour's role is different. The second pathway partially supports *state-centred* research. However, contradicting theoretical expectations, I find that state capacity is not a precondition for the welfare state. Finally, even in these deviant cases, welfare state building is connected to industrialization. By the time they became welfare states, the three cases were no longer low income countries. Therefore, I conclude that a moderate degree of development is necessary for welfare state emergence.

Keywords: Comparative-Historical Analysis, Development, Fuzzy Set Analysis, Social Policy, Welfare State

ÖZET

KALKINMAKTA OLAN DÜNYADA REFAH DEVLETİNİN OLUŞUMU

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Doktora, Siyaset Bilimi

Tez Yöneticisi: Yrd. Doç. Dr. H. Tolga Bölükbaşı

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Refah devleti yazınındaki yaygın kanıya göre sadece sanayileşmiş, yani kalkınmış ülkelerde refah devletinin oluşması mümkündür. Ancak, kalkınmakta olan ülkelerdeki refah devletleri hakkında da giderek genişlemekte olan bir yazından söz etmek mümkün. Bu tez, iki araştırma sorusu üzerinden bu çelişkiye açıklık getirmeyi amaçlamaktadır: Kalkınmakta olan ülkelerde de refah devletleri var mıdır? Ve eğer varsa, bu olağan dışı vakaların gelişimi nasıl açıklanabilir? Tez, bu araştırma sorularını ardışık karma yöntemli ile cevaplamaktadır. İlk aşamada, karmaşık küme analizi ile kalkınmakta olan ülkelerdeki refah devletleri tespit edilmektedir. İkinci aşamada ise karşılaştırmalı tarihsel analiz ile kalkınmakta olan üç ülkenin – Güney Afrika, Brezilya ve Kosta Rika – refah devlet oluşumu incelenmektedir.

Araştırmada refah devletine giden iki yol saptanmaktadır: (1) sosyal demokratik yol olarak tarif edilen biçimin ortaya çıktığı ülkelerde; merkez-sol partiler demokratik bir rejim içinde refah devletini kurmuştur. (2) Bismarkçı yol olarak tarif edilen biçimin ortaya çıktığı ülkelerde ise devlet elitleri demokratik olmayan bir rejimde refah devletini kurmuştur. İlk yol güç kaynakları teorisini andırsa da, sendikaların rolü klasik güç kaynakları teorisine göre farklıdır. İkinci yol ise devlet elitlerinin önemini vurgulayan devlet merkezli çalışmaların bulgularını desteklemektedir. Ancak, devlet merkezli çalışmalarının öne sürdüğünün aksine, devletin yüksek bürokratik kapasitesi refah devleti oluşumu için bir ön koşul olarak görünmemektedir. Son olarak, çalışma

bu olağan dışı vakalarda dahi, refah devleti oluşumunun sanayileşme ile bağlantılı olduğunu ortaya koymaktadır. Çalışmada incelenen her üç ülke de refah devleti olduklarında, artık tipik kalkınmakta olan ülke olmaktan çıkmışlardı. Dolayısıyla bu çalışmanın bulguları da, belli bir düzeyde kalkınmanın, refah devleti oluşumunun ön koşulu olduğunu doğrulamaktadır.

Anahtar Kelimeler: Kalkınma, Karmaşık Kümeler Analizi, Karşılaştırmalı Tarihsel Analiz, Refah Devleti, Sosyal Politika

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PART I: INTRODUCTION

CHAPTER 1

INTRODUCTION

Are there any welfare states in the developing world? According to 'orthodox model' of welfare state emergence and development (Gough 2008) there cannot be. The classic theory of welfare state emergence, the logic of industrialism thesis claims that it was the process of industrialisation, which brought about the rise of the welfare state (Zöllner 1963; Wilensky 1975). Proponents of this theory argue that only industrialised countries, but not developing countries, can become welfare states. The theory clearly has been confirmed by empirical evidence time and again: Historically, welfare states emerged *after* the industrial revolution (Flora and Heidenheimer 1981a; Alber 1982; Kuhnle and Sanders 2010). Today, the logic of industrialism thesis continues to have empirical backing in large-n analyses. If one operationalises the argument in its most basic form, measuring economic development with per capita gross domestic product (GDP) and 'welfare stateness'[1] with public social expenditure as a percentage of the GDP, one finds a strong correlation. This correlation was already observed in early comparative research. Figure 1, which presents data on GDP per capita and public social expenditure for 89 countries for the year 2008, shows the association remains robust even today.[2]

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[1] In this thesis, I use the term 'welfare stateness' to describe the extent to which a country is a welfare state, corresponding to the German terms *Sozialstaatlichkeit* or *Wohlfahrtsstaatlichkeit* (e.g. Kaufmann 2003a; 2003b; Lessenich 2008).

[2] Data on GDP per capita is taken from the World Bank (2016). Data on public social expenditure is mostly taken from the International Monetary Fund (IMF 2016b). Note that, to increase the number of countries in the dataset, I used data from the Organisation for Economic Co-operation and Development (OECD 2016) and the International Labour Organization (ILO 2016c) data on social expenditure for some countries. Despite coming from different sources following different

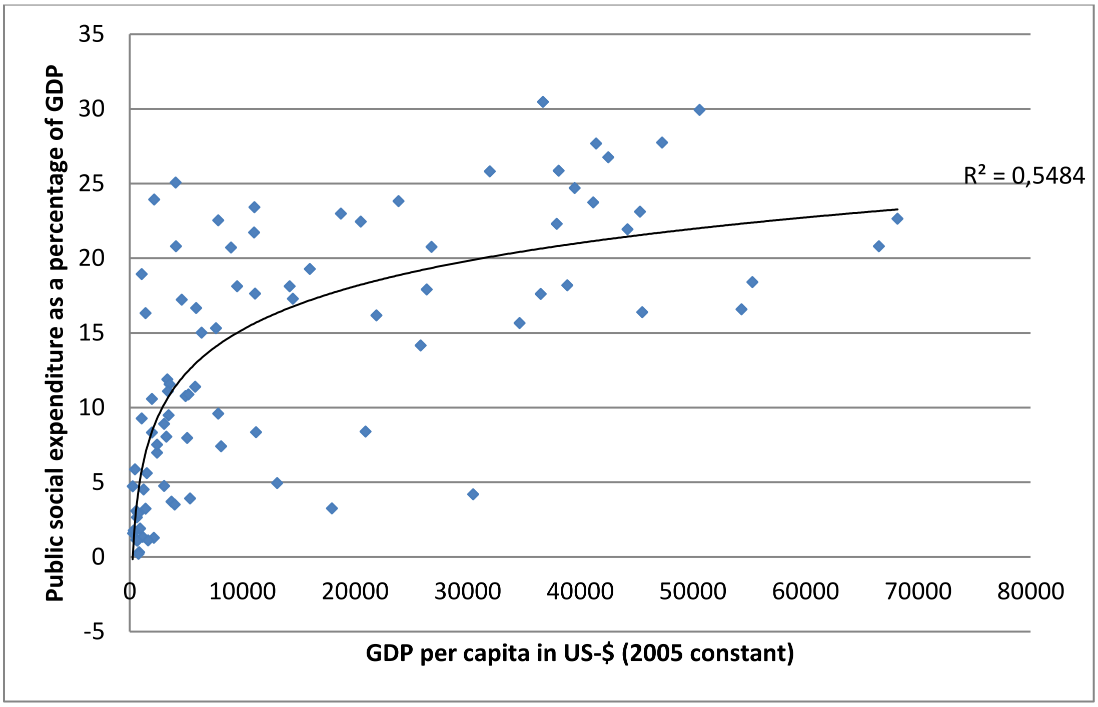

Figure 1. The logic of industrialism thesis

Ever since it was put forward in the 1950s and 1960s, the logic of industrialism has been heavily criticised for being overly simplistic and functionalist, however. Searching for a more general and generic account of welfare state development, scholars put forward alternative approaches based on modernization research (Flora and Heidenheimer 1981a), class conflict theories (Korpi 1983) or integrated approaches (Gough 2008). Yet, these approaches found themselves overwhelmingly agreeing with the logic of industrialism approach in one crucial aspect: only rich, but not low and lower-middle income, countries can become welfare states. Even its arch-rival, the power resources approach with its focus on balance of power between classes, acknowledges economic development as a precondition for the welfare state. In his main work, the leading proponent of power resources theory, Walter Korpi (1983: 184), argued that a 'relatively high standard of living and a reasonably well functioning democracy […] should be seen as prerequisites for the welfare state'. Hence, there appears to be a consensus in comparative welfare state research that

methodologies of data compilation, data points are largely similar. For example, the correlation between IMF and OECD data is r=0.95 for 2005. The overall correlation between IMF and ILO data for the last available data point for each country is r=0.96.

economic development is a necessary precondition for the emergence of the welfare state. That is why comparative research, by and large, restricted its focus on the 'industrial democracies of Western Europe, North America, and the Far East, in short roughly the OECD countries' (Ringen 2006: 11), beyond which, it is argued, the concept of the welfare state 'can hardly be stretched' (Esping-Andersen 1994: 713).

Recent evidence on welfare state development elsewhere, however, comes at odds with this long-held consensus of comparative welfare state research: 'welfare states in developing countries' (Rudra 2007). In fact, largely unnoticed by mainstream welfare state researchers, experts long claimed that there are 'also a few poor man's welfare states' (Deutsch 1981: 428). Sri Lanka, for instance, was portrayed as a 'universalistic welfare state' after gaining independence in 1948 (Jayasuriya et al. 1985: 280; Gunatilleke 1974: 6). Similarly, Costa Rica was 'frequently described as the Third World's most advanced Welfare State' (Midgley 1995: 173). Another example that has been often cited is Uruguay (Mesa Lago 1978 and 1990). Furthermore, many scholars of development studies explained how welfare state policies, like universal healthcare, were implemented in parts of the Global South without necessarily using the term welfare state (Dreze and Sen 1989; Heller 1999; Moon and Dixon 1985; Sandbrook et al. 2007).

However, aside from these accounts, social policies developing in different regions of the 'Global South were largely ignored by comparative welfare state research' (Wehr et al. 2012: 7). Instead, these countries were studied under the label 'social policy in developing countries' (Livingston 1969; Fuchs 1985; Articus 1990; Ahmad 1991), suggesting that they are categorically different from the 'welfare states' in the Global North. Only in recent years, welfare states in Asia (Schramm 2002; Croissant 2004; Kwon 2005; Kim 2008; Köhler 2010), Latin America (Segura-Ubiergo 2007; Haggard and Kaufman 2008; Huber and Stephens 2012; Maldonado 2012) and Africa (Seekings 2007b) have increasingly 'entered into the focus of the international research agenda' of welfare state specialists (Wehr et al. 2012: 7). Many scholars describe these cases as 'new welfare states' or 'emerging welfare states' (Esping-Andersen 1996a; Arts and Gelissen 2010; Huber and Niedzwiecki 2015), presumably to indicate that they join the ranks of welfare states only as they become 'emerging markets' and 'newly industrialising countries'. Yet, judging by the accounts cited above, at least some of these welfare states are not 'new' or 'emerging' – even though academic attention to them is.

The existence of such welfare states in relatively poor countries would contradict the long-held consensus of comparative welfare state research that only rich countries, but not poor countries can become welfare states. These cases thus present a puzzle for the 'orthodox model' (Gough 2008) of welfare state emergence and development. I address this puzzle through two analytically distinct but related research questions: are there any welfare states in the developing world? And if there are, how can we explain the emergence of these deviant cases?[3]

This dissertation addresses this puzzle through a sequential mixed-method research design. In the first research phase, I explore the first research question: are there any welfare states in the developing world? For this purpose, I conduct a large-n fuzzy set analysis to identify the universe of all existing welfare states in the developing world. This analysis includes a global mapping of welfare stateness examining around 150 countries according to whether they are welfare states. Based on an original conceptualisation of the welfare state as a state whose citizens are protected by the formal social security system, I classify four developing countries as welfare states: Brazil, Cape Verde, Costa Rica and South Africa. Through employing descriptive statistics, I then analyse emerging patterns that this truly original global mapping of welfare states reveals.

In the second research phase, I explore the second research question: how can we explain the emergence of welfare states in the developing world? For this purpose, I conduct a small-n comparative-historical analysis of three of these four cases –

[3] The dissertation uses the term welfare state in an analytical sense. As far as possible, I refrain from using the term welfare state in a normative manner. Regarding the normative desirability of welfare state development in poor countries, there are broadly speaking two diametrically opposed views in the literature. Some scholars argue that 'developing countries are too poor to be able to "afford" social-security systems' (Ahmad 1991a: vii). Thus, they would probably advise policymakers in the Global South to refrain from building extensive social security systems. Other scholars, however, argue that 'social security can be provided even in low-income countries and that it is as indispensable to an equitable development strategy as to economic growth' (Ahmad 1991b: 106).

Brazil, Costa Rica and South Africa – to explain how and why they became welfare states.[4] These are 'deviant cases' from the lenses of conventional welfare state research, which are 'poorly explained', if at all, by the orthodox model (Gerring 2008: 655-656). In this comparative-historical analysis, the focus is on whether alternative theories of welfare state development, such as power resources theory, help in explaining the emergence of welfare states in these cases.

1.1. The argument in brief

This study shows that there are some countries in the Global South that can legitimately be classified as welfare states. This is the main finding of an original global mapping of welfare stateness that includes around 150 countries. The existence of such welfare states contradicts the long-held consensus in comparative welfare state research that only rich countries, but not low and lower-middle income countries, can become welfare states. Even if the comparative literature supports the classic logic of industrialism hypothesis in that a threshold of wealth emerges as a necessary condition for welfare state emergence, this study shows that it has to be re-formulated to be more general and generic. At the same time, this study also shows that if interpreted as a sufficient condition of welfare state emergence, the logic of industrialism hypothesis continues to hold some explanatory power. The global mapping of welfare stateness undertaken in this study reveals that nearly all countries that became rich through industrialisation (i.e. non-oil dependent high income countries) have graduated to the ranks of welfare states.

After this mapping exercise, the dissertation then analyses how and why these deviant cases emerge? The comparative-historical analysis reveals that the three cases – Brazil, Costa Rica and South Africa – have distinct histories of welfare state development. In Costa Rica, the welfare state was built during an era of centre-left hegemony in a context of political democracy. The small and relatively homogeneous country avoided large-scale social conflict and social reform coalitions were able to create an extensive social protection system in a short period of time. In contrast, in

[4] Cape Verde is not included in this analysis because it was impossible to find sufficient literature on this small country.

Brazil, the welfare state was mainly the creation of state elites during periods of autocratic rule. Insulated from civil society, they pursued the expansion of the social security system to increase the reach of the state in this vast and heterogeneous country, and legitimise the authoritarian regime. The transformation into a welfare state, however, was completed only after democratisation in the mid-1980s, when a new constitution that guaranteed extensive social rights was implemented. In South Africa, the welfare state was built by different political forces over an extended period of time. Initially, modern social security policies were devised during the rule of the white minority as an instrument to ensure the continued domination of the white minority over the black majority. After a failed attempt to universalize social security in the 1940s, the Apartheid regime deepened the racist features of the social security system. The transformation into a welfare state came only when the Apartheid regime slowly crumbled under pressure from a centre-left political alliance that took power after democratisation in the early 1990s.

These distinct histories of social security universalization in Brazil, Costa Rica and South Africa attest to the difficulties in formulating a single parsimonious explanation. I argue that there are two ideal typical pathways to a universal social security system: (1) a social democratic (or solidaristic) pathway in which left-of-centre political forces build the welfare state in the context of political democracy and (2) a Bismarckian pathway, in which state elites build the welfare state in a non-democratic context to strengthen the reach of the state and increase the legitimacy of the regime. The first pathway is best exemplified by the case of Costa Rica, where mainly left-of-centre governments built the welfare state. The second pathway is best exemplified by the case of Brazil (before democratisation in the mid-1980s) where autocratic regimes expanded the social security system while insulating themselves from civil society. The case of South Africa falls in-between, with pre-Apartheid welfare state building resembling the Bismarckian approach and post-Apartheid welfare state building resembling the solidaristic approach.

What insights do these case studies provide for conventional theories of welfare state development? I show that the first pathway seems to support the power resources approach, but with one crucial difference. According to this approach, the welfare state is mainly the product of social democratic parties backed by powerful labour unions (Korpi 1983). However, in the three welfare states studied in this thesis, the role of labour unions is much more ambivalent than power resources theory expected. Thus, the solidaristic pathway can instead be summarized by a 'democracy and the left' equation (Huber and Stephens 2012), which leaves out labour unions. The second pathway broadly supports state-centred research, which suggests that state elites are the main drivers of welfare state development (Heclo 1974). Yet my results show that the state-centred model also needs to be qualified to explain these cases. In all three cases, state capacity is far more a result of, than a condition for, welfare state building. In all of these, state capacity was remarkably limited before a universal social security system was developed. However, it strongly increased in the process of welfare state development.

Despite their differences, what both pathways share is a connection between industrialization and the creation of extensive social welfare systems even in these cases where one would not expect economic development to play a crucial role in welfare state development. By the time they became welfare states, these three countries were no longer classic low income countries dominated by traditional subsistence agriculture, but had already become lower middle-income countries. Therefore, my findings suggest that a moderate degree of economic development remains a precondition for the development of a welfare state, after all.

1.2. Methodology

The thesis employs a mixed-method research design to study its two main research questions. In the first research phase, I conduct a global large-n analysis to identify existing welfare states in the developing world. In the second research phase, I undertake a comparative historical analysis of those welfare states in the developing world I identified in the first research phase. This comparative-historical analysis aims to explore the combinations of causal factors that lead to the creation of welfare states in these relatively poor countries.

The research design of this dissertation can be described as an explanatory sequential mixed-method research design. In this kind of design, the researcher 'conducts quantitative research, analyzes the results and then builds on the results to explain them in more detail with qualitative research' (Creswell 2013: 15). In this study, the findings of the large-n analysis in the first research phase are used as a case selection tool for the second research phase. In this sense, the second research phase builds on the results of the first research phase and explores and elaborates on them through a qualitative small-n analysis of the existing cases of the phenomenon under study.

1.2.1. Research phase 1: identifying welfare states in the developing world

In the first research phase, I carry out a large-n fuzzy set analysis, which includes all countries in the world for which there is sufficient data, to identify all existing cases of welfare states in the developing world.[5] Because ‘welfare state’ and ‘development’ are contested concepts, both are carefully conceptualised. Based on these conceptualisations, I build two fuzzy sets, one for welfare states and one for developing countries. These fuzzy sets are then connected with a logical and (logical conjunction) to identify all existing welfare states in the developing world.

In the fuzzy set analysis, I aim to combine the ‘precision that is prized by quantitative researchers and the use of substantive knowledge to calibrate measures that is central to qualitative research’ (Ragin 2008a: 182). The analysis is based on building ‘fuzzy sets’, each indicating the different degrees of membership in pre-defined categories (Ragin 2000: 153-155). These fuzzy sets are designed in such a manner that the ‘correspondence’ between the underlying theoretical concepts (i.e. welfare state and developing country) and their measurement is maximised. Scores in these fuzzy sets range from 0, indicating full non-membership in a set, to 1, indicating full membership in a set. In-between 0 and 1 are one or multiple points (e.g. 0.25; 0.5; 0.75) that correspond to a particular degree of membership in the set. The scores are based on externally set criteria, which reflect ’theoretical and substantive knowledge’ (Ragin 2000: 6) and serve as ‘qualitative breakpoints’. Fuzzy sets are thus ‘purposefully calibrated to indicate degree of membership’ (Ragin 2008b: 30).

In the first research phase, two fuzzy sets are constructed to assess the degree of

[5] Needless to say, there are severe problems with regard to data quality and availability when measuring welfare stateness on the global level. These problems need to be kept in mind when interpreting the findings of the fuzzy set analysis.

membership of each country case in both, the welfare states set and the developing countries set. These fuzzy sets rely on empirical data mainly from the early 2000s and are based on original conceptualisations of 'welfare state' and 'developing country' proposed in this study. Welfare state is conceptualised as a state, whose citizens are protected by the formal social security system. This conceptualisation is based on the observation that a common denominator of otherwise very heterogeneous understandings of the concept is the belief that universality of social protection is a 'discriminating criterion of a welfare state' (Veit-Wilson 2000: 12). The assumption of 'collective responsibility for the well-being of the entire population' (Kaufmann 2013: 35) by the state thus marks a key characteristic of welfare states that is achieved through universal social security. Developing country is conceptualised as a country, which is economically less developed (i.e. low per capita income) and is not a transition country (i.e. post-communist country). This conceptualisation is grounded in the classic understanding of development as economic development and is largely in line with international classifications (World Bank 1978 and 2016). Following Ragin (2000), I construct the fuzzy sets based on these conceptualisations are calibrated to ensure the highest possible 'fit' between the respective concept and the measurement through the fuzzy set.

In terms of the research design, the literature shows that explanatory sequential mixed method designs usually combines a quantitative analysis in the first research phase with a qualitative research phase in the second research phase (Creswell 2013: 224-225). However, in this study the first research phase employs a fuzzy set analysis instead of a quantitative analysis. There are three methodological and substantive reasons behind this choice of method.

First, in fuzzy set analysis, 'the correspondence between theoretical concepts and the measurement of set membership is decisively important' (Ragin 2000: 160). In conventional quantitative analysis, on the other hand, this coupling between concept and measurement is usually far weaker (Ragin 2008a: 177-180). That is why fuzzy sets, with their dependence on external standards based on conceptual factors are potentially better able than quantitative operationalizations when it comes to reflecting multidimensional and complex concepts such as the welfare state (Hudson and Kühner 2010; Kvist 2007).

Second, fuzzy sets indicate 'the varying degree to which different cases belong to a set' (Ragin 2000: 154). Therefore, fuzzy set analysis is ideally suited to simply identifying (as opposed to ranking or clustering) welfare states in the developing world. Generally, quantitative indicators can better 'order cases in a way that reflects the underlying concept' (e.g. Sweden is more of a welfare state than the United States), but it is difficult to define *whether* a case is an instance of the phenomenon in question using quantitative indicators (e.g. are the United States a welfare state) (Ragin 2008b: 178-179). This is more easily done using fuzzy set analysis, as this method is all about defining particular sets. Thus, fuzzy set analysis is a better tool for identifying whether countries belong to a given category and is therefore perfectly suited for the task of the first research phase.

Third, fuzzy set analysis avoids the pseudo-precision that often comes with conventional quantitative indicators. Building a quantitative indicator of welfare stateness, which is more precise than a fuzzy set (e.g. a ratio-scale indicator) would have been possible. However, it is unclear whether this indicator would adequately reflect the underlying characteristics of welfare stateness. This argument is succinctly summarised by Ragin (2008b: 182) who states that the 'fact that social scientists may possess a ratio-scale indicator of a theoretical concept does not mean that this aspect of "social reality" has the mathematical properties of this type of scale'. Moreover, while fuzzy sets may not be as precise as ratio-scale indicators, they enable the classification of cases as 'neither in nor out' a set of countries, if the status of the case is simply unclear. In practice, this unclear status of cases vis-à-vis a given phenomenon is common in social science. For instance, in some cases, it is simply impossible to define whether the respective country is a welfare state and the analysis undertaken in the first research phase should reflect this ambiguity. Based on these three reasons, I argue that fuzzy set analysis is more suitable for identifying welfare states in the developing world than quantitative methods used in much of existing research.

The fuzzy set analysis conducted to identify welfare states in relatively poor countries allows for a global mapping of patterns of welfare stateness. By comparing the results of this global mapping with other techniques to map welfare states, I show the fuzzy set analysis represents a significant improvement over existing mapping efforts. The most important advantage of the mapping exercise undertaken in this dissertation is that it covers more countries than existing research and includes both, Global South and Global North. In the final part of the first research phase, I conduct a tentative analysis based on descriptive statistics to explore the patterns that are revealed by the fuzzy sets. This part mainly relies on cross-tabulations of the welfare state set with other data. The fuzzy set of welfare states is compared, with the level of economic development, regime type and the level of ethno-cultural fractionalisation, to understand in how far the causal factors emphasized by existing research can explain the patterns of welfare stateness revealed by the fuzzy set analysis. This analysis is grounded in simple descriptive statistics and does not employ quantitative analyses because fuzzy sets usually do not fulfil the mathematical requirements for quantitative analyses.

1.2.2. Research phase 2: explaining the emergence of welfare states in the developing world

The second research phase focuses on the three welfare states in the developing world that are identified in the first research phase. Relying on comparative historical methods, this second phase explores how these relatively poor countries became welfare states in spite of their relatively low level of economic development. Following Lange (2012), the analytical focus in each of the three causal narratives is on whether existing theories of welfare state development can explain the respective cases.

Comparative historical analysis is ‘fundamentally concerned with explanation and the identification of causal configurations’ that produce a particular outcome (Mahoney and Rueschemeyer 2003: 11), in this case welfare states. This method of analysis allows the researcher to uncover the combination of causal factors that brought about the creation of welfare states in low and lower middle income context. It thus explicitly allows for the possibility of equifinality, i.e. different causal combinations leading to similar results, and it attempts to avoid several well-known problems, such as the assumption that different causal factors work completely independent of each other and mono-causality, i.e. the assumption that a single cause explains a phenomenon. It sees social developments as influenced by both structure and agency and thus focusses on both.

A crucial feature of comparative historical analysis is that it focusses on 'historical sequences and take[s] seriously the unfolding of processes over time' (Mahoney and Rueschemeyer 2003: 12). The case studies focus on the entire process of welfare state building from the inception of modern social security systems to the transformation into welfare states when most the population becomes protected by social security to understand the dynamics of welfare state emergence. To account for possible long-term effects, the prehistory of welfare state development in the cases is also briefly discussed. Moreover, as the three cases are analysed in their complexity, the case studies take into account broad social, political and economic developments that are likely to have had complex conjunctural effects on welfare state building (Mahoney and Rueschemeyer 2003).

As a research method, comparative historical analysis consists of 'systematic and contextualized comparisons' and allows for switching 'between theory and history'. The analysis is guided by theoretical expectations of how developments unfold in the particular cases. Case knowledge gathered in the research process then allows the researcher to refine 'preexisting theoretical expectations in light of detailed case evidence' (Mahoney and Rueschemeyer 2003: 13). In this sense, comparative historical analysis is ideally suited for the explanatory case studies undertaken in this dissertation. These case studies are guided by existing theories on welfare state development. Thus, they aim to understand, in how far these theories have explanatory power in these particular cases.

Essentially, the second research phase focuses on secondary sources that provide rich, detailed and diverse accounts on historical developments in the particular cases. The comparative historical analysis helps us explore such diverse evidence through the theoretical perspective introduced in the dissertation. It looks at the three cases (1) in the context of a decades-long process of welfare state emergence, instead of focussing on single pieces of evidence that shed light on single policy innovations or reforms (2) in the context of a 'systematic and contextualized comparison' of diverse cases to understand whether similar or diverse causal dynamics have been at work in the different cases and (3) in the context of established theories of comparative welfare state research, which aim to explain not just the particular case under study, but, in principle, aim to be applicable to the whole universe of cases, i.e. all welfare states. These theories of welfare state development and the question of how they would explain the emergence of welfare states in the developing world is the subject of the literature review in Chapter 2.

1.3. Theoretical Contributions

The dissertation contributes to both comparative welfare state research and research on social policy in developing countries by bringing together these two hitherto largely dissociated research areas. In the first part, the dissertation provides the first truly global mapping of welfare stateness. Up until now, comparative research has not thoroughly discussed which countries in the world can be understood as welfare states. Instead, countries were assigned welfare state status based on the simple assumption that 'the concept can hardly be stretched beyond the […] rich capitalist countries in the Organization for Economic Cooperation and Development area' (Esping-Andersen 1994: 713). To be sure, there exists research mapping different regions in the world. For the OECD area, several scholars created indexes to compare welfare states according to their level of decommodification and benefit generosity (Korpi 1989; Esping-Andersen 1990; Scruggs 2007). In some cases, multidimensional indexes are built to provide a more nuanced picture of welfare states (Hudson and Kühner 2009). In addition, many authors employ quantitative measurements to show that welfare states cluster across a limited number of welfare state regimes (Esping-Andersen 1990; Scruggs and Allan 2006; Danforth 2014). In recent years, scholars of social policy in the developing world, too, have started to map parts of the 'Global South' into welfare regimes (Wood and Gough 2006; Abu Sharkh and Gough 2010; Martinez Franzoni 2008; Gal 2010; Pribble 2011). However, to date there does not exist a mapping of welfare states focusing on a universe of all welfare states on a global scale. We thus do not know which countries in the world can be legitimately classified as 'welfare states'. In this sense, this dissertation fills an important gap in the literature by providing a first comprehensive global mapping of welfare states. It thus bridges the gap between studies on social security in the Global South and welfare states in the Global North.

Through this global mapping of welfare stateness, the dissertation contributes to discussions on the changing 'geography of comparative welfare state research' (Hort 2005). It identifies four welfare states in the developing world – Brazil, Cape Verde, Costa Rica and South Africa – that have not been recognised as welfare states so far. Additionally, the mapping exercise has other implications for the geography of comparative welfare state research. It shows that most of the post-communist countries can be classified as welfare states and that this region can thus legitimately be included in comparative welfare state research. Besides, several economically more advanced countries in the Global South, such as Uruguay, Chile, Argentina and Mauritius, which are not (yet) on the radar of welfare state researchers, are classified as welfare states on account of their universal social protection systems. The global mapping conducted in the first research phase thereby calls for some significant modifications to the universe of cases of welfare state research.

In addition to these methodological contributions of Part II, Part III of the dissertation also makes significant theoretical contributions to the comparative literature. First, this study speaks to the literature on welfare state emergence and development. The comparative-historical analysis in this study reveals two distinct pathways to the welfare state, which are in some respects quite similar to the diverse pathways of classic welfare states. In the solidaristic pathway, which is best exemplified by the case of Costa Rica, left-of-centre political forces build the welfare state in the context of political democracy. Here, civil, political and social rights expand side by side. In this sense, this pathway resembles the histories of some European countries, such as Sweden or the United Kingdom. In the Bismarckian pathway, on the other hand, state elites build the welfare state in a non-democratic context to strengthen the state and the legitimacy of the regime. As the label Bismarckian indicates, this pathway is similar to that of Germany, where an autocratic regime created the first social insurance system to pre-empt rising demand for political rights. In this regard, the comparative-historical analysis helps us conclude that the history of welfare state development in Brazil, Costa Rica and South Africa is not so different from that of welfare state development in advanced industrialized countries. Underneath historical peculiarities in these diverse regions, therefore, similar causal forces at work and causal configurations, at times, resemble one another. Moreover, these pathways show that while the regime type of countries surely matters for welfare state development, democratic and authoritarian countries can both develop extensive social protection systems.

Second, the dissertation also speaks to conventional theories of welfare state development in several ways. The findings of the comparative-historical analysis put into question a key tenet of state-centred approaches to welfare state development. This approach advises researchers to focus on state institutions to understand welfare state development. One of the most important assumptions of state-centred research has been that strong state capacity is a precondition for building a welfare state (Gough and Abu Sharkh 2011: 283; Huber and Niedzwicki 2015: 796). This assumption is so widely shared that one can speak of a consensus in welfare state research. However, the analysis of developments in Brazil, Costa Rica and South Africa reveals that state capacity is far more a *result of* than a precondition for welfare state emergence. When the welfare state was built in these three cases, state capacity was not unusually high. On the contrary, even effective administrative control over the entire territory of the country had not yet been duly secured.

Third, the dissertation shed comparative light on another strand in the comparative literature. In this literature, ethno-cultural fractionalisation is often cited as an obstacle for welfare state building. This is explained variously with a lower willingness of upper income groups to redistribute resources (Jensen and Skaaning 2015: 3) and the lower ability of lower classes to organize along class lines (Huber and Stephens 2001: 19). On this point, the dissertation provides mixed findings. On the one hand, Costa Rica and South Africa mostly support the conventional fractionalisation argument. In Costa Rica, ethno-cultural homogeneity was supportive for the creation of an extensive social protection system. In contrast, the South African case shows that ethno-cultural heterogeneity significantly delayed social security universalization. On the other hand, in the Brazilian case ethno-cultural heterogeneity had no significant effect on welfare state development. This mixed evidence, in this way, provides support for recent theories that speak of a 'conditional relationship' between ethno-cultural fractionalisation and social policy.

Fourth, with regard to the logic of industrialism hypothesis, which posits a strong connection between economic development and welfare state building, the findings are striking. The tentative large-n analysis conducted on the basis of the fuzzy sets of welfare states and developing countries indicate that there are some grounds to believe that industrialisation has indeed been a sufficient condition for welfare state emergence. Apart from very few outliers (such as Singapore), the dissertation shows that countries that underwent an industrialisation process similar to those in Western Europe and North America, and that end up as upper-middle income or high income countries have – sooner or later – became welfare states.

Finally, regarding the argument that only advanced rich, but not poor countries can become welfare states, the findings of the dissertation are mixed. The existence of welfare states in low and lower-middle income countries contradicts the hypothesis that economic development is a necessary pre-condition of welfare state emergence. However, the comparative-historical analysis reveals that in two of the three cases (South Africa and Brazil) economic development was not uniformly low, but rather uneven. Some regions in these countries resembled high income countries, whereas vast areas remained very poor and underdeveloped. Moreover, all three cases were ranked as lower-middle income countries (and not low income countries) when they became welfare states. Thus, they were no longer classic low income countries when they universalized social security. This indicates that a moderate – but not high – level of industrialization and economic development can still be seen as a necessary condition for the development of a welfare state.

1.4. The structure of the dissertation

The dissertation is divided into eight chapters organized under three parts. In Chapter 2, I discuss existing research on the emergence of welfare states. This chapter aims to understand whether existing research offers any clues as to how and why welfare states potentially emerged in relatively poor countries. The chapter is composed of two parts. In the first part, I discuss theories of welfare state development that explain welfare state emergence in advanced industrialised countries. I show that there exists a consensus in comparative-welfare state research that it is exclusively the industrialised countries that become welfare states. In the second part, I discuss research on social policy in the developing world. Here, I focus on factors that have been positively or negatively associated with social policy expansion in the Global South. Among these potential causal factors that may explain why some relatively poor countries build more comprehensive social security system akin to classic welfare states in the literature are diffusion processes, regime type of a country, partisan politics and ethno-cultural fractionalisation.

In Chapter 3 and 4, which correspond to the first research phase, I undertake an analysis of welfare stateness on a global scale. In Chapter 3, the mapping exercise identifies the set of welfare states in the developing world. For this purpose, I first conceptualise the terms 'welfare state' and 'developing country'. I define the *welfare state* as a *state whose citizens are protected by the formal social security system* and *developing countries* as *economically less developed countries, which are not transition countries (i.e. post-communist countries).* Based on these conceptualisations I build two large-n fuzzy sets of welfare states and developing countries. The developing world, in this measurement, corresponds broadly to the Global South without the post-communist countries and the more developed countries of the Global South. Bringing the set of welfare states and the set of developing countries together, I find that only four cases - Brazil, Cape Verde, Costa Rica and South Africa - are classified as welfare states in the developing world.

In Chapter 4, I undertake a tentative analysis of the patterns of welfare stateness that are revealed by the fuzzy set of welfare states. First, the fuzzy set is compared to alternative ways of measuring welfare states, such as expenditure-based approaches and the 'Global Welfare Regimes' approach (Gough and Wood 2004), to show that it marks an improvement over existing research: it is the first truly global measurement of welfare states, bringing together Global North and Global South, and produces convincing results. Second, the results of the fuzzy set of welfare states are cross-tabulated with data on economic development, regime type and ethno-cultural fractionalization. This is carried out in order to understand the extent to which the causal factors emphasized in existing research (depicted in Chapter 2) explain the global patterns revealed by the fuzzy set of welfare states.

In Part III, Chapter 5, 6 and 7, which correspond to the second research phase, I conduct a comparative-historical analysis of welfare states in the developing world. This analysis consists of three comparative case studies of Brazil, Costa Rica and South Africa. In Chapter 5, I explain the history of welfare state emergence in Costa Rica. Here, I focus on the period between 1941 and 1975 during which a nearly universal social security system was built. The main finding is that in Costa Rica, the welfare state was built in a context of centre-left hegemony and political democracy. The social security system was created in the early 1940s by a social reform coalition composed of the conservative President Calderon Guardia, the communists, and the Catholic Church. After a brief civil war and Junta rule in 1948-1949, democracy was reinstated and the social democratic *Partido Liberacion Nacional* (PLN) became the dominating political force. The social security system was finally universalized in the 1970s when the PLN was at the height of its power during the terms of Presidents Figueres and Oduber. The case study shows that throughout this long period, the fact that Costa Ricans perceive themselves to be culturally homogeneous proved to be an enabling factor for welfare state development. This perceived homogeneity made reformists' political projects more viable than revolutionary ones and helped to contain potential social conflicts.

In Chapter 6, I trace the history of welfare state emergence in Brazil. Here, I focus on the period between 1923 and 1996, during which the social security system was built and gradually universalized. In Brazil, the welfare state was mostly created by state elites in two authoritarian regimes. In the 1930s, during President Vargas' authoritarian rule, a highly stratified social security system for the urban population was built, with the goal of controlling the working class. This system was gradually made more comprehensive during the semi-democratic period until 1964, but still excluded most of the population. The expansion of legal social protection to include the rural population came only during the military regime which ruled Brazil until 1985. This extension of legal coverage helped the goals of the military regime to control the countryside and pre-empt a rural uprising. In the course of the democratisation process starting in the 1980s, social security benefits were expanded in terms of coverage so that, first the first time, most of the population was effectively protected by the social security system.

In Chapter 7, I provide an analysis of the history of welfare state emergence in South Africa. Here, I focus on the period between 1929 and 1995, during which the social security system was first built and then, after significant reversals, universalized. The history of welfare state building in South Africa is in many respects unique. In the late 1920s, the first modern social security policies were legislated to support the white minority, which monopolised political power, against the black majority. In the beginning, the social security system thus contradicted the very aim of the welfare state: to provide social security to all citizens. A first attempt to universalise the social security system in the early 1940s was effectively aborted when the National Party came to power and established the Apartheid regime in 1948. Under pressure from a centre-left opposition bloc and international sanctions, the Apartheid regime started to expand social security for blacks from the 1970s onwards. In the context of the end of Apartheid and the ensuing centre-left government by the African National Congress (ANC), the South African Communist Party (SACP) and trade unions, social security was then universalised in South Africa.

In Chapter 8, I summarise the findings of the dissertation. I discuss and compare the results of the three case studies. This comparison reveals the distinct causal configurations behind welfare state building in Costa Rica, Brazil and South Africa. Even though the histories of the three cases are historically unique, I show that there are two ideal typical pathways to universalization of social security. A solidaristic pathway, which is best exemplified by Costa Rica, and a Bismarckian pathway, which is best exemplified by Brazil before democratisation. I then discuss the implications of these findings for existing theories of welfare state emergence and development. Finally, I suggest possible avenues for future research.

CHAPTER 2

HOW AND WHY DO WELFARE STATES EMERGE?

In this chapter, I discuss comparative research on welfare states and social policy. The goal is to understand whether any existing theories might help to explain the emergence of welfare states in the developing world. The chapter consists of two parts. First, research on welfare states in advanced industrialised countries, 'the eighteen to twenty rich capitalist countries in the Organization for Economic Cooperation and Development area' (Esping-Andersen 1994: 713) that mainstream welfare state research has focussed on, will be presented. The focus here is on theories that explain the emergence and development (as opposed to the survival or retrenchment) of the welfare state[6] and on the possible implications of these theories for the Global South. Which necessary and/or sufficient conditions do existing welfare state theories postulate for the emergence of welfare states? This section will begin with the classic functionalist theories, before turning to conflict theories and state-centred theories.

In the second part, I will look at research on social policy in the developing world. Here, I will focus on causal factors that have been positively and negatively associated with social policy expansion. This research has largely been somewhat dissociated from research on welfare states in advanced industrialised countries, although recent scholarship tries to fill this gap (Leisering 2003; Gough and Wood

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[6] Why does this distinction between welfare state emergence and retrenchment matter? Initially, scholars assumed that 'a theory that seeks to explain welfare-state growth should also be able to understand its retrenchment or decline' (Esping-Andersen 1990:32). However, nowadays it is generally agreed that 'variables crucial to understanding the former process are of limited use for analysing the latter one' (Pierson 1996: 144) and vice versa. Therefore, I do not discuss the 'new politics of the welfare state' here.

2004; Haggard and Kaufman 2008; Gough and Therborn 2010). In the discussion of research on social policy in developing countries, I will focus on the diffusion approach, the possible role of politics and the issue of ethno-cultural fractionalization.

2.1. Welfare states in advanced industrialised countries

2.1.1. Functionalist theories

As this dissertation aims to shed light on the emergence of welfare states in relatively poor countries, it seems natural to start with a discussion of welfare state emergence in general. This section discusses classic theories from the golden age of the welfare state that seek to explain the emergence of the welfare state in advanced industrialized countries. What combines these theories is their emphasis on the rise of the welfare state as a response to functional requirements:

> 'It is the system that "wills", and what happens is therefore easily interpreted as a functional requisite for the reproduction of society and economy.' (Esping-Andersen 1990: 13)

2.1.1.1. Logic of industrialism

The classic theory on the emergence of the welfare state is the logic of industrialism (Wilensky and Lebeaux 1958; Zöllner 1963), which was elaborated during the golden age of the Welfare State after World War II and is mostly associated with the work of Harold Wilensky (1975). According to the logic of industrialism, welfare state development is intertwined with the process of industrialization. The welfare state is seen in terms of the *functional requirements* of industrial society. Without it, 'the system itself would collapse' (Hasan 1972: vii). The industrialism thesis has often been caricaturised, but it deserves to be taken serious. The main argument is that industrialization leads to a structural transformation of society. Industrialization is perceived as a complex process that triggers various economic, political and social developments. Through these associated developments, industrialization produces both, the objective need for the welfare state, and the means to build the welfare state.

In most pre-industrial societies, traditional means of social security protected the population to some degree against social risks (Platteau 1991). These forms of social security are geared towards securing the survival of all members of a given group (usually villages). In medieval Europe, these traditional, agrarian forms of social security were complemented with social protection provided by the Church. Such charity has also been common in other regions. Furthermore, in the cities, guilds developed mutual-aid societies to protect their members from social risks, a phenomenon also seen in Latin America (Mesa-Lago 1978: 17-21). In addition to these instruments, individuals could also rely on family bonds to help them in times of need (Midgley 1984a: 103-105).

In the course of industrialization, these traditional forms of social security lost their power and effectiveness. Therefore, people in need were no longer effectively protected. This development was brought about by various processes associated with industrialization. For instance, urbanisation, the migration of a significant part of the population from villages to cities, weakened village-based social security networks. Moreover, whereas in villages people to some degree could rely on subsistence agriculture to prevent starvation, similar options did not exist in cities. Other demographic factors associated with industrialization, such as population growth and the increase in the proportion of the old aged, put further strain on traditional forms of social protection (Lessenich 2008: 39-40; Skocpol and Amenta 1986: 133; Pierson 1991: 14-16).

At the same time as traditional forms of social protection lost their effectiveness, changing working and living conditions also increased the need for social protection. Through the mechanization of production and the spread of factory work, for instance, working life transformed and dangerous working conditions became more widespread. Thus, there arose a need for new working regulations to protect workers in their jobs. By weakening traditional forms of social protection and by creating new social problems, industrialization led to an increase in the societal need for new forms of social security: the welfare state.

Yet, industrialization not just creates the need for welfare state development. It also produces the means to build a welfare state. There is widespread agreement in the literature, that the 'welfare state rests, first and foremost, on the availability of some form of reallocable economic surplus' (Quadagno 1987: 111; Chatterjee 1999: 5) and that ‘a certain level of economic development, and thus surplus, is needed in order to permit the diversion of scarce resources from productive use (investment) to welfare’ (Esping-Andersen 1990: 13-14; Martin 1990: 34). Industrialization is crucial in this respect because it produces economic development and thus an increase in material resources. Moreover, it also leads to a growth in the resources of the state and its administrative capacities. Therefore, industrialization makes it possible – for the first time in history – to build a welfare state (Zöllner 1963: 31-34; Wilensky and Lebeaux 1958: 14-15; Wilensky 1975).

The logic of industrialism argument therefore posits that industrialization creates a *need* for a welfare state and at the same time produces the necessary *means* to build such a welfare state. In this sense, industrialization causes social problems, but also produces their solutions. That is why, ultimately, ‘economic growth and its demographic and bureaucratic outcomes are the root cause of the general emergence of the welfare state‘ (Wilensky 1975: xiii).

Even though the logic of industrialism looks like a simple theory, it is possible to develop different empirical hypotheses on the relationship between economic development and welfare state development. The first hypothesis is that because industrialization creates a need for the welfare state, *all* industrialized countries would eventually become welfare states. Zöllner (1963: 117; see also: Achinger 1953: 26-27, for instance, concludes that ‘as soon the proportion of the non-agriculturally employed reaches a certain proportion’ and thus industrialization reaches a certain level, the creation of a welfare state is ‘inevitable’. In this perspective, industrialization is a *sufficient condition* for welfare state development.

A second hypothesis is that because it is industrialization, which produces the resources necessary for the creation of a welfare state, *only* economically developed countries can become welfare states. Developing countries, on the other hand, lack the resources and thus cannot create a welfare state. They are ‘too poor to be able to “afford” social-security systems’ (Ahmad 1991: vii). In this perspective, industrialization is a *necessary condition* for welfare state development. This argument is summarised by Livingstone (1969: 66):

> ‘The wealthier nations, where they have introduced comprehensive social security systems, have been able to do so because their industrial and

> commercial growth, […] provided a reliable basis for continuous and expanding social services. […] without the economic resources to support it, social planning on any national scale would have remained the idealism of the dreamer.'

These two hypotheses reflect the two sides of the logic of industrialism theory: industrialization produces the need, but also creates the ability to build a welfare state. However, if one takes the whole of the argument seriously, a third empirical hypothesis follows: a*ll* industrialized, but *no* developing countries will become welfare states. In this perspective, industrialization is both, a *necessary* and a *sufficient condition* for welfare state development. This hypothesis has rarely been expressed in this clarity, but it logically follows from the two main arguments of the theory.[7]

Interestingly, the logic of industrialism has been associated far more with a fourth and more controversial hypothesis, according to which industrial societies and thus welfare states *converge* over time. Because industrialization is the main driver of welfare state development, which trumps all other factors, all countries would, as they industrialize, develop very similar welfare states. Moreover, existing welfare states would come be to more and more similar because 'economic growth makes countries with contrasting cultural and political traditions more alike in their strategy for constructing the floor below which no one sinks' (Wilensky 1975: 27). This is arguably the strictest version of the industrialism thesis.

Hints of the convergence hypothesis can be found in the writings of the main proponents of the industrialism thesis. Wilensky (1975: 86), for instance, writes that:

> 'With economic growth all countries develop similar social security programs. Whatever their economic or political system, whatever the ideologies of elites or masses, the rich countries converge in types of

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[7] This third hypothesis might have been one rationale behind the inclusion of all advanced industrialised countries, for which there was sophisticated data, and the exclusion of poor countries in mainstream welfare state research.

> health and welfare programs, in increasingly comprehensive coverage, and, to a lesser extent, in methods of financing.'

However, when the main writings of the proponents of the logic of industrialism are read closely, it becomes clear that there are contradictory propositions concerning the convergence hypothesis. It is often overlooked, that these scholars openly acknowledge variation between existing welfare states:

> 'At an advanced stage of affluence […] we find sharp differences in the organization and level of welfare and in the politics of welfare. […] Accompanying these differences in welfare effort are momentous differences in administrative organization and style. Even a superficial observer cannot miss the expression in everyday life of divergent national styles.' (Wilensky 1975: xiii-xiv)

Moreover, in some passages proponents of the industrialism thesis imply that it is unrealistic to expect full convergence in the future. On the contrary, Zöllner (1963: 115) argues that political freedom regarding public social spending increases with economic development. Hence, leading proponents both acknowledged existing variation between welfare states and suggested that it is unrealistic to expect that these differences would disappear completely. Nevertheless, the logic of industrialism remains mostly associated with the controversial convergence hypothesis.

Empirically, the theory was supported by two types of research. Quantitative medium- and large-n cross-national studies showed a strong correlation between the level of industrialization or economic development and the level of welfare effort[8], measured through public social spending as a percentage of the GDP or gross national income (GNI) (Zöllner 1963: 29; Wilenksy 1975: 122-128).[9] In addition,

[8] Another quantitative study in this tradition, by Cutright (1965), also finds a link between social security and economic development, but operationalises the concepts differently.

[9] It is noteworthy that even though the overall correlation between public social expenditure and GNI is very high in Wilensky's data there are significant outliers, which he curiously does not discuss. Brazil, for instance, is ranked among the countries with lowest GNI per capita (rank 55 out of 64

qualitative evidence also showed how the process of welfare state building was intertwined with the process of industrialization (Zöllner 1963: 32-33).

However, empirical studies mostly did not support the strongest version of the logic of industrialism, the convergence hypothesis. Quantitative data did not show that existing welfare states converge. Instead, variation remained. Moreover, historical research revealed that pioneers of industrialization, such as the United Kingdom, were not always pioneers of welfare state development. These empirical inconsistencies led researchers to search for alternative theories, to provide a fuller explanation of welfare state development. One of these theories is the logic of modernization.

2.1.1.2. Logic of modernization

The logic of modernization, most closely associated with Peter Flora's work, can be seen as an attempt to overhaul the logic of industrialism thesis in order to defend it. In the modernization thesis, welfare state development is still seen as a response to the structural transformation that Western European societies underwent since the Industrial Revolution.[10] However, instead of seeing this structural transformation simply as a process of industrialization, Flora and colleagues understand it in terms of a broader process of modernization. Partly following the writings of Stein Rokkan, they argue that the welfare state is a child of the industrial revolution and of the process of nation-state formation (Flora and Heidenheimer 1981c: 22):

> '[…] the growth of the welfare states emerges as a major development of national states and capitalist economies, of industrial societies and mass democracies. We interpret the welfare state as a general phenomenon of modernization – as a product of the increasing differentiation and the

countries), but has a remarkably high social security expenditure (rank 29 out of 64 countries), higher than several welfare states.

[10] With regard to the question of how functionalist the logic of modernization really is, there is certainly some room for debate. Jens Alber (1982: 76-77), for instance, classifies the theory as integrating functionalist models with group conflict models and it is likely that, with hindsight, most proponents of the theory would reject being described as functionalist.

> growing size of societies on the one hand and of processes of social and political mobilization on the other. It is an important element in the structural convergence of modern societies and at the same time a source of divergence from variations within its institutional structure.' (Flora and Heidenheimer 1981b: 8)

In this perspective, industrialization and associated process are not the only causes of welfare state emergence. Instead, the creation of modern nation states and processes of political mobilization are also important. That is why the logic of modernization has been aptly called 'a politicized version of the industrialism thesis' (Pierson 1991: 21). What remains the same in this theory, however, is the assumption that the welfare state came into being primarily as a product of the macro-structural transformation of society and not as a result of certain actors struggling for the creation of the welfare state.

Yet, the fact the logic of modernization also takes other explanatory factors than industrialization into account means that it provides a fuller picture of welfare state development in the industrialized world, one that is more in line with empirical evidence. For instance, the theory does not have to proof that at each point in history the most industrialized country was also the leading welfare state. Regarding historical developments, the logic of modernization easily accommodates the fact that Germany, a late industrializer in the nineteenth century, and not the United Kingdom pioneered social security development in the 1880s. The theory explains this anomaly (from the perspective of the logic of industrialism) with the 'stronger paternalistic and bureaucratic traditions and greater autonomy from middle-class pressures opposed to public welfare activities' (Flora and Alber 1981: 47). In this way, it is better able to explain existing empirical evidence than the logic of industrialism.

One problem that the logic of modernization encounters, however, is the difficulty to derive clear-cut hypotheses from its basic propositions. Various causal factors, such as industrialization, state tradition, political mobilization and traditional forms of social security are taken into account. Moreover, to a significant degree, their effect depends on each other. One factor can have positive, as well as negative effects on welfare state development, depending on the context (Lessenich 2008: 40-41). This makes it difficult to clearly state and test empirical hypotheses. To provide just one example (Flora and Alber 1981: 44):

> 'An early and strong bureaucratization and centralization may have promoted welfare state development because of greater government resources and strong paternalist traditions. It may also have thwarted efforts to institutionalize democracy and thus impeded welfare state development.'

While such arguments are reasonable with regard to the empirical evidence, they show that the complexity of the theory may defy clear-cut empirical hypotheses. If strong state traditions can both promote and impede welfare state development, the theory becomes immune against falsification. So, it is no surprise that eventually a very complex interpretation of the historical evidence emerges, with different country groups showing different trends regarding the combination of two key explanatory factors, political mobilization and socio-economic development (Flora and Alber 1981: 69).

Yet, despite these difficulties in clarifying the causal effects of the particular variables, the logic of modernization theory is clear the main subject of this dissertation, the possibility of welfare state emergence in the developing world:

> '[…] it is obvious that predominantly agricultural societies probably will not adopt social insurance systems, just as highly industrialized and urbanized societies will have such schemes.' (Flora and Alber 1981: 65)

To conclude, the modernization thesis provides 'a politicized version' of the industrialism argument. It shies away from convergence hypotheses or similar strong arguments concerning the connection of economic development and the creation of welfare states. Instead, it provides a rich account of welfare state development that includes political factors. However, the logic of modernization essentially agrees with the logic of industrialism in assuming that economic development is both a *necessary* and a *sufficient* condition of welfare state development.

2.1.1.3. Logic of capitalism

The third functionalist theory of welfare state research is the logic of capitalism. Proponents of this theory agree with the industrialism and modernization theses, in that they see the development of welfare states in terms of the functional requirements of society. However, in contrast to the industrialism thesis, which sees the modern world as being shaped by industrialization, and in contrast to the modernization thesis, which sees Western societies as being shaped by modernization, the logic of capitalism focusses on the requirements of the economic system: advanced capitalism. Hence, the development of welfare states is seen as a response to the needs of advanced industrial capitalism (Gough 1979; Lessenich 2008: 41-42; Pierson 1991: 51-61).

In this neo-Marxist perspective, capitalism needs state intervention to survive because if left on its own, the free market tends to destroy its own foundations (Polanyi 1944). To continue the process of accumulation the state needs to intervene. State intervention might go against the interest of individual firms, but it 'functions to secure the long-term circumstances for the continued accumulation of capital' (Pierson 1991: 53). Therefore, the welfare state 'saves capitalism from itself' (Lessenich 2008: 41). However, state interventions are an obstacle for the accumulation process and thereby endanger capitalist development. Besides, in advanced capitalist societies, the state needs to legitimise itself, as it exists within a formally democratic political system. Hence, the state faces ever-new demands for increasing interventions. The welfare state thus comes into existence to save capitalism, but is strained by the contradicting requirements of accumulation and legitimacy.[11]

From these arguments, one can deduce an empirical hypothesis for the preconditions of welfare state emergence. According to the logic of capitalism, *only* advanced capitalist countries and *no* other countries can become welfare states. Not economic development, but capitalism *and* economic development are therefore seen as *necessary* conditions of welfare state development. Compared to the industrialization and modernization theses, the logic of capitalism is therefore even stricter when it comes to preconditions of welfare state emergence.

[11] To be fair, neo-Marxists often offer a more nuanced view, acknowledging that the welfare state enhances well-being (Pierson 1991: 57).

However, proponents of the theory apparently rarely focussed on proving this implicit claim that only advanced capitalist countries can be welfare states. A likely reason for this is that their very definition of the welfare state is already connected to capitalism. This is, for instance, visible in Gough's characterization of the welfare state as 'the use of state power to modify the reproduction of labour power and to maintain the non-working population in capitalist societies' (Gough 1979: 44-45). The welfare state is seen as 'a particular form of the developed capitalist state' (Pierson 1991: 53) and by definition exclusive to advanced capitalism. Hence, there is no need to show that it does not exist elsewhere.

This point makes it difficult to reconcile the logic of capitalism with other theories. For proponents of the logic of industrialism, the fact that also communist countries developed advanced social security systems proved their argument (Wilensky 1975: xiii). Similarly, proponents of the logic of modernization explicitly argued that 'social security systems are not a peculiarity of capitalist countries' (Alber 1983: 103):

> '[...] the experience of Russia after 1917 illustrates that nondemocratic and noncapitalist societies have established very similar institutions. Thus, the welfare state seems to be a far more general phenomenon of modernization, not exclusively tied to its 'democratic-capitalist' version.' (Flora and Heidenheimer 1981c: 23).[12]

Partly, the differences between the various functionalist theories appear to stem from differences in the conceptualization of the welfare state. Whereas the logic of capitalism sees it as a form of the state and tends to include all aspects of the state, other theories focus on social security. Thus, it is difficult to bridge the differences between these theories. Either one sees the social security systems of communist countries as proof that welfare states can exist in non-capitalist countries, or one defines the welfare state in such a way that non-capitalist countries cannot be classified as welfare states. Considering that the goal of this dissertation is to explore, whether there are welfare states in less developed countries, it would be odd to define

[12] A similar argument is made by Esping-Andersen (1990: 14).

the welfare state so that only advanced capitalist countries can be classified as welfare states. Therefore, it is difficult to make use of the logic of capitalism in this study. Nevertheless, it is still useful to take the basic argument of the theory, that welfare state development is linked to the requirements of the economic system, serious.

2.1.2. Conflict theories

Functionalist theories of welfare state development were popular during the golden age of the welfare state, when social protection systems in many countries expanded. This golden age ended with the economic crises of the 1970s. Together with falling growth rates, unemployment increased and the resulting increase in social security expenditure appeared unstoppable. In the context of a proclaimed crisis of the welfare state, functionalist theories lost ground to theories that emphasized intergroup conflicts for power. Instead of seeing the welfare state as a natural result of functional requirements of 'the system', these theories sought to explain welfare state development through the interests and actions of particular groups, such as classes or political parties.

2.1.2.1. Power resources theory

The most influential conflict theory of welfare state development is the power resources approach. According to this theory, which has been most clearly formulated by Walter Korpi (1983), but which can be traced back to inter-war social democracy (Heimann 1929), the rise of the welfare state should not be seen as a simple response to the functional needs of either industrialization, modernization or capitalism. Instead, it is argued that 'in order to understand the functioning and development' of Western welfare states, one has to 'focus on the distribution of power resources between the main classes within these societies' (Korpi 1983: 4). This distribution of power resources, which varies between countries and across time, explains variations in welfare state development.

According to power resources theory the main classes in society are business and labour, capital and wage-earners. Thus, the 'conflicts of interest manifested in the political arenas of Western nations are conceived of as a democratic class struggle' (Korpi 1983: 4). This conflict between capital and labour is assumed to be dominating politics in the Western world and is believed to be more important than other source of political cleavage, such as state-church relations, centre-periphery relations, or ethno-religious differences. While business relies on its power resources of 'capital and control over the means of production', wage-earners' power resources are their labour power and their organizations for collective action (Korpi 1983: 16-17 and 26). The most important of these organizations for collective action are labour unions and their associated political parties. Usually, workers first organize into unions that represent their interest at the workplace. Later, labour or social democratic parties are created to represent workers in the political arena.

The main argument of power resources theory with regard to welfare state development is 'that the earlier and more fully the workers become organized into centralized unions and a social democratic party, and the more consistently over time the social democratic party controls the state, the earlier and more "completely" a modem welfare state develops' (Skocpol and Amenta 1986: 140). Thus, the welfare state is the result of the political power of labour unions and social democratic parties (Lessenich 2008: 44), sometimes through a cross-class-coalition, for instance with farmers (Esping-Andersen 1985 and 1990). In this account, sufficient left-labour power – not economic development – would be a *necessary* condition for the development of a welfare state.

The archetypical case for the process described by power resources theory is Sweden, where a social democratic party with strong labour union support was continuously in power between 1932 and 1976. In this period, Sweden developed what is widely believed to be the most complete welfare state. The main problem for power resources, however, is that most countries that became welfare states do not resemble Sweden. Many continental European countries, for instance, were politically dominated by conservative parties. So, how can power resources theory, with its emphasis on labour power, account for these cases?

Implicitly, the argument from the power resources perspective is that in cases, where non-social democratic parties presided over welfare state formation, labour unions and their political representatives forced governments to build welfare states. For instance, in Germany, it might have been Chancellor Bismarck, who created the social insurance system, but it was his fear of labour and the social democrats that made him do it. Yet, there remains a tension between the argument that the welfare state is a product of left-labour power in the 'democratic class struggle' and the fact that most welfare states are presided over by non-social democrats. This led some proponents of the power resources approach to soften their argument:

> 'The welfare state emerges and grows in advanced capitalist societies with or without a strong and coherent social democratic labor movement. But its emergence is hastened, its growth is speeded, and its consequences for the interclass redistribution of resources and opportunities are arguably greater under social democracy.' (Shalev 1983: 46)

According to this perspective, then, an advanced capitalist economy would be a *sufficient* condition for welfare state emergence. The role of left-labour power would only consist in speeding up and strengthen welfare state development, but it would not be a necessary condition of welfare stateness. While the power resources approach focusses on left-labour power, it is thus not entirely clear to what extent it necessarily conflicts with the functionalist theories, when it comes to determining whether economic development is a necessary or sufficient precondition for welfare state development. In fact, in a rarely cited passage Korpi (1983: 184-185, emphasis added) argues that:

> 'Definitions of the welfare state are generally based on the average standard of living, political democracy and the role of the state in the distribution of welfare in society. A relatively high standard of living and a reasonably well functioning democracy, however, should be seen as *prerequisites* for the welfare state rather than as its definitional properties.'

In this view, economic development (high standard of living) and political democracy are *necessary* conditions for the welfare state. Thus, without economic development and democracy, even the strongest social democratic party backed up by the best-organized labour unions would not lead to the creation of a welfare state. The world of welfare states is thus even smaller than in the case of the logic of industrialism, as the latter does not preclude non-democratic countries from becoming welfare states.

This difference in the assessment of whether non-democratic can be welfare states, resembles the discussion on the possibility of non-capitalist welfare states. In both cases, the difference is partly caused by differences in the conceptualization of the welfare state. Building on T.H. Marshall's famous theory of social citizenship, Korpi and colleagues evaluate the welfare state in terms of the social rights it provides (Korpi and Palme 2008).[13] In Marshall's theory, social rights are built on top of civil and political rights and work in synergy with them (Marshall 1950). In this perspective, it is questionable, whether a country that does not provide civil and political rights can effectively provide social rights. Or, to put it more bluntly:

> 'The welfare state is found in democratic nations only. [...] Since dictatorships can only maintain themselves by suppressing the people, it makes no sense to describe a dictatorial state as committed to the welfare of its population.' (Ringen 2006: 9-10)

Thus, by definition, non-democratic welfare states become impossible. Despite these conceptual differences about the possibility of non-democratic welfare states, it is interesting to realize that the power resources approach, the main rival to the logic of industrialism and modernization, agrees with the latter when it comes to the argument that economic development is a *necessary* precondition for the welfare state. Hence, the main theories of welfare state emergence agree that only rich countries, but not poor countries can become welfare states.

2.1.2.2. Other conflict theories

The power resources approach quickly became the leading welfare state theory in the 1980s. However, as explained above, its main empirical problem remained. Why do countries without strong labour-backed social democratic parties build welfare

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[13] Note that in his earlier work Korpi (1983: 185) defined the welfare state in terms of inequality and redistribution:

> Taking political democracy and a relatively high standard of living as prerequisites, we can thus adopt the extent of equality-inequality in basic living conditions among the citizens as the major criterion in determining the extent to which a country is a welfare state.'

states? This empirical inconsistency of the power resources approach led researchers to explore other social and political drivers of welfare state development.

Among the possible drivers of welfare state development were political parties. Researchers in particular focussed on the role of centrist and right-wing parties. Among others, Castles argued that the weakness of the political right was more important than left party strength (Shalev 1983: 43). Moreover, Wilensky (1981) showed that Catholic or Christian-democrat parties were as important as left parties when it comes to welfare state expansion. Coming from a social-catholic ideological background, these parties aimed to create a 'social capitalism' (Lessenich 2008: 46). Therefore, they are seen as 'functional equivalents' of social democratic parties when it comes to the creation of welfare states. In this way, these various *partisan politics* accounts go beyond the power resources model in that they focus on the role of other parties than social democratic ones (whose positive connection to welfare state building is mostly taken for granted).

Another significant critique of the power resources approach has focussed on the role of classes. Based on the idea that the welfare state is essentially a risk-sharing instrument, Baldwin (1990: 12) argues that in order to understand welfare state development, one has to explore risk categories, instead of classes:

> 'By the very conditions of its occupation, the industrial proletariat has been particularly exposed to certain risks (unemployment, workplace accidents) and therefore especially concerned with spreading such burdens. For other risks (illness, penurious old age, childbirth and childrearing), the working class has had no interest in a redistribution of costs […]. Although it may have suffered more than its share of risks, the proletariat has had no monopoly on uncertainty or on an interest in measures to ameliorate such circumstances. […] Since welfare legislation began across nations with quite different social and economic complexions, the preeminently needy class within each has varied from place to place.'

As risk categories change over time and from issue to issue (e.g. work injury programs have different risk-sharing implications than health insurance programs), the supporters and opponents of welfare state development are not static. Even middle-classes can have an interest in some aspects of welfare state development. That is why, according to Baldwin, a class-based and labour-focussed account must remain incomplete.

While these different accounts grounded in conflict theories do provide a more nuanced picture of welfare state development, they usually do not provide a clear argument concerning necessary and sufficient conditions of welfare state emergence. This makes it difficult to develop empirical hypotheses from these theories that could be applied to the study of welfare states in low income countries. However, these accounts do have crucial implications as they point to atypical drivers of welfare state development, such as centre-right parties or middle-classes. This is particularly relevant in the study of poorer countries as politics and class structure in these cases usually diverges from high income countries.

2.1.3. State-centred theories

Whereas functionalist accounts discuss the emergence of welfare states in terms of a response to functional requirements of the socio-economic environment and conflict theories discuss the role of actors and their struggles for or against welfare state development, a third perspective, focusses on the role of the state. In line with a revival of state-centred research in Anglo-American sociology in the 1980s that aimed to 'bring the state back in' (Evans et al. 1985), states were no longer seen as 'passive administrative tools to be turned to the purposes of any social group that gains governmental power'. Instead, they were 'reconceptualized as partially autonomous actors and as consequential structures and sets of policies' (Skocpol and Amenta 1986: 147). This reconceptualization of the state had significant implications for comparative welfare state research.

In the context of this thesis, two arguments of state-centred welfare state research are particularly relevant. The first argument concerns the quality of the bureaucracy and state institutions, or more generally: state capacity. According to this argument, strong state capacity, i.e. the ability to implement policy, is a pre-requisite for the welfare state. Therefore, welfare state development presupposes the existence of a capable state (Lessenich 2008: 47; Pierson 1991: 99). Based on this argument about the role of state capacity, different researchers have suggested that a historical tradition of strong state bureaucracy explains why some countries, such as Germany, developed social security systems earlier than others (Flora and Heidenheimer 1981c: 22).

In fact, the state capacity argument has been voiced since the beginnings of comparative welfare state research. As described above, one aspect of the logic of industrialism thesis consisted in the argument that industrialization propels the development of a modern bureaucracy and a capable state. This modern bureaucracy, itself a result of the industrialization, is believed to be a pre-condition for welfare state emergence. Thus, the welfare state is 'made possible by the rise of modern bureaucracy as a rational, universalist, and efficient form of organization' (Esping-Andersen 1990: 13).

Hence, concerning the role of state capacity, state-centred theories do not necessarily conflict with the logic of industrialism. In contemporary research, the state capacity argument continues to be widely shared. Gough and Abu Sharkh (2011: 283), for instance, succinctly argue that a 'welfare state must presuppose a minimal Weberian state'. Huber and Niedzwicki (2015: 796) more boldly claim that:

> 'The prerequisite for building an effective welfare state is the presence of an effective state. The state's capacity to extract and allocate resources in a deliberate manner has to grow if social policy is to expand […].'

In sum, the argument that high state capacity is a precondition of welfare state emergence is one of the basic findings of state-centred research on the welfare state. It continues to be so widely cited that it appears to be something of a tautology: it does not seem worth explaining in detail that a welfare state with its countless social policies presupposes that there is a capable state, which implements these policies. Therefore, it seems nearly unthinkable that there would be welfare state development without prior 'presence of an effective state'.

A second finding of state-centred research that is crucial in the context of this thesis concerns the role of the bureaucracy and state elites. In state-centred research, it is widely argued that bureaucracy and state elites are the main drivers behind welfare state development (Skocpol and Amenta 1986: 148). This does not mean that interest groups or political parties do not matter. State-centred researchers admit that, for instance, workers voice political demands through labour unions and political parties, and that policymakers need to take these political forces into account. Yet, eventually it is bureaucrats and state elites, who decide which social policies are devised and whether they are implemented.

This argument is best illustrated by the case of Bismarckian Germany, which according to the conventional historiography of the welfare state, was the birthplace of the welfare state (Flora and Heidenheimer 1981a). The German Empire introduced a social insurance system for workers in 1881 mainly to pacify workers' demands for political rights and stop the rise of social democracy (Kuhnle and Sander 2010: 64-65). Workers and their associations, however, were initially unsure whether to embrace or oppose this social innovation (Baldwin 1990: 96-99). Therefore, state elites, not labour unions or labour parties built the first social insurance system.

In welfare state research, the argument about the role of state elites is closely associated with the work of Hugh Heclo. In a comparative study of social policy in Great Britain and Sweden, he concluded (1974: 301):

> 'If policy is understood not simply as intended action but as what actually occurs consequent to intentions, then the place of civil servants in the development of modern social policy has been crucial. Forced to choose one group among all the separate political factors as most consistently important [...], the bureaucracies of Britain and Sweden loom predominant in the policies studied.'

The assertion that state elites are behind welfare state development brings with it the question why they would want to introduce and expand social policies. There are several answers to this question. First, it is argued that, as in the case of Bismarck's Germany, state elites want to ensure the loyalty of the population to the regime. In this perspective, welfare state development is a 'means used by social elites of preserving the status quo, sidestepping the threat of major reform by granting modest concessions to increasingly important but still largely disenfranchised classes' (Baldwin 1990: 39). A second argument for why state elites build a welfare state is rooted in the belief that the 'state and its policy apparatus intervene as disinterested solvers of common problems' (Baldwin 1990: 46). Hence, the state bureaucracy implements social policies because they provide a solution to issues that are identified as social problems. An example for this argument would be the implementation of work injury programs in response to increases in work accidents. A third reason why state elites devise and implement social policies tends to be overlooked in the comparative literature. As much as welfare state building can be guided towards securing the survival of a regime, it can also be a 'contribution to state and nation-building' (Kuhnle and Sander 2010: 65). Crucially, modern social policies expand the reach of the state. They lead to an increase in the administrative apparatus and to an increase in the contact between citizens and the state. Thus, modern social policy has served as a crucial state-building tool.

To conclude, state-centred research provides two key arguments for the emergence of welfare states. First, a developed state bureaucracy and strong state capacity is a precondition for welfare state emergence. Second, state elites and state bureaucracies are the main drivers of welfare state development. Eventually, they devise and implement the policies that make up the welfare state. The precise rationale for building a welfare state – securing the legitimacy of the regime; solving social problems; state building – might differ from case to case. Nevertheless, in each case, the role of state elites is crucial.

2.1.4. Conclusions

In this section, I discussed theories of welfare state emergence and development. So, can these theories explain the possible emergence of welfare states in the developing world? Essentially, the emergence of welfare states in poor countries would be a surprise from the perspective of comparative welfare state research. According to the classic *logic of industrialism* thesis, it is the process of industrialisation that brings about the rise of the welfare state. Therefore, only industrialised countries, but not developing countries, can become welfare states. Although rival theories identify other drivers of welfare state building, the argument that economic development is a pre-condition for the welfare state has been widely accepted. Thus, there is a consensus that economic development is a necessary condition of welfare state building.

The other two functionalist theories – the *logic of modernisation* and the *logic of capitalism* – produce enlightening case studies, but it remains difficult to test them in the context of this thesis. The complex arguments behind the modernisation thesis make it difficult to develop clear-cut empirical hypothesis that could be tested in the study of welfare states in the developing world. Moreover, the conceptualisation of the welfare state in the logic of capitalism makes it difficult to disentangle the welfare state from advanced capitalism. Therefore, it is impossible to employ the logic of capitalism perspective in this study.

The *power resources approach* sees welfare state development as rooted in the balance of power between workers and capital. It argues that unions and social democratic parties build the welfare state – but only in democratic and economically developed countries. Partisan politics, on the other hand, argues that the welfare state is not exclusive to social democracy and that broad-based conservative parties also build welfare states. Finally, two findings of *state-centred research* are highly relevant in the context of this thesis. First, a capable state bureaucracy – usually absent in the Global South – is seen as a pre-condition of the welfare state. Second, state elites are the main drivers of welfare state development.

In recent decades, there has been tendency towards combining these different perspectives into an integrated model of welfare state development (Amenta 2003). Scholars combine economic development (logic of industrialism), interests of the main actors (power resources and partisan politics) and institutions (state-centred research) in explanations of how welfare states in advanced industrialised countries emerged. The varying causal constellations of these different factors explain the different pathways to welfare stateness in this 'orthodox model' (Gough 2008; Gough and Therborn 2010). Yet, from the perspective of this orthodox model, the emergence of welfare states in relatively poor countries remains a puzzle. In the next section, I will discuss whether research on social policy in the developing world offers any clues to solve this puzzle.

2.2. Social policy in the developing world

In the previous section, I discussed theories on the emergence and development of welfare states in advanced industrialised countries. In this section, I turn to research on social policy in the developing world. Although it has long been recognised that 'even the poorest Third World nation has some form of social policy' (Esping-Andersen 1994: 713) and that there 'is no country in the world without any form of social security' (ILO 2010: 31), research on social policy in the global periphery has tended to be somewhat dissociated from comparative welfare state research.

Implicitly or explicitly, it was assumed that countries outside of the West were 'non-welfare states' (Esping-Andersen 1996b: 9). Therefore, research tended to conceptualise its object of study in terms of 'social security', 'social protection' or 'social policy', instead of the 'welfare state' and remained somewhat distinct from comparative welfare state research.

To a degree, this has changed in the new millennium, as more and more 'newly industrialising countries' have been studied in the context of comparative welfare state research. First, southern European Union countries and then East Asian countries, especially Korea and Taiwan were added to the universe of cases (Arts and Gelissen 2002). Most recently eastern European members of the EU started to be included in some comparative research (Scruggs et al. 2014). At first glance, this suggests that the logic of industrialism and the consensus that only advanced industrialised countries can become welfare states is no longer seen as valid. However, as the inclusion of these countries into the 'geography of comparative welfare state research' (Hort 2005) overlaps with their inclusion into the club of high-income countries, the fact that these cases are now acknowledged as welfare states can be read as proof that the logic of industrialism thesis still matters. These countries are labelled 'new' or 'emerging welfare states', reflecting the assumption that they are only now, once they are part of the rich world, joining the club of welfare states (Arts and Gelissen 2010; Huber and Niedzwicki 2015). Researchers familiar with these cases are obviously aware that many of the cases are not 'new welfare states', but that their history of welfare state development sometimes goes back more than a century. So, the labels 'new' and 'emerging' might be understood as indicating a 'new' and 'emerging' academic interest in these cases.

Be that as it may, most parts of the 'Global South' remain outside the scope of comparative welfare state research. Instead, they are studied through the lenses of 'social policy in a development context' (Mkandawire 2004). In this section, I explain some of the theories, which research on social policy in low- and middle income countries has produced, and discuss whether these theories could explain why some poor countries developed comprehensive social security system. The goal here is to arrive at empirical hypotheses that could help explain the existence of welfare states in poor countries, as posited by some researchers (Deutsch 1981: 428;

Midgley 1995: 173). First, I explore the role of diffusion processes in the developing world. Then, the possible role of politics is discussed. Here, I first look at the issue of regime type and then turn to the question of whether partisan politics matters. Finally, cultural factors in the form of ethno-cultural fractionalization are explored.

2.2.1. Diffusion approach

The theories that have so far been discussed in this literature review are all theories that emphasize the role of domestic factors, be they political, economic or social. Implicitly or explicitly, the different theories assumed that in order to understand welfare state development in a given country, one has to understand the domestic situation in that particular country. In contrast to these theories, the diffusion approach takes at its starting point the assumption that the world is ever more inter-connected. Therefore, the manifold connections among the different countries have to be taken into account when explaining social policy developments around the world.

The rise of the diffusion approach in research on social policy in the developing world is connected to an empirical puzzle. As explained above, there is a consensus in comparative welfare state research that industrialization is a necessary condition for the development of a welfare state. Researchers concluded that ‘it is obvious that predominantly agricultural societies probably will not adopt social insurance systems’ (Flora and Alber 1981: 65). However, in reality, researchers observed that ‘even the poorest Third World nation has some form of social policy’ (Esping-Andersen 1994: 713) and that even ‘predominantly agricultural societies’ do ‘adopt social insurance systems’. This contradiction between theoretical expectations and empirical reality sparked various studies based on diffusion theories.

According to diffusion theorists, welfare state building has been 'a transnational event' (Abbott and DeViney 1992). The welfare state originated in Western Europe and then spread to the rest of the world. Empirical analyses based on this approach showed that contrary to earlier analyses based on the logic of industrialism, low and lower-middle income countries enacted social security legislation at earlier stages of modernisation (Collier and Messick 1975; Fuchs 1985: 43-44; Hort and Kuhnle 2000). This surprising finding was explained in terms of global policy diffusion. Less developed countries were ‘constantly imitating the behavior of the units that they have chosen as models' (Collier and Messick 1975: 1306) and thus adopting social security innovations of richer countries. The logic underlying this behaviour is nicely captured in an early work on the development of social security in India:

> 'We [Indians] possess the experience of these countries [advanced societies] which shows that if plans are not formulated in the initial stages for evolving a sound base to the emerging industrial culture in which all are informed by social equity and all are provided with social security, it may only make matters more difficult and less manageable at later stages.' (Hasan 1972: ix)

Research has revealed different mechanisms for social policy diffusion. Among the most important ones is the influence of international organisations (Armingeon 2010), such as the International Labour Organization (ILO) (Strang and Chang 1993). The ILO traditionally promoted the development of modern social security systems and attempted to spread certain policy models, with varying success. While the ILO supported the expansion of social policy, other international organizations, such as the International Monetary Fund (IMF) and the World Bank promoted social policy retrenchment, particularly in the context of structural adjustment programs in the 1980s and 1990s (Huber and Stephens 2012). In the 2000s, however, the World Bank changed its approach and started to promote certain kinds of social policies, such as social cash transfers (Gliszczynski and Leisering 2016), leading to a global expansion of these policies (Böger and Leisering forthcoming). In sum, research shows that international organisations can have varying effects on social policy depending on the particular institution and point in time.

Historically, another crucial mechanism for the diffusion of social policy in the developing world has been colonialism. Early research showed that in many developing countries social policies consisted of a 'perpetuation of colonial welfare' (Midgley 1984a; Midgley 1984b; MacPherson 1982). During the colonial era, colonising countries implemented social policies based on their own needs. In many countries, these colonial social policies continued well after de-colonisation. This colonial heritage was seen as one of the reasons why social policy in the Global South was not sufficiently aligned to the needs of the population. Researchers also explored how social policy varied according to the colonizing country. Quantitative studies, for instance, showed that former French colonies in Africa implemented family allowances earlier and more consistently than other African countries (Kangas 2012).

Overall, the fact that virtually all countries in the world developed formal social security systems with rather similar policies lends credence to the claim that '[n]ational social insurance programs have become one of the institutions of modernity, and state provision of such services has been incorporated into the definition of a modern nation-state' (Usui 1994: 258). In this sense, modern social security systems are part of 'world society', of the 'worldwide models constructed and propagated through global cultural and associational processes (Meyer et al. 1997: 144-145; Kim 2008; Leisering et al. 2006; Leisering 2010; Böger 2013). Hence, the question why nearly all countries introduced particular types of social policies, such as old age pensions or work injury programs, cannot be explained without reference to processes of global policy diffusion.

However, whereas diffusion theories are crucial to understand why countries introduced similar social policies, it is difficult to use them to explain why the reach and quality of social security systems differs so much, even between otherwise similar countries. It is one thing, for instance, to explain, why nearly every country has a pension program. Yet, it is another thing to explain why pensions in country A cover the whole population and provide generous benefits, whereas pensions in country B cover only a minority and provide only minimal benefits. In a nutshell: why do some countries become welfare states, but others do not? It remains difficult to answer this question with diffusion theories, even though the history of welfare state development contains ample evidence of global policy diffusion. Diffusion therefore has to be part of the comparative-historical case studies of welfare states in the developing world that are undertaken in later chapters of this thesis. Yet, these processes of policy diffusion are unlikely to be the factor that differentiates these cases from non-welfare states in the Global South. Hence, domestic factors still need to be part and parcel of the explanation of the emergence of welfare states in the developing world.

2.2.2. Does politics matter?

In the previous section, I argued that diffusion theories are helpful to understand why nearly all low and lower-middle income countries developed modern social security systems, but that it is difficult to understand why only few countries became welfare states. I concluded that one needs to turn attention, again, to the domestic context. Here, the possible role of politics looms large. In this regard, the two most important issues for social policy in the developing world are the role of the regime type and the role of partisan politics.

2.2.2.1. Regime type

In research on welfare states in advanced industrialised countries, it is usually taken for granted that the countries under study are democracies. In some cases, welfare state theories even take political democracy as a pre-condition for the welfare state (Korpi 1983). In the rest of the world, however, democracy cannot be taken for granted. Countries might be democratic, autocratic or hybrid cases. That is why research on social policy in the developing world extensively discusses whether the regime type of a country makes a difference for the development of social policy.

Broadly speaking, there are two opposing views on this question. On the one side are those scholars, who assume that regime type does matter. Democracy, they argue, has a positive effect on the quality of social protection systems and thus democracies tend to have more generous social protection systems than non-democracies (Rudra and Haggard 2005; Haggard and Kaufman 2008; Jensen and Skaaning 2015). This argument rests on the belief that social protection systems, which are essentially giant risk-sharing institutions (Baldwin 1990), are a crucial means for redistribution of wealth and life chances.[14] Various mechanisms are cited to explain why

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[14] The question whether social protection systems in the developing world redistribute wealth is controversial. Many studies argue that due to the low coverage, social protection systems in poor countries actually redistribute resources from the poor to the rich (Fisher 1967). Midgley (1984a: 164) for instance, claims that 'social security schemes in the Third World have not redistributed resources towards the poor to any appreciable extent, or made much impact on the wider inequalities which characterize the developing countries. Indeed, […] they have often reinforced and, in some cases, amplified inequalities in the Third World.' Other scholars, however, disagree and claim that there is

democracy has a positive effect on social policy. Weyland (1996b: 2) summarizes three of the most important:

> 'First, democracy allows the poor to form interest associations or social movements to press for redistributive reform. Second, politicians and parties are induced to compete for the votes of the needy by promising equity-enhancing measures. Third, state officials may try to preempt pressure from the disadvantaged by enacting reforms on their own.'

So, through different mechanisms democracies tend to create more redistributive social reforms, including expanding the social protection system (Haggard and Kaufman 2008). Some scholars argue that it takes time for these mechanisms to produce an effect and therefore only long-lasting democratic rule leads to social policy expansion (Huber and Stephens 2012). In contrast to democracies, autocratic governments, do not compete for votes and they do not let interest associations make demands for social reforms. Therefore, there is no reason to expect that autocracies provide social protection nets beyond a necessary minimum.

On the other side of this debate are scholars, who contest whether democracy really has a positive effect on the provision of social policy. They argue that, in practice, autocracies can be as redistributive as democracies. Their claims are supported by the fact that historically most social security policies in the Global South were introduced by authoritarian governments (Mares and Carnes 2009: 96-97). Moreover, large-n quantitative studies are fairly divided on whether regime type matters, with many studies finding no clear effects of democracy (Wilensky 1975: 27-28; Avelino et al. 2005; Rudra 2008: 43; Haggard and Kaufman 2008: 365-369).

The problem, it appears, is that every regime type is compatible with very different kinds of governments. For instance, during the Cold War both the bureaucratic-authoritarian regimes in Latin America and the socialist regimes in Eastern Europe

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widespread misunderstanding of 'the fundamental arithmetic of governmental income redistribution' (Huber and Stephens 2012: 53-54). Indeed, it is very likely that social protection systems in some, but not all developing countries, redistribute resources, but on a smaller scale than Western welfare states (Lindert et al. 2006; Seekings and Natrass 2005: 152-154).

were autocratic regimes. However, whereas the former explicitly aimed to limit social rights and social spending, the latter officially aimed to build a 'socialist welfare state'.[15] To expect that both types of autocratic regimes have similar social policy agendas would be illusionary. This point might explain why some quantitative studies find a strong connection between democracy and social policy, whereas others do not. Haggard and Kaufman (2008: 41), for instance, find no effect of democratic years on social spending in a sample that includes the socialist regimes in Eastern Europe. Huber and Stephens (2012: 140), on the other hand, do find such an effect in their sample which only includes Latin American countries – where there are only very few instances of left-wing autocracies. Therefore, the ideological position of the government in question might be as important as the regime type. This issue is discussed in detail in the next section.

2.2.2.2. Partisan politics

The potential role of partisan politics in social policy in the developing world is as controversial as the question of the potential role of regime type. Some scholars claim that right and left-wing governments have very different social policy agendas and therefore one should expect left-wing governments to have a different effect on social policy than right-wing governments. Other scholars instead believe that the very positioning of parties and governments on a left-right political scale is meaningless outside of the West. In their perspective, it would thus be futile to attempt to understand social policy developments through a left-right framework.

Outside of the West, many scholars that use left-right scales in their analyses and obtain meaningful results tend to focus their research on Latin America. Here, well-known and tested classifications of political parties on left-right scales exist (Coppedge 1997), which have been applied in quantitative datasets (Huber et al. 2012). Whereas some of the analyses based on this data show no partisan effect on

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[15] Even within the category of military regime, there is much variation. As Mares and Carnes (2009: 98) argue: 'Some [military] regimes have adopted policies that favor urban labor, whereas others have taken a harsh and repressive stance against industrial workers. Still other military regimes have introduced universalistic social insurance. In short, [the category of] "military regimes" […] is not particularly helpful in explaining variation in social policy outcomes.'

social spending (Huber et al. 2008), others show that there exists a partisan effect in terms of the generosity of social protection systems (Huber and Stephens 2012: 80-81). In addition to quantitative studies, case-oriented research also indicates that left-right political cleavages matter in Latin America (Levitsky and Roberts 2011).

Although partisan politics arguments are more common in research on Latin America, evidence also points to the role of centre-left parties in expanding social protection in other regions (Bangura 2007). This indicates that partisan politics might play a role in other regions as well. Among the theories that take left-right political cleavages serious, is 'social democracy in the global periphery'. Acknowledging that social democracy has been originally a European phenomenon, Richard Sandbrook and colleagues argue that it is nevertheless valid to explore to what extent this phenomenon exists outside of the West. They show that in various relatively poor countries, self-ascribed social democratic parties exist and social democratic policies have been implemented. Arguing that the 'essence of social democracy is class compromise' they claim that similar class compromises have been worked out in some low- and lower middle income countries (Sandbrook et al. 2007: 12-18).[16]

Although Sandbrook and colleagues only mention the concept of the welfare state in passing, the social democratic policies they describe are closely associated with welfare state development. The four cases of social democracy in the global periphery that they study – Costa Rica, Chile, Mauritius and the Indian state of Kerala[17] – all:

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[16] Sandbrook et al. (2007: 18-22) acknowledge that the exact nature of the class compromise tends to be slightly different in the 'global periphery'. Whereas in European countries 'class compromise involves organized workers and capital, with the state as mediator and enforcer', class compromise in the periphery features a more pronounced role of heterogeneous middle classes.

[17] In addition, Sandbrook et al. (2007: 16-18) argue that 'social-democratic traditions are entrenched' in Uruguay, Argentina, Venezuela, Jamaica, Sri Lanka and the Indian state of West Bengal – and they might have also included the lesser known Indian state of Tripura (Öktem 2013). Furthermore, they see some potential for a social democratic route in South Korea, Taiwan, Brazil and South Africa (Sandbrook et al. 2007: 18, 182 and 238).

> ‘provide primary health care […] and access to basic medical services [...] made considerable progress in education, with (at a minimum) nearly universal access to primary schools and an adult literacy rate of over 90 percent […] dramatically reduced the incidence of poverty, even when their per capita incomes were low or remain low [...] mounted advanced social-security systems, relative to other countries at the same economic levels, which include protection for all or most people against at least old age and disability [...].’ (Sandbrook et al. 2007: 9-11)

This description of social democratic cases in poorer regions of the world implies that these countries have become welfare states, or at least ‘proto-welfare states’ (Abu Sharkh and Gough 2010). This assessment of some peripheral countries providing advanced social protection mirrors an earlier finding from the development studies literature. In their attempt to classify different developing countries in terms of economic and social development, Amartya Sen and Jean Dreze (1989: 183 and 1991: 22-28) identified two developmental strategies that appeared to produce superior developmental achievements: growth-mediated security and support-led security:

> ‘One approach is to promote economic growth and take the best possible advantage of the potentialities released by greater general affluence, including not only an expansion of private incomes but also an improved basis for public support. This may be called the strategy of 'growth-mediated security'. Another alternative is to resort directly to wide-ranging public support in domains such as employment provision, income redistribution, health care, education, and social assistance in order to remove destitution without waiting for a transformation in the level of general affluence. Here success may have to be based on a discriminating use of national resources, the efficiency of public services, a redistributive bias in their delivery. This may be called the strategy of 'support-led security'.’

While growth-mediated security does not necessarily include the building of advanced social protection systems, support-led security, which is also known as the ‘Kerala model of development’ (Sen 1999; Heller 1999), essentially consists of providing social protection in a low income context. Interestingly, three of the four social democracies in the periphery studied by Sandbrook and colleagues are also classified as providing support-led security by Dreze and Sen: Chile, Costa Rica and the Indian state of Kerala. Indeed, all the cases of support-led security have been shaped by centre-left or leftist governments (Dreze and Sen 1991: 186). The fact that researchers from both political sociology and development studies identify similar countries as providing something akin to a welfare state in the developing world and the fact that these countries all feature a history of centre-left or left political dominance does suggest that at least in parts of the Global South partisan politics arguments have some explanatory power.

Despite this empirical evidence, many scholars remain highly sceptical of the role of left-right political cleavages in the developing world. One of these sceptics is Ian Gough, an eminent scholar of social security, both in Global North and Global South. According to Gough (2004: 28-29) the 'political mobilisation of the working classes' is central, both for the political system of Western countries and for their establishment of welfare state regimes. In contrast, outside of the West:

> 'political mobilisation takes different forms. Class power resources and mobilisation can no longer be privileged. Ethnicity, regional origin, religion, caste, age groups, clan or kinship groups and other interpersonal networks can all form the basis of identity and mobilisation […], ascribed status remains as important as achieved identity. The complexity of sources of identification, and the existence of excluded groups outside the political system altogether, confound or preclude the emergence of political class settlements, the foundation of welfare state regimes in the West.'

Hence, it would be illusionary to expect a left-right political cleavage to be the main dividing line of politics in these countries. A review of the literature on political cleavages similarly comes to the conclusion that only 'few Asian countries followed Western European cleavage patterns' and that in Africa 'most party systems do not give even a supporting role to attitudinal differences and issue divides' (Deegan-Krause 2007: 547-548). Instead, politics in many developing countries is seen as being shaped by ethnic, cultural, religious and language cleavages. The role of these cleavages in social policy development will be discussed in the next section.

To conclude, the question whether partisan politics matter for social policy development in the developing world is contested. Some scholars identify left-right cleavages and suggest a connection between left-of-centre parties and more extensive social welfare systems. Others believe that generally politics in the Global South is simply not shaped by left-right cleavages and that thus nominally left governments would not make a difference with regard to social policy. Considering the evidence, it is likely that the truth lies somewhere in-between. It is clear that not every political system in the world features a similar left-right divide as Western European countries.[18] However, this does not mean that there is no developing country with left-right cleavage. Instead, there are grounds to believe that some countries are shaped by left-right cleavages, but others are not. The salience of left-right cleavages differs from country to country (and even within country between regions and over time) and thus remains an open empirical question.[19]

2.2.3. Ethno-cultural fractionalization

In contrast to the role of politics, the role of ethno-cultural fractionalisation for social policy development is less disputed. Most scholars agree that fractionalisation – which is on average higher in poorer countries – and social policy generosity are inversely correlated. This means that the more heterogeneous a country is in terms of language, culture, ethnicity or religion, the less likely it will build an inclusive and advanced social protection system. This argument has been supported by different quantitative analyses (Pribble 2011). Abu Sharkh and Gough (2011: 45), for instance, find that 'high cultural diversity within nations is associated with weak institutionalization of mechanisms of welfare'. Similarly, Jensen and Skaaning (2015) show that high levels of fractionalisation are associated with lower levels of

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[18] Even in Western Europe the nature and significance of this divide is increasingly questioned.

[19] To provide one example of regional differences: in India politics in the state of Kerala has been defined by a left-right cleavage, but politics in neighbouring Tamil Nadu has been defined mainly by regionalism (Heller 2000). An example for differences over time would be Turkey: here, the left-right cleavage only became consequential for the party system in the late 1960s and was largely insignificant before.

public social spending. The association between heterogeneity and the generosity of the social welfare system has also been noted for classic welfare states, with some scholars arguing that 'America's troubled race relations are clearly a major reason for the absence of an American welfare state' (Alesina et al. 2001: 4).

However, why should the heterogeneity of a society matter for the development of social policy? There are several answers to this question in the literature. One argument is based on the assumption that a generous social protection system involves redistribution from middle- and upper classes to the poor. Middle classes, the argument goes, are reluctant to redistribute resources to the poor, when 'potential recipients are seen as belonging to a different ethnic group' (Jensen and Skaaning 2015: 3). The underlying claim is that cross-class solidarity is weakened if people belong to different ethnic or cultural groups (Lindert 2004: 27).

A second argument for linking the heterogeneity of a society to its social policies is rooted in the behaviour of lower classes. It is argued that lower classes show a greater tendency to organize themselves into a coherent movement that demands redistribution, if ethnic division do not play a major role in society. If this is not the case and lower classes are ethnically or culturally divided, it is more likely that they will organize themselves in different groups based on their ascribed identities (Huber and Stephens 2001: 19; Esping-Andersen 1990: 17).

In spite of the seemingly clear connection between heterogeneity and social policy, some scholars are reluctant to subscribe to the view that it is more difficult to create a broad social protection net in heterogeneous societies. For instance, two of the four social democracies in the global periphery – Mauritius and the Indian state of Kerala – are extremely heterogeneous societies. Therefore, Sandbrook and colleagues could not identify any significant effect of the cultural composition of society (Sandbrook et al. 2007: 11-12). Moreover, in quantitative studies on public social spending the heterogeneity of society is often included through the ethno-linguistic fractionalization (ELF) index, but the results are inconclusive (Haggard and Kaufman 2008: 41-42; Huber and Stephens 2012: 138-140). Based on these contradictory findings, one might suspect that the connection between heterogeneity and social policy is not linear and unconditional. Instead, heterogeneity might be an obstacle for extensive social protection systems in some, but not in all cases. The relationship between the two would in this case be conditional upon other factors.

2.3. Conclusions

In this chapter, I summarised the main theories of welfare state development and research on social policy in the developing world. The aim of this overview was to understand whether existing research can explain the emergence of welfare states in the developing world. Yet, from the perspective of comparative welfare state research, the existence of welfare states in the developing world largely remains a puzzle. There is a broad consensus that a weak version of the *logic of industrialism* still holds explanatory power: only economically developed countries, but not relatively poor countries become welfare states. This assumption is even shared by the main rival theory of welfare state development, the *power resources* approach. In addition, there is also consensus in comparative welfare state research that strong *state capacity* – something that most poor countries lack – is a second necessary condition of welfare state development. Hence, from the perspective of comparative welfare state research, the existence of welfare states in the developing world would be a surprise. Even integrated models (Gough 2008; Gough and Therborn 2010), which take into account different causal factors, such as industrialization, interests and institutions, would not predict that welfare states emerge in low and lower middle income countries.

Research on social policy in the developing world, on the other hand, provides some clues as to how and why some developing countries might have become welfare states. First, research on social policy in the developing world emphasises international factors. Through various mechanisms, *global policy diffusion* is seen as being responsible for the worldwide spread of formal social security systems – a development that comparative welfare state research initially did not expect. However, it is difficult to employ these diffusion theories when explaining the huge variation in the quality of social security systems within the Global South. Similarly, it is difficult to employ diffusion theories to explain why only some countries in the Global South have become welfare states.

To explain this puzzling development, some researchers focus on *political factors*. Many scholars believe that compared to other regime types, democracy leads to more generous and inclusive social protection systems. Moreover, similar to the *partisan politics* argument made in welfare state research, some scholars see left-of-centre parties as being responsible for the better-developed social protection systems of some countries in the Global South. Yet, these political arguments are contested by some, who claim that neither regime type nor left-right cleavages are consequential for social policy development in the developing world. Finally, most scholars agree that ethnic, cultural or religious *heterogeneity* potentially has a negative effect on the quality and extent of social protection.

Based on this overview of existing research it is possible to devise some hypotheses on the questions of whether there are any welfare states in the developing world, and if so how and why they came into existence. From an orthodox perspective, the existence of welfare states in relatively poor countries would be a surprise. There is a consensus in the comparative welfare state research that only economically developed countries, but not developing countries become welfare states. In case such welfare states in relatively poor countries exist, one would expect these cases to combine some of the following characteristics. In terms of *structural factors*, one would suspect, based on findings from state-centred research, that these cases have very capable state administrations and probably a long tradition of state intervention in social matters. Furthermore, these 'poor man's welfare states' (Deutsch 1981) are likely to be democracies, as this is widely believed to be the most conducive regime type for welfare state building. Additionally, one would expect that these cases are unusually homogeneous in terms of the ethnic, cultural and religious makeup of society.

Concerning the *drivers* of welfare state development, one can derive two competing hypotheses from existing research. Based on state-centred research one would expect state elites and the bureaucracy to be the main forces behind welfare state development. Alternatively, based on partisan politics arguments, one would expect that leftist parties, or broad-based parties (or movements with a social reform agenda) are responsible for welfare state building. In any case, it is likely that processes of global policy diffusion were part of the historical welfare state development in these countries.

Based on these theoretical expectations, I will now begin with the empirical analysis in the next chapter. In the first part of the analysis, I will explore whether there actually are any welfare states in the developing world. Based on a large-n fuzzy set analysis I identify existing welfare states in developing countries. This is followed by a tentative analysis of the results of this global mapping of welfare stateness. In the second part, I will analyse three welfare states in the developing world that are identified in the large-n analysis. Using comparative historical analysis, I will explore how and why these countries became welfare states despite their relatively low levels of economic development and shed light on their pathways to universal social security.

Part II: A GLOBAL ANALYSIS OF WELFARE STATENESS

CHAPTER 3

IDENTIFYING WELFARE STATES IN THE DEVELOPING WORLD

In this chapter, I conduct a large-n fuzzy set analysis to identify welfare states in the developing world. For this purpose, I conceptualise the key concepts of this analysis: welfare state and developing country. Both are contested concepts and therefore the conceptualisations that I employ require justification. As the emphasis in this dissertation is on the welfare state, this concept is dealt with more in-depth. Based on these conceptualisations, I calibrate the fuzzy sets of welfare states and developing countries, respectively. The calibration process is extensively discussed in order to increase the transparency of the measurement process. Finally, I integrate the fuzzy sets of developing countries and welfare states to identify welfare states in the developing world.

3.1. A fuzzy set of welfare states

In this section, I build a fuzzy set of welfare states to gauge the degree of welfare stateness throughout the world. First, I conceptualise the key concept of this thesis: the welfare state. This issue is not trivial. The welfare state is a contested concept and the particular way it is conceptualised influences the results of the fuzzy set to a large extent. Therefore, I first discuss how the welfare state has been conceptualised and measured in welfare state research, before presenting a novel definition of the welfare state tailor-made for this study. Based on this definition, I then calibrate the fuzzy set of welfare states. To increase the transparency of the research process, I present results for two different calibrations of the fuzzy set.

3.1.1. What is a welfare state?

The main goal of this part of this thesis is to identify welfare states in the developing world. This involves the measurement of welfare stateness around the world. However, in order to measure which countries can be classified as welfare states one first needs to clarify the meaning of the concept 'welfare state'. This involves systematising the background concept, the 'broad constellations of meanings and understandings' (Adcock and Collier 2001: 531) that are associated with the welfare state. This is more difficult than it might appear. No definition of the welfare state is unequivocally accepted in the literature. Welfare state is a contested concept and its meaning radically changed over time (Flora and Heidenheimer 1981c; Alber 1988; Clasen and Siegel 2007a; Kaufmann 2003b; Petersen and Petersen 2013).

To make matters worse, much empirical research does not make its conceptualisation of the welfare state explicit. It is no surprise, then, that even distinguished scholars arrive at diametrically opposite conclusions as to whether certain countries are welfare states. This is, for instance, the case in research on Latin America (cf. Huber and Stephens 2005; Filguiera 2007: 161). In the research methods literature, it is assumed that 'at a given time […] the background concept usually provides a relatively stable matrix' of potential meanings (Adcock and Collier 2001: 532). Apparently, in the case of the welfare state the matrix is not stable enough to make an unequivocal decision on whether certain states can be considered welfare states.

It is likely that the differences between competing definitions are impossible to resolve. There are different underlying understandings of the welfare state and they are likely to continue to evolve in the future. Therefore, one has to choose between different ways of understanding the term welfare state. In the following section, I will first explain how the welfare state has been conceptualised and measured in comparative welfare state research and show that existing measurements cannot be simply be adopted in this thesis. I will then develop an original definition of the welfare state that is based on commonalities of existing conceptualisations and that is tailor-made for the analysis conducted in this thesis.

3.1.1.1. Conceptualisation and measurement in existing research

There has been a mismatch in much comparative welfare state research between the conceptualisation of the welfare state, on the one side, and the operationalisation and measurement of the concept, on the other side. The indicators used to measure welfare states were often somewhat out of touch with the way the welfare state was actually conceptualised. Partly, this was a data problem. Even though scholars cannot agree on a single definition of the welfare state, they probably can agree that it is a complex and multidimensional concept (Korpi 1989; Kühner 2015) and measuring such a multidimensional concept is naturally difficult. Yet, this mismatch poses a problem for the aim of this thesis, to conceptualise and measure welfare stateness around the world.

One of the most popular definitions of the welfare state simply understands it as a sum of all social policy. For instance, in their ground-breaking edited volume on conceptual problems in 'investigating welfare state change' Clasen and Siegel (2007b: 6) argue that the '"welfare state" can be conceptualized as all mechanisms which provide social protection against and redistribution of market mechanisms and outcomes' (see also: Green-Pedersen 2007: 16; Croissant 2004: 249; Kwon 2005: 477). This approach is straightforward and does not understand the welfare state as something beyond its constituent parts, the individual social policies. The welfare state thus refers to 'sectors of state activity' (Wincott 2001: 413).

In terms of operationalisation and measurement, this understanding of the welfare state is best captured by the measurement of whether countries have adapted certain social security programs (Cutright 1965; Collier and Messick 1975). Researchers simply measure whether countries have implemented statutory programmes in key branches of social security. These key branches are usually defined as old age pensions, work injury, unemployment, sickness and family allowances. In global analyses, a welfare state is said to be 'consolidated' when legislation in two of these branches exist (Hort and Kuhnle 2000; Pierson 2004).[20]

In the context of this thesis, this kind of conceptualisation of the welfare state is not very helpful. The problem with understanding the welfare state as a sum of all social policy is that it is not a 'discriminating definition' (Veit-Wilson 2000). Thus, it does not serve to distinguish between welfare states and non-welfare states. The reason for this is that in the contemporary world, there 'is no country in the world without any

[20] An alternative yardstick for consolidation used in research on the history of welfare state development in classic welfare states is the existence of programs in three of the four following branches: old age pensions, work injury, unemployment and sickness (Hicks 1999: 25).

form of social security' (ILO 2010: 31; see also Dixon 1999) and 'even the poorest Third World nation has some form of social policy' (Esping-Andersen 1994: 713). Hence, using this definition of the welfare state all countries in the world would be classified as welfare states. Even if one employs the measurement for welfare state consolidation, there would only be a handful of countries that are not classified as consolidated welfare states (ILO 2010). Therefore, a more demanding conceptualization of the welfare state is required in this thesis.

Most comparative research on welfare states initially focussed on the concept of 'welfare effort'. In the 1960s and 1970s, the welfare state was thus operationalized and measured through the amount of public social expenditures (Zöllner 1963; Wilensky 1975). The most common indicator in cross-national studies of welfare states was public social expenditure as a share of national income (Amenta 2003). Countries that devoted significant shares of their national income to social transfers were therefore, implicitly, defined as welfare states and those did not were therefore not welfare states. Traces of this conceptualisation are still found in some contemporary studies. Baldock (2007: 22), for instance, defines the welfare state as '[s]ocieties in which a substantial part of the production of welfare is paid for and provided by the government'. Similarly, Rudra (2008: 23) argues that welfare states are those countries, in which 'government social budget allocations constitute a significant portion of gross domestic product (GDP)' (see also: Alber and Schölkopf 1995).

An interesting alternative operationalisation of the welfare state based on public social expenditure is provided by Goran Therborn, who defines welfare states as 'those states where more than one-half of all government expenditures are devoted to social policy, as opposed to the economy, the military, law and order, infrastructure, and other traditional state functions' (Gough 2008: 40).[21] In this conceptualisation, then, the welfare state refers to a 'distinct ontology or form of the state' (Wincott 2001: 413). Underlying this conceptualisation is the argument that priorities of the

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[21] Therborn's definition is described slightly differently by Esping-Andersen (1990: 20), who states that 'in a genuine welfare state the majority of its daily routine activities must be devoted to servicing the welfare needs of households.' Alas, I could not find Therborn's original text.

state are reflected in its budget. A state that spends most its money on welfare policies is therefore by definition a welfare state. However, Therborn's intriguing definition of welfare states has rarely been employed in the literature. Those scholars that have taken Therborn's definition serious criticised it for its counterintuitive empirical results: 'no state can be regarded as a real welfare state until the 1970s, and some that we normally label as welfare states will not qualify because the majority of their routine activities concern defence, law and order, administration, and the like' (Esping-Andersen 1990: 20; see also: Castles 2006; Gough 2008).

While scholars traditionally heavily relied on welfare effort and public social expenditures in their research, these measurements did not necessarily reflect their conceptualisation of the welfare state in an adequate manner. Wilensky (1975: 2), for instance, simply justified his choice of measurement by stating that this is 'the concept and accounting convention that comes closest to capturing the idea of the welfare state'. Yet, this argument is far from convincing, given that he defines the 'essence of the welfare state' as 'government-protected minimum standards of income, nutrition, health, housing and education, assured to every citizen as a political right, not as charity' (Wilensky 1975: 1). It is obvious that the level of public social expenditure as a share of national income does not define whether there are 'government-protected minimum standards of income, nutrition, health, housing and education, assured to every citizen as a political right'. Therefore, welfare effort and the associated indicators based on public social expenditure never really captured the underlying concept of the welfare state. Rather, welfare effort measured through public social expenditure was used in empirical research, because it was 'hard and systematic data' (Amenta and Hicks 2010: 119), that was 'easily available in published sources' (Korpi 1989: 310). Researchers were aware that welfare effort 'was at best a proxy for what they were really interested in' (Stephens 2010: 515).

In the 1980s, scholars associated with the Swedish Institute for Social Research (SOFI) attempted to create measurements that would better reflect their underlying conceptualisation of the welfare state. These scholars criticised the usage of public social expenditures as a proxy for the welfare state and argued that expenditures did not reflect the multidimensional nature of welfare states; that they are 'epiphenomenal to the theoretical substance of welfare states' (Esping-Andersen

1990: 19) and that they 'have only indirect bearing on […] the core of the modern welfare state' (Korpi 1989: 310). Therefore, these researchers tried 'to reorient the study of welfare state development from aggregated expenditures toward a multidimensional perspective' (Korpi 1989: 310) of the welfare state.

Building on TH Marshall's notion of social citizenship these scholars conceptualized the welfare state in terms of social rights and social citizenship. For them a welfare state was 'a state-organized, institutionalised system of social guarantees that, unconditionally assures adequate living standards to all citizens' (Esping-Andersen 1994: 714). That is why they devised various indicators with the aim of capturing the 'extent and quality of the social rights that constitute social citizenship' (Korpi 1989: 310). These indicators were collected in the Social Citizenship Indicator Program (SCIP), a database that 'focused on citizens' rights and duties legislated in programs to alleviate economic needs characterising the human condition' (Korpi and Palme 2008: 2).

Based on these indicators, Gosta Esping-Andersen (1990), one of the leading scholars behind SCIP, developed the Decommodification Index, which subsequently became one of the most widely used tools to rank countries according to their level of welfare stateness. With the aim of replicating this Decommodification Index Lyle Scruggs created another important social rights dataset in the 2000s, the Comparative Welfare Entitlements Dataset (CWED). He developed a modified version of the Decommodification Index, the Benefit Generosity Index to capture the generosity of welfare states, which has been increasingly used in recent years (Scruggs 2014).

Yet, as in the case of welfare effort, there appears to be a mismatch between conceptualization and measurement in the social rights tradition, at least to some degree. The indicators developed in SCIP focused on social insurance programs as it was believed that these 'form a key part of modern welfare states and of what Thomas H. Marshall termed social citizenship' (Korpi and Palme 2008: 2). The Decommodification and Benefit Generosity indexes took into account only three social security programs – unemployment, sick pay and old age pensions – and included only some of the indicators featured in SCIP. Therefore, key parts of the welfare state, such as healthcare and social assistance programs, were mostly excluded in these new ways of measuring welfare states (Bambra 2005) – despite the fact that Marshall saw these policy areas as being crucial for social citizenship (Marshall 1950; Leisering and Barrientos 2013).[22]

To summarise, comparative welfare state research has employed different conceptualisations and measurements of the welfare state. Three of the most widely used approaches have been expenditure-based, social rights-based and program-based (whether countries have introduced certain social security programs) measurements. Yet, these measurements have all tended to be somewhat detached from the underlying conceptualisations that the researchers employed. Given the inadequacies of these approaches, this thesis cannot simply adopt one of these existing measurements. Instead, building on existing conceptualisations a novel definition of the welfare state will be devised in the next section.

3.1.1.2. Defining the welfare state

In the previous section, I described some of the existing conceptualisations and measurements of the welfare state. In this section, I build on classic conceptualisations of the welfare state to devise a novel definition of the welfare state. This definition is tailor-made to distinguish between welfare states and non-welfare states on a global level. As explained above, there are countless conceptualisations of the welfare state. However, most of these otherwise very heterogeneous conceptualisations have a common denominator. They all share the assumption that in order to qualify as a welfare state, a country has to ensure universal social protection of its population.

Let us take Wilensky's definition of the welfare state as an example. In his elaboration of the logic of industrialism hypothesis, Wilensky argues that the 'essence of the welfare state is government-protected minimum standards of income, nutrition, health, housing and education, assured to every citizen as a political right, not as charity' (Wilensky 1975: 1; also: Wilensky and Lebeaux 1958: xii). Taking this definition seriously, a state that provides these 'minimum standards' is a welfare state and a state that does not provide these 'minimum standards' is a non-welfare state.

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[22] Moreover, these indices and the underlying data have been recently questioned in terms of their reliability and validity (Wenzelburger et al. 2013; Bölükbasi and Öktem forthcoming).

What could these ‘minimum standards’ entail? In terms of income, they might be secured through social cash transfers, in terms of health they might consist in having a health insurance and in terms of housing, they might consist in guaranteeing that no-one has to be homeless. In short, these minimum standards define a minimal level of social protection against social risks. As they are ‘assured to every citizen’ the whole population would have to be covered. Thus, Wilensky’s definition classifies states as welfare states only if they provide universal social protection.

One of the earliest and best-known definitions of the welfare state is by Asa Briggs (1961: 25). Even though this definition is at first glance entirely different from Wilensky’s there is some common ground:

> ‘A “welfare state” is a state in which organized power is deliberately used (through politics and administration) in an effort to modify the play of market forces in at least three directions – first, by guaranteeing individuals and families a minimum income irrespective of the market value of their property; second by narrowing the extent of insecurity by enabling individuals and families to meet certain “social contingencies” (for example, sickness, old age, and unemployment) which lead otherwise to individual and family crisis; and third by ensuring that all citizens without distinction of status or class are offered the best standards available in relation to a certain agreed range of services.’

In Briggs’ definition, a welfare state is mainly defined through redistribution. Welfare states work to ‘modify the play of market forces’. Hence, the welfare state is about ‘politics against markets’ (Esping-Andersen 1985). This concept builds on TH Marshall’s distinction between social citizenship and social class. Whereas social class ‘is a system of inequality’, social citizenship is based on equality ‘with respect to the rights and duties’. Marshall speaks of a ‘conflict between opposing principles’ and argues that ‘in the twentieth century’, when the welfare state came into existence, ‘citizenship and the capitalist class system have been at war’ (Marshall 1950: 27-34). However, despite the fact that Briggs’ definition of the welfare state is built around the principle of redistribution and ‘politics against markets’, the provision of a ‘minimum’ and the emphasis that ‘all citizens’ are included is similar to Wilensky’s definition.

In an article that triggered a debate on the conceptualisation of the welfare state (Veit Wilson 2000; Atherton 2002; Veit-Wilson 2002; Wincott 2003), John Veit-Wilson argues that it is precisely this characteristic that serves as the 'discriminating criterion of a welfare state'. He shows that in the British welfare state tradition, a country is perceived as a welfare state if it provides a 'minimum real income for all' (Veit-Wilson 2000). Indeed, this resonates with how the 'father of the British welfare state', William Beveridge, conceptualised the welfare state. According to Beveridge, the 'idea underlying the Beveridge Report' on which the British welfare state was modelled 'was that of a minimum guaranteed by the state, without a means test' (Beveridge cited in Berthold 1968: 117). This minimum real income is provided in welfare states through various means. Based on the classification in Briggs' definition, these means are social assistance, social insurance and social services. Thus, the 'minimum real income for all' is achieved through the universal provision of social security (in a broad sense of the term).

The idea that the universality of social protection is a crucial feature of welfare stateness is also found in German language welfare state research. The provision of a 'minimum real income for all' in the sense of a 'subsistence minimum' (*Existenzminimum für alle*) has been described as one of the two components of the constitutional clause, which declares Germany to be a welfare state (*Sozialstaatsprinzip;* Herzog 1988). Moreover, Franz-Xaver Kaufmann, one of the leading German writing welfare state scholars, argues that 'the specific difference that defines welfare state developments', as opposed to social policy developments in general, is the assumption of 'collective responsibility for the well-being of the entire population mediated by political action' (Kaufmann 2013: 35; see also: Heckscher 1984: 6; Alber 1988; 451; Alcock 2001: 2). This would be expressed in particular forms of social policy, depending on the particular context, with social security policies playing a key role. To be sure, Kaufmann also emphasizes this assumption of collective responsibility has to be expressed in 'normative orientations' (Leisering 2011), e.g. in the constitution of a country, and that these social rights have to be coupled with civil and political rights. However, at its core the defining difference of welfare states as opposed to non-welfare states is the inclusion of the 'entire population'. Thus, for Kaufmann the universality of social protection is a crucial part of what defines the welfare state (Kim 2008: 189-190).

Similar views are also expressed by Gosta Esping-Andersen, one of the most influential Scandinavian welfare state scholars. Just as Veit-Wilson, Esping-Andersen famously criticised welfare state research for its lack of interest in conceptualising the welfare state. He argued that a 'remarkable attribute of the entire literature is its lack of much genuine interest in the welfare state as such' and that 'the welfare state itself has generally received scant conceptual attention' (Esping-Andersen 1990: 18). In a later work, he defined the welfare state as 'a state-organized, institutionalised system of social guarantees that, unconditionally assures adequate living standards to all citizens' (Esping-Andersen 1994: 714). In this definition, again, a crucial aspect is the universality of the 'social guarantees', presumably rights-based social security policies. 'Adequate living standards', a somewhat broader concept than the 'real minimum income', have to be assured 'to all citizens' for a country to qualify as a welfare state.

It is striking that these otherwise very heterogeneous conceptualisations of the welfare state agree on the universality of social protection as a 'discriminating criterion of a welfare state' (Veit-Wilson 2000: 12). It seems that whatever else one expects from the welfare state – be it redistribution (Korpi 1983; Briggs 1961), institutionalisation of social protection (Alber 1989: 30; Esping-Andersen 1994; Kaufmann 2013; Weible and Leisering 2012) or full employment policies (Mishra 1984: xi) – one also expects that a welfare state assumes responsibility for the social protection of the entire population. While different scholars cite different particular mechanisms through which this responsibility for the well-being of the population is achieved in reality, most of these mechanisms refer to social security, in a broad sense of the term, i.e. 'social means to prevent deprivation, and vulnerability to deprivation' (Dreze and Sen 1991: 5). Thus, the common ground of these diverse conceptualizations of the welfare state is that in welfare states, there is universal social security for the entire population. Based on this observation, I conceptualise the welfare state in a way that reflects the primacy of universal social security. In this thesis, I define a welfare state as 'a country whose citizens are protected by the formal social security system'.

Some aspects of this definition require clarification. First, the definition ensures that only formal social security instruments are included in the concept of the welfare state. In the context of a global mapping of welfare stateness this is crucial, because traditionally, in many developing countries informal mechanisms of social security predominated over formal social security (Fuchs 1985; Benda-Beckmann and Benda-Beckmann 1988; Ahmad 1991). The definition, however, leaves open through which particular social security programs the population is protected. This aspect is important in the context of a global approach because it leaves open whether there exist unconventional welfare states that defy a particular Western European model of welfare state institutions, as some scholars have argued for instance for the case of Sri Lanka (Jayasuriya et al. 1985). Moreover, the definition focusses on the social security system as the defining area of welfare stateness. Even though other areas, such as housing or labour legislation, are part of the welfare state, policies in these areas do not define *whether* countries are classified as welfare states.

The definition is written in passive ('are protected') to leave open the question of who provides social protection. The state does not necessarily have to provide social protection itself. Therefore, countries, in which the state achieves universal social protection through regulation of social security, are also classified as welfare states. This reflects the changing ways, in which welfare states around the world organise and regulate their social protection systems. Implicitly, I thus argue that if universal social security has been achieved through private providers, this means that the state regulated the field in such a way to ensure universal social protection. Left unregulated, market forces would rarely result in universal coverage, for it is not profitable to provide social protection to the poorest and vulnerable parts of the population in the absence of state subsidies. It follows that if universal coverage is achieved through private providers, the state must have assumed 'collective responsibility for the well-being of the entire population' in this branch of social policy.

To summarise, in this study I define the welfare state as a country, whose citizens are protected by the formal social security system. This conceptualisation is firmly grounded in existing welfare state research, as otherwise diverse welfare state researchers all appear to share the assumption that universal social protection is a crucial characteristic of welfare states. Moreover, the conceptualisation is tailor-made for a global analysis of welfare stateness. This is crucial because 'dependent variables should be adapted to the research question that is being investigated' (Bonoli 2007: 39). It clearly defines what differentiates welfare states from non-welfare states: the universality of social security. Yet, the conceptualization is open in terms of the specific means that are used to achieve this end. This means that it avoids Eurocentrism – as far as this is possible within a Eurocentric concept such as the welfare state. In the next section, I will develop a fuzzy set of welfare states based on this definition in order to measure the degree to which countries in the contemporary world are welfare states.

3.1.2. Calibrating the fuzzy set of welfare states

In this section, I explain the calibration of the fuzzy set of welfare states. Fuzzy sets are calibrated with the help of 'external criteria' that are based on 'substantive knowledge' of the researcher (Ragin 2008b: 82). The goal is to ensure that the fuzzy set adequately reflects the conceptualization of the welfare state. Given space constraints, the whole calibration process is not discussed here. Instead, only two calibrations of the fuzzy set of welfare states are compared. These calibrations reflect two different operationalizations of the welfare state, i.e. whether 'citizens are protected by the formal social security system', in a large-n context. While the first calibration is more complex, it remains also closer to a Eurocentric understanding of the welfare state. The second calibration is simpler, but is more open to classifying unconventional social protection systems, that deviate from the classic welfare states, as welfare states. Therefore, the second calibration is eventually used in this thesis. By presenting two different calibrations, I aim to increase the transparency of the research and calibration process, a crucial aspect of fuzzy set analysis (Ragin 2000: 6).

3.1.2.1. First calibration

In this part, I explain a first calibration of the fuzzy set of welfare states and briefly discuss empirical results based on this calibration. The main aim in building the fuzzy set of welfare states is to differentiate between countries, that can be classified as welfare states and countries, which cannot be classified as welfare states. The set should reflect the conceptualization of the welfare state as a country, whose citizens are protected by the formal social security system. This conceptualization basically contains two dimensions that can be measured separately. The first dimension concerns the existence of a social security system; the second dimension concerns the universality of this social security system. These two dimensions are captured by two subsets, which are connected by a logical AND, i.e. for a country to be a welfare state, it has to have a social security system *and* this system has to be universal. In the following, I explain how these two dimensions are measured in the first calibration.

The first dimension essentially captures whether the respective country has a comprehensive social security system, which could potentially protect the population. Social security is a very broad concept and it is well known that different welfare states put emphasis on different branches of social protection (Kaufmann 2003a). For a country to have a comprehensive social security system that protects the population, there has to be legislation in place for different areas of social security. Therefore, the comprehensiveness of the social security system is captured in a program-based measurement. For this purpose, ILO data on whether legislative programs exist in eight branches of social security (sickness, maternity, old age, invalidity, survivors' pensions, family allowances, employment injury and unemployment) is used. In a sense, the data reflects both, the degree to which the social protection system is institutionalised, widely seen as a precondition of welfare stateness (Kaufmann 2003a; Weible and Leisering 2012), and ILO standards on how social security systems are structured. The type of scheme (e.g. social insurance, social assistance, universal, employer liability) is not taken into account. Thus, the data simply 'provides an overview of the scope of legal social security provision' (ILO 2010: 203-207). Table 1 describes how this data on the comprehensiveness of the social security system is turned into fuzzy scores to construct the subset of countries with comprehensive social security systems.[23]

[23] The fuzzy set diverges from the calibration of the ILO. The ILO defines a country with programs in all eight branches as having a comprehensive social security system. A country with programs in seven branches is said to have a semi-comprehensive social security system. Countries with programs in five or six branches are labelled as having limited statutory provision. Finally, countries that have programs in 1 to 4 branches are described as having very limited statutory provision.

Table 1. Set of countries with comprehensive social security systems: fuzzy membership scores

Number of social security branches covered by a statutory programme	**Verbal Labels**	**Fuzzy membership score**
8	Fully in	1
6 or 7	More in than out	0.75
5 (including at least 2 out of 3 core branches: unemployment, sickness and old age)	Neither in nor out	0.5
5 (not including 2 out of 3 core branches: unemployment, sickness and old age)	More out than in	0.25
Less than 5	Fully out	0

A country that has statutory programs in all eight branches is 'fully in' the set of countries with comprehensive social security systems (fuzzy score 1). If a country has statutory programs in six or seven branches it is 'more in than out' (fuzzy score 0.75). If a country has statutory programs in five branches and has programs in at least two of the three core branches (unemployment, sickness and old age) it is 'neither in nor out' (fuzzy score 0.5). If a country has statutory programs in five branches but it has not programs in at least two of the three core branches (unemployment, sickness and old age) it is 'more out than in' (fuzzy score 0.25). If a country has statutory programs in less than five branches it is 'fully out' (fuzzy score 0). Regarding the difference between 'neither in nor out' and 'more out than in' one should notice that three of the eight branches of social security are being weighted as being more important: pension, unemployment and sickness benefits. As will be explained below, these three branches are widely seen as the most important areas of social security.

The second dimension concerns the universality of the social security system. The best available data that could measure, whether citizens are protected by the social security system, are coverage statistics of social security systems. Therefore, in this fuzzy set coverage data for the main branches of social security is used as a proxy for measuring the universality of the social security system. This measurement is inspired by a classic index developed in Peter Flora's Historical Indicators of West European Democracies research project (Flora and Alber 1981: 54-57; Alber 1982). In this 'index of social insurance coverage' the four main branches of social security are included: unemployment, employment injury, sickness and old age pensions. The index is based on a weighted average of the coverage rates in these branches, with old age being weighted 1.5; sickness and unemployment 1; and employment injury 0.5.

In the first calibration of the fuzzy set of welfare states, this index, which was developed for Western Europe, is modified in several ways to adapt it to a global setting. First, whereas the original index measures coverage in four branches of social security, I include only three branches. Second, whereas the original index uses a weighted average formula, I use the unweighted average. Third, whereas the original index measures coverage through the number of protected persons, I mostly measure coverage through the number of actual beneficiaries. These issues deserve to be explained in more detail.

Regarding the change in the number of social security branches included, Flora and Alber's index contains coverage data for four different social security branches: unemployment, employment injury, sickness and old age. In the first calibration, I exclude employment injury for both, pragmatic and conceptual reasons. A pragmatic reason is that I was unable to obtain data on employment injury for a sufficient number of countries. The inclusion of employment injury coverage would have meant that the number of countries included in the fuzzy set is limited to around 50. A conceptual reason is that employment injury programs 'have not received much attention in the literature' (Gal 2004: 55) and are generally seen as the least important among the four branches from the original index. For instance, employment injury is neither included in Esping-Andersen's Decommodification Index (Esping-Andersen 1990) nor in Scruggs' Comparative Welfare Entitlements Dataset (Scruggs et al. 2014) Therefore, excluding employment injury coverage from the fuzzy set is a pragmatic decision that is conceptually justified.

Regarding the weighing of the different social security branches, Flora and Alber's index gives more weight to some branches. This reflects the different 'financial and sociological significance' (Flora and Alber 1981: 54) of the branches. Old age pensions are given most weight, whereas employment injury is given least weight. Yet, on a global level, it is unclear whether such a weighing is still justified. For instance, one could argue that in the Global South healthcare is at least as important as old age pensions. Therefore, in the first calibration of the fuzzy set of welfare states I refrain from weighing the different social security branches. Instead, social security coverage is gauged through the arithmetic mean in the three branches.

Regarding the different types of coverage, both Flora and Alber's index and the fuzzy set rely on the measurement of effective coverage, instead of legal coverage. Legal coverage measures whether there are 'legal provisions' in place for a given population. Effective coverage, on the other hand, aims to 'reflect how in reality the legal provisions are implemented'. Effective coverage can be measured in two ways: through counting the number of protected persons and through counting the number of actual beneficiaries (ILO 2010: 22-23). Whereas the original index relies on the first, I use the second type of effective coverage. Thus, Flora and Alber's index computes coverage by dividing the number of contributors to a given social security program to the reference population, whereas the fuzzy set computes coverage by dividing the number of actual beneficiaries to the reference population.

Let us illustrate this point for the case of old age pensions. The original index measures what proportion of the economically active population is registered in the pension system. Technically, the number of people registered in, or contributing to the pension system, is divided by the economically active population. This way of measuring coverage implicitly assumes that once the protected population passes the legal retirement age they will receive old age pensions. An alternative way is to measure passive coverage, through the take-up rate, i.e. the proportion of the population above the legal retirement age that actually receives pensions. Here, one divides the number of pension beneficiaries by the number of people above the legal retirement age.

In a global measurement of welfare stateness, counting the number of beneficiaries, instead of contributors has two significant advantages. First, in the developing world there is a wide gap between de jure and de facto protection provided by legislation (Stallings 2010). Many people, who are legally protected by the respective social legislation, are de facto not protected. So, a person, who is contributing to the pension system, might not receive pensions when he or she passes the retirement age. Reasons for this can be manifold. Clientelism in the social security administration might hinder people from claiming their social rights (for the case of Brazil: Malloy 1979; for the case of South Africa: Illife 1987). Moreover, in many countries poor people simply 'are unaware of the existence' of welfare policies (Midgley 1984a: 170). That is why measuring only whether people contribute to the pension system could seriously overestimate the proportion of people who are actually protected.

Second, in various countries of the Global South the share of the population above the retirement age receiving pensions is far higher than the share of active contributors in the economically active population. This is due to the existence of non-contributory (social) pensions (Böger 2013). In many low and middle income countries, a large share of the labour force is in informal employment. These people do not qualify for regular pensions and in many countries, social pensions are 'closing the coverage gap' (Holzmann et. al. 2009). This means that measuring only whether people contribute to the pension system could seriously underestimate the proportion of people who are actually protected. Cross-national data on pension contributors and beneficiaries indicates that this is indeed a significant issue in the Global South (ILO 2010: 240-243).

These arguments for focussing on beneficiaries instead of contributors apply also to other social security branches, such as unemployment insurance. The case of Turkey provides a good example in this respect. In Turkey, around forty percent of the labour force contributes to the unemployment insurance scheme with each pay cheque. However, only around five percent of the unemployed receive unemployment insurance. Among the reasons for this gap between coverage and take-up are long qualification period, short benefit duration, as well as hidden and overt conditionalities attached to benefit receipt. Cross-national data indicates that a similar gap between unemployment coverage and take-up exists in other countries (Bölükbasi et al. 2016). Hence, I measure unemployment coverage by focussing on beneficiaries instead of contributors.

In the case of health coverage, however, I use a slightly different approach. Here, the fuzzy set relies on ILO data measuring whether the population has effective access to health services.[24] The ILO defines health coverage as 'effective access to health services that medically match the morbidity structure of the covered population.' Moreover, the ILO emphasises that 'compared to legal coverage describing rights and formal entitlements, effective coverage refers to the physical, financial and geographical availability of services' (ILO 2007: 13). The ILO indicator is a slightly broader indicator, than health insurance coverage, which had been used by Flora and Alber. In a global setting, the ILO indicator is very useful because it also takes into account countries like Mauritius, which basically offer a free health system for all citizens. These health systems are more common in the Global South, but operate with varying degrees of success (Fuchs 1985: 17-22).

To summarise, the universality of the social security system is measured through the arithmetic mean of unemployment, old age pension and health coverage. In the first two branches, coverage is computed based on the number of beneficiaries, whereas for the latter branch data on effective access to health services is used. Table 2 describes how this coverage data is turned into fuzzy scores to construct the subset of countries with universal social security systems:

Table 2. Set of countries with universal social security systems: fuzzy membership scores

Social security coverage	Verbal Labels	Fuzzy membership score
> 75%	Fully in	1
55% < x < 75%	More in than out	0.75
50% < x < 55%	Neither in nor out	0.5
20% < x < 50%	More out than in	0.25
< 20%	Fully out	0

A country that has a coverage score of more than 75 percent is 'fully in' the set of countries with universal social security (fuzzy score 1). Thus, a country with less than fully universal coverage is still classified as having a universal social security

[24] For a few countries where there is not reliable ILO data, other health coverage data is used.

system. This reflects the assumption that it is illusory to expect 100 percent coverage in each branch of social security. If a country has a coverage score between 55 and 75 percent, it is 'more in than out' (fuzzy score 0.75). This reflects the idea that to qualify as 'more in than out', a clear majority of the population has to be covered by the social security system. If a country has a coverage score between 50 and 55 percent, it is 'neither in nor out' (fuzzy score 0.5). This is the area of 'maximum ambiguity' (Ragin 2000: 158), where it is simply impossible to state whether a country is in the set of countries with universal social security systems. If a country has a coverage score between 20 and 50 percent, it is 'more out than in' (fuzzy score 0.25). Such a country would include only a substantial minority of the population in the social security system. If a country has a coverage score below 20 percent, it is 'fully out' (fuzzy score 0). Thus, if only a very small minority of the population is covered by the social security system, the country is not at all a welfare state.

Now, based on these two subsets of comprehensiveness and universality the first calibration of the fuzzy set of welfare states is built. The set of countries with a universal social security system and the set of countries with a comprehensive social security system are connected with a logical AND. This reflects the assumption that in order to qualify as a welfare state, a country has to have a comprehensive social security system and this system has to provide universal protection. The resulting fuzzy score is defined by the lowest score in the two dimensions. In QCA terminology the first calibration reads as follows:

Universal social security AND comprehensive social security

The results for the first calibration of the fuzzy set of welfare states are shown in Table 3.[25]

[25] Data sources are described in detail in the Appendix.

Table 3. First calibration of the fuzzy set of welfare states

Country	**Number of social security branches covered by at least one programme**	**Membership in the set of countries with comprehensive social security**	**Coverage score**	**Membership in the set of countries with universal social security**	**Membership in the set of welfare states**
Albania	8	1	51	0,5	0,5
Algeria	8	1	41	0,25	0,25
Argentina	8	1	60	0,75	0,75
Armenia	8	1	68	0,75	0,75
Australia	8	1	82	1	1
Austria	8	1	96	1	1
Bahrain	5	0,5	57	0,75	0,5
Bangladesh	4	0	8	0	0
Barbados	7	0,75	93	1	0,75
Belarus	8	1	81	1	1
Belgium	8	1	89	1	1
Belize	6	0,75	16	0	0
Benin	6	0,75	4	0	0
Bolivia	7	0,75	48	0,25	0,25
Botswana	4	0			0
Brazil	8	1	65	0,75	0,75
Bulgaria	8	1	78	1	1
Burkina Faso	6	0,75	2	0	0
Burundi	6	0,75	10	0	0

Table 3 (cont'd)					
Cameroon	6	0,75	2	0	0
Canada	8	1	80	1	1
Cape Verde	7	0,75	52	0,5	0,5
Central African Republic	6	0,75	4	0	0
Chile	8	1	59	0,75	0,75
China	7	0,75	51	0,5	0,5
Colombia	8	1	37	0,25	0,25
Congo, Dem. Rep.	6	0,75	9	0	0
Costa Rica	7	0,75	53	0,5	0,5
Cote d'Ivoire	6	0,75	4	0	0
Croatia	8	1	69	0,75	0,75
Cuba	6	0,75	67	0,75	0,75
Cyprus	8	1	87	1	1
Czech Republic	8	1	82	1	1
Denmark	8	1	89	1	1
Dominican Republic	7	0,75	13	0	0
Ecuador	7	0,75	26	0,25	0,25
El Salvador	6	0,75	14	0	0
Estonia	8	1	76	1	1
Ethiopia	4	0			0
Fiji	4	0			0

Table 3 (cont'd)					
Finland	8	1	89	1	1
France	8	1	87	1	1
Gambia	4	0			0
Germany	8	1	100	1	1
Ghana	4	0	8	0	0
Greece	8	1	69	0,75	0,75
Guatemala	6	0,75	15	0	0
Guinea	7	0,75	1	0	0
Guinea-Bissau	Missing Data		1	0	0
Guyana	6	0,75	27	0,25	0,25
Haiti	4	0			0
Honduras	6	0,75	6	0	0
Hong Kong	8	1	66	0,75	0,75
Hungary	8	1	76	1	1
Iceland	8	1	81	1	1
India	7	0,75	13	0	0
Indonesia	4	0	27	0,25	0
Ireland	8	1	85	1	1
Israel	8	1	74	0,75	0,75
Italy	8	1	76	1	1
Japan	8	1	73	0,75	0,75
Jordan	4	0	39	0,25	0
Kazakhstan	8	1	50	0,5	0,5
Kenya	5	0,25	16	0	0

Table 3 (cont'd)					
Kuwait	4	0	48	0,25	0
Laos	6	0,75	7	0	0
Latvia	8	1	66	0,75	0,75
Lebanon	6	0,75	39	0,25	0,25
Lesotho	3	0	33	0,25	0
Liberia	4	0			0
Lithuania	8	1	73	0,75	0,75
Luxembourg	8	1	84	1	1
Macedonia	8	1	52	0,5	0,5
Madagascar	6	0,75	3	0	0
Malawi	1	0			0
Malaysia	5	0,5	46	0,25	0,25
Mali	6	0,75	6	0	0
Malta	8	1	94	1	1
Marshall Islands	3	0			0
Mauritania	6	0,75	5	0	0
Mauritius	6	0,75	67	0,75	0,75
Mexico	7	0,75	43	0,25	0,25
Moldova	8	1	51	0,5	0,5
Mongolia	8	1	67	0,75	0,75
Montenegro	8	1	71	0,75	0,75
Morocco	7	0,75	20	0	0
Mozambique	5	0,5	5	0	0
Myanmar	3	0			0

Table 3 (cont'd)					
Namibia	7	0,75	43	0,25	0,25
Nepal	4	0	21	0,25	0
Netherlands	8	1	90	1	1
New Zealand	8	1	76	1	1
Nicaragua	7	0,75	9	0	0
Niger	6	0,75	3	0	0
Nigeria	4	0	3	0	0
Norway	8	1	81	1	1
Oman	4	0	37	0,25	0
Pakistan	6	0,75	15	0	0
Panama	6	0,75	32	0,25	0,25
Papua New Guinea	4	0			0
Paraguay	6	0,75	13	0	0
Peru	6	0,75	30	0,25	0,25
Philippines	6	0,75	33	0,25	0,25
Poland	8	1	72	0,75	0,75
Portugal	8	1	80	1	1
Romania	8	1	72	0,75	0,75
Russia	8	1	70	0,75	0,75
Rwanda	4	0	27	0,25	0
Saudi Arabia	4	0			0
Senegal	5	0,25	11	0	0
Serbia	8	1	64	0,75	0,75
Sierra Leone	4	0	0	0	0

Table 3 (cont'd)					
Singapore	6	0,75	47	0,25	0,25
Slovak Republic	8	1	69	0,75	0,75
Slovenia	8	1	72	0,75	0,75
South Africa	7	0,75	62	0,75	0,75
South Korea	5	0,5	70	0,75	0,5
Spain	8	1	82	1	1
Sri Lanka	5	0,25	42	0,25	0,25
St. Kitts and Nevis	6	0,75	28	0,25	0,25
St. Lucia	6	0,75	18	0	0
St. Vincent and the Grenadines	6	0,75	18	0	0
Sudan	4	0	11	0	0
Swaziland	4	0	31	0,25	0
Sweden	8	1	89	1	1
Switzerland	8	1	89	1	1
Syria	4	0			0
Taiwan	7	0,75	71	0,75	0,75
Tanzania	5	0,25	6	0	0
Thailand	8	1	57	0,75	0,75
Togo	6	0,75	5	0	0
Trinidad and Tobago	7	0,75	36	0,25	0,25
Tunisia	8	1	46	0,25	0,25

Table 3 (cont'd)					
Turkey	7	0,75	47	0,25	0,25
Uganda	4	0	1	0	0
Ukraine	8	1	76	1	1
United Kingdom	8	1	84	1	1
United States	8	1	65	0,75	0,75
Uruguay	8	1	69	0,75	0,75
Vanuatu	3	0			0
Vietnam	7	0,75	29	0,25	0,25
Yemen	5	0,5	9	0	0
Zambia	4	0	5	0	0
Zimbabwe	4	0	2	0	0

Overall, 144 countries are included in the first calibration of the fuzzy set. 28 countries are 'fully in' the set of welfare states. These countries are mostly classic welfare states and/or European Union countries. 27 countries are 'more in than out'. Among these countries are many post-communist countries, such as Russia, and the southern cone of Latin America. 9 countries are 'neither in nor out'. This is a heterogeneous group including four post-communist countries. 19 countries are 'more out than in'. Most of these countries are either from Latin America or the Middle East. 61 countries are 'fully out' the set of welfare states. In this group, sub-Sahara African, Central American, the Gulf and South Asian countries stand out. Thus, of the 144 countries that are included in the first calibration 55 countries are broadly classified as welfare states and 80 countries as non-welfare states.

Note that several countries are not included in the first calibration due to lack of data. Most of these countries, however, are likely to be non-welfare states, e.g. Somalia, Chad and Afghanistan. Yet, some of the missing countries are interesting cases, which could potentially be classified as welfare states in the developing world, e.g.

Venezuela, Egypt or Iran.

A cross-tabulation of the two dimensions of universality and comprehensiveness provides interesting results. To improve the visualization of this analysis I transform the sets for both dimensions into crisp sets, excluding those cases that are classified as 'neither in nor out'. The results are shown in Table 4.

Table 4. Cross-tabulation of universality and comprehensiveness

	Universal social security	**Non-Universal social security**
Comprehensive social security	55	43
Non-Comprehensive social security	0	20

For 130 countries, there is data on both, universality and comprehensiveness of the social security system. Strikingly, there are no countries that have universal, but non-comprehensive social security systems.[26] Yet, 7 countries with universal social security systems are 'neither in nor out' the set of countries with comprehensive social security systems. Of the 105 countries with comprehensive social security systems, 43 have non-universal social security systems. This indicates that legal social rights, as gauged by the comprehensiveness subset, are a poor guide for understanding effective social rights, as gauged by universality subset. The fact that countries have legislated social security programmes does not necessarily indicate that these programmes are so well developed that they provide effective protection.

In this section, I presented and explained the first calibration of the fuzzy set of welfare states. With some significant exceptions, most countries of the world are included in the first calibration. The results indicate that only a minority of the countries worldwide are classified as welfare states. These countries are mostly found in Western and Eastern Europe, North America, the Southern cone of Latin

[26] For 13 countries with non-comprehensive social security systems there is no data for the universality dimension.

America and East Asia. In the next section, I discuss the second calibration of the fuzzy set.

3.1.2.2. Second calibration

The first calibration of the fuzzy set of welfare states described above produces reasonable results. However, there remain some problems. Arguably, the two conceptual dimensions of universality and comprehensiveness do not neatly fit with each other. Moreover, a few potentially important countries are not included due to missing data. In this section, I present a second calibration of the fuzzy set of welfare states that overcomes these problems and allows for a more global measurement of welfare stateness. The section closes with a brief discussion of the results.

The second calibration of the fuzzy set of welfare states contains three important changes compared to the first calibration. First, the dimension of comprehensiveness is dropped from the fuzzy set. Second, unemployment insurance coverage is dropped from the universality component. Third, fuzzy membership scores for the universality component are modified. These three changes need to be explained in more detail.

Initially, the comprehensiveness of the social security system was included in the first calibration of the fuzzy set in order to account for the fact that the welfare state is more than just the sum of old age pensions, unemployment insurance and sickness benefits. However, there are both, conceptual and measurement problems with this subset. Collectively, these problems impede the validity of this component of the fuzzy set.

One problem concerns the transformation from raw data into fuzzy scores. Assigning fuzzy scores to the data on whether there are statutory programs in the eight main social security branches is not straightforward. In fuzzy sets, each breakpoint (cut-off point) has to be conceptually grounded and indicate 'relevant variation' (Ragin 2000: 161-163). This is particularly 'essential to the specification of the three qualitative breakpoints (full membership, full non-membership, and maximum ambiguity' (Ragin 2008b: 30). However, in the case of the comprehensiveness subset, it is not clear whether the different thresholds, really correspond to relevant variation 'anchored in theoretical and substantive criteria' (Ragin 2000: 162). One example concerns the difference between 'neither in nor out' and 'more out than in'. In both cases, a country has statutory programs in 5 of 8 branches. The sole difference is that countries, which are 'neither in nor out', have programs in at least two of the three most important branches: old age, unemployment and sickness. It is true that these are more important than the other five social security branches. However, is this enough to justify the difference between 'neither in nor out' and 'more out than in'? In case, the three programs justify such a differentiation: is it then not necessary to use the same logic for the other fuzzy scores as well? This issue shows that the calibration of the comprehensiveness dimension is problematic. In fuzzy set analysis, 'the investigator should offer an explicit rationale for each breakpoint' (Ragin 2000: 158). Yet, in the comprehensiveness subset the qualitative breakpoints are not closely tied to conceptual distinctions and thus do not properly distinguish between 'relevant' and 'irrelevant variation' (Ragin 2000: 160-163).

In addition to these calibration problems, there are also conceptual problems with the comprehensives dimension. These conceptual problems constitute validity problems, i.e. it is unclear whether the indicator really measures, what it intends to measure. The subset aims to gauge the comprehensiveness of social security systems. Yet, it appears that it is more a proxy for the adherence to a particular ILO-model of social security, than a proxy for comprehensiveness. As explained above, the subset is modelled on ILO classifications of social security and measures whether there are statutory programs in eight particular branches of social security. This does, for instance, include survivors' pensions as a separate category, but it does not include general social assistance programs or employment guarantee programs. This is especially problematic because research on welfare regimes in the south has shown that many countries focus on social assistance (Seekings 2005 and 2012). These programs would not be reflected in the comprehensiveness dimension – unless they are framed in a way that fits one of the eight branches of social security. Unconventional social protection systems in the Global South could thus potentially be misclassified as non-comprehensive systems. Hence, on a global level the subset is not always a good proxy for the comprehensiveness of the social security system. That is why I drop the comprehensiveness dimension in the second calibration.

A second significant change in the second calibration concerns the dimension of the universality of the social security system. In the first calibration, the universality subset was based on coverage rates in unemployment, sick pay and old age pensions. In the second calibration, I exclude unemployment coverage. The reason for this exclusion is that there are both, conceptual and measurement (data) problems with unemployment insurance. Collectively, these problems make it very likely that, on a global level, unemployment insurance coverage is not a sufficiently valid measurement for the level of protection against the risk of unemployment provided by the social protection system.

A first problem is that different countries apparently compute unemployment insurance coverage differently. Therefore, it is likely that coverage is overestimated in some cases and underestimated in other cases. A global comparison based on this indicator is thus fraud with difficulties. Let us explain these problems in more detail. Generally speaking, unemployment coverage is computed by dividing the number of people who receive unemployment benefits (numerator) to the number of people who are unemployed (denominator). There are problems with both, the numerator and the denominator.

The measurement of the denominator, i.e. the number of unemployed, is a notoriously controversial issue that is potentially subject to political manipulation. In some cases, the number of unemployed is suspiciously low and this low number obviously results in high unemployment coverage ratios. For instance, in the case of Belarus, in 2006 the number of unemployed is around 50.000, while the economically active population is nearly 5.000.000. This means that Belarus has an extremely low unemployment rate of around one percent. Its unemployment programme provided cash benefits to around 25.000 people. Therefore, unemployment coverage is 50 percent (ILO 2016a), significantly higher than in some classic welfare states, such as New Zealand or Italy. This looks suspicious. It appears that in some cases, such as Belarus, problems with the denominator lead to an overestimation of coverage.

Moreover, the numerator, the number of unemployment recipients, is apparently not always measured in the same way. Some countries count the number of unemployment recipients for a given month, whereas others count recipients for a whole year. This means that the time span used to compute the numerator is different.

However, this difference does not appear to be present for the denominator, where either a single point in time or a very short time span is used. It is obvious that if the number of unemployment beneficiaries is measured for a whole year, this figure would overestimate coverage. In a global measurement, it is infeasible to control which data suffers from these problems (and correct the data if necessary). Yet, it appears that these problems exist in some cases and this constitutes a significant validity problem for the indicator.

In addition to these data problems, there are also conceptual problems with unemployment coverage. Due to the focus on unemployment insurance, functional equivalents to this program, which also protect against the risk of unemployment, are potentially overlooked. In many countries, social assistance programs provide benefits to some of the unemployed, serving as a last resort program for long-term unemployed, who are ineligible for unemployment benefits. In other cases, where no unemployment insurance exists, some social assistance programs directly serve as equivalents to unemployment insurance for the poorest section of the population. Although data availability for social cash transfers has strongly improved in recent years (FLOORCASH 2016), sophisticated data was not available during the time of data collection for this thesis. An attempt to generate an original composite measurement of unemployment insurance and social assistance failed due to data availability problems.

In some countries, there are also non-social assistance programs that can be considered as functional equivalents to unemployment insurance.[27] Work-guarantee programs, like India's National Rural Employment Guarantee Act (NREGA), are one example. NREGA guarantees every household in rural areas at least 100 days of employment per year. Through this programme, India protects more than 50 million households against unemployment (Government of India 2016).[28] By contrast, India's unemployment insurance programme only reaches a fraction of this number

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[27] One could also discuss the role of public works and severance pay schemes in the protection against unemployment. However, defining these programs as social security programs is controversial.

[28] Needless to say, there have been significant problems in the implementation of the program. Yet, NREGA remains a crucial component of India's social protection system.

(ILO 2010: 225). Because of the low coverage of unemployment insurance, India has a very poor unemployment coverage score, which translates into a poor score for the universality component. This case illustrates that whenever functional equivalents to unemployment insurance exist, unemployment coverage is underestimated.

Another conceptual reason for excluding unemployment insurance coverage data from the fuzzy set of welfare states concerns the category of unemployment itself. Unemployment as a social risk appears to be less universal than other social risks, such as health and old age. Unemployment as a social problem essentially arises only in the course of development. In traditional, agrarian societies the corresponding social problem is usually defined as underemployment, not unemployment.[29] This is one of the reasons why many developing countries do not have any unemployment insurance schemes (ILO 2010: 33), even if their social protection systems are otherwise universal and generous.

The question of whether to exclude unemployment insurance from the fuzzy set is significant from a conceptual perspective. If one includes unemployment insurance, the fuzzy set would be more closely based on a European model of the welfare state, which assumes that particular policies have to exist for a country to be classified as a welfare state.[30] However, if one excludes unemployment, one of the most important components of Western welfare states is taken out of the picture and it is possible for countries without unemployment insurance to be classified as welfare states. So, one has to choose between a more Eurocentric operationalisation of the welfare state and a more global or universal operationalisation. Considering that ultimately, this thesis

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[29] Cf. ILO (2016b): 'The problem in developing countries thus is often summarised as "underemployment": partial lack of work, low employment income, under-utilization of skills or low productivity; and not only unemployment as normally measured.'

[30] It should be remembered that communist countries usually also did not have unemployment insurance programs. In the context of their economic systems, unemployment was not an issue. There was both an effective 'right to work' and an 'obligation to work' (Kaufman 2013: 47-64). So, these countries did not see any need to introduce unemployment insurance. This historical evidence can be seen as strong indication that unemployment is indeed not as universal a social issue as sickness or old age. Therefore, the communist experience provides strong support for excluding unemployment coverage if the goal is to create a global measurement of welfare stateness.

is interested in exploring welfare states in the developing world it appears more meaningful to not bias the fuzzy set against the Global South and to use a measurement that allows also unconventional social protection systems to be classified as welfare states. Therefore, unemployment insurance coverage is excluded from the second calibration of the fuzzy set.

The third significant change made in the second calibration of the fuzzy set of welfare states concerns the fuzzy membership scores for the universality component. In the first calibration, a composite measurement reflecting the arithmetic mean of coverage in unemployment, sickness and pensions is used. In the second calibration, sickness and pension coverage is separated into two different sets, reflecting the universality of the pensions system and the universality of the health system respectively. The subsets are connected with a logical AND. Therefore, the universality of the social security system is defined by the lowest score for the health component and the pension component.

To illustrate the effect of this change, assume a country with a perfectly universal health system, but no pension program. Using the arithmetic mean, the fuzzy score for the universality component is 0.5. When connected with a logical AND, however, the fuzzy score for the universality component is 0. The country would be 'fully in' the set of countries with a universal health system, but 'fully out' the set of countries with a universal pension system. Therefore, it would be 'fully out' the set of countries with a universal social security system and the fuzzy score for the universality component would be 0.

Conceptually, connecting the pension and health subsets with a logical AND implies that universal pension and health systems are both equally necessary components of social security. A very well-developed, universal program in one branch cannot make up for a lack of universality in the other. Social security is a package, which at its minimum contains protection against the two most universal social risks, illness and old age. To be protected against the risk of old age does not make up for a lack of health coverage. A person, who is protected against the risk of old age, but not against the risk of illness is effectively not protected by the social security system – she is simply protected against the risk of old age. A country, which does not protect most of its citizens against the risks connected with *both* old age and sickness, is thus not classified as a welfare state, independent of the policies implemented in other social security branches. In QCA terminology, the second calibration of the fuzzy set reads as follows:

Universal Health Coverage AND Universal Pension Coverage

Given that instead of using the arithmetic mean, separate subsets are created for the two social security branches, the fuzzy membership scores have to be slightly adjusted. Table 5 describes transformation from coverage data into fuzzy scores in the second calibration.

Table 5. Set of countries with universal pension coverage and universal health coverage: fuzzy membership scores

Health coverage	**Pension coverage**	**Verbal Labels**	**Fuzzy membership score**
> 80%	> 80%	Fully in	1
55% < x < 80%	55% < x < 80%	More in than out	0.75
45% < x < 55%	45% < x < 55%	Neither in nor out	0.5
20% < x < 45%	20% < x < 45%	More out than in	0.25
< 20%	< 20%	Fully out	0

A country with coverage above 80 percent is ‘fully in’ the set of countries with universal health/pension coverage (fuzzy score 1). Thus, the threshold for full membership is slightly higher than in the first calibration, but still below 100 percent, allowing for possible inaccuracies of the underlying coverage data. If coverage is between 55 and 80 percent, a country is ‘more in than out’ (fuzzy score 0.75). So, if a clear majority is covered the system is still more or less universal. If coverage is between 45 and 55 percent, a country is ‘neither in nor out’ (fuzzy score 0.5). This area of ‘maximum ambiguity’ is rather broad to allow for possible inaccuracies of the data. If coverage is between 20 and 45 percent, a country is ‘more out than in’ (fuzzy score 0.25). Thus, if a substantial minority is protected the program it is still a non-universal program. Finally, a country with coverage below 20 percent is ‘fully out’ (fuzzy score 0). So, if only a tiny minority is protected, a country is not at all in the set of countries with universal pension/health coverage.

At first glance, this calibration might appear overtly simple and shallow. A critical reader might believe that this fuzzy set would classify some cases that are clearly non-welfare states as welfare states because the fuzzy set only measures pension and health coverage. However, it is unlikely that countries, which one would intuitively classify as non-welfare states, are classified as welfare states based on this calibration. As will be shown, on a global level this simple calibration is surprisingly fruitful to classify countries according to their degree of welfare stateness.

One might criticise that pensions and healthcare are not enough for a country to be classified as a welfare state. Yet, they are arguably the two most significant branches of the welfare state, usually comprising most of public social expenditure (OECD 2016). Moreover, from a conceptual perspective they are more universal than other branches of social protection. The underlying social risks, against which social protection is achieved, are old age and sickness. These risks are part of the human condition and not simply the by-product of a particular economic system. A shift towards a social system, under which the state provides (or ensures through regulation) protection against these two basic social risks for a clear majority of the population, can indeed be understood as a shift towards the welfare state.

It is true that the welfare state is not just about pensions and healthcare. Yet, in presumably all countries with universal pension and health systems, there are also other significant social protection programs, such as family allowances or social housing. Even though it is theoretically possible that a country only has universal pensions and health care systems, but no other significant social protection programs, it is highly unlikely that such a case exists in the real world. Therefore, for the purpose of this study it is sufficient to only focus on pensions and healthcare.

One might also criticise that measuring only pension and health coverage is not enough to understand whether citizens are really adequately protected. The sole focus on coverage rates would mean that even minimally generous, but universal social protection systems are classified as welfare states. A country with minimal social pensions and a social health insurance, which provides minimal benefits, would still be classified as a welfare state. To take a hypothetical example, assume that a country provides universal social pensions – but no other pensions – with replacement rates below five percent. To put this number into perspective, this is close to social pension replacement rates in Japan in 1973, South Korea in 2010 (Scruggs et al. 2014) and Turkey in 1993. Assume that the country has a universal social health insurance – and no additional health insurances – that covers only a small proportion of the treatment expenses. To put this example into perspective, one could think of China's rural health insurance scheme in the 2000s, which protected most of the rural population, but covered only around 30 percent of inpatient treatment expenses (Hu et al. 2008). Could such a country still be classified as a welfare state?

From a conceptual perspective, one could argue that even this hypothetical minimal social protection system reflects the assumption of 'responsibility of the state for the most basic welfare of the entire population' (Kaufmann 2013: 28) in the key branches of health and pensions. In this hypothetical example, the state would have defined the two most significant areas of social security as in need of regulation and regulated it so that the entire population is covered. In how far it provides an adequate 'government-protected minimum standard' (Wilensky 1975: 1) is clearly a meaningful question. Yet, answering this question would only tell us what kind of welfare state this country is (e.g. minimal, generous) – not whether it is a welfare state.

Such a conceptual defence is possible, yet it might not be fully convincing. Luckily, in empirical terms, the phenomenon of such a minimal welfare state does not appear to exist in the fuzzy set of welfare states presented in this thesis. Some countries, such as China, do have virtually universal health insurances that cover only a small proportion of treatment expenses. Other countries, such as Jamaica, have universal social pensions with incredibly low replacement rates (Böger 2013). However, in the dataset that was built for this thesis and which contains mostly data from the mid-2000s there is apparently no country that combines minimal health insurances with minimal old age pensions.

While such minimal, but universal welfare states are not an issue in this study, the situation might change in the near future. In the early 2000s, the international debate on social policy in development context since identified generous social protection for a minority of the population as one of the most significant problems (Overbye 2005; van Ginneken 2007; Leisering 2009; Holzmann et al. 2009). It therefore proposed a remedy in the form of minimal, but universal coverage (Gliszczynski and

Leisering 2016). This ‘social protection floor’, if sufficiently low, would resemble the hypothetical minimal welfare state. It is entirely possible that under the influence of international organizations some countries develop such social protection systems. To conclude, the fuzzy set of welfare states measures the degree of welfare stateness very well when using existing data. Yet, it might not continue to do so in the future.

Table 6 shows the results for the second calibration of the fuzzy set.

Table 6. Second calibration of the fuzzy set of welfare states

Country	**Membership in the Set of Countries with Universal Pension Coverage**	**Membership in the Set of Countries with Universal Health Coverage**	**Membership in the Set of Welfare States**
Afghanistan	0		0
Albania	1	0,5	0,5
Algeria	0,25	1	0,25
Angola	0		0
Argentina	0,75	1	0,75
Armenia	1	1	1
Australia	0,75	1	0,75
Austria	1	1	1
Bahrain	0,25	1	0,25
Bangladesh	0,25	0	0
Barbados	1	1	1
Belarus	1	1	1
Belgium	1	1	1
Belize	0,25	0,25	0,25
Benin	0	0	0
Bhutan	0		0

Table 6 (cont'd)			
Bolivia	1	0,25	0,25
Brazil	1	1	1
Bulgaria	1	1	1
Burkina Faso	0	0	0
Burundi	0	0,25	0
Cambodia	0	0,25	0
Cameroon	0	0	0
Canada	1	1	1
Cape Verde	1	0,75	0,75
Central African Republic	0	0	0
Chad	0		0
Chile	0,75	1	0,75
China	0,25	1	0,25
Colombia	0	1	0
Congo, Dem. Rep	0	0	0
Congo, Rep.	0		0
Costa Rica	0,75	1	0,75
Cote d'Ivoire	0	0	0
Croatia	1	1	1
Cuba	1	1	1
Cyprus	1	1	1
Czech Republic	1	1	1
Denmark	1	1	1

Table 6 (cont'd)			
Djibouti	0	0,25	0
Dominica	0,25	0	0
Dominican Republic	0	0,25	0
Ecuador	0,5	0,25	0,25
Egypt	0,25	0,5	0,25
El Salvador	0,25	0,25	0,25
Estonia	1	1	1
Finland	1	1	1
France	1	1	1
Gambia	0		0
Georgia	1	0,25	0,25
Germany	1	1	1
Ghana	0	0	0
Greece	0,75	1	0,75
Grenada		0	0
Guatemala	0	0,25	0
Guinea	0	0	0
Guinea-Bissau	0	0	0
Guyana	0,75	0,25	0,25
Haiti		0	0
Honduras	0	0	0
Hong Kong	0,75	1	0,75
Hungary	1	1	1

Table 6 (cont'd)			
Iceland	1	1	1
India	0,25	0	0
Indonesia	0,25	0,75	0,25
Iran	0,25	1	0,25
Ireland	1	1	1
Israel	1	1	1
Italy	1	1	1
Japan	1	1	1
Jordan	0,25	0,75	0,25
Kazakhstan	0,75	0,75	0,75
Kenya	0	0,25	0
Kuwait	0,25	1	0,25
Kyrgyz Republic	1	1	1
Laos	0	0	0
Latvia	1	0,75	0,75
Lebanon	0,25	1	0,25
Lesotho	1	0	0
Lithuania	1	1	1
Luxembourg	1	1	1
Macedonia	0,75	1	0,75
Madagascar	0	0	0
Malaysia	0,25	1	0,25
Maldives	0,25	0,25	0,25
Mali	0	0	0

Table 6 (cont'd)			
Malta	1	1	1
Mauritania	0	0	0
Mauritius	1	1	1
Mexico	0,25	1	0,25
Moldova	0,75	0,75	0,75
Mongolia	1	1	1
Montenegro	1	1	1
Morocco	0	0,25	0
Mozambique	0	0	0
Namibia	1	0,25	0,25
Nepal	0,75	0	0
Netherlands	1	1	1
New Zealand	1	1	1
Nicaragua	0	0	0
Niger	0	0	0
Nigeria	0	0	0
Norway	1	1	1
Oman	0	1	0
Pakistan	0	0,25	0
Panama	0,25	0,5	0,25
Papua New Guinea	0		0
Paraguay	0	0,25	0
Peru	0,25	0,75	0,25

Table 6 (cont'd)			
Philippines	0	1	0
Poland	1	1	1
Portugal	1	1	1
Qatar	0	1	0
Romania	1	1	1
Russia	1	1	1
Rwanda	0	0,75	0
Sao Tome and Principe		0	0
Saudi Arabia	0		0
Senegal	0	0,25	0
Serbia	1	1	1
Sierra Leone	0	0	0
Singapore	0,25	1	0,25
Slovakia	1	1	1
Slovenia	1	1	1
South Africa	0,75	1	0,75
South Korea	1	1	1
Spain	0,75	1	0,75
Sri Lanka	0,25	1	0,25
St. Kitts and Nevis	0,75	0,25	0,25
St. Lucia	0	0,25	0
St. Vincent and the Grenadines	0,25	0	0

Table 6 (cont’d)			
Sudan	0	0,25	0
Swaziland	1	0	0
Sweden	1	1	1
Switzerland	1	1	1
Taiwan	1	1	1
Tanzania	0	0	0
Thailand	0,5	1	0,5
Togo	0	0	0
Trinidad and Tobago	0,5	0,75	0,5
Tunisia	0,5	0,75	0,5
Turkey	0,5	1	0,5
Uganda	0	0	0
Ukraine	1	1	1
United Kingdom	1	1	1
United States	0,75	1	0,75
Uruguay	1	1	1
Vanuatu	0		0
Venezuela	0,25	1	0,25
Vietnam	0,25	0,75	0,25
Yemen	0	0	0
Zambia	0	0	0
Zimbabwe	0	0	0

Overall, 153 countries are included in the second calibration of the fuzzy set of welfare states. This high number of countries in included is partly due to the fact that the underlying data is from different years between 1995 and 2012, to increase the number of countries included. 48 countries are classified as being 'fully in' the set of welfare states. With a few exceptions, such as Brazil and Cuba, these are mostly classic welfare states and/or European countries. 13 countries are 'more in than out'. This is a heterogeneous group of countries, which includes Cape Verde and Costa Rica, as well as the United States and Australia. 5 countries – Albania, Thailand, Trinidad and Tobago, Tunisia and Turkey[31] – are 'neither in nor out'. 26 countries are 'more out than in'. These are mostly Latin American, Asian and Middle Eastern countries. Finally, 61 countries are 'fully out'. In this group of countries, Sub-Saharan African countries dominate.

A cross-tabulation of the components of the second calibration of the fuzzy set provides interesting results. For better visualization Table 7 presents the results as crisp sets and excludes cases that are 'neither in nor out'.

Table 7. Cross-tabulation of universal health coverage and universal pension coverage

	Universal health coverage	**Non-universal health coverage**
Universal pension coverage	61	8
Non-universal pension coverage	20	44

There are 141 countries, for which there is data on both, health and pension

[31] Note that at least two of these cases, Thailand and Turkey, are not classified as welfare states due to the way old age pension coverage is computed. In these countries, there is no single retirement age. Instead, people retire at different ages. If one uses the higher retirement age, the two countries would be classified as 'more in than out' the set of welfare states. Moreover, if more recent data were available, it is very likely that they would have been classified as 'more in than out'. Thus, in these two cases, the classification of 'neither in nor out' truly reflects the point of 'maximum ambiguity', where one simply cannot state whether the system is universal or not.

coverage. Among these 141 countries, 44 countries have non-universal health and pension systems (fuzzy score below 0.5). 61 countries have universal health and pension systems (fuzzy score above 0.5). 20 countries combine universal health systems with non-universal pension systems. Among these are several Gulf countries and some Asian countries. 8 countries combine universal pension systems with non-universal health systems. These are mostly countries that provide social pensions, but do not have a comprehensive social protection system. For 9 countries, there is no data on health coverage, but old age pension coverage is so low that the country is classified as 'fully out'. For three countries, there is no data on pension coverage, but health coverage is so low that the country is classified as 'fully out'.

Compared to the first calibration, the number of countries included increases from 144 to 153. Among the countries that are classified in the second, but not in the first calibration are Egypt, Iran and Venezuela. These three important countries in the Global South are all classified as 'more out than in' the set of welfare states. Overall, 136 countries are included in both calibrations. 95 of them are classified exactly the same way. 34 countries have a higher fuzzy score in the second calibration. These are mostly countries that are classified as 'more in than out' in the first calibration and as 'fully in' in the second calibration. 7 countries have a lower fuzzy score in the second calibration. Overall, in 41 cases the classification is thus different. However, there is not a single case, which is classified as welfare state in one calibration and as a non-welfare state in the other. The most consequential difference between the first and the second calibration concerns the classification of Cape Verde, Costa Rica, Kazakhstan, Macedonia, Moldova, South Korea and Thailand. The latter is 'downgraded' from welfare state to 'neither in nor out'. The other cases are 'upgraded' from 'neither in nor out' to welfare state status. Particularly the classification of South Korea as a welfare state is more in line with comparative welfare state research (Kim 2008).[32]

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[32] Moreover, the Costa Rican case illustrates the advantages of excluding unemployment insurance. Social assistance in Costa Rica provides some protection for poor unemployed (Barrientos et al. 2010). However, because Costa Rica has no regular unemployment insurance program it is classified as having 0 percent unemployment coverage. If social assistance had been included in estimating

Overall, the second calibration of the fuzzy set has several advantages over the first calibration. First, it is a more global measurement as it includes more countries. Second, it does not face some of the data problems, e.g. with unemployment insurance, that the first calibration faces. Third, it is less closely attached to an ILO-model of social security and is thus more open to classifying unconventional social protection systems in the global periphery as welfare states. Fourth, this does not come at the expense of classifying countries, which are intuitively understood as non-welfare states, as welfare states. For these reasons, I believe the second calibration is better suited to grasp welfare stateness on a global level and to identify welfare states in the developing world.

Having described and explained the calibration of the fuzzy set of welfare states, the next section will focus on building a fuzzy set of developing countries.

3.2. A fuzzy set of developing countries

In this section, I build a fuzzy set of developing countries to identify which countries in the world can be classified as developing countries. For this purpose, I first define the concept of 'developing countries'. This conceptualisation is rooted in the theoretical starting point of this thesis, the observation that there is a consensus in comparative welfare state research about economic development being a necessary condition of welfare state emergence. Therefore, the conceptualisation of developing countries focusses on economic development. Based on this definition I then calibrate the fuzzy set of developing countries.

At this point, a critical reader might ask: why use such old-fashioned labels like 'developing country' that no longer apply to the contemporary world?' Indeed, this point requires an explanation. The underlying idea behind conceptualising development in terms of economic development and of classifying those countries with lower economic development as 'developing countries' is that that of a dichotomy between 'developing countries' and 'industrialized' or 'developed countries'. From the beginning, this framework was a simplification that did not take

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unemployment coverage, Costa Rica would also have been classified as a welfare state in the first calibration.

into account what is in-between the two categories. Yet, it was a simplification that made some sense in the post-World War 2 era.

To be frank, it is unclear how much explanatory value such a simple dichotomous framework of developing and non-developing countries retains in the contemporary world. Initially, all low and middle income countries were classified as developing countries by international organizations (World Bank 1979: 175). In recent decades, however, the number of middle income countries increased and these countries started to be classified as 'newly industrializing countries' or 'emerging markets' by the same institutions that earlier simply called them developing countries. Thus, for the contemporary world, there is certainly some value in more fine-grained classifications that allow for in-between categories, such as middle income countries, instead of a simple dichotomy between developing and non-developing. That is why the World Bank, for instance, recently stopped distinguishing between developing and developed countries (Fantom 2016; Khokar 2015).

Yet, in the context of this thesis, I remain, to some degree, within the simplifying dichotomous framework. Although fuzzy set analysis necessarily produces a more fine-grained classification, the underlying distinction remains that between 'developing country' and 'non-developing country'. Using this old-fashioned framework in this thesis is conceptually justified, as both the theoretical angle, as well as the research questions are tied to the concept of (economic) development. The puzzle that this thesis aims to solve is to explain the emergence of welfare states in context of relatively low economic development – if such welfare states exist. Concepts, such as middle income countries or the Global South, might be both fashionable and appropriate for characterizing parts of the contemporary world. However, identifying welfare states in middle income countries or in the Global South would not necessarily constitute a puzzle for conventional welfare state research. Hence, for conceptual reasons I use the somewhat outdated label 'developing country' instead of more fashionable labels.

3.2.1. What is a developing country?

Development is a complex concept and its meaning has evolved over time. In the development discourse, the main actors, such as the IMF or the World Bank initially conceptualised development by focussing on economic development. Economic development was operationalised and measured mostly through per capita income and countries were ranked by their per capita GDP. Those countries that had the lowest per capita income were classified as 'developing countries' (World Bank 1978: 113).

This conceptualisation of development in terms of economic development was strongly criticised by many scholars. They argued that the idea of development not only consisted of the economic growth, but also of social development. For them, development also meant 'better nutrition and health services, greater access to knowledge, more secure livelihoods, better working conditions, security against crime and physical violence' (UNDP 1990: 9) and so on. Out of this criticism, a new paradigm emerged in the 1990s, which conceptualised development as human development. Development was now defined as the 'process of enlarging people's choices' (UNDP 1990: 10) and measured through a broader Human Development Index (HDI), that included education and health related indicators in addition to indicators of economic development.

While human development has become the dominating paradigm in the development discourse, this thesis has to rely on the older, narrower concept of economic development. The reason for this lies in the conceptual foundation of this thesis, for 'variables should be adapted to the research question that is being investigated' (Bonoli 2007: 39). As explained in the previous chapters, the starting point of this thesis is the observation that there is a consensus in comparative welfare state research about development being a necessary condition of welfare state emergence. In this case, development is simply understood as economic development – not human development. The goal of this thesis is to test this hypothesis, to identify countries that are deviant cases from this perspective and to explain their emergence. For this reason, an old-fashioned conceptualisation of development as economic development is required.

Based on this conceptualisation, developing countries are in this thesis defined as those countries that have a relatively low level of economic development. Economic development is operationalised through per capita income. Developing countries are therefore understood as economically less developed countries and as countries with a relatively low per capita income.

However, one addition to this simple economic conceptualisation of 'developing country' is required. This addition is, again, connected to the conceptual foundation of this thesis and concerns post-communist countries. These countries mostly either used to be part of the USSR or were close to the USSR during the Cold War. For them, the category 'countries in transition' has been widely used to describe their special status as countries that, after 1990, were in transition from 'centrally administered system to one based on market principles' (IMF 2000: 194). In terms of per capita income, these countries fell back to low income status when their communist regimes collapsed. Yet, they were never adequately classified as 'developing countries'. The World Bank (1979: 175), for instance, classified them as 'centrally planned economies' before the transition period. After the end of the communist era, they were mostly labelled 'transition economies' to signify their special status (Nielsen 2011: 17-18).

In the context of this thesis it makes sense to distinguish these 'transition economies' from other lower income countries and not classify them as developing countries. The reason for this is that their classification as welfare states would technically not contradict the logic of industrialism hypothesis, according to which economic development is a necessary condition of welfare state development. Before the collapse of the USSR, these countries basically adapted the general institutional structure of social policy in advanced regions of the Soviet bloc (Haggard and Kaufman 2008).[33] Thus, these countries mostly built their welfare states as part of the Soviet drive towards industrialization, just as the logic of industrialism predicted they would.[34] The fact that these countries today have advanced social security systems coupled with low per capita income would thus not necessarily contradict

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[33] Formerly communist countries in East Asia, such as China or Vietnam, are still included in the category 'developing country' for two reasons. First, they did not industrialize in the same way as the Soviet Union during the Cold War and second, they did not emulate the social security system of the Soviet Union. The classification of Albania and Yugoslavia is arguably tricky. I decided to include them in the post-communist category.

[34] Arguably, in a few cases, such as Mongolia or Kyrgyzstan, industrialisation remained weak. So, the argument technically does not hold for them. The adoption of a universal social security system in these countries might be best understood as an extreme case of policy diffusion.

the consensus in welfare state research that only rich and not poor countries develop welfare states. Hence, these cases could not be classified as deviant cases from this perspective.

To conclude, in this thesis I conceptualise developing countries as economically less developed countries, which are not transition countries (i.e. post-communist countries). In the following section, I explain how I calibrate the fuzzy set of developing countries, to understand which countries in the world can be classified as developing countries.

3.2.2. Calibrating the fuzzy set of developing countries

In this section, I calibrate a fuzzy set of developing countries. This fuzzy set captures which countries can be classified as 'developing countries', i.e. economically less developed countries that are not countries in transition. The conceptualisation of 'developing country' involves two dimensions that can be captured separately. The first dimension is whether the country is economically less developed. The second dimension is whether the country is a post-communist country, i.e. a transition country. For these two dimensions, two subsets are built which are connected with a logical AND NOT. In the following, I explain how these two subsets are calibrated.

Regarding the first dimension of economically less developed countries, it makes sense to use internationally accepted country classifications by income as a starting point for the calibration. Unsurprisingly, there are several competing classifications used by international organizations (Nielsen 2011). In the context of this thesis, the World Bank country classification by income appears to be most suitable.[35] I use this classification to build a subset of lower income countries. This involves the transformation based on verbal categories into a five-value fuzzy set and the introduction of a historical component to the classification.

[35] One alternative classification is that of the IMF. The IMF distinguishes broadly between advanced economies on the one side and emerging market and developing economies on the other side. However, this 'classification is not based on strict criteria, economic or otherwise' (IMF 2016a: 145-146). Therefore, the classification of the World Bank seems more transparent and is therefore preferred in this dissertation.

Basically, the World Bank classification by income differentiates between four different types of countries according to their income: low income, lower middle income, upper middle income and high income. This classification is based on per capita GNI. The precise ranking of countries changes from year to year, reflecting changes in per capita GNI and adjustments in the cut-off points. Unsurprisingly, the cut-off points in this classification are apparently not externally defined by the conceptualisations of the respective concepts (low, lower middle, upper middle and high income). Arguably, this makes the cut-off points appear quite arbitrary in some cases. Table 8 below presents the World Bank classification for 2012.

Table 8. World Bank country classification by income in 2012

Category	**GNI per capita in US$ (Atlas methodology)**
Low Income	Below 1035
Lower Middle Income	Between 1036 and 4085
Upper Middle Income	Between 4086 and 12615
High Income	Above 12615

At first glance, there appear to be two alternatives for transforming the World Bank classification into a fuzzy set: a five-value and a three-value fuzzy set. The latter makes sense considering the verbal categories, low, middle and high income country. Thus, a three value fuzzy set could be created by merging lower and upper middle income countries into a single middle income category. Developing countries would then correspond to low income countries. In fuzzy set analysis, it is possible to define the cross-over point (0.5) as a range and not as a single point. Yet, it is advisable to minimise the range that defines the cross-over point (Ragin 2000: 149-180). When the World Bank classification is transformed into a three-value fuzzy set, most of the countries would be 'neither in nor out' the set of developing countries. Therefore, the three value fuzzy-set would not help to identify developing countries. Let us explain this point in detail.

As can be seen in the table, the category of middle income countries is extremely broad, from 1036 to 12615 US$ per capita GNI. In 2012, this includes Mauritania at 1110 US$ per capita GNI and Hungary 12380 US$. Remember that the goal of the fuzzy set is to identify developing countries. Fuzzy set analysis represents a tool to translate the verbal concept developing country into a transparent fuzzy set that defines the degree to which a country is a developing country. If a country is classified as a developing country based on a qualitative assessment, the fuzzy set should be able to reflect this. Only in those cases, where the researcher cannot define whether a country is classified as a developing country, the fuzzy set should classify the country as ‘neither in nor out’. When lower and upper middle income countries are merged into one category, there are 36 low income (i.e. developing) countries, 103 middle income (i.e. not classifiable) countries and 76 high income (i.e. non-developing) countries in 2012. So, 103 countries are simply unclassifiable. If one would use the indirect method of calibration (Ragin 2008b), where the researcher first classifies countries according to her substantive case knowledge, it appears quite likely that Mauritania, for instance, would be classified as a developing country and Hungary would be classified as not being a developing country. A three-value fuzzy set based on the differentiation between low, middle and high income countries would not be able to reflect this. Both Hungary and Mauritania would be ‘neither in nor out’ the set of developing countries. Hence, this set would not really help to identify developing countries.

The alternative to the three-value fuzzy set is a five-value fuzzy set, with a cross-over point introduced between lower middle and upper middle income countries. Thus, a new category between lower and upper middle income is created that can be labelled middle income countries. This category represents those countries, which are ‘neither in nor out’ the set of developing countries (Appendix X presents the modification of the World Bank classification in detail). Thus, developing countries are those countries, which are classified as either low income or lower middle income country. Table 9 presents the translation of these categories into fuzzy scores.

Table 9. Set of lower income countries: fuzzy membership scores

Fuzzy score	Verbal label	Income category
1	Fully in	Low Income
0,75	More in than out	Lower Middle Income
0,5	Neither in nor out	Middle Income
0,25	More out than in	Upper Middle Income
0	Fully out	High Income

As explained above, in fuzzy set analysis it is advised to minimise the range of the cross-over point. Yet, it is clear that simply defining the cross-over point as the (empty) space between lower-middle income and upper-middle income countries is unfruitful. To provide an example, in 2012 the cut-off point between lower and upper middle income countries is 4085$. That makes Albania with 4030$ a lower middle income country and Tunisia with 4150$ an upper middle income country. Albania would then be 'more in than out' the set of developing countries and Tunisia 'more out than in', even though the difference between the two countries is miniscule. Clearly, this decision appears arbitrary. Given that a change from lower to upper middle income status represents a conceptually significant change from developing to non-developing country in the fuzzy set, the introduction of a broader grey zone for 'neither in nor out' is necessary. Arguably, this area of 'maximum ambiguity', where countries are neither in nor out, remains arbitrary to some degree. In calibrating this category, the aim is to include the richest lower middle income and the poorest upper middle income countries and to take advantage of significant gaps between countries, whenever they exist. Calibrated in this way, a rather small residual category of unclassifiable countries remains.[36] Table 10 illustrates this for

[36] Note that the eventual case selection, i.e. the cases of welfare states in the developing world, is not affected by the creation of the residual category. If the crossover point would have simply been the (empty) space between lower and upper middle-income countries no other countries would have been classified as welfare states in the developing world.

the 2012 classification.

Table 10. Classification of some lower and upper middle income countries in 2012

Country	**GNI per capita in 2012**	**World Bank classification by income in 2012**	**Membership in the set of lower income countries for 2012**
Paraguay	3400	Lower Middle Income	0,75
Guyana	3410	Lower Middle Income	0,75
Indonesia	3420	Lower Middle Income	0,75
Ukraine	3500	Lower Middle Income	0,75
El Salvador	3590	Lower Middle Income	0,75
Kosovo	3600	Lower Middle Income	0,75
Timor-Leste	3620	Lower Middle Income	0,75
Armenia	3720	Lower Middle Income	0,75
Cape Verde	3830	Lower Middle Income	0,75
Albania	4030	Lower Middle Income	0,5
Marshall Islands	4040	Lower Middle Income	0,5
Fiji	4110	Upper Middle Income	0,5
Tunisia	4150	Upper Middle Income	0,5
Tonga	4220	Upper Middle Income	0,5
Angola	4580	Upper Middle Income	0,5
Macedonia	4620	Upper Middle Income	0,5
Jordan	4670	Upper Middle Income	0,5
Bosnia and Herzegovina	4750	Upper Middle Income	0,5
Algeria	5020	Upper Middle Income	0,25
Jamaica	5120	Upper Middle Income	0,25

Table 10 (cont'd)			
Ecuador	5170	Upper Middle Income	0,25
Thailand	5210	Upper Middle Income	0,25

The transformation of the World Bank classification into a five-value fuzzy set is only the first step in the calibration process. The second step consists in the selection of the data years in the fuzzy set. The most straightforward solution would be to simply use the most recent available classification of the World Bank. However, this would be problematic for two reasons. First, it would introduce a mismatch between the data years used in the fuzzy set of welfare states and the fuzzy set of developing countries. Second, it would ignore the historical dimension of the concept developing country. These points need to be explained in more detail.

In the previous section, I calibrated the fuzzy set of welfare states. Due to the comparatively poor data availability, it was impossible to produce a classification based on data for a single year. Instead, the data year used for the fuzzy set of welfare states ranges between 1995 and 2012, depending on country and indicator.[37] The fuzzy set of developing countries necessarily has to reflect this range of data years. I argue that this range of data years is best reflected by connecting the classifications by income for all years between 1995 and 2012 with a logical OR, because by doing so, the fuzzy set also takes the historical dimension of the concept developing country into account.

When classifying countries as developing and non-developing countries, qualitative assessments based on case knowledge would not just include current per capita income status, but also income status in the recent past. For instance, Hungary and Botswana are both classified as upper middle-income countries in 2012. However, Hungary has been an upper-middle income country for a long time, whereas Botswana only recently emerged from lower middle-income country status. It is for this reason that qualitative assessments of developing country status would probably

[37] In some cases, the exact data year is not identifiable.

classify Hungary as a non-developing country and Botswana as a developing country in 2012. This is not just a matter of geographical status (e.g. Sub-Sahara Africa, a poor region, versus Eastern Europe, a relatively rich region) or social development (e.g. life expectancy in Hungary is 11 years longer). Rather, I believe that historical economic development matters for the classification of developing country status.[38] That is why the fuzzy set of developing countries takes into account all classifications between 1995 and 2012.[39] In QCA terminology, the classifications for all years between 1995 and 2012 are connected with a logical OR. To provide an example, Lebanon is ranked as a middle income in 1995 and an upper middle income between 1996 and 2012. Because of the ranking as a middle income in 1995 it is classified as 'neither in nor out' the set of lower income countries.[40] Table 11 presents the set of lower income countries.[41]

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[38] It is precisely for this reason that the IMF classification that was mentioned above, classifies several middle and high income countries, such as Malaysia, Argentina or Oman as 'emerging markets' or 'developing economies' (IMF 2016a: 149-151).

[39] At this point, the reader might wonder whether this way of calibrating the set influences the case selection. Of the four cases that are identified as welfare states in the developing world, the World Bank classification is as follows: Cape Verde is still classified as a lower middle income country by 2012, Brazil starts to be classified as an upper middle income country in 2006, Costa Rica starts to be classified as an upper middle income country in 2000 and South Africa starts to be classified as an upper middle income country in 2004.

[40] Taking into account income classifications before 2012 has a positive side effect. It is likely that any cross-sectional analysis of welfare states and developing countries misses some cases of welfare states in the developing world. Assume the following case: a country becomes a welfare state in 2000 and ceases to be classified as a developing country in 2010. This country would not be identified as a welfare state in the developing world if only the most recent data on per capita income is taken into account, even though it had been a welfare state in the developing world for ten years. Taking into account per capita income data or previous years helps to identify such hidden cases.

[41] Data on per capita income shows significant differences according to the source used. An alternative to the World Bank data on GNI per capita is the historical data series on GDP per capita by the Maddison-Project (2013). To increase the reliability of the classification of the fuzzy set of developing countries I checked data from the Maddison-Project as well. If one simply classifies all countries below the world average as being lower income countries, the resulting case selection would not change. Only Brazil, Cape Verde, Costa Rica and South Africa would be identified as welfare states in

Table 11. Fuzzy set of lower income countries

Country	**Membership in the set of lower income countries**
Afghanistan	1
Albania	1
Algeria	0,75
Angola	1
Argentina	0,5
Armenia	1
Australia	0
Austria	0
Bahrain	0
Bangladesh	1
Barbados	0,25
Belarus	0,75
Belgium	0
Belize	0,75
Benin	1
Bhutan	1
Bolivia	0,75
Brazil	0,75
Bulgaria	0,75
Burkina Faso	1

the developing world. Brazil, Cape Verde and South Africa are below world average even at the latest data point (2010). Costa Rica is above world average since 1997.

Table 11 (cont'd)	
Burundi	1
Cambodia	1
Cameroon	1
Canada	0
Cape Verde	0,75
Central African Republic	1
Chad	1
Chile	0,25
China	1
Colombia	0,75
Congo, Dem. Rep.	1
Congo, Rep.	1
Costa Rica	0,75
Côte d'Ivoire	1
Croatia	0,25
Cuba	0,75
Cyprus	0
Czech Republic	0,25
Denmark	0
Djibouti	1
Dominica	0,75
Dominican Republic	0,75
Ecuador	0,75
Egypt	0,75

Table 11 (cont'd)	
El Salvador	0,75
Estonia	0,75
Finland	0
France	0
Gambia	1
Georgia	1
Germany	0
Ghana	1
Greece	0
Grenada	0,75
Guatemala	0,75
Guinea	1
Guinea-Bissau	1
Guyana	1
Haiti	1
Honduras	1
Hong Kong	0
Hungary	0,25
Iceland	0
India	1
Indonesia	1
Iran	0,75
Ireland	0
Israel	0

Table 11 (cont'd)	
Italy	0
Japan	0
Jordan	0,75
Kazakhstan	0,75
Kenya	1
South Korea	0,25
Kuwait	0
Kyrgyz Republic	1
Laos	1
Latvia	0,75
Lebanon	0,5
Lesotho	1
Lithuania	0,75
Luxembourg	0
Macedonia	0,75
Madagascar	1
Malaysia	0,5
Maldives	0,75
Mali	1
Malta	0,25
Mauritania	1
Mauritius	0,5
Mexico	0,25
Moldova	1

Table 11 (cont'd)	
Mongolia	1
Morocco	0,75
Mozambique	1
Namibia	0,75
Nepal	1
Netherlands	0
New Zealand	0
Nicaragua	1
Niger	1
Nigeria	1
Norway	0
Oman	0,25
Pakistan	1
Panama	0,75
Papua New Guinea	1
Paraguay	0,75
Peru	0,75
Philippines	0,75
Poland	0,75
Portugal	0
Qatar	0
Romania	0,75
Russia	0,75
Rwanda	1

Table 11 (cont'd)	
São Tomé and Principe	1
Saudi Arabia	0,25
Senegal	1
Sierra Leone	1
Singapore	0
Slovak Republic	0,25
Slovenia	0,25
South Africa	0,75
Spain	0
Sri Lanka	1
St. Kitts and Nevis	0,25
St. Lucia	0,5
St. Vincent and the Grenadines	0,75
Sudan	1
Swaziland	0,75
Sweden	0
Switzerland	0
Taiwan	0
Tanzania	1
Thailand	0,75
Togo	1
Trinidad and Tobago	0,25
Tunisia	0,75
Turkey	0,75

Table 11 (cont'd)	
Uganda	1
Ukraine	1
United Kingdom	0
United States	0
Uruguay	0,5
Vanuatu	0,75
Venezuela	0,75
Vietnam	1
Yemen	1
Zambia	1
Zimbabwe	1

Now, this set of lower income countries has to be connected with a set of transition countries, i.e. post-communist countries, to create the set of developing countries. Largely following the classification of the IMF, I do not include all post-communist countries in this category, but exclude those countries, which during the Cold War were 'largely rural, low-income economies for whom the principal challenge' after the Cold War 'is one of economic development'. As the IMF concluded, these countries are more aptly 'classified in the developing country group rather than in the group of countries in transition' (IMF 2000: 194). Thus, the set of post-communist countries mainly includes countries that were either part of the USSR, or were politically rather close to it. Most of these countries have had a very low GNI per capita in the 1990s, after the end of Cold War and some continue to be quite poor today. However, nearly all of these countries were fairly industrialised before the break-up of the Soviet Union. The peculiar situation of these countries is usually acknowledged by treating them as a separate category beyond industrialised and developing countries (e.g. 'transformation countries' or 'transition economies'). As explained in the previous section, this special categorisation makes sense in the context of the goal of this chapter, to identify welfare states in the developing world. Therefore, the set of developing countries includes a (crisp) subset that specifies whether the country is a post-communist country. In QCA terminology, the fuzzy set of developing countries is thus defined as:

Lower income country AND NOT transition (post-communist) country

Table 12 below presents the fuzzy set of developing countries.

Table 12. Fuzzy set of developing countries

Country	**Membership in the set of lower income countries**	**Membership in the set of transition countries**	**Membership in the set of developing countries**
Afghanistan	1	0	1
Albania	1	1	0
Algeria	0,75	0	0,75
Angola	1	0	1
Argentina	0,5	0	0,5
Armenia	1	1	0
Australia	0	0	0
Austria	0	0	0
Bahrain	0	0	0
Bangladesh	1	0	1
Barbados	0,25	0	0,25
Belarus	0,75	1	0
Belgium	0	0	0
Belize	0,75	0	0,75
Benin	1	0	1
Bhutan	1	0	1
Bolivia	0,75	0	0,75

Table 12 (cont’d)			
Brazil	0,75	0	0,75
Bulgaria	0,75	1	0
Burkina Faso	1	0	1
Burundi	1	0	1
Cambodia	1	0	1
Cameroon	1	0	1
Canada	0	0	0
Cape Verde	0,75	0	0,75
Central African Republic	1	0	1
Chad	1	0	1
Chile	0,25	0	0,25
China	1	0	1
Colombia	0,75	0	0,75
Congo, Dem. Rep.	1	0	1
Congo, Rep.	1	0	1
Costa Rica	0,75	0	0,75
Côte d'Ivoire	1	0	1
Croatia	0,25	1	0
Cuba	0,75	1	0
Cyprus	0	0	0
Czech Republic	0,25	1	0
Denmark	0	0	0
Djibouti	1	0	1
Dominica	0,75	0	0,75

Table 12 (cont'd)			
Dominican Republic	0,75	0	0,75
Ecuador	0,75	0	0,75
Egypt	0,75	0	0,75
El Salvador	0,75	0	0,75
Estonia	0,75	1	0
Finland	0	0	0
France	0	0	0
Gambia	1	0	1
Georgia	1	1	0
Germany	0	0	0
Ghana	1	0	1
Greece	0	0	0
Grenada	0,75	0	0,75
Guatemala	0,75	0	0,75
Guinea	1	0	1
Guinea-Bissau	1	0	1
Guyana	1	0	1
Haiti	1	0	1
Honduras	1	0	1
Hong Kong	0	0	0
Hungary	0,25	1	0
Iceland	0	0	0
India	1	0	1
Indonesia	1	0	1

Table 12 (cont'd)			
Iran	0,75	0	0,75
Ireland	0	0	0
Israel	0	0	0
Italy	0	0	0
Japan	0	0	0
Jordan	0,75	0	0,75
Kazakhstan	0,75	1	0
Kenya	1	0	1
Kuwait	0	0	0
Kyrgyz Republic	1	1	0
Laos	1	0	1
Latvia	0,75	1	0
Lebanon	0,5	0	0,5
Lesotho	1	0	1
Lithuania	0,75	1	0
Luxembourg	0	0	0
Macedonia	0,75	1	0
Madagascar	1	0	1
Malaysia	0,5	0	0,5
Maldives	0,75	0	0,75
Mali	1	0	1
Malta	0,25	0	0,25
Mauritania	1	0	1
Mauritius	0,5	0	0,5
Mexico	0,25	0	0,25

Table 12 (cont'd)			
Moldova	1	1	0
Mongolia	1	1	0
Montenegro		1	0
Morocco	0,75	0	0,75
Mozambique	1	0	1
Namibia	0,75	0	0,75
Nepal	1	0	1
Netherlands	0	0	0
New Zealand	0	0	0
Nicaragua	1	0	1
Niger	1	0	1
Nigeria	1	0	1
Norway	0	0	0
Oman	0,25	0	0,25
Pakistan	1	0	1
Panama	0,75	0	0,75
Papua New Guinea	1	0	1
Paraguay	0,75	0	0,75
Peru	0,75	0	0,75
Philippines	0,75	0	0,75
Poland	0,75	1	0
Portugal	0	0	0
Qatar	0	0	0
Romania	0,75	1	0

Table 12 (cont'd)			
Russia	0,75	1	0
Rwanda	1	0	1
São Tomé and Principe	1	0	1
Saudi Arabia	0,25	0	0,25
Senegal	1	0	1
Serbia		1	0
Sierra Leone	1	0	1
Singapore	0	0	0
Slovak Republic	0,25	1	0
Slovenia	0,25	1	0
South Africa	0,75	0	0,75
South Korea	0,25	0	0,25
Spain	0	0	0
Sri Lanka	1	0	1
St. Kitts and Nevis	0,25	0	0,25
St. Lucia	0,5	0	0,5
St. Vincent and the Grenadines	0,75	0	0,75
Sudan	1	0	1
Swaziland	0,75	0	0,75
Sweden	0	0	0
Switzerland	0	0	0
Taiwan	0	0	0
Tanzania	1	0	1

Table 12 (cont'd)			
Thailand	0,75	0	0,75
Togo	1	0	1
Trinidad and Tobago	0,25	0	0,25
Tunisia	0,75	0	0,75
Turkey	0,75	0	0,75
Uganda	1	0	1
Ukraine	1	1	0
United Kingdom	0	0	0
United States	0	0	0
Uruguay	0,5	0	0,5
Vanuatu	0,75	0	0,75
Venezuela	0,75	0	0,75
Vietnam	1	0	1
Yemen	1	0	1
Zambia	1	0	1
Zimbabwe	1	0	1

Of the 153 countries that are included in the fuzzy set of developing countries, 51 countries are 'fully in' the set.[42] These countries are mostly in Sub-Sahara Africa, South Asia and Central America. 31 countries are 'more in than out'. Many of these countries are found in the Middle East and Latin America. 6 countries – Argentina, Uruguay, Mauritius, Lebanon, Malaysia and St. Lucia – are 'neither in nor out'. 9 countries are 'more out than in' and 56 countries are 'fully out' of the set of

[42] Note that only those countries, which are included in the fuzzy set of welfare states, are included in the fuzzy set of developing countries.

developing countries. These countries include most OECD countries and (obviously) post-communist countries. Overall, 82 countries are in the set of developing countries and thus make up the developing world based on this classification. Broadly speaking, the set of developing countries corresponds to what is usually called the Global South minus the post-communist countries and minus the more developed areas of the Global South, such as the southern cone of Latin America. Having created a fuzzy set of developing countries, it is now time to connect the two fuzzy sets to identify welfare states in the developing world.

3.3. Welfare states in the developing world

In the previous sections, I calibrated the fuzzy sets of welfare states and developing countries. In this section, the two sets are connected to build a fuzzy set of welfare states in the developing world. Thus, in QCA terminology welfare states in the developing world are identified as follows:

Developing country AND welfare state

Table 13 below presents the results.

Table 13. Fuzzy set of welfare states in the developing world

Country	**Membership in the set of welfare states**	**Membership in the set of developing countries**	**Membership in the set of welfare states in the developing world**
Brazil	1	0,75	0,75
Cape Verde	0,75	0,75	0,75
Costa Rica	0,75	0,75	0,75
South Africa	0,75	0,75	0,75
Argentina	0,75	0,5	0,5
Mauritius	1	0,5	0,5
Thailand	0,5	0,75	0,5
Tunisia	0,5	0,75	0,5
Turkey	0,5	0,75	0,5

Table 13 (cont'd)			
Uruguay	1	0,5	0,5
Algeria	0,25	0,75	0,25
Barbados	1	0,25	0,25
Belize	0,25	0,75	0,25
Bolivia	0,25	0,75	0,25
Chile	0,75	0,25	0,25
China	0,25	1	0,25
Ecuador	0,25	0,75	0,25
Egypt.	0,25	0,75	0,25
El Salvador	0,25	0,75	0,25
Guyana	0,25	1	0,25
Indonesia	0,25	1	0,25
Iran	0,25	0,75	0,25
Jordan	0,25	0,75	0,25
Lebanon	0,25	0,5	0,25
Malaysia	0,25	0,5	0,25
Maldives	0,25	0,75	0,25
Malta	1	0,25	0,25
Mexico	0,25	0,25	0,25
Namibia	0,25	0,75	0,25
Panama	0,25	0,75	0,25
Peru	0,25	0,75	0,25
South Korea	1	0,25	0,25
Sri Lanka	0,25	1	0,25
St. Kitts and Nevis	0,25	0,25	0,25

Table 13 (cont'd)			
Trinidad and Tobago	0,5	0,25	0,25
Venezuela	0,25	0,75	0,25
Vietnam	0,25	1	0,25
Afghanistan	0	1	0
Albania	0,5	0	0
Angola	0	1	0
Armenia	1	0	0
Australia	0,75	0	0
Austria	1	0	0
Bahrain	0,25	0	0
Bangladesh	0	1	0
Belarus	1	0	0
Belgium	1	0	0
Benin	0	1	0
Bhutan	0	1	0
Bulgaria	1	0	0
Burkina Faso	0	1	0
Burundi	0	1	0
Cambodia	0	1	0
Cameroon	0	1	0
Canada	1	0	0
Central African Republic	0	1	0
Chad	0	1	0
Colombia	0	0,75	0

Table 13 (cont'd)			
Congo, Dem. Rep.	0	1	0
Congo, Rep.	0	1	0
Côte d'Ivoire	0	1	0
Croatia	1	0	0
Cuba	1	0	0
Cyprus	1	0	0
Czech Republic	1	0	0
Denmark	1	0	0
Djibouti	0	1	0
Dominica	0	0,75	0
Dominican Republic	0	0,75	0
Estonia	1	0	0
Finland	1	0	0
France	1	0	0
Gambia	0	1	0
Georgia	0,25	0	0
Germany	1	0	0
Ghana	0	1	0
Greece	0,75	0	0
Grenada	0	0,75	0
Guatemala	0	0,75	0
Guinea	0	1	0
Guinea-Bissau	0	1	0
Haiti	0	1	0

Table 13 (cont'd)			
Honduras	0	1	0
Hong Kong	0,75	0	0
Hungary	1	0	0
Iceland	1	0	0
India	0	1	0
Ireland	1	0	0
Israel	1	0	0
Italy	1	0	0
Japan	1	0	0
Kazakhstan	0,75	0	0
Kenya	0	1	0
Kuwait	0,25	0	0
Kyrgyz Republic	1	0	0
Laos	0	1	0
Latvia	0,75	0	0
Lesotho	0	1	0
Lithuania	1	0	0
Luxembourg	1	0	0
Macedonia	0,75	0	0
Madagascar	0	1	0
Mali	0	1	0
Mauritania	0	1	0
Moldova	0,75	0	0
Mongolia	1	0	0
Montenegro	1	0	0

Table 13 (cont'd)			
Morocco	0	0,75	0
Mozambique	0	1	0
Nepal	0	1	0
Netherlands	1	0	0
New Zealand	1	0	0
Nicaragua	0	1	0
Niger	0	1	0
Nigeria	0	1	0
Norway	1	0	0
Oman	0	0,25	0
Pakistan	0	1	0
Papua New Guinea	0	1	0
Paraguay	0	0,75	0
Philippines	0	0,75	0
Poland	1	0	0
Portugal	1	0	0
Qatar	0	0	0
Romania	1	0	0
Russia	1	0	0
Rwanda	0	1	0
São Tomé and Principe	0	1	0
Saudi Arabia	0	0,25	0
Senegal	0	1	0
Serbia	1	0	0

Table 13 (cont'd)			
Sierra Leone	0	1	0
Singapore	0,25	0	0
Slovak Republic	1	0	0
Slovenia	1	0	0
Spain	0,75	0	0
St. Lucia	0	0,5	0
St. Vincent and the Grenadines	0	0,75	0
Sudan	0	1	0
Swaziland	0	0,75	0
Sweden	1	0	0
Switzerland	1	0	0
Taiwan	1	0	0
Tanzania	0	1	0
Togo	0	1	0
Uganda	0	1	0
Ukraine	1	0	0
United Kingdom	1	0	0
United States	0,75	0	0
Vanuatu	0	0,75	0
Yemen	0	1	0
Zambia	0	1	0
Zimbabwe	0	1	0

Overall, 153 countries are included in this classification. As can be seen in Table 3.13, only four countries are identified as welfare states in the developing world:

Brazil, Cape Verde, Costa Rica and South Africa. Note that these countries are not 'fully in' the set, but only 'more in than out'. Moreover, of these four countries only Brazil is classified as being 'fully in' the set of welfare states. This signifies that welfare states in the developing world are indeed a rare phenomenon.

Six countries – Argentina, Uruguay, Mauritius, Thailand, Tunisia and Turkey – are 'neither in nor out'. Argentina, Uruguay and Mauritius are classified as welfare states, but because they are middle income countries they are 'neither in nor out' the set of developing countries. Given that, Mauritius has had a universal social security system for around five decades, it is very likely that, it would have been in the set of welfare states in the developing world if the analysis were conducted for an earlier period in time. The other three countries are 'more in than out' the set of developing countries and are 'neither in nor out' the set of welfare states.[43]

Another 27 countries are 'more out than in' the set of welfare states in the developing world. 7 of these – including the richer Latin American countries – are 'more out than in' the set of developing countries and a very heterogeneous group of 18 countries are 'more out than in' the set of welfare states. Finally, 116 countries are 'fully out', including (obviously) 25 post-communist countries, 27 welfare states outside of the developing world (mainly in the OECD area) and 57 developing countries, mostly from Sub-Sahara Africa and South Asia.

These results of the fuzzy set of welfare states in the developing world serve as a case selection tool for Part III of this dissertation, in which the emergence of welfare states in the developing world is explored and explained. To ensure that this comparative-historical analysis is feasible, all small countries in the dataset are excluded from the case selection process, because one cannot expect to have sophisticated English-language secondary resources on the history of social security development in these cases. Therefore, all countries with a population below 500.000 in the year 2005 were excluded from the case selection. With this procedure, 12 small countries are identified. Among these countries is one of the welfare states in

[43] Note that Thailand and Turkey are classified as 'more in than out' the set of developing countries due to the source of per capita income data used. Maddison-Project (2013) data indicates that both countries have been above world average for a long time.

the developing world: Cape Verde. Cape Verde is a small, peripheral country whose population reached 500.000 only in 2012. To study this case in a comparative-historical analysis is by all accounts unfeasible for a non-Portuguese speaking researcher. Therefore, Cape Verde is excluded from the case selection. This means that three countries that are identified as welfare states in the developing world are selected for the comparative-historical analyses conducted in the second part of this thesis: Brazil, Costa Rica and South Africa.

Despite the fact that the overwhelming majority of countries are included in this global measurement of welfare stateness, there are still some countries, which are not classified in this analysis. Could any of these missing cases also be potential welfare states in the developing world that should have been included in the case selection? For several reasons, the likely answer is no. First, many of the missing countries are very small countries, such as the Marshall Islands, which would in any case be excluded from the case selection. Second, other missing countries have less than universal coverage in one of the two dimensions of social security. For instance, in Jamaica pension coverage is 40 percent. Even if health coverage would be universal, Jamaica would not be classified as a welfare state. Third, some missing countries, such as Libya, would not be classified as developing countries and therefore cannot be cases of welfare states in the developing world. Hence, it is very likely that the fuzzy set analysis identified all relevant cases of the phenomenon.

To conclude, four countries are identified as welfare states in the developing world in the fuzzy set analysis. Three of these cases are selected for the comparative-historical analysis in Part III of this dissertation. These cases – Brazil, Costa Rica and South Africa – are therefore selected as *deviant cases*, from the perspective of comparative welfare state research. While there is a consensus in comparative welfare state research that only economically developed countries, but not developing countries can become welfare states, these three relatively poor countries did become welfare states according to the fuzzy set analysis. Chapters 5 to 7 will explain how and why these countries became welfare states in spite of their relatively low level of economic development.

3.4. Conclusions

In this chapter, I conducted a large-n fuzzy set analysis to identify welfare states in the developing world. For this purpose, I conceptualized the key concepts of this analysis, welfare state and developing countries. I defined the welfare state as a country, whose citizens are protected by the formal social security system and a developing country, as an economically less developed country (i.e. low per capita income), which is not a transition country (i.e. post-communist country). Based on these conceptualizations I calibrated two fuzzy sets measuring the degree to which countries are welfare states and developing countries, respectively.

The fuzzy set of welfare states consists of two dimensions, measuring the universality of the old age pension system and the healthcare system. Those countries, which have both universal old age pension systems and universal healthcare systems, are included in the set of welfare states. The set of developing countries also consists of two dimensions. One dimension identifies lower middle income countries, based on a modified version of the World Bank classification by income. The second dimension identifies post-communist countries. Countries that are included in the set of welfare states and in the set of developing countries are identified as welfare states in the developing world. These countries are Brazil, Cape Verde, Costa Rica and South Africa. In order to ensure the feasibility of the ensuing comparative-historical analysis Cape Verde has been excluded from the case selection due its small size.

Before turning to the comparative-historical analysis of welfare state development in Brazil, Costa Rica and South Africa, the results of the large-n fuzzy set analysis of welfare stateness in the context of economic development deserve to be discussed in more detail. The fuzzy set of welfare states constitutes the first truly global mapping of welfare stateness and thus has potentially significant implications for the 'geography of comparative welfare state research' (Hort 2005). What patterns does this global mapping reveal? Can potential causal factors, which were discussed in the Chapter 2, explain the results of the fuzzy set analysis? These and related issues will be explored in the next chapter.

CHAPTER 4

GLOBAL PATTERNS OF WELFARE STATENESS

In this chapter, I conduct a tentative analysis of the fuzzy sets that were calibrated in the previous chapter to understand what patterns of welfare stateness these fuzzy sets reveal. The analysis in this chapter mostly relies on descriptive statistics, e.g. cross-tabulations. While this might appear simplistic, there are substantial reasons why more sophisticated methods are not applied. Advanced quantitative methods of analysis, like regression analysis, are not applied because fuzzy sets lack mathematical properties required for these methods of analysis. Ragin (2008a) proposes using sophisticated methods to analyse set-relations. This would involve the coding of causal factors, e.g. partisan politics, ethno-cultural fractionalization. However, such coding would require substantive case knowledge and is thus infeasible within a large-n context. Therefore, the analysis in this chapter is restricted to descriptive statistics.

The chapter is divided into two parts. In the first part, I compare the fuzzy set of welfare states with alternative measurements of welfare states that have been presented or proposed in existing research. This part demonstrates that the fuzzy set of welfare states provides a remarkably valid classification of countries according to their degree of welfare stateness on a global level. Furthermore, I aim to show that the fuzzy set is an improvement over existing measurements of welfare states, as it is the first analysis of welfare states on a truly global level.

In the second part of this chapter, I put patterns of welfare stateness that emerge in the fuzzy set of welfare states into the context of welfare state theories that were discussed in Chapter 2. Here, I first look at regional patterns in order to understand possible implications of the global mapping for the 'geography of comparative welfare state research' (Hort 2005). Then, I cross-tabulate the results of the fuzzy set of welfare states with data on possible causal factors behind welfare state development, e.g. economic development, regime type and ethno-cultural fractionalization. These analyses have to remain tentative and can provide only indicate results. Yet, they do contain some interesting findings that deserve to be presented in some detail.

4.1. Alternative ways to measure welfare states

In this section, I compare the fuzzy set of welfare states with alternative ways to conceptualise and measure welfare states. For this purpose, I compare the results of the fuzzy set of welfare states with data based on alternative measurements of the welfare state. In case results are similar, this would signify that these different measurements reflect a common underlying concept of the welfare state. The fuzzy set of welfare states would then be a useful proxy for the welfare state on a global level. In case there are significant differences in the classification of countries, these differences would require substantial explanation. Why are the classifications different and which classification reflects an intuitive or qualitative assessment of welfare stateness in the respective countries more adequately?

Beyond testing whether the fuzzy set of welfare states provides a valid classification of countries according to the degree of welfare stateness, the comparison undertaken in this section will also reveal whether the global analysis of welfare states developed in this thesis constitutes an improvement over existing research. This improvement could be achieved in two ways: through a more adequate classification of countries and through a more global reach of the measurement, i.e. the inclusion of more countries.

The following discussion involves the analysis of two types of measurements of welfare states. First, measurements based on welfare effort and public social expenditures and second, measurements based on the Global Welfare Regimes approach (Gough 2004). Among the measurements based on welfare effort analysed here are a) the level of public social expenditures as a share of national income and b) Therborn's definition of welfare states. These measurements of welfare states are selected because they are either frequently used in comparative welfare state research or provide a clear yardstick for measuring welfare stateness on a global level.

Beyond measurements based on welfare effort and Global Welfare Regimes, there are also other ways to measure welfare states in comparative context. For instance, Esping-Andersen's Decommodification Index (1990) is widely used as a proxy for the quality of welfare states. Yet, this index 'has no cut off point that could distinguish between welfare states and non-welfare states' (Leisering 2011: 6), is based on data which is available only for a limited number of countries and is very difficult to generate for other countries. Moreover, the Decommodification Index and other social rights-based indexes, such as Korpi's Index of Social Rights (1989) and Scruggs' Benefit Generosity Index (2014), are closely tied to particular types of social security programs. Therefore, they are not well suited for a global measurement of welfare states that leaves open what kind of policies a state pursues in order to ensure that its citizens are protected against social risks. That is why these social rights-based indexes are not discussed in this chapter.

In addition to social rights-based measurements of the welfare state, one could also discuss broader rights-based measurements. For instance, ratification of the International Covenant on Economic, Social, and Cultural Rights has been taken as an indication for the assumption of 'collective responsibility for the well-being of the entire population' (Kaufmann 2013: 37-38). Similarly, a self-description as a welfare state in the constitution could be used as a proxy for welfare stateness. However, measuring legal rights through ratification of international agreements on social rights or constitutional declarations is rarely used as a proxy for welfare stateness in comparative research. Moreover, in the Global South legal rights and constitutional guarantees are often a poor guide to understanding the quality of social rights (Fuchs 1985: 78). Therefore, the analysis in this chapter is limited to the more established measurements, based on welfare effort and on the Global Welfare Regimes approach.

4.1.1. Welfare effort

In this section, I discuss two indicators of welfare stateness based on public social spending, and compare the results with the fuzzy set of welfare states. Conceptualising the welfare state in terms of 'welfare effort' and public social spending is probably the most widely used approach in comparative welfare state research. The ILO started publishing comparative data on the level of public social expenditure in the 1950s with the Cost of Social Security series and this dataset was employed in various early ground-breaking studies (Zöllner 1963; Aaron 1967; Wilensky 1975). To enable a comparison between very different countries, scholars mostly relied on a standardized indicator, public social expenditure as a share of GDP (or GNI), which, scholar believed, 'comes closest to capturing the idea of the welfare state' (Wilensky 1975: 2).

However, in the 1980s, criticism of using social spending data as a proxy for the welfare state increased and alternative conceptualizations of the welfare state, based on the social rights provided by the state, were developed (Korpi and Palme 2008). Critics argued that 'expenditure levels have only indirect bearing on [...] the core of the modem welfare state' and that public social expenditure as a share of the GDP is a 'unidimensional indicator of a clearly complex and multidimensional reality' (Korpi 1989: 310). This criticism was popularised in Esping-Andersen's famous words that 'expenditures are epiphenomenal to the theoretical substance of welfare states' and that it 'is difficult to imagine that anyone struggled for spending per se' (Esping-Andersen 1990: 19 and 21).

The merits of social spending indicators as a proxy for welfare states have been intensely debated ever since (Siegel 2007; De Deken and Kittel 2007; Jensen 2011; Gilbert 2009; Olaskoaga 2013). In spite of much criticism, public social expenditure as a share of GDP continues to be frequently used partly because it is 'easily available for all relevant countries' (Green-Pedersen 2007: 19), i.e. the classic welfare states. Yet, on a global level data on social expenditure as a share of national income remains surprisingly fragmentary. The ILO ended the publication of its Cost of Social Security series in the 1990s with the last data being from 1996. The ILO's Social Security Inquiry database (ILO 2016a) does contain newer data on social expenditure, but data quality is uneven. Moreover, the ILO's Social Security Expenditure Database contains data on social expenditure, but only compiles data from other sources, which puts some doubt on the coherence of the data. The two most popular cross-national databases covering social expenditure, the OECD's Social Expenditure Database (SOCX) and the European Union's European System of Integrated Social Protection Statistics (ESSPROS), mostly focus on high income and European countries, respectively. Thus, they cover only a small minority of countries throughout the world.

Currently, the IMF's Government Finance Statistics (GFS) is the best available data source for public social expenditure on a global level. However, even this database only covers around 60 countries. Most of these countries are either OECD or post-communist countries and thus the global reach of this database is limited – particularly when compared to the fuzzy set of welfare states, which includes nearly 150 countries – and the results possibly biased. To overcome this data availability problem, I combined GFS (IMF 2016b) with SOCX data (OECD 2016) and selected data from the ILO's Social Security Expenditure Database (ILO 2016c).[44] With this data, I built a social expenditure dataset that contains data for 89 countries. For most countries, the data is either for 2007 or 2008.

Despite the long history of using social spending as a proxy for the welfare state, there has apparently never been an attempt to define a threshold, in terms of a certain amount of public social expenditure as a share of GDP, beyond which countries would be classified as welfare states. The closest to such a definition that I have been able to find in the literature is provided by John Baldock (2007: 22), who writes that countries 'in which a substantial part of the production of welfare is paid for and provided by the government have been called "welfare states"'. Yet, Baldock does not state clearly what proportion this 'substantial part of the production' would be. Still, it is possible to speculate about thresholds. Christopher Pierson (1991: 111), for instance, uses social expenditure levels of 3 and 5 percent as a rough measurement to identify when Western countries became welfare states. Instead of using a fixed level, one could also look at the spending levels of those countries, which are usually defined as welfare states in comparative research, to arrive at a threshold value for welfare stateness. However, welfare states vary by how much their levels of public social spending and so it is impossible to find a definitive threshold with this method.

These examples make it clear that it is difficult to define a conceptually justified cut-off point to differentiate between welfare states and non-welfare states based on

[44] To ensure that the data from different databases is comparable, I computed the correlation coefficient for some data points (either from 2008 or the latest available year), which these databases have in common. The correlation between GFS and ILO data is r=0.96. The correlation between GFS and SOCX is r=0.90.

welfare effort. To overcome this problem, one could create a fuzzy set based on social expenditure data. However, for the purpose of a comparison between the fuzzy set of welfare states and alternative measurements this is not necessary. Here, it should suffice to cluster countries according to spending levels based on intervals of five percentage points. Table 14 presents a cross-tabulation of the results for 85 countries, which are included in the fuzzy set and in the social expenditure dataset. The numbers in the cells indicate the number of countries that are classified in the respective categories.

Table 14. Comparing welfare state measurements (1)

		Fuzzy set of welfare states				
		1	0.75	0.5	0.25	0
Public social expenditure as a proportion of GDP	Above 20%	22	3			
	Between 15 and 20%	13	3	1	2	
	Between 10 and 15%	1	3	1	3	
	Between 5 and 10%	3	3	1	4	1
	Below 5%			2	10	9

The table indicates that of the 85 countries, which are included in the comparison, most cases show a high correlation between the level of social expenditure, a classic ‘input’ indicator and degree of inclusion in the fuzzy set of welfare states, which is based on ‘output’ variables (Gough 2008: 42). Among the 51 countries that are classified as welfare states based on the fuzzy set, 45 countries have a public social expenditure above 10 percent of GDP. This includes two of the three welfare states in the developing world that are analysed in Part III: Costa Rica and South Africa. Conversely, only 6 countries identified as welfare states in the fuzzy set have a lower public social expenditure level than 10 percent of GDP. These countries are Kyrgyzstan, Kazakhstan, Mauritius, South Korea, Chile and Cape Verde. Among the 29 countries that are classified as non-welfare states based on the fuzzy set, only 5 countries have a higher public social expenditure level than 10 percent of GDP. These countries are Kuwait, Egypt, Iran, Maldives and Georgia.

This comparison between the fuzzy set and social expenditure data suggests that in most cases, the degree of universality of the social security system is correlated with the level of public social expenditure. Yet, the outliers, where expenditure and welfare stateness do not go hand in hand need to be discussed. First, there are outliers with high social expenditure and low degree of welfare stateness. In the case of Kuwait and Egypt, there is a high degree of volatility in the expenditure data. So, it is not clear, whether these cases are indeed spending as much, as it appears in the dataset. Iran is known to have a complex welfare system with the regular social security bureaucracy working in tandem with 'revolutionary organizations' (Harris 2010). This might explain why expenditure is high, whereas coverage is uneven (high health, but low pension coverage).

Second, there are outliers with low social expenditure, but high degree of welfare stateness. These cases potentially feature universal coverage with a rather low benefit level. Pension benefits in South Korea, for instance, are known to be quite low (Scruggs et al. 2014). In these cases, one could argue that the fuzzy set of welfare states, which does not include benefit levels, overestimates the degree to which these countries are welfare states. However, the incoherence between spending and coverage might also be due to other factors, such as demography. The proportion of aged in a population is a key driver of social expenditure (Kangas and Palme 2007) and a low level of social expenditure might simply indicate a lower proportion of old aged in the population. The proportion of old aged in Mauritius, a country with comparatively low social expenditure and high universality, for instance, is only half as high as in Georgia, a country with comparatively high social expenditure and low universality (World Bank 2016). Therefore, it is entirely possible that Georgia's higher social expenditure is simply a result of the higher number of pensioners in the general population.

This example shows one advantage of the fuzzy set of welfare states over expenditure-based measurements. A country, such as Mauritius, which has universal health coverage and universal old age pensions, might not qualify as a welfare state based on expenditure-based measurements simply because the demographic transition is not as advanced as in other countries. This illustrates Korpi's claim that 'expenditure levels have only indirect bearing on what is the core of the modem welfare state – the extent and quality of the social rights that constitute social citizenship' (Korpi 1989: 310). In light of this evidence, one could reasonable claim that social expenditure is a poorer guide to welfare stateness than the fuzzy set of welfare states.

In addition to the measurement of social expenditures as a share of GDP, there is a second expenditure-based measurement. This measurement has been proposed by Goran Therborn, but it remained far less popular than the conventional indicator of welfare effort. Therborn defines welfare states as 'those states where more than one-half of all government expenditures are devoted to social policy, as opposed to the economy, the military, law and order, infrastructure, and other traditional state functions' (Gough 2008: 40). Therborn's conceptualisation has been criticised by some for its empirical implications. Esping-Andersen (1990: 20), for instance, argues that 'the result is that no state can be regarded as a real welfare state until the 1970s, and some that we normally label as welfare states will not qualify because the majority of their routine activities concern defence, law and order, administration, and the like.' This has been confirmed in a more recent study by Castles (2006).[45]

While the previous assessments of Therborn's conceptualisation were based on samples of classic welfare states, I use GFS data in order to conduct a more global analysis. As explained above, there are some data availability issues with GFS data. That is why the number of countries included in GFS and in the fuzzy set of welfare states remains rather limited (58 countries), with an emphasis on OECD and post-communist countries. Table 15 presents a cross-tabulation of the results.[46] The numbers in the cells indicate the number of countries that are classified in the

[45] Moreover, various studies discuss public expenditures patterns for different countries without putting the findings into the context of Therborn's conceptualization of the welfare state. Bonnerjee (2014: 186-190), for instance, provides data on the share of expenditure devoted to the 'social sector' in South Asia, which shows that Nepal, India and the Maldives spent more than half of their expenditure on the social sector at different points in time. This is additional proof that Therborn's definition produces counterintuitive empirical results.

[46] In estimating the proportion of expenditure devoted to social policy, I define housing, health, education and social protection expenditure as social policy expenditure.

respective categories.

Table 15. Comparing welfare state measurements (2)

		Fuzzy set of welfare states				
		1	0.75	0.5	0.25	0
Proportion of expenditure devoted to social policy	Above 50%	32	7	1	3	
	Below 50%	2	2	2	6	3

The results indicate that the extent to which countries are classified as welfare states in the fuzzy set mostly overlaps with the proportion of expenditure devoted to social policy. 39 countries are classified as welfare states and 9 countries are classified as non-welfare states by both measurements. Only four countries that are classified as welfare states in the fuzzy set devote less than half of their expenditures to social policy. Moreover, only three countries that are not welfare states according to the fuzzy set spend more than half of their budget on social policy. This means that there are only 7 outliers among 55 countries that can be clearly classified. These outliers deserve to be discussed in detail.

Among the non-welfare states that spend most of their budget on social policy are Egypt, Iran and El Salvador. The latter is particularly interesting, considering that only around 20 percent of the population of El Salvador is covered by its health and pension systems. Among the countries that are classified as welfare states in the fuzzy set and that devote less than half of their budget to social policy are Russia, South Africa, Cape Verde and Iceland. The latter case is telling, given that the expenditure data used in this comparison is mostly from 2008. In 2008, Iceland was severely hit by a financial crisis and therefore around one-third of all expenditure went to economic affairs. Due to the high expenditure on economic affairs, social policy expenditure fell below 50 percent. The case of Iceland is a good illustration of the main problem with Therborn’s definition of welfare states. As much as welfare states are defined by social policy in this definition, they are defined by what else states do. That is why Therborn’s definition tends to produce inconvenient results, as previous scholars also noticed.

In this section, I compared two spending-based measurements with the fuzzy set of welfare states. Overall, there is some overlap in the results for these different measurements. In many cases, the level of public social expenditure and the universality of the social security system are correlated to some degree. Yet, for two reasons the fuzzy set of welfare states arguably provides more convincing results and serves as a better yardstick for welfare stateness compared to spending-based approaches. First, apparent misclassifications, such as El Salvador's classification as welfare state (Therborn) and Mauritius' classification as non-welfare state (social expenditure as a share of GDP), are avoided. Second, whereas spending-based datasets usually contain data only for a minority of countries, the fuzzy set of welfare states is able to map welfare stateness on a truly global level, with around 150 countries being included.

4.1.2. Global Welfare Regimes

In this section, I compare the results of the fuzzy set of welfare states with studies based on the Global Welfare Regimes approach, one of the most leading frameworks of social policy in the Global South. The Global Welfare Regimes approach is one of the few attempts to globally map welfare regimes based on a coherent conceptual framework. Both, conceptually and methodologically it follows a different logic than the fuzzy set of welfare states, so a comparison of the results is particularly interesting.

Since the 1990s, an increasing number of scholars attempted to extend welfare regime research, which was initially limited to 'eighteen to twenty rich capitalist countries in the Organization for Economic Cooperation and Development area' (Esping-Andersen 1994: 713), to ever new parts of the world. This process, labelled 'Esping-Andersen travels south' (Wehr 2009), took a decisive turn with the publication of Ian Gough and Geoffrey Wood's (2004) edited volume on Insecurity and welfare regimes in Asia, Africa, and Latin America. Whereas, earlier studies expanded Esping-Andersen's study of welfare regimes only to particular regions, such as Southern Europe or East Asia, and introduced only minor changes to the conceptual framework (Arts and Gelissen 2002), Gough and Wood built a new framework to study welfare regimes on a global level.

Originally, Esping-Andersen's framework for classifying welfare state regimes was based on a differentiation according to the source of welfare provision (state, family, market), the kind of welfare outcomes (degree of decommodification) and the type of stratification outcomes. In order to adapt the concept of welfare state regimes to a global level, Gough and colleagues re-define 'welfare state regimes' as only one type of the broader concept of 'welfare regime'. With regard to conceptual changes they add a supra- and international dimension to account for the disproportionately high significance of transnational power relations in large parts of the Global South. Moreover, they introduce the community as a fourth source of welfare provision to account for the welfare provision on the village level and work of local NGOs.

Based on this framework Gough and colleagues argue that there are three kinds of welfare regimes in the world: welfare state regimes, informal security regimes and insecurity regimes. Testing their framework through large-n cluster analyses, they find that empirically, in addition to the welfare state regime of the core OECD countries three welfare regimes exist: proto-welfare state regimes, informal security regimes and insecurity regimes. Just as welfare state regimes are clustered into three different regimes, informal security regimes can also be distinguished, namely between successful and failing (either due to high illiteracy or high morbidity) insecurity regimes (Gough 2004, Wood and Gough 2006, Abu Sharkh and Gough 2010).

The studies on Global Welfare Regimes conducted by Gough and colleagues constitute the most serious attempt at classifying countries across the world in terms of their welfare regime. This makes a comparison of their work with the results of the fuzzy set of welfare states all the more important. However, one should be aware that there are many differences between the two approaches. First, Gough and colleagues have a different aim: they classify countries according to several dimensions that constitute a welfare mix. The fuzzy set of welfare states instead, measures only the degree to which countries can be classified as welfare states and is thus far more limited in its ambition. Second, because the Global Welfare Regime approach aims to measure something else than the fuzzy set of welfare states, it is no surprise that Gough and colleagues use different indicators, accounting for input, output and outcome dimensions, public and private effort, international and domestic contributions. Interestingly none of the indicators used by Gough and colleagues is employed in the fuzzy set of welfare states. Third, Gough and colleagues employ a different method of analysis, namely hierarchical and k-means cluster analysis. This is a purely quantitative method of analysis with a different underlying logic. In cluster analysis, algorithms objectively place countries into clusters based on the distribution of scores in different indicators. In fuzzy set analysis, cut-off points, which are based on conceptual considerations, define 'clusters' and the method is clearly not purely quantitative.[47]

Given the differences in research goal, choice of indicators and methodology it is all the more interesting to see, in how far the two measurements come to similar conclusions. In the following, first the results of Wood and Gough (2006) and then the results of Abu Sharkh and Gough (2010) are compared with the fuzzy set of welfare states. The comparison is again based on a cross-tabulation of the country classifications. The focus of the comparison is on whether countries identified as being 'fully in' or 'more in than out' the set of welfare states are classified as 'actual or potential welfare state regimes' (Wood and Gough 2006) and 'proto welfare state regimes' (Abu Sharkh and Gough 2010), respectively. Table 16 presents the comparison of the results of Wood and Gough and the fuzzy set of welfare states.

[47] Although cluster analysis might look more objective and scientific, it can easily be 'fooled' by the data, as Hudson and Kühner (2010) have shown in a comparison of fuzzy set analysis with quantitative methods. Among the reasons for the problems with using cluster analysis are that the data that is employed often does not fulfil high quality standards and that when using multiple indicators superficial similarities or differences on one dimension can lead to counterintuitive clustering of countries.

Table 16. Comparing welfare state measurements (3)

		Fuzzy set of welfare states				
		1	0.75	0.5	0.25	0
Wood and Gough (2006)	(1) Actual or potential welfare state regimes	9	2	2	3	1
	(2) More effective informal security regimes	2			13	1
	(3) Less effective informal security regimes				1	8
	(4) Externally dependent insecurity regimes				2	9

Wood and Gough's cluster analysis is based on three dimensions: public spending on health and education as a share of GDP, the sum of international inflows of aid and remittances as a share of GNP and the human development index (HDI). Based on these dimensions, they identify four clusters in a sample of 61 countries for the year 1997. 53 countries, mainly from the Global South are classified both by Wood and Gough and in the fuzzy set of welfare states. Among the 13 countries that are classified as welfare states in the fuzzy set, 11 are classified as actual or potential welfare state regimes by Wood and Gough. The remaining two countries, Armenia and Uruguay are classified as more effective informal security regimes. Yet, it is likely that at least Uruguay would have been classified as an actual or potential welfare state if an earlier or later data points had been chosen by Wood and Gough.

Among the 38 countries that are classified as non-welfare states in the fuzzy set, only 4 are classified as actual or potential welfare state regimes by Wood and Gough. These cases are Kenya, Algeria, Bolivia and Colombia. In all four cases, the classification as actual or potential welfare state regime is rather dubious. Kenya, for instance, has not just a very narrow health and pension system, but also had a rather low HDI score in 1997. Its placement among the welfare state regimes is likely to be mainly due to high education expenditure. Arguably, this illustrates the perils of using a purely quantitative measurement, such as cluster analysis. Overall, the cross-tabulation of the results indicates a significant overlap between the two measurements. The results contradict each other only in 6 of 51 cases. In these cases, the classification of Wood and Gough appear to be less convincing than the classification based on the fuzzy set of welfare states.

A second empirical test of the Global Welfare Regime approach was conducted by Abu Sharkh and Gough (2010). Based on a more nuanced set of indicators[48] that arguably better reflects the conceptual ambition of the Global Welfare Regime approach, they analyse whether the clusters identified in previous research are stable over time. Their empirical analysis reveals eight different clusters, seven of which are connected to a particular kind of welfare regime. Table 17 compares their classification for the year 2000 with the fuzzy set of welfare states.

Table 17. Comparing welfare state measurements (4)

		Fuzzy set of welfare states				
		1	0.75	0.5	0.25	0
Abu Sharkh and Gough (2010)	Proto welfare state regimes (cluster A)	11	2	1		
	Successful informal security regimes (clusters B and C)	1	3	2	15	
	Failing informal security regimes (clusters D and F)		1		3	7
	Insecurity regime (clusters F and G)				2	6
	No clear regime (cluster E)				1	3

The comparison of the results indicates a strong overlap between the cluster analysis of Abu Sharkh and Gough and the fuzzy set of welfare states. 13 of the 14 ‘proto

[48] Abu Sharkh and Gough (2010) use the following indicators in the cluster analysis: aid per capita as a share of GNI, workers’ remittances as a share of GNI, public spending on health and education as a share of GDP, social contributions as a share of total state revenues, rates of immunization against measles, gross secondary school enrolment among girls, life expectancy at birth, illiteracy among the 15 to 24 year olds.

welfare state regimes' are identified as welfare states in the fuzzy set analysis. The remaining case, Tunisia, could not be clearly classified with the fuzzy set (it was classified as 'neither in nor out'). Interestingly, two of the three welfare states in the developing world that are analysed in the next chapter are among the proto welfare states in Abu Sharkh and Gough's analysis. Moreover, none of the 37 countries that are identified as non-welfare states in the fuzzy set are classified as proto welfare state regimes by Abu Sharkh and Gough.

Four countries that are identified as welfare states in the fuzzy set are in the cluster of successful informal security regimes. These countries are Kazakhstan, Moldova, Chile and South Korea. While this suggests that the classification in these cases significantly differs, it should be noted that Abu Sharkh and Gough (2010: 48) argue that 'the degree of variation within the cluster' of successful informal security regimes 'is rather high' and that some countries within the cluster 'would probably be identified as proto-welfare states if our data were more sensitive'. Moreover, for the case of South Korea, the difference in classification is likely due to the different data year. If coverage data from 2000 would have been used in the fuzzy set, South Korea would probably not have been classified as being 'fully in' the set of welfare states. Thus, the different classification of these four countries is not as significant as it might appear.

Finally, South Africa, a country that is classified as a welfare state in the fuzzy set is classified as a failing informal security regime by Abu Sharkh and Gough. There are two reasons for this different classification of South Africa. First, it scores very low on the indicator of social contributions as a share of total public revenues, a proxy for the 'extent of governmental and public responsibility' for welfare. Yet, this is largely because its social security system is mainly built on non-contributory schemes. In this sense, the classification reveals a weakness of the particular indicator used by Abu Sharkh and Gough.[49] Second, South Africa is in one cluster with other Southern

[49] The indicator also poses some problems in the case of Chile. Chile has a comparatively well-developed social security system, but a very low ratio of social contributions (7 percent of total revenues in 2000). Based on the other indicators used in the cluster analysis Chile would clearly be in the cluster of welfare state regimes.

African countries, such as Namibia or Zimbabwe, because of their low life expectancy, itself a result of the HIV/AIDS crisis. In this respect, the case of South Africa illustrates how the classification of countries according to welfare stateness can depend on whether one focusses on output dimensions (e.g. health coverage) or outcome dimensions (e.g. life expectancy).

In this section, two empirical classifications based on the Global Welfare Regimes approach have been compared to the fuzzy set of welfare states. Despite significant conceptual and methodological differences between the approaches, there are significant overlaps in the results. The correlation between the results is slightly higher in the case of Abu Sharkh and Gough's more sophisticated clustering, with only 5 of 55 countries being classified differently. The five cases, where the Global Welfare Regime and fuzzy set classifications are different, can be largely explained with data problems and conceptual differences.

The fact that these very different approaches produce similar results makes it likely that the measurements are both valid proxies for the underlying concept of the welfare state. In many cases, the classification of countries as welfare states or non-welfare states is thus not too dependent on the particular conceptualisation and measurement used. A group of countries outside of the classic welfare states are clearly identified as welfare states largely independent of methodology and indicator employed in the analysis. Given that the classifications of countries mostly overlap, the higher number of countries included in the fuzzy set analysis conducted in this thesis emerges as an important advantage. Whereas empirical tests of the Global Welfare Regime approach (just like the expenditure-based measurements discussed above) only include around 60 countries because of their reliance on sophisticated data, the fuzzy set of welfare states provides the first truly global measurement of welfare stateness, largely thanks to its more limited data requirements. In this sense, the global reach of the fuzzy set of welfare state constitutes an advance over existing research.

4.2. Patterns of welfare stateness

In this section, I discuss what patterns of welfare stateness emerge from the results of large-n fuzzy sets created in Chapter 3. Before presenting the results, however, the limits of the analysis, which mainly relies on simple cross-tabulations, should be made clear. The fuzzy sets of welfare states and developing countries are not quantitative measurements and are therefore not easily amenable to multi-variate analyses, e.g. regression analysis. Moreover, the fuzzy sets only provide a synchronic cross-national snapshot of the situation around the time of the financial crisis in 2008. Therefore, the data does not really allow for diachronic time-series analyses or in-depth historical explanations. One way to conduct a more thorough analysis of fuzzy sets would be to create truth tables, which 'list the logically possible combinations of causal conditions and the empirical outcome associated with each configuration (Ragin 2008b: 23). Thus, through truth tables causal configurations and pathways to welfare state development could be discovered. However, constructing truth tables requires the coding of different causal conditions for all cases. Possible causal factors, such as regime type and ethno-cultural fractionalisation, would have to be coded for 153 countries. In order to produce meaningful results, this would have to rely on some degree of case knowledge. Unfortunately, this is not feasible in the context of this thesis. Therefore, the analysis in this part is mostly restricted to simple cross-tabulations.

Yet, as will be shown in the remaining part of this chapter, even a superficial analysis of the fuzzy sets provides novel insights into global patterns of welfare stateness that deserve to be spelled out in more detail. In the following, I first discuss regional patterns of welfare stateness that are revealed by the large-n analysis undertaken in the previous chapter. Then, the results of the fuzzy set of welfare states are cross-tabulated with data on some causal factors, that have been emphasized in existing research and that have been discussed in Chapter 2, e.g. economic development, level of fractionalization and regime type. In this way, the analysis conducted in the remaining part of the chapter will allow us to draw some tentative conclusions about global welfare state development.

4.2.1. Regional patterns

The fuzzy set of welfare states makes it possible to map welfare stateness on a global level for the first time. Whereas previous analyses were limited to a minority of countries, the analysis undertaken in this thesis includes the overwhelming majority of all countries in the world.[50] The resulting map of welfare states in some instances overlaps with, but in other cases significantly differs from the conventional 'geography of comparative welfare state research' (Hort 2005). In terms of *regional patterns*, the large-n analysis thus contains several significant findings.

As most welfare state researchers would expect, all of Western Europe is in the set of welfare states. In fact, apart from Spain, which has less than universal pension coverage, all Western European countries are 'fully in' the set of welfare states. Similarly, North America and the Antipodes, which are also part of the traditional universe of cases of comparative welfare state research, are also classified as welfare states. However, both Australia and the United States, which traditionally rank among the welfare laggards in welfare state indexes (Esping-Andersen 1990; Scruggs and Allan 2006), are classified not as 'fully in', but only as 'more in than out' due to their less than universal pension coverage.

Apart from these classic welfare states, three high income countries in East Asia – Japan, South Korea and Taiwan – are also included in the map of welfare states. It is widely believed that during the Cold War, social policy in East Asia was 'strictly subordinate to the overriding policy objective of economic growth' (Holliday 2000: 708). However, in the last decades, social policy was expanded, particularly in South Korea and Taiwan, through the universalization of pension and health care systems, as well as the introduction of unemployment insurance schemes. Therefore, scholars began to study these cases as 'new' or 'emerging' welfare states and so the classification in the fuzzy set of welfare states should come as no surprise to scholars familiar with these cases (Gough 2001; Leisering 2003; Kim 2008; Peng and Wong 2010).

Another country group, which is nearly unanimously classified among the welfare states, are the post-communist countries. Nearly all the former constituents of the USSR, as well the USSR's main allies during the Cold War are classified as welfare states.[51] This includes some very poor countries, such as Armenia, which apparently

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[50] A number of countries, mostly in Sub-Sahara Africa and the Middle East, are not included due to missing data.

[51] The exceptions are Georgia and Albania, which both do not provide universal health coverage. Note

still provide universal social security, albeit on a very basic level. The classification of post-communist countries as welfare states signifies that despite many cutbacks, the universalization of basic social security, which the USSR and allied countries achieved after World War II (Kaufmann 2003a; Haggard and Kaufman 2008), has not yet been reversed.[52] With the exception of the EU member states among them, this country group has mostly been overlooked in welfare state research. So, at this point the fuzzy set of welfare states diverges from the conventional geography of comparative welfare state research.

The results for other regions are more diverse. In Latin America, for instance, one can broadly distinguish between two country groups (although there are some exceptions to the rule). The Southern Cone countries, which are traditionally more industrialised than the rest of the continent, is included in the set of welfare states. They are, however not 'new' and 'emerging' welfare states and their inclusion is not a result of the recent 'quiet' and 'revolutionary' expansion of social assistance (Barrientos and Hulme 2009). Rather, 'as early as the 1970s'. Argentina, Chile and Uruguay have had 'social policy regimes with a long history that covered a majority of their populations against social risks and thus deserve to be conceptualized as welfare states' (Huber et al. 2008: 420; Mesa-Lago 1978; Segura-Ubiergo 2007), a fact that is often overlooked in comparative research. The economically less developed countries of Latin America, on the other hand, do have fairly comprehensive social security systems, but these cover only a minority of the population. They are thus 'failing the needy', as research on Latin American social policy has long claimed (Lloyd-Sherlock 2000). Among this group of countries, the poorer Central American countries stand out as having poor coverage on both dimensions. The major exceptions in this pattern are Costa Rica and Cuba, which are classified as welfare states, and the relatively more developed Mexico, which is

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that a few post-communist countries are not included in the fuzzy set due to missing data (Bosnia-Herzegovina, Azerbaijan, Turkmenistan, Uzbekistan and Tajikistan). It is likely that at least some of these cases do not have universal social security systems.

[52] Yet, one should not forget that social protection systems in many of these countries provide quasi-universal coverage on a very low level.

classified among the non-welfare states.

In Asia, most countries apart from the East Asian cases mentioned above are classified as ‘more out than in’ the set of welfare states. Some of the poorest countries, such as Papua New Guinea and Laos, are even classified as ‘fully out’, with social security covering less than 10 percent of the population. Yet, this classification of Asia as a world of non-welfare states perhaps oversimplifies the situation. It is probably largely correct for the main South Asian countries, India, Pakistan and Bangladesh, which feature low health and pension coverage (although Köhler (2010) argues that the South Asian countries are becoming welfare states). Yet, particularly in South-east Asia, there are some countries, such as Malaysia or Singapore, with remarkably universal health systems (Tangcharoensathien et al. 2011). Moreover, in these countries the universalization of the pension system could soon follow. In addition, to these cases, Thailand is apparently on the verge of becoming a welfare state. Despite being a latecomer (Hort and Kuhnle 2000), Thailand has made significant gains towards providing basic universal healthcare and social pensions for the whole population (McGuire 2010; Suwanrad and Wesumperuma 2012). In fact, using a more lenient indicator for the universality of the pension system would have led to a classification of Thailand as a welfare state (cf. Schramm 2002). Other Asian countries, such as China, also recently expanded social protection coverage. It is possible that in their cases global policy diffusion, in particular the recommendations of international organizations like the ILO, has been influential. Yet, this coverage expansion is not yet visible in the data used for the fuzzy set.

One region, which is consistently ranked among the non-welfare states, is Sub-Sahara Africa. Most of the region, which is one of the least well researched areas of the world in comparative social policy (Gruat 1990; Wright and Noble 2010; Nino-Zarazua et al. 2012), are ‘fully out’ the set of welfare states. While these countries have had social security systems since colonial times (Midgley 1984a; Kangas 2012), these systems mostly still cover only a small minority of the population. Most countries in this region are ‘fully out’ on the dimension of universal health coverage and universal pension coverage. Three exceptions to this rule are South Africa, Mauritius and Cape Verde, which are in the set of welfare states. Moreover, in recent decades most of South Africa's neighbours followed South Africa's example and achieved nearly universal pension coverage through the introduction of social pensions (Devereux 2007). Yet, in these cases, social security coverage in other dimensions remains limited and social security systems are not too comprehensive. The converse pattern is found in the case of Rwanda, which features low pension coverage, but recently significantly expanded social health insurance coverage (ILO 2014: 145).

Finally, the Middle East and North Africa is mostly 'more out than in' the set of welfare states. Within this region, Gulf countries appear to have the least universal social security systems. This is surprising, given that many scholars believe that the oil-rich countries among them are providing 'generous social policies' (Karshenas and Moghadam 2009). While these countries do have universal healthcare systems, these are not complemented by other classic social security systems with universal coverage. If these oil-rich Gulf countries provide universal social protection, they thus do this through unconventional social protection mechanisms, which are not detected in the fuzzy set of welfare states. North African countries, on the other hand, do have quite comprehensive social protection systems that cover a sizeable part of the population. Yet, except for Tunisia, these systems still cover only a minority of the population. The regional outlier in the Middle East and North Africa region is Israel, which is 'fully in' the set of welfare states.

Overall, in terms of regional patterns this mapping of welfare states somewhat conforms to the conventional geography of comparative welfare state research in so far that all countries, which are included in the two most important databases of comparative welfare state research, SCIP and CWED, are classified as welfare states. Thus, all countries that are usually studied as welfare states are also classified as welfare states in the large-n analysis. However, in addition to these cases, the Southern Cone countries in Latin America, post-communist countries, which are not member states of the EU, and a few other countries spread around the Global South, such as Costa Rica, Mauritius or South Africa, are also included in the world of welfare states. These cases are usually overlooked in comparative welfare state research, even though they do provide universal social security for their populations. Based on the results of the fuzzy set analysis one can conclude that it is time to include these countries in comparative studies.

4.2.2. Economic development and the welfare state

In the previous section, I explored regional patterns revealed by the global mapping of welfare stateness. In this section, the results of the fuzzy set of welfare states will be put into the context of theories of welfare state research. In the following, I will cross-tabulate the fuzzy sets of welfare states and developing countries to understand, in how far the global mapping of welfare states provides proof for the logic of industrialism argument and the different empirical hypotheses based on the industrialism argument. While the convergence hypothesis has been already widely rejected, the hypotheses that industrialization is a necessary or a sufficient condition for welfare state emergence are still on the table. Needless to say, cross-tabulations provide only a snapshot picture and cannot serve as a conclusive test of the logic of industrialism thesis.

To better visualise the results, it is useful to disregard the in-between cases for a moment and only focus on the 140 countries, which are either in or out the sets of welfare states and developing countries. For better visualization, Table 18 presents the results for the two fuzzy sets as crisp sets and excludes cases that are ’neither in nor out’. Thus, the table provides a first overview of the results in the context of the logic of industrialism hypothesis.

Table 18. Cross-tabulation (1): welfare states – developing countries

	Welfare state	**Non-welfare state**
Developing country	4	71
Non-developing country	56	9

The lower left cell and the upper right cell are those cases, which are in line with the logic of industrialism thesis. The upper left cell consists of those cases, which are developing countries, but are classified as welfare states despite their relatively low level of economic development. The lower right cell consists of those cases, which are not developing countries, but are classified as non-welfare states. It is clear from the table that the overwhelming number of cases is broadly in line with the industrialism thesis. Less than ten percent of all cases do not fit the prediction of the logic of industrialism.

The four cases, which are welfare states and developing countries (Brazil, Cape Verde, Costa Rica and South Africa), are very heterogeneous and difficult to group. Of the nine cases, which are rich countries, but are not classified as welfare states, five are Gulf countries. These five cases (Saudi-Arabia, Oman, Qatar, Bahrain and Kuwait) have a high per capita income, but they did not go through a process of industrialisation in a way that is comparable to other high income countries.[53] Instead, their economic development is mainly the result of oil-exports. Moreover, in most Gulf countries, a substantial part of the workforce consists of temporary migrants and the labour force participation rate of the native population is comparatively low. Thus, from the perspective of the logic of industrialism thesis, the fact that their pension systems, for instance, only cover a minority of the population, is not too surprising. Their economic development never produced the need for modern social security instruments to the same degree the economic development in, say, Western Europe did. Therefore, the industrialism hypothesis would not predict the Gulf countries to witness a similar welfare state development as in Europe.

Table 4.5 above compared the results of the fuzzy sets of developing countries and welfare states. As explained in Chapter 3, the set of developing countries is composed of the subsets of lower income countries and post-communist countries. From the perspective of the logic of industrialism hypothesis, it is also meaningful to disregard the subset of post-communist countries and to cross-tabulate the sets of welfare states and lower income countries. In this cross-tabulation, post-communist countries are then classified solely according to their per capita income. For better visualization, Table 19 presents the results for the two fuzzy sets as crisp sets and excludes cases that are ’neither in nor out’.

[53] A similar case is Mexico, which is also classified as non-developing and non-welfare state and which has also been relying, to a significant degree, on oil exports.

Table 19. Cross-tabulation (2): welfare states – income group

	Welfare state	**Non-welfare state**
Low or lower middle income country	20	72
Upper-middle or high income country	38	8

The results naturally differ from the previous cross-tabulation due to the different classification of post-communist countries. A comparison of the two tables reveals that most of the low or lower middle income countries that are classified as welfare states – deviant cases from the perspective of the logic of industrialism – are post-communist countries. 16 of the 25 post-communist countries in the dataset are classified as both, lower income countries and welfare states. Yet, as explained above, these cases do not necessarily contradict the logic of industrialism. These countries became welfare states, while they were socialist, and afterwards retained their universal social security systems. Welfare state development in most of these cases went hand in hand with industrialization under a socialist regime – exactly as the industrialism thesis would predict. Only a few cases, such as Kyrgyzstan, were probably never really industrialized to a significant degree, thus contradicting the logic of industrialism. Their welfare state development might be best explained through processes of policy diffusion between the socialist countries, because countries within the communist world basically adapted the social security model of the centre.

The two cross-tabulations conducted in this section relied on an operationalization of economic development based on per capita income. In addition to per capita income employment in agriculture is also used as a proxy for economic development (Collier and Messick 1975; Hort and Kuhnle 2000), assuming that industrialization and the share of employment in agriculture are inversely correlated. Using this indicator, a similar picture emerges (World Bank 2016).[54] Among the countries classified as non-

[54] Alas, recent World Bank data for employment in agriculture does not exist for some countries, such as Costa Rica. Furthermore, very small countries, such as Singapore, are omitted from this comparison, as their situation is not strictly comparable to the situation of bigger countries. Data for

welfare states the share of employment in agriculture is usually rather high. Only in Middle Eastern countries, such as Saudi Arabia, the share of employment in agriculture is below fifteen percent. Moreover, Venezuela, another oil-dependent country, also features a low rate of agricultural employment. This points, again, to the peculiar situation of economies that are relying on oil-led development. As explained above, in these cases, economic development proceeded in a different way than in non-oil dependent countries and thus it is no surprise that this peculiar economic development does not necessarily lead to the establishment of a welfare state.

Among the countries classified as welfare states post-communist countries, such as Armenia, stand out as having a high share of employment in agriculture. Partly, this is, likely to be a transition period effect. The transformation from socialism to market economy produced significant de-industrialization in many post-communist countries. In Romania, for instance, the share of employment in agriculture increased from 28 percent to 43 percent between 1989 and 2000. Excluding these post-communist countries, the only welfare states with a share of employment in agriculture above fifteen percent are Brazil, Costa Rica, South Africa and Greece. Therefore, the main results for the comparison of welfare stateness and employment in agriculture are similar to the findings presented in Table 4.5 and 4.6.

So, what do these global comparisons of welfare stateness and economic development imply for the logic of industrialism thesis? From a macro-perspective, the cross-tabulation of the fuzzy sets of developing countries and welfare states provides some support for the logic of industrialism. Nearly all the richer countries

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employment in agriculture is from the early 2000s. Interestingly, the correlation between the fuzzy set of welfare states and the proportion of the population living in rural areas (World Bank 2016), another proxy for industrialization used in welfare state research (Flora and Alber 1981), is far weaker. Some classic welfare states have a high share of population living in rural areas. In Austria, for instance 34 percent of the population lived in rural areas in 2005. It appears that in cross-national comparisons, rural population is not always a good predictor for the level of industrialization. The United States, for instance, have a far bigger rural population than Chile, but no-one would argue that they are less economically advanced that Chile. Note that it is possible that these results are due to the fact that the rural population is defined and counted differently in different countries.

are classified as welfare states – just as the argument that industrialisation is a *sufficient* condition of welfare state development would predict. The main outliers are oil-dependent countries, which clearly went through a distinct process of economic development. Leaving these cases aside, the only relatively rich countries in the dataset that are classified as non-welfare states are Singapore and the tiny island country of Saint Kitts and Nevis. Thus, based on this tentative large-n analysis there are grounds to believe that sooner or later *virtually all* countries with strong economic development develop universal social security systems.

Moreover, nearly all the lower income countries included in the dataset are classified as non-welfare states – just as the argument that industrialisation is a *necessary* condition of welfare state development would predict. Most of the outliers are post-communist countries and these cases are more aptly classified as transition countries, not as developing countries. However, in itself this is not conclusive evidence for the argument that economic development is a necessary condition of welfare state emergence. The main problem with the cross-section analysis of welfare states and developing countries is that one cannot know whether the existing welfare states outside of the developing world became welfare states before, during or after industrialisation.

To understand whether economic development really is a necessary condition of welfare state emergence one would have to know when the 56 countries that are classified as welfare states and non-developing countries universalised their social security systems. Alas, creating a time-series dataset of welfare state development is infeasible in the context of this thesis, so the discussion of this issue remains tentative. Still, it is possible to find some hints on the historical development of social security coverage of classic welfare states (Alber 1982; Korpi and Palme 2008; Scruggs et al. 2014). Moreover, for the other welfare states, comparative case studies are useful sources (Mesa-Lago 1978; Kaufmann 2003, Sandbrook et al. 2007). Comparing this information with indicators of economic development, such as per capita income (Maddison-Project 2013) or employment in agriculture (World Bank 2016) reveals some interesting patterns.

Among the classic welfare states, Germany, Ireland, Norway and Denmark achieved coverage of the majority of the population in key dimensions (old age pensions and sick pay) at relatively lower levels of per capita income. Moreover, Portugal and Greece were still relatively agrarian countries when they expanded social security after democratization in the 1970s. In the Soviet world, case studies reveal that universal coverage only occurred in 1964 with the inclusion of the rural population (Kaufmann 2013: 58). At that point in time, particularly Central Asian republics, such as Tajikistan or Kyrgyzstan, were essentially still largely poor areas, while other Soviet republics were far more industrialized. This shows that there is some heterogeneity among the different welfare states in terms of the level of industrialization during welfare state emergence.

Regarding welfare states in the Global South it is noteworthy that Mauritius, which is classified as a 'middle-income country' in the 2000s, had already universalized pensions and health care on a rather low level of economic development by the 1970s. Finally, Argentina, Chile and Uruguay are known as welfare state pioneers in Latin America. However, these countries were actually economically quite developed when they expanded social security to cover most of the population after World War 2. In Brazil, South Africa and Costa Rica, however, the welfare state was built when per capita income was comparatively lower, as will be explained in Chapters 5 to 7.

This overview indicates, that at least a few of the countries that are classified as welfare states and not as developing countries were, in fact, still lower income countries when they universalized social protection. However, most them were already fairly industrialized countries. From a global perspective, the emergence of welfare states in relatively poor countries appears to be a rare occurrence. In most cases of welfare state emergence, significant economic development preceded the creation of a generous social protection system. From a macro-perspective, therefore, the logic of industrialism appears to hold true in many cases. Yet, the existence of *deviant cases* calls for a modification of the industrialism thesis.

4.2.3. Regime type, ethno-cultural fractionalization and the welfare state

In Chapter 2, I discussed theories of welfare state emergence and development. In addition to the logic of industrialism thesis, the role of other potential causal factors also figured prominently. While it is impossible to conduct analyses for each of these causal factors (and their possible causal configurations), two potential causal factors – the role of the regime type and ethno-cultural fractionalization – deserve to be analysed. In this section, I will cross-tabulate the fuzzy sets built in the previous chapter with data on regime type and ethno-cultural fractionalisation. Again, these cross-tabulations are only snapshots and do not provide conclusive evidence. Moreover, large-n quantitative data on both, fractionalisation and regime type is far from perfect. Thus, the cross-tabulations in this section can only provide tentative insights.

In Chapter 2, I explained that many researchers argue that ethno-cultural fractionalisation might hinder welfare state development. This connection between heterogeneity and social policy, it is argued, exists for several reasons. One reason given in the literature is that cross-class solidarity is weaker, when people belong to different cultural or ethnic groups (Lindert 2004: 27). In a nutshell, upper-middle and upper income groups are reluctant to redistribute part of their wealth to poorer people, when these people belong to a different ethnic or cultural group. While this argument focusses on the behaviour of richer strata in society, a second argument focusses on poorer strata. Lower classes, it is believed, are less likely to organize themselves into a coherent movement that demands redistribution if ethno-cultural divisions exist (Huber and Stephens 2001: 19). As a result, there is less potential for redistribution and thus building a generous welfare system is more difficult.

A comparison of the fuzzy set of welfare states with data on the level of fractionalization might provide some clues as to whether a connection between the two exists on a global level. Quantitative data on the level of ethno-cultural diversity is provided, among others, by the fractionalisation dataset created by Alberto Alesina and colleagues. It contains separate data for ethnic, language and religious diversity and basically measures the ‘probability that two randomly selected individuals from a population belonged to different groups’ (Alesina et al. 2003: 158-159).[55] Welfare state researchers usually do not differentiate according to the type of cleavage (e.g. ethnic cleavages are important, religious cleavages are not). Therefore, I create a composite fractionalisation indicator, which connects the different fractionalisation variables (ethnic, language, religion) with a logical OR, i.e. the fractionalisation level

[55] Note that the data on fractionalization is far from perfect. Yemen, for instance, is classified as extremely homogeneous, even though there is a high level of religious fractionalization.

is defined by the highest level of fractionalisation in the three dimensions.[56] Table 20 below presents a cross-tabulation of the fuzzy set of welfare states and the composite fractionalisation measure. For better visualization, the data is transformed into crisp sets and excludes cases that are ’neither in nor out’.

Table 20. Cross-tabulation (3): welfare states - fractionalisation

	Welfare state	**Non-welfare state**
High fractionalisation	24	56
Low fractionalisation	35	26

It is possible to draw two tentative conclusions from the cross-tabulation of the set of welfare states and the fractionalisation data. First, there does not appear to be a clear overlap between the two dimensions. All four cells are relatively populous. Universal social protection systems exist in both, very homogeneous countries, such as Denmark, and in very heterogeneous countries, such as Brazil. Similarly, there are homogeneous non-welfare states, such as Cambodia, and heterogeneous ones, such as Uganda. Second, countries with high fractionalisation are more likely to be non-welfare states, but countries with low fractionalisation are more likely to be welfare states. Therefore, a connection between fractionalisation and welfare state development appears to be possible, but the data is not clear.

The picture changes a bit, once the per capita income level of a country is introduced as a third dimension. Table 21 below presents the data for fractionalisation and welfare stateness separately for lower income and higher income countries.

[56] A fractionalisation level above the average of the dataset (0.57) is defined as high. A fractionalisation below the average is defined as low.

Table 21. Cross-tabulation (4): welfare states – fractionalisation – income group

		Welfare state	Non-welfare state
Upper-middle income or high income country	**High fractionalisation**	13	4
	Low fractionalisation	25	4
Lower-middle income or low income country	**High fractionalisation**	10	50
	Low fractionalisation	10	21

The three-dimensional comparison shows that the assumed connection between fractionalisation and welfare states is more spurious than assumed. Among the richer countries both more and less diverse countries are more likely to be welfare states. Additionally, among the poorer countries both, more and less diverse countries are more likely to be non-welfare states. This shows that the correlation observed in the previous cross-tabulation is far weaker when one controls for per capita income level. Hence, the analysis reveals no clear connection between fractionalisation and welfare states on a global level.

In Chapter 2, I also explained that there is a controversy regarding the potential role of the regime type in welfare state development. Some researchers argue that democracy is conducive for welfare state building because it enables redistribution from the rich to the poor (Haggard and Kaufman 2008). However, other researchers point out that welfare states exist not just in democracies and that many autocracies have been pioneers in terms of social protection legislation (Mares and Carnes 2009). Therefore, the second group of researchers assumes that the regime type of a country does not affect the chances for welfare state building.

Based on the fuzzy set of welfare states it is possible to conduct a tentative analysis on this issue. Several datasets measure the regime type of countries throughout the world. These datasets not always agree on conceptualisation and measurement (Munck and Verkuilen 2002; Bowman et al. 2005). Yet, to obtain indicative results, it should not matter too much which database is used. For the analysis here, I use one of the most well-known databases, Polity IV (Marshall et al. 2016).[57] Table 22 presents a cross-tabulation of the fuzzy set of welfare states and the classification of regime type in 2008.[58] In order to better visualize the results, countries that are ‘neither in nor out’ the set of welfare states are again excluded and the remaining cases turned into a crisp set. Moreover, hybrid regimes and autocracies are merged under non-democracies.

Table 22. Cross-tabulation (5): welfare states – regime type

	Welfare state	**Non-welfare state**
Democracy	51	33
Non-democracy	6	43

The most striking aspect of this cross-tabulation is that there are relatively few non-democratic welfare states. In fact, all six of these cases (Armenia, Kyrgyzstan, Russia, Belarus, Cuba and Kazakhstan) are post-communist countries. Outside of the post- communist world there are appear to be no non-democratic welfare states. However, it should be noted that two of the countries, which are ‘neither in nor out’ the set of welfare states (Tunisia and Thailand), are classified as non-democratic. Tunisia is classified as a hybrid regime before 2011. Thailand has had a turbulent political history and is also classified as a hybrid regime between 2006 and 2010 and again in 2014 and 2015. Yet, overall, the results do suggest that there is a correlation between regime type and welfare stateness.

As in the case of ethno-cultural fractionalisation, the picture changes a bit, when the per capita income level of a country is introduced as a third dimension. Table 23 presents the cross-tabulation for the set of welfare states, regime type and per capita

[57] The creators of this database advise researchers to use the POLITY variable in the dataset and clarify that countries with scores of +6 and above on this indicator can be classified as democracies, countries with scores between -5 and +5 as hybrid regimes (anocracies) and countries with a score below -5 as autocracies (Marshall et al. 2016).

[58] I also ran the analysis for other years, but the results do not change much if a different (recent) year is chosen.

income.

Table 23. Cross-tabulation (6): welfare states – regime type – income group

		Welfare state	**Non-welfare state**
Upper-middle income or high income country	**Democracy**	34	1
	Non-democracy		6
Lower-middle income or low income country	**Democracy**	14	30
	Non-democracy	6	36

The cross-tabulation reveals several things. First, there are no rich countries, which are both, non-democratic and welfare states.[59] Second, only one of the seven countries, which are economically developed but are not welfare states, is democratic (Mexico). The other six countries are either hybrid regimes or autocracies.[60] Third, only six of the 20 lower income welfare states are not democratic. These are, again, all post-communist countries. Thus, if one replaces the income group subset with the set of developing countries, the lower left cell would remain empty. The four cases that would remain, the four welfare states in the developing world – Brazil, Cape Verde, Costa Rica and South Africa – are all democracies.

Overall, this tentative analysis of the set of welfare states and data on regime type indicates that a strong correlation exists between the two. However, one should not be too eager to draw the conclusion that democracy is a necessary precondition of the welfare state (in the developing world). It is true that during the 2000s, there were few non-democratic welfare states. Yet, in earlier years the situation was different. Before the collapse of the USSR, the communist countries were both welfare states

[59] However, note that there is one case (not included in the cross-tabulation) which would fit into this cell. Hong Kong is 'more in than out' the set of welfare states and it is usually classified as a hybrid regime (Freedom House 2016). However, Hong Kong is not included in the Polity database because it is not an independent country.

[60] Note that an eighth case, Saint Kitts and Nevis, is missing as it is not included in the Polity database because of its small size.

and autocracies. Therefore, one should be cautious when interpreting the results of the cross-section large-n comparisons provided in this section.[61]

4.3. Conclusions

In this chapter, I analysed global patterns of welfare stateness based on the fuzzy sets developed in the previous chapter. First, I compared the fuzzy set of welfare states

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[61] Recent research mapping Global Welfare Regimes has also focussed on possible connections between welfare regimes and Therborn's 'routes to modernity'. Therborn argues that there have been four roads to modernity: (1) The European route, taken by Western Europe, Eastern Europe and Russia; (2) The settler societies of North and South America, Australia, New Zealand and South Africa; (3) The colonial zone consisting of most of Africa and Asia; (4) Countries, with externally induced modernisation, which took autonomous strategies of development (e.g. Turkey or Japan) (Abu Sharkh and Gough 2010: 46). Could it be the case that the map of welfare states overlaps with these four routes to modernity? The table below compares the results for the set of welfare states with Therborn's four routes to modernity (which I coded based on Abu Sharkh and Gough (2010); to my knowledge a classification of all countries according to the routes to modernity schema by Therborn does not exist).

	Welfare state	Non-welfare state
European	43	1
Settler society	11	19
Colonized	2	54
Externally-induced modernisation	5	9

Apparently, there are indeed overlaps between the routes to modernity and the fuzzy set of welfare states. Unsurprisingly, European societies are – with one exception – classified as welfare states. Colonized countries, which comprise most of Asia and Africa, are – with the exception of Mauritius and Cape Verde – classified as non-welfare states. The settler societies, on the other hand, are more or less evenly split (the non-welfare states in this category are mostly relatively less developed countries in Latin America). Finally, countries of externally-induced modernisation are also relatively evenly split, with basically the richer, East Asian countries being classified as welfare states. Among the four welfare states in the developing world – Brazil, Cape Verde, Costa Rica and South Africa – three are settler societies, whereas one is a colonized country. Overall, some overlap between the routes to modernity and the worlds of welfare appear to exist. However, it is not clear whether the routes to modernity have an independent causal role, or whether there are underlying reasons behind this correlation, e.g. economic development.

with alternative ways to conceptualise and measure welfare states. This comparison included both, measurements based on welfare effort and measurements based on the Global Welfare Regimes approach. Second, I put the results of the fuzzy sets of welfare states and developing countries into the context of existing comparative research. Here, I first showed what implications the results could have for the geography of comparative welfare state research. I then analysed the results of the fuzzy sets in the context of the logic of industrialism thesis and cross-tabulated the fuzzy sets with data on potential causal factors, such as ethno-cultural fractionalisation and regime type.

The comparison of the fuzzy set of welfare states with alternative measurements of welfare states revealed that the fuzzy set constitutes an advance over existing research, as it is the first truly global mapping of welfare states. Compared to expenditure-based measurements, the results of the fuzzy sets are in most cases similar. This shows that the universality of the social security system often correlates with the level of public social expenditures. However, for a few cases, such as Georgia or Mauritius, the results differed. In these cases, it appeared that the classification of the fuzzy set better reflects qualitative assessments based on case-knowledge. For most countries, the results of the fuzzy set of welfare states are also similar to measurements based on the Global Welfare Regimes approach. Nearly all countries that are classified as proto-welfare states by Gough and colleagues are also classified as welfare states by the fuzzy set. Still, in a few cases, such as Chile and South Africa, the results differ. These differences are either due to data problems (Global Welfare Regimes-based measurements are far more demanding in terms of data) or due to differences in the underlying conceptualisations. These conceptual differences reflect different understandings of the concept of the welfare state, which are arguably equally valid.

Overall, the main advantage of the fuzzy set of welfare states over existing measurements is that it is the first truly global measurement of welfare stateness. Whereas existing measurements are limited to a minority of countries, the fuzzy set includes the overwhelming majority of countries. The fuzzy set is able to produce more global results mainly thanks to its simplicity. It solely measures the universality of the social security system in the two key branches of social security, old age pensions and healthcare. This simplicity allows for a truly global mapping of welfare states but, as the comparison with other measurements illustrates, this does not come at the expense of valid classification of countries.

The tentative analysis of global patterns of welfare stateness in the second part of the chapter produced some striking results. The analysis of regional patterns revealed that the geography of comparative welfare state research should be partly modified. Based on the fuzzy set of welfare states one can make a strong case for the inclusion of the Southern cone of Latin America and the post-communist world into comparative welfare state research. These regions feature universal social security systems similar to that of classic welfare states and their inclusion in comparative research could help to refine existing theories of welfare state emergence, development and retrenchment.

The cross-tabulation of the fuzzy sets with potential causal factors also produced significant findings. First, it provided an opportunity to analyse whether the different variants of the logic of industrialism thesis still hold. Understood as a sufficient condition, the analysis provided some support for the industrialism thesis. While eight non-developing countries are classified as non-welfare states, most of these cases are oil-dependent countries, which became rich without undergoing a typical industrialization process. The fact these countries did not become welfare states thus does not contradict the industrialism thesis per se. Understood as a necessary condition, the industrialism thesis suggests that only rich countries, but not poor countries can become welfare states. The analysis revealed that universal social protection systems are rarely built in lower income settings. Yet, there are a few deviant cases, welfare states in the developing world, and their existence calls for a modification of the industrialism hypothesis.

With regard to other potential causal factors, the results are inconclusive. A cross-tabulation of the fuzzy sets and data on the level of ethno-cultural fractionalization produced mixed results. Although there are strong conceptual arguments for a connection between diversity and welfare state development, such a connection does not appear to show in the large-n analysis. Moreover, even among the very limited number of welfare states in the developing world, the level of ethno-cultural fractionalization is not uniformly low. Thus, it seems that both homogeneous and heterogeneous countries can become welfare states.

Finally, a cross-tabulation of the results of the fuzzy sets and quantitative data on regime types showed that democracies are more likely to be welfare states than non-democracies. Strikingly, all non-democratic welfare states in the sample are post-communist countries. Thus, outside of the post-communist world, all welfare states, including all four welfare states in the developing world are democracies. This result, however, should not be interpreted as indicating that non-democracies cannot become welfare states, because the data only allows for a cross-sectional analysis. To obtain conclusive results, a time series analysis would be necessary.

In Part II of this thesis, I made a global analysis of welfare stateness in order to identify welfare states in the developing world and discussed broader patterns of welfare stateness that were revealed by this global analysis. In Part III of this thesis, I will now make a small-n comparative historical analysis of existing welfare states in the developing world. In the next three chapters, I will trace the history of welfare state emergence in Costa Rica, Brazil and South Africa. These cases constitute puzzles from the perspective of conventional welfare state research, as they became welfare states in spite of their relatively low level of economic development. Thus, the comparative-historical analysis will focus on the causal configurations that enabled building welfare states in these deviant cases.

Part III: EXPLAINING THE EMERGENCE OF WELFARE STATES IN THE DEVELOPING WORLD

CHAPTER 5

WELFARE STATE EMERGENCE IN COSTA RICA

5.1. Introduction

In this chapter, I discuss the emergence of the Costa Rican welfare state. Costa Rica has long been recognized as having 'one of the most comprehensive and progressive social welfare systems in Latin America' (Rosenberg 1979: 117). It has comparatively highly developed health and education systems that cover the whole population. Indicators of social development are also rather favourable, with life expectancy, for instance, surpassing all other Central American countries. This has led some observers to call Costa Rica a 'poor man's welfare state' (Deutsch 1981: 428).

Economically, Costa Rica was long known as a classic developing country. The most important exports used to be primary commodities, such as coffee and bananas, most of its population lived in rural areas and per capita GNI was below the world average and even the Latin America average (World Bank 2016; see Figure 2 and 3). Yet, this small Central American country has diversified its economy and is now ranked as an upper-middle income country by the World Bank. Social and economic development has thus been intertwined in this case, making it a poster child of development studies.

In the following sections, I reconstruct the history of social policy development in Costa Rica, which culminated in the transformation of the country into a welfare state. I begin with a discussion of early social policy initiatives from the late nineteenth century onwards and describe the developments until the mid-1970s – when Costa Rica universalized its social security system.

The historical analysis is divided into four sections that correspond to four stages in the process of welfare state building in Costa Rica. In the first section, I explore antecedents of welfare state building in Costa Rica in the late nineteenth and early twentieth century and discuss, whether there were any pioneering social policy initiatives or broader social developments that paved the way for the creation of the Costa Rican welfare state. In the second section, I focus on the 1940s, during which a reformist coalition composed of a centre-right president, the Catholic Church and the Communist Party laid the foundations of Costa Rica's social security system. In the third section, I discuss how state and society were changed during a brief period of authoritarian rule in 1948-1949. Finally, I trace developments between 1949 and the mid-1970s, when a centre-left political party, the *Partido Liberacion Nacional* (PLN), was the hegemonic party. During this period, social protection coverage in key programs was significantly expanded, so that eventually the overwhelming majority of the population was covered and Costa Rica became a welfare state.

After the discussion of the history of the Costa Rican welfare state, I put the Costa Rican case into the context of established theories of welfare state research. In the concluding section, I thus explain what combination of causal factors led to the creation of the Costa Rican welfare state and discuss the applicability of several theories of welfare state development that were explained in Chapter 2. Compared to the two other cases, Brazil and South Africa, the case of Costa Rica fits more neatly into conventional welfare state theories. Put briefly, centre-left hegemony in a context of political democracy led to the emergence of the welfare state.

5.2. Social policy before the 1940s

Before the middle of the twentieth century, it is difficult to speak of anything like a Costa Rican welfare state. In fact, before 'the late 1960s there had been no coherent state approach to social welfare matters in Costa Rica' (Rosenberg 1979: 118). Thus, Costa Rica's ascent to the status of the region's welfare leader was rather surprising. In this section, I describe social-economic developments before the 1940s to trace antecedents of welfare state emergence.

Costa Rica was colonized by Spain in the early sixteenth century. During the colonial era (1502-1820), Costa Rica was, generally speaking, a small, underpopulated and poor country (Mahoney 2010: 98-100). A cacao boom and a tobacco boom brought some economic growth, but overall did not lead to a lasting social and economic development. In addition to a weak economy, Spanish colonialism also failed to build strong state institutions (Shin and Hytrek 2002: 468). Consequently, when Costa Rica declared independence in 1821, it was a relatively poor and isolated country, with a weak state.

In cultural terms, Costa Rica was comparatively homogeneous. Due to its isolation and relative poverty, Costa Rica did not attract many immigrants in the colonial era. Additionally, there remained few indigenous people by the time of independence. Indigenous people had formed a majority in the early colonial period, but they were marginalized and displaced by the Spanish and eventually died in large numbers. The number of slaves was also comparatively low, according to some below one hundred when Costa Rica abolished slavery in 1824 (Olien 1980: 18).[62] Because of the low number of indigenous and black people, European culture was more dominant in Costa Rica than in neighbouring countries. The dominance of European culture went so far, that Costa Ricans perceived themselves as being white and European. Yet, this is probably more myth than reality, as 'genetic and historical research has reached the quite undeniable conclusion [...] that the overwhelming majority of Costa Ricans are Mestizos - or of mixed blood from Europeans, Africans and indigenous ancestors' (Bowman 2002: 76-77). In sum, whereas the country was less heterogeneous than its neighbours, it was technically not ethnically homogeneous. However, this ethnic heterogeneity did not lead to cultural heterogeneity. This distinguished Costa Rica from other Central American countries (Fuchs 1991: 329-331).

Costa Rica was transformed from the 1830s onwards when the country became a coffee exporting country. In addition to changing the structure of the agricultural economy, the coffee boom also had lasting effects on its society. Together with the building of railways which linked the country's interior to the Atlantic coast and a banana boom in the country's peripheral eastern (Atlantic) regions, the coffee boom caused immigration from all over the world, especially from the West Indies (Harpelle 2001). Immigration was on such a high level that by 1927, around 10 percent of the population were foreign-born[63] (Bell 1971: 21) and blacks (mostly

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[62] This possibly understates the extent of slavery, as well as the number of black people in the country. Yet, the number does give a rough impression of the situation.

[63] To put this number in perspective, this is on a similar scale as the proportion of foreign-born people

from the West Indies) comprised the majority of the population of the eastern Limon province (Fuchs 1991: 266).

While the coffee boom transformed Costa Rica's economy and society, it did not change the country's status as a dependent economy. In fact, 'no other Central American nation could rival the export dependence of Costa Rica in this period' (Gudmundson 1986: 4). Moreover, state institutions also remained underdeveloped. In the middle of the nineteenth century, the state was arguably a vehicle of the coffee-elite, with most presidents in that era being coffee producers or processors themselves (Fuchs 1991: 161).[64] It would not be too harsh a judgement to argue that the Costa Rican state was a nightwatchmen's state, in the liberal tradition of this era (Fuchs 1991: 287).[65]

Despite the underdeveloped state institutions, there were some social policy initiatives in the late nineteenth century that deserve to be mentioned. For instance, a clause in the 1871 constitution guaranteed the right to education. Yet, without the necessary infrastructure in place, this right did not become reality. Yet, it still led to a progress in terms of literacy, which has long been noticed in the literature (Kantor 1958: 4). The right to education can be seen as an early example of a paternalistic reform by the elite, as there were apparently no popular pressures behind the reform.[66] Furthermore, it appears that some special pension funds for different groups of employees were created from the late nineteenth century onwards

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in the Netherlands and Germany in 2013 (OECD 2016).

[64] According to Williams (1994) only one of those presidents between 1833 and 1885 who ruled for more than a year was not involved in coffee production, process or export.

[65] There are competing views on this issue in the literature. According to Gudmundson, from the Guardia dictatorship in the 1870s onwards 'the top political leadership acted with some degree of independence vis-a-vis the coffee oligarchy whose interest it presumably safeguarded' (Gudmundson 1995: 158). In contrast, Mahoney argues that while the Guardia-era showed that state autonomy was possible, the elite subsequently regained its influence through electoral competition (Mahoney 2001: 245).

[66] The short-lived constitution of 1917 also contained an interesting clause according to which that the state is to secure the welfare of the working classes. However, this constitution was abolished in 1919 and it is unlikely that the constitutional clause had much of a practical impact (Fuchs 1991: 266).

(Rosenberg 1976: 70-73). Yet, by all accounts, these pensions also had a very limited practical impact, as they appear to have covered at best 2 percent of the economically active population as late as 1930.[67]

Economic development was accompanied by the formation of a working class and the slowly increasing salience of the social question in general. These social developments led to a reformist outlook in parts of the Catholic Church.[68] In 1892, Bishop Thiel created a Catholic party, called *Union Catolica*, which focussed on the social question. The party can be described as being reformist in nature. It aimed to secure fair wages for workers, so that their living conditions improve and to contain any socialist or communist groups (Fuchs 1991: 197-198). Eventually, these reformist tendencies within the Church remained unsuccessful in electoral terms and Bishop Thiel's successor, Bishop Stark, did not continue with Thiel's reformist agenda (Fuchs 1991: 217-218).

Reformist political action grounded in lower class support, as attempted by Bishop Thiel, had its first political success in the 1920s. A few years after President Alfredo Gonzalez Flores (1916-1917) was deposed in a coup d'état (partly to prevent redistributive policies, such as the introduction of direct taxes), Jorge Volio, another upper-class reformist, gathered some electoral support. A former priest and Member of Parliament, Volio is credited for creating the first party that called for modern social policies. Among the political demands of his Radical Party were work injury (workmen's compensation) legislation, social housing and public health measures

[67] According to Rosenberg (1976) the first pension regime was created for teachers in 1886. A military pension system followed in 1898. In the twentieth century several other occupations, such as communication workers (1918), postal employees (1923), pacific railroad workers (1935), members of the judiciary (1939) and custom workers (1940), were given their own pension system. Based on the data on the number of employees in different occupations, which is provided by the 1927 census, I estimate (assuming that all people who worked in a particular occupation were covered by the respective pension fund) that all these pensions combined covered less than 2 percent of the economically active population. By far the most significant of these pension regimes would have been the teachers' pensions, which hints at the importance of education in Costa Rican society (Census de Poblacion de Costa Rica 1927).

[68] The population of Costa Rica is mostly Catholic.

(Fuchs 1991: 248-256). A contender in the 1924 presidential elections, Volio lost, but struck a deal with the winning candidate, Ricardo Jimenez Oreamuno. In return for the support of Jimenez' presidency by the Radical Party, Jimenez would pass a workmen's compensation law. Jimenez did live up to his promise and introduced the workmen's compensation scheme in 1925 (see Table 24).[69] Although the law covered only an estimated 5-8 percent of the total labour force, this legislation can be described as the foundation of Costa Rica's modern social security legislation (Rosenberg 1979: 120-121). In this sense, the work injury law can be seen as an inspiration for later reforms.

Table 24. Political regime and social protection developments in Costa Rica

Political regime	**Social protection innovations**
Oligarchic democracy (1889-1940)	
Changing governments, but power generally rests with oligarchy; elections are often rigged; reformist and leftist groups emerge from 1920s onwards	Various special pensions schemes for different occupational groups
	1925 Work injury law
	1933 Minimum wage
Calderon era (1940-1948)	
Reformist presidents with centre-right background; from 1942 onwards alliance with the Church and communists	1941 Social security act; implemented only in subsequent years; provided pension, health and maternity coverage for blue and white collar workers
	1943 Labour law
	1943 Constitutional amendment (social guarantees)
Civil war and Junta government (1948-1949)	

[69] The precise timing of the legislation is unclear. According to Social Security Programs Throughout the World, The Americas, 2003 (SSAPTW 2004) it was passed in 1925. According to an older SSAPTW publication (1958: 81) it was passed in 1924.

Table 24 (cont'd)	
Junta headed by Figueres rules the country for 18 months by decree; weakening of the elite vis-à-vis the state	1949 New constitution with extensive social rights
PLN hegemony (1949-1975)	
Democratic era; changing governments, but centre-left PLN is the dominant political party, reaching the peak of its power in the early 1970s	1958 Increase in salary cap with the goal to include upper-middle income groups
	1961 Constitutional amendment: Pledge to universalize social protection coverage within ten years
	1971 Abolishment of salary cap to include upper income groups
	1973 Rural health program, reform of health system with focus on primary health care
	1974 Social assistance and health care for the poor
	1975 Coverage of self-employed

The Great Depression that started in 1929 naturally hurt Costa Rica's export-dependent economy in a severe manner and increased distributive conflicts in society. In the aftermath of the depression, the Communist Party (CP), which called itself the Workers' and Peasants' Bloc, rose to prominence. While it was not very successful in the core coffee-producing region of Costa Rica, the party was strong in the east-coast banana region, where the United Fruit Company was had become a state within a state (Harpelle 2001: 23). The rise of the CP under the leadership of Manuel Mora was accompanied by the rise of unions, sometimes aligned with the CP (Alexander and Parker: 2008).

Independent from the rise of the CP, distributive conflict also arose in the coffee-producing central regions. There, small producers organized themselves with the aim of reworking the relationship between coffee producers and processors. This was a different kind of class conflict, than the conflict between workers and landlords, which Costa Rica's neighbours experienced. It was mostly resolved in a harmonious manner through the creation a national coffee institute, the Institute for the Defence of Coffee, in 1933. This reform in some respect resembled a class compromise as the institute had the function of mediating between producers and processors (Paige 1997: 128-133; a more critical view is provided by Yashar 1997: 63-65).

In the aftermath of the Great Depression, the state passed some social reforms, such as minimum wage legislation in 1933 and public works programs. The timing of the reforms indicates a connection to rising lower class demands in the context of a weakening economy. To a limited degree, these reformist policies also strengthened the position of the state vis-a-vis the economic elite (Fuchs 1991: 268; Gudmundson 1995: 159).

In spite of these social reforms, by the beginning of the Second World War, nothing would have led one to expect that Costa Rica would soon lay the foundations of a welfare state. Various Latin American countries had a far broader and deeper social security system. Neither health care, nor pensions were a matter of coherent state policy in Costa Rica (Rosenberg 1979: 118-119). Economic development remained on a rather low level, with GDP per capita remaining below the Latin American average (Maddison-Project 2013) and the share of agriculture in GDP hovering around 50 percent (Bulmer-Thomas 1983: 281). Political power remained in the hands of the traditional elite (Yashar 1997: 61-62). Finally, state expenditure was still on a very low level and the low (albeit slowly increasing) state capacity meant that a bureaucratic push towards welfare state building was unlikely.

5.3. Calderon, communists and the Church: laying the foundation of the welfare state (1940-1948)

Politics in general and social policy in particular rapidly changed when Rafael Angel Calderon Guardia was elected President in 1940. Calderon Guardia was the candidate of the *Partido Republicano Nacional* (PRN), handpicked by the outgoing president Leon Cortes – a common procedure in Costa Rican politics, as laws made the direct re-election of Presidents impossible (Paige 1997: 141). The PRN had dominated politics in 1930s Costa Rica (Lehoucq and Molina 2002: 178) and was characterized as representing mostly the interests of the traditional elite. Therefore, Calderon Guardia's election was widely seen as a ‘continuation of the oligarchic politics that had characterized 70 years of Liberal rule’ (Yashar 1997: 72) in Costa Rica. Yet, soon after coming to power Calderon set in motion a process that would see the emergence of a ‘social reform coalition’ (Yashar 1997), which would turn Costa Rica into a welfare state in ambition, even if not yet in practice.

President Calderon was a physician by profession and this gave him an unusual understanding of the difficulties that ordinary people faced, particularly in terms of health. Moreover, being a devout Catholic he was influenced by social Christian doctrines during his studies in Belgium in the early twentieth century (Paige 1997: 142). In this sense, Calderon continued the Costa Rican tradition of Catholic social reformism. Fearing that widespread poverty would be a fertile ground for communist ideas, he created the Social Reform and Social Security Act in 1941. This law, drafted in secret to avoid arousing suspicion by segments of the elite who were likely to oppose it, made social insurance coverage obligatory for all urban blue and white-collar workers with earnings below a particular threshold.[70]

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[70] There appears to be considerable confusion over the redistributive side of the social security law, at least in the English language literature. For instance, the wage ceiling of around 50$ per month (300 colones) meant that high income employees were excluded. Martinez-Franzoni et al. (2012) argue that this ‘helped reach lower income workers’ (20, all emphases in this foot note added) and that the policy was ‘highly inclusionary and created a unified system in which the working poor were incorporated earlier than other groups’ (16). Rosenberg, on the other hand, argues that in ‘Costa Rica, social-security protection could be understood as punishment for those who were productive wage earners; they had to pay a tax if their wage did not exceed a certain limit, while those whose wage exceeded the limit were privileged by being excluded from the tax’ (1981: 288). However, he also argues that ‘social insurance was initiated less as a program of income redistribution than as a program of income maintenance and job security for the more advantaged in society’ and that the ‘urban and rural poor were excluded from early social insurance health coverage in Costa Rica, just as they were left unprotected by the 1925 workmen's compensation law’ (1979: 123).

This controversy over whether the ‘working poor were incorporated’ (Martinez-Franzoni et al. 2012: 16) or whether the ‘urban and rural poor were excluded’ (Rosenberg 1981: 123) can be solved as follows. To understand the redistributive consequences of the legislation one has to understand the relative economic position of different classes and sectors in society. Furthermore, one has to understand, which parts of the population were included and which were excluded. Only then one can understand, whether the legislation was favourable for lower classes. A comprehensive analysis is

Initially the administration was unable to implement the legislation because the state lacked the technical capacity to implement the policy. Therefore, the administration asked the International Labour Organization (ILO) for technical assistance, which helped it overcome the problems and implement the reform (Rosenberg 1979: 129). This curious episode speaks volumes about the quality of the social policy bureaucracy in Costa Rica at that time. The law first provided coverage for sickness and maternity, with pensions following only later. The institutional characteristics of social insurance was comparatively generous and inclusive (ILR 1942: 576-577).

Yet, initially only a small minority of the Costa Rican population benefited from these generous provisions for sickness and maternity. Only 10 percent of the economically active population was covered in 1944 (Rosenberg 1979: 121-123). Even adding the uninsured indigent persons, which according to a governmental decree from October 1942 had a right to medical care through the Public Health Department, health coverage would have remained very low (ILR 1943a: 534). Coverage for old age, invalidity and survivors' pensions was even lower as the Social

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obviously not feasible in the context of this dissertation so a few remarks should suffice here. First, one has to differentiate between rural and urban areas and understand which were worse off. Second, in developing countries usually large informal labour market exists. Workers, who are not employed under formal contracts, are usually paid less than those in formal employment contracts and cannot be covered by regular insurance mechanisms. So, if Costa Rica is no exception (and there is absolutely no reason to think that it is an exception in this respect), the most marginalized of the working poor were excluded from the legislation (I have not been able to find data on the size of informal sector in Costa Rica around 1940; the earliest estimate I have come across is for the urban labour market in 1960, for which the estimate is 29 percent; Portes and Schauffler 1993: 42). Third, the initial geographical exclusion of coastal provinces probably means that only workers in better-off areas were covered. Another issue concerns the wage ceiling: This measure obviously excluded upper- and upper-middle income workers and had at least two implications. It made passing the bill easier, because upper income groups, who mostly prefer voluntary to obligatory insurance, were excluded, and it limited the legislation's redistributive effects. Finally, given that social security coverage during the era of the social reform coalition was very low significant redistribution from rich to poor would have been difficult anyway. In redistributive terms, the Social Reform and Social Security Act thus initially probably only had an effect on the distribution of income between lower-middle and middle income workers in the urban formal sector.

Reform and Social Security Act was not yet implemented for these branches.

The low coverage ratio was mainly due to three reasons. First, the law was restricted to urban areas, whereas the overwhelming majority of the population lived in rural areas. According to the 1927 census, only 19 percent of the population lived in urban areas, and by the time of the 1950 census, the urban population was still only 34 percent (Census de Poblacion de Costa Rica 1927: 40 and 1950: 108). Second, the law excluded workers, who worked for less than six months. This meant that short term and seasonal workers in urban areas were not covered. Finally, although the law in theory intended to cover all urban areas, in practice it was at first implemented only in four, and by late 1943 in six cities (Martinez-Franzoni et al. 2012: 29 and 32).[71]

Although coverage was initially rather limited, the Social Reform and Social Security Act played an important role in Costa Rican politics. Social security was one of three issues that caused a split within the elite. A second cause for the split was that President Calderon did not support the bid of former President Cortes' son to become speaker of the assembly. This was interpreted as Calderon reneging on a

[71] The selection of cities, which were included from the beginning, is quite interesting. The first four cities were San Jose, Alajuela, Cartago and Heredia, all in the Meseta Central, the central area of the country. These are four of the five biggest cities according to the 1927 census. The next two cities to be covered were Turrialba and Puntaneras (in 1943). Puntaneras was similar in size to Alejuala, but Turrialba was far smaller. It is interesting that no city in the mestizo-dominated western Guanacaste province (67 percent of the population were mestizos in 1927) and the black-dominated Limon province (56 percent of the population were black in 1927) were included. For Guanacaste, the reason might be that there were no big cities in the province when the law was implemented. However, the capital of Limon province was the second biggest city of Costa Rica in 1927. Alas, it is not feasible to research the reasons for the exclusion of Limon in this dissertation. Yet, one might speculate whether this decision was connected to Limon's historical status as not being perceived as a part of the 'real Costa Rica' (Harpelle 2001: xiii), its inhabitants being often foreign citizens (Bell 1971: 25) or its population being mostly ethnically different from the general population. Note that the International Labour Review summarizes the respective part of the regulation of November 1943 as follows: 'Until the Governing Body decides to extend its scope to new areas and workers, social insurance will apply only in the six largest towns of the country' (ILR 1944: 244, emphasis added). I was not able to find out when exactly the rest of the country was included in the social security system.

deal to support Cortes in his bid to run for presidency in the next elections (Lehoucq and Molina 2002: 178-179). A third cause of friction within the elite was the question of allegiance in World War II. Calderon positioned himself strongly on the side of the allies and even confiscated assets of and deported Axis nationals in Costa Rica, who formed a substantial part of the elite. These three issues led to a split within the PRN. Being a new politician with no power base of his own Calderon Guardia had to seek new allies – and found these allies in the Communist Party (Yashar 1997: 74-77; Paige 1997: 143; Fuchs 1991: 284-286; Mahoney 2001: 246).

This unlikely alliance between Calderon and the communists that started in early 1942 (Paige 1997: 143; Yashar 1997: 83) was supplemented by a third actor, the Catholic Church. Led by Bishop Sanabria, who continued the tradition of social Christian reform, which Bishop Thiel had initiated 40 years earlier, the Church again turned to the social question and even created its own labour movement – Rerum Novarum (after the Papal encyclical of 1891) (Yashar 1997: 145-147; Booth 1987: 221; Alexander 2008: 45-47). Although the social reformist appeal of Bishop Sanabria in general and the labour movement in particular were partly aimed at containing communist influence, Sanabria supported the alliance between Calderon and the communists from mid-1943 onwards (Rosenberg 1981: 282-285; Paige 1995: 144; Miller 1993: 520-522).[72]

The fact that crucial actors, who shared the aim of containing communist influence, decided to ally themselves with the Communist Party requires some explanation. Even though fear of Communism had served as a tool to win elections at least since the huge strike in the banana sector in 1934 (Fuchs 1991: 274; Creedman 1971: 62), Costa Rican communists pursued largely reformist and social democratic policies. One distinguished scholar even argues that Costa Rica communism was an ‘early

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[72] Although social Christian concerns were significant for the decision of the Church to enter the social reform coalition, they were not the only cause behind this move. The Church had been politically marginalized by secularizing reforms in the late nineteenth century. Calderon, a devout Catholic, launched some pro-Church policies and offered the Church possibility to re-enter the ‘country's political mainstream’ by being a part of the social reform coalitions. Thus, instrumental concerns could have also played a role in the pro-reform attitude of the Church (Miller 1996: 185).

form of Euro-communism whose policies in practice were for the most part indistinguishable from those of European socialist parties or the reformed Communist parties in contemporary Eastern Europe' (Paige 1997: 133). Early on, in 1931, the party declared a minimal program, that called for reform, not revolution. This moderate outlook of the party can be explained by the fact that Costa Rica more or less provided institutional guarantees of democratic rights and thereby, to a significant degree, gave communists the chance to organise democratically (Paige 1997: 133-138). Together with the favourable international climate during World War II (when there was an alliance between the USSR and the US), the moderate stance of the Communists made it possible for Calderon and the Church to cooperate with them.

In a few years, this social reform coalition laid the foundations for the welfare state that would be built in the next 30 years. It implemented the Social Security Act that had been legislated in 1941. Moreover, two amendments to the legislation ensured the institutionalisation of the Social Security Institution (Martinez-Franzoni et al. 2012: 22 and 32) and increased the wage ceiling, thus increasing coverage.[73] Additionally, a Low-Cost Housing Co-Operative was created in 1942, to ameliorate the housing conditions of the working classes (ILR 1952: 353).

A very significant move by the social reform coalition was the enactment of a constitutional amendment, widely known as the 'social guarantees'. These guarantees included the definition of work as a right and social duty, the right to association, the right to strike, the minimum wage, an eight-hour work day, overtime pay, a weekly rest day, annual vacations, equal wage for equal work, the institutionalisation of the social security system and the creation of work tribunals (Yashar 1997: 109; Creedman 1977: 186). Interestingly, the amendment was justified with the papal encyclicals Rerum Novarum and Quadragesimo Anno, as well as the Chilean and Mexican constitutions (Fuchs 1991), which points to the eclectic ideational roots of Calderon's politics. Although the social guarantees were not fully put into practice, they nevertheless symbolized a conception of the state as a 'modern

[73] In addition, some institutional characteristics of social insurance were changed (ILR 1944: 244).

welfare state' (Fuchs 1991: 286). As the ILO argued:

> 'The proposed amendment states that the social aim of the State shall be to provide a minimum of welfare for every inhabitant of the country by the rationalisation of the production, distribution, and consumption of wealth, by giving the worker the special protection to which he is entitled, by protecting mothers, children, and the aged and disabled, and by adopting all other measures for ensuring collective progress and concord.' (cited in Yashar 1997: 109)

In 1943, a few months after the constitutional amendment, the Calderon-Communist coalition passed another important social reform, the labour code.[74] The labour code expanded workers' rights to a significant extent. Most importantly, it officially recognized the right to organize, the right to collective bargaining, the right to strike and provided some minimum guarantee of working conditions (Booth 1987: 221; Miller 1993: 519). While not a social protection policy in a strict sense, it nevertheless provided some level of security for workers and altered the power balance between employees and employers. Interestingly, it excluded most of agricultural employees, because small farms were exempted from the labour code (Yashar 1997: 111), but according to estimates it still covered around half of the labour force – far more than the social security legislation did at that time (Miller 1993: 519).

The alliance between the PRN and the Communists was formalised in 1943, when the Communist Party dissolved itself and created a new party named Vanguardia Popular (PVP) that was officially no longer communist. Together, the parties ran as the Bloque de Victoria in the 1944 election and succeeded in getting Calderon's

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[74] Some might argue that in light of the fact that Congress voted 38-0 in favour of the labour code there was a consensus beyond the social reform coalition. Or, as Miller describes it, that it was a 'compromise document defined by the historically continuous expansion of the state' (Miller 1996: 83). Yet, the fact that none of the opposition deputies voted against the bill, does not mean, that it had no opponents (Yashar 1997: 112; Miller 1996: 83). Knowing that a direct opposition to the law would be electorally unwise, opponents of the labour law preferred to weaken the reach of the labour code through different amendments, rather than directly attack it (Creedman 1971: 223).

chosen successor, Teodoro Picado elected president. During the administration of President Picado, the pension component of Calderon's social security reform was finally implemented. In 1946, a regulation was passed that outlined the institutional characteristics of the invalidity, old age and survivors' pensions and came into effect on January 1, 1947 (ILR 1952: 96; Jacobstein 1987: 249). Yet, in spite of this continuing institutionalisation of social security in Costa Rica, by the end of Picado's term, still only 20 percent of the economically active population was covered by social security (Rosenberg 1979: 124).[75]

One reason for this slow growth in coverage was that a crucial attempt to reform social security in 1946 was shelved due to strong protests by doctors. In order to secure the financing side of social security and to increase coverage, the Social Security Institution (Caja Costarricense de Seguro Social (CCSS)) unilaterally decided to eliminate the salary ceiling of 400 colones per month and thereby mandatorily include wealthy employees. Protests against this move were led by the National Medical Union, which was close to the opposition. Apparently, the Communists were also rather lukewarm towards the reform, fearing that the

[75] It is possible that during the Picado era, coverage was extended to dependants of insured persons for the first time. Secondary sources give contrasting information on this issue (and I could not find the respective official regulation). According to Rosenberg, official statistics mention insured families for the first time in 1946 (Rosenberg 1979: 124). Moreover, in the 1943 regulation, dependants do not appear to be mentioned (ILR 1944: 244). However, note that the regulation of January 1942 states that: 'Medical and pharmaceutical assistance will also be given to an insured person's wife and his children of under 7 years' (ILR 1942: 576). According to another source coverage of dependants started only in 1955 (Mesa-Lago 1985: 14). Two recent articles claim that spouses were first covered in 1954 and the whole family was covered by 1965 (Vargas and Muiser 2013: 4; Martinez-Franzoni and Sanchez-Ancochea 2013: 154). This is consistent with an article from 1958, which stated that 'concurrently with the extension of sickness and maternity insurance for primary contributors progress is being made, though very slowly, in extending this scheme to the dependants of insured persons' (ILR 1958: 266). This implies that by the time of the article dependants were not yet fully included. According to Rosenberg, the inclusion of dependants was a slow process, which differed from region to region. First, dependants in rural regions were covered, and only by 1965 was the process of including families completed, when the policy was implemented in the capital San Jose (Rosenberg 1976: 260-261).

inclusion of upper classes would lead to a backlash against social security, thereby threatening the achievements that had been made so far. Moreover, President Picado did not voice his support of the reform, which meant that strong political backing for the move of the CCSS was essentially lacking. Therefore, the reform was cancelled (Rosenberg 1976: 82-137).

Overall, Picado's term was defined by an ever-deeper confrontation with the opposition.[76] The latter was for the most time split into two groups: The *Partido Democrata* (PD) around Otilio Ulate Blanco, representing small businessmen and the coffee elite and the *Partido Social Democrata* (PSD) around Jose Figueres, a new party that evolved out of the Centro think tank (Centre for the Study of National Problems) and representing the rising middle class. The government, represented by the Bloque de Victoria, on the other hand, 'found its support among the urban poor and working classes, the proletarians of the banana zones and other rural poor, devout Catholics of various classes, and some progressive members of the aristocracy' (Paige 1997: 145; see also: Fuchs 1991: 291; Bell 1971: 33-40).[77]

The confrontation between government and opposition reached a first climax in 1947

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[76] An early sign of the troubles to come was an attempted coup d'état in June 1946 known as the Almaticazo (Bowman 2002: 89).

[77] Note that Lehoucq (1991: 47-50) questions the claim that the elite supported the opposition. Yet, Paige's argument that in 'February 1942 a poll of the Club Union, the principal social forum of the coffee elite, found only one member still supporting Calderon' (Paige 1997: 143) convinces me, given that the coffee elite was practically synonymous with the Costa Rican elite as such. It is true that under the Calderon Guardia and Picado administrations some policies that benefited the traditional elite were also implemented (Fuchs 1991: 282-283; Miller 1996: 86). So, it would not be surprising if some progressive segments within the 'civil oligarchy' did not abandon Calderon (Bell 1971: 28). Moreover, due to its limited extent the initial social security legislation probably did not cause too much opposition from the elite (Martinez-Franzoni et al. 2012: 26). Still, it should have been difficult for the elite to support Calderon-Picado policies, such as the expropriation of rich Germans or Italians, the loss of the German coffee market or the introduction of direct taxes. Even if these policies did not sway the elite, it is difficult to imagine that the coalition with the communists did not make business afraid.

when the government introduced a redistributive direct income tax.[78] The opposition started a huge strike during which the Catholic labour movement Rerum Novarum sided with the opposition (Miller 1993: 531-532). Although Bishop Sanabria tried to end the strike, the fact that Rerum Novarum sided with the opposition symbolized the fracturing of the social reform coalition (Yashar 1997: 177-179). The strike ended in a compromise between government and opposition, but this did not mean end to the political deadlock.

In February 1948, presidential elections were held and both, the candidate of the government, Calderon Guardia, and the candidate of the opposition, Ulate declared themselves to be the winner.[79] A small group around Jose Figueres of the PSD took advantage of this chaotic situation[80] and started an armed rebellion – ostensibly, to secure that Ulate would become president (Bell 1971). After two months of fighting that killed thousands of Costa Ricans, Figueres' National Liberation Army won and started a new era that would, once more, transform Costa Rican politics and society.

Before turning to this second transformation, let us summarize the transformation achieved by the social reform coalition of Presidents Calderon and Picado, the Communist Party under Manuel Mora and the Church under the leadership of Bishop Sanabria. Between 1941 and 1948, the social reform coalition in Costa Rica created the institutional basis of a welfare state. Through passing an obligatory social insurance law and enacting a constitutional amendment that guaranteed widespread social rights, the social reform coalition laid the groundwork for the later transformation into a welfare state. By 1943, Costa Rica already aspired to become a

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[78] In the first half of the twentieth century, around two thirds of all state revenues came from taxing foreign trade and the state liquor monopoly. On average, the figure for the period of the reform coalition was similar. There had been no direct income taxes before. The absence of these taxes might be explained by a lack of concern about redistribution and a lack of bureaucratic capacity (Lehoucq and Molina 2002: 36).

[79] Costa Rica has had a long history of election fraud and in earlier times, the winner of an election would often be decided in post-election deals (Lehoucq and Molina 2002).

[80] The chaos around the elections triggered the uprising, but it was not the underlying cause. Figueres had been planning an armed uprising for years (Bowman 2002: 89-90).

welfare state.

This surprising development was brought about by a coalition between Calderon, an 'aristocratic reformer' (Paige 1997: 142), social democratic communists and a reformist Church leadership. It is likely that these three parts of the coalition were all necessary for the success of the coalition. Without Calderon, the communists would not have found a reformist partner in power and would have remained outside the government. Without the Communist Party, Calderon would not have mustered the electoral and parliamentary support necessary for the social guarantees (Schreiner 1988: 74). The social security act would have remained – as so much social security legislation in the developing world has historically been – an isolated piece of legislation that covered a tiny minority of the labour force.[81] Finally, without the support of the Church, it is unlikely that Calderon would have found the necessary support from traditional groups to go through with a coalition with the communists. Without the support of the Catholic Church, President Calderon might have very well been toppled by his own party.

5.4. Figueres and the Junta: an authoritarian interlude (1948-1949)

When the two competing candidates in the 1948 elections both declared themselves to have won the election, Jose Figueres started an uprising against the Picado government with the declared aim of instating Ulate as the president of Costa Rica. Yet, once the war was over Figueres showed that his goals went further than that: He aimed to transform Costa Rican politics, to create a 'second republic'. Thus, he made an agreement with Ulate that he would hand over power to him only after 18 months of rule by the Founding Junta of the Second Republic, which was to be headed by no-one else but Figueres himself. In this politically highly fluid period, which, among other events, saw a failed coup d'état and an invasion, the junta transformed the state-society structure and re-defined the political landscape of Costa Rica.

[81] Note that this point is at odds with Rosenberg's (1979 and 1981) description. Rosenberg argues that the Social Security Act was a crucial act of paternalistic elites, 'an elite committed to the social welfare and well-being of the citizenry' (1981: 296). But my argument is supported by Paige who claims that 'the Communist Party had more influence on the formation of the Costa Rican welfare state and welfare state ideology than any political force except Calderon himself' (Paige 1997: 149).

Hence, it is necessary to explain this short period in more detail, in order to understand subsequent developments.

Figueres' National Liberation Army was essentially a movement of young, middle-class Costa Ricans who were politically more or less close to the PSD. It was supported by mercenaries from the 'Caribbean Legion', a centre-leftist group that aimed to topple all dictatorships in Central America and replace them with democracies.[82] Having won the civil war, Figueres had the power to impose his terms on Ulate, even though – judging by the election results – public support for the latter was far stronger. Figueres ruled the country through a Junta from May 1948 until November 1949. Soon after the battle was won, the coalition between the middle class (PSD) and traditional elites (Ulate) against the Calderon-Communist alliance fell apart.

The Junta was mainly composed of people close to the PSD and thus aimed to realise the political goals of the PSD.[83] The PSD was social democratic in name, but lacked the working class background of traditional social democracy. Yet, its goals were broadly social reformist. Its roots went back to the Centro, a think tank that articulated middle class dissent during Calderon's rule. Even though opposed to the Calderon-Communist alliance, the Centro was principally in favour of social reform. In a nutshell, the goals of the PSD were to tame capitalism through a strong state that would economically and socially develop the country and redistribute wealth and power (Tippmann 1986: 211-216; Paige 1997: 145-147). Within a short time, the Junta made significant progress in this regard 'by simultaneously persecuting those against whom it had fought and weakening those with whom it had allied' (Yashar 1997: 186).

In June 1948, the Junta decreed the nationalization of banks and a special ten percent

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[82] Given that other Central American countries were far less democratic than Costa Rica at that time, Costa Rica was a surprising target for the Caribbean Legion.

[83] English (1971: 44) cites Gonzalo Fazio as Minister of Justice, Francisco Orlich as Minister of Public Works, Uladislao Gamez as Minister of Public Education, Bruce Masis as Minister of Agriculture and Industries and Raul Blanco, Minister of Public Health, as persons close to the PSD within the Junta.

tax on all capital above 50000 colones (roughly 8000$) (Bowman 2002: 98-99). These decrees were a direct attack on the 'economic power of the coffee elite' (Paige 1997: 146) and so 'in one single day, the junta landed a greater blow to the oligarchy than Calderon and Picado did in eight years' (Bowman 2002: 98). Before the decrees, banks were mainly a means of the agricultural and commercial elite to obtain credit. Afterwards, they became a means of the state to both, develop economy and society, as well as to redistribute wealth. With these moves, the power balance between state and society was significantly altered for the benefit of the former.

Only one month later, the Junta banned the Communist Party (PVP), in clear violation of a guarantee that had earlier been given to Mora, the leader of the PVP.[84] During Junta rule unions affiliated with the communists were dissolved and the Minister of Labour sought to ban the communist-affiliated union federation, the *Confederacion de Trabajadores de Costa Rica* (CTCR), which was achieved through a supreme court ruling in 1950 (Jacobstein 1987: 252-253; according to Miller (1996: 147) the final verdict was in 1951). Considering that the CTCR was by far the strongest union in Costa Rica (Miller 1993: 519), labour was critically weakened by this move. Therefore, the power of both, labour and the radical left was diminished during the brief authoritarian period.

In November 1948, the Junta disbanded the Caribbean Legion, and thus stopped Costa Rica from becoming a platform for centre-left militants to topple neighbouring regimes (Bowman 2002: 102). In the same month, the Junta decreed the abolishment of the army, a process that was concluded in 1949. One significant reason for this move was that the army was seen a potential tool for the conservative elite to overthrow Figueres (Bowman 2002: 110-111). Only several weeks later former president Calderon Guardia, who still believed that he had won the elections and who had been in exile in Nicaragua, invaded Costa Rica with the help of the Nicaraguan

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[84] Persecution of communists was not limited to the party ban. According to one source the Junta 'sent about 1 percent of the population into exile and jailed 3,000 people' (Yashar 1997: 186). Additionally, mass trials against members of the reform coalition did not hold up to the standards of a fair trial. In sum, the Junta was fairly thorough in trying to push communists (and *Calderonistas*) out of the political arena.

army, but was quickly pushed back.[85] Partly, this failure was due to lack of support by local *Calderonistas*. However, another important reason for the failure of the invasion was the intervention of the Organization of American States (OAS) in favour of Costa Rica. This international support strengthened the Junta in their aim of abolishing the army (Bowman 2002: 111-113).

In April 1949, the Minister of Security Edgar Cardona attempted a coup d'état with the stated aim of repealing the bank nationalization and ten percent tax on capital. It ultimately failed, but in its failure, it showed how significant the eventual abolishment of the army was for the changing power balance. The military, which had not been too eager to defend the social reform coalition around President Picado and the communists in the civil war, was a natural ally for the traditional elite to stop a state transformation as intended by Figueres and his friends (Bowman 2002: 113-115). Hence, the abolishment of the army strongly decreased the 'veto power' of the traditional oligarchy.

In terms of social policy, the legacy of the Junta-era is far less striking. Some argue that the Junta enforced the social reforms of the Calderon-era far more eagerly than Calderon and Picado ever did.[86] It is true that the Junta raised the minimum wage (Bowman 2002: 99), but apart from that it is difficult to ascertain, whether the Junta indeed ensured that de facto social protection was strengthened. One significant political move with long-term effect was to pay the accumulated debt that the state owed the CCSS (Rosenberg 1976: 180), thus securing the financial stability of the social security system. In any case, new social security laws do not appear to have been on the agenda of the Junta.

Far more important than the lack of novel social policies, however, is the fact that the Junta defended existing social reforms despite its strong opposition against the father of these reforms. It is argued that parts of the elite, who collaborated with Figueres

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[85] Note that the Nicaraguan army had nearly invaded the country in support of President Picado during the last days of the Civil War.

[86] According to one source 'laws dealing with a myriad of guarantees including minimum wage benefits, rights of tenure, free or low-cost hospitalization, maternity care, and child support payments, were actively enforced for the first time' (English 1971: 42). However, I could not verify these claims.

during the civil war, asked him to ‘annul the social guarantees, the labor code, and the social security law’ (Yashar 1997: 188). These expectations are unsurprising, given that Ulate, the winner of the 1948 elections, who succeeded Figueres in November 1949, had earlier called social reforms the ‘opiate of the social guarantees’ (Yashar 1997: 172).

During the Junta era, also a new constitution was written. A constitutional assembly was elected in December 1948, but communists and Calderon's PRN were not allowed to participate. Interestingly, Ulate's *Partido Union Nacional* (PUN) won the overwhelming number of seats and the PSD secured only few seats. Whereas the initial goal of Figueres and the PSD was to write a completely new constitution that showed stronger commitment to state intervention, the PUN preferred to use the previous 1871 constitution as a basis for discussion and keep its laisser-faire approach (Yashar 1997: 184-185). The result was a compromise between the different factions. The 1949 constitution still contained a strong commitment to a comprehensive welfare state. Among the social rights guaranteed by the constitution, were the minimum wage, protection against unemployment, sickness, disability maternity, disability and old age social protection. Additionally, the constitution also contained provisions on the welfare of mothers, children, the elder and the helplessly sick; on the right to unionise, strike and make collective agreements; low-cost housing; distribution of resources in share-cropping; labour courts. On the whole, the social guarantees established by the Calderon-Communist alliance in 1942 were upheld in the 1949 constitution.

To conclude, the Figueres’ rule as President of the Foundational Junta of the Second Republic did not significantly change Costa Rica’s social protection system. However, it altered state-society relations and the political landscape of the country, through some radical measures. It thereby set the course for the future development of the Costa Rican welfare state. State-society relations were changed, as the traditional elite was weakened through bank nationalization and a capital tax. Moreover, labour was weakened as communist unions were dissolved. Effectively, the position of the state vis-a-vis labour and business was thus strengthened, especially considering the leverage it had acquired through the additional revenues. Together with the abolishment of the military, this greatly enhanced the budgetary space available for social policy.[87] Although these measures still did not necessarily make the Costa Rican state comparatively powerful or autonomous (the budget was still only around 5 percent of GDP), they at least secured a medium level of state capacity.

The political landscape was reshaped by eliminating the radical left in the form of the Communist Party and sending Calderon Guardia into exile, which clearly weakened the rather personalistic PRN. The clash between pro- and anti-Calderon groups that dominated the political landscape between 1941 and 1948 was thus replaced by the clash between pro- and anti-Figueristas. Finally, dissolving the military meant that the threat of a coup d'état, a traditional vehicle of oligarchic circles to enforce their veto power[88], was largely curtailed.

5.5. Social security universalization in the era of PLN hegemony (1949-1975)

In November 1949, Jose Figueres handed the presidency over to Otilio Ulate Blanco, the winner of the 1948 elections that had triggered the civil war. Figueres had broken several pacts that he had made to end the civil war. However, in this case Figueres remained true to his words and this transition of power marks the beginning of an uninterrupted democracy that consolidated around 1958 and continues to this day (Bowman 2002: 69-140; Bowman et al. 2005: 966-967).[89] The post 1949 era saw the universalization of social protection under the leadership of Figueres' new party, the *Partido Liberacion Nacional* (PLN). In this period, Costa Rica completed its transformation towards a welfare state, which had been started under Calderon Guardia in 1941.

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[87] Despite the small size of the military, security expenditures were still around 10 percent of all government expenditures in the 1940s (Bowman 2002: 106).

[88] The coup against President Alfredo Gonzalez Flores in 1917 and the failed coup in 1949 are two such examples (Fuchs 1991: 238-242; Bowman 2002: 107).

[89] There is no universal agreement on the exact timing of democratic consolidation. According to Polity IV, Costa Rica has been a full democracy since 1890. Yet, most would probably assume that Costa Rican democracy consolidated only in 1949. Here, I side with Bowman, who argues that the consolidation occurred only in 1958.

Surprisingly, the presidency of Ulate (1949 – 1953) did not see a reversal of the social security legislation, despite the fact that Ulate was known as an opponent of these reforms.[90] Instead, 'Ulate's government virtually ignored the Social Insurance Institute' (Rosenberg 1976: 180). His term in office is described as a conservative presidency, bringing stability to a country, which had witnessed two transformative political projects throughout the 1940s.

Early on in Ulate's term, Figueres openly prepared for the next elections, by building a new party, the PLN (English 1971: 48-54). Disappointed by the weak results of the PSD in the 1948 and 1949 elections, a group of politicians around Figueres, who referred to themselves informally as the National Liberation Movement, decided that the defeat of the PSD was grounded in its inability to expand beyond its traditional constituency – the urban middle class – and to build a proper party organisation throughout the country.[91] Within a few years, the group created a professional centre-left party around the leadership of Figueres. As the centre-right was divided into different parties that mainly served as personalistic vehicles for presidential elections and as the *Calderonistas* and communists were de facto banned from politics, the PLN easily won the parliamentary and presidential elections in 1953 with a two-thirds majority. Thus, Jose Figueres began his second term as President.

The 1953 elections marked the beginning of the PLN hegemony in Costa Rican politics that would last for decades. Even though its candidates were defeated in the 1958 and 1966 presidential elections the PLN retained an effective veto power through its hold on the legislative, as Table 25 below indicates (Nohlen 2005: 155-

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[90] Whereas Ulate did not try to reverse social policy, he did try to reverse the Junta's economic policy: He 'ignored' to collect the remaining instalments of the ten percent tax and tried but failed to create a private bank (Jacobstein 1987: 268 and 271). It appears that the Ulate administration and especially the question why he did not reverse social reforms despite having a clear majority in parliament remains understudied, at least in the English language literature.

[91] The PSD got around 5 percent of the vote in the parliamentary elections in February 1948, the constituent assembly elections in December 1948 and the parliamentary elections in October 1949. Thus, the Junta's policies did not change the strength of its electoral support.

183).[92]

Table 25. Costa Rica election results 1953 - 1974

Election Results	Presidency	Number of seats in Parliament			
		PLN	PUN	PRN	Other
1953	PLN	30	1	-	12
1958	PUN	20	10	11	4
1962	PLN	29	9	18	1
1966	PUN	29	26		2
1970	PLN	32	22		3
1974	PLN	27	16		14

In light of these election results, it is right to speak of the PLN as the hegemonic party in Costa Rica between 1953 and 1975. When in power, it attempted to transform society along its ideological goals, and when out of power, it blocked the centre-right from reversing its policies. A social democratic party and a member of the Second International, the basic aim of the PLN was similar to that of the Junta: to control capitalism by intervening in the market and fostering development and redistribution (Tippmann 1986: 211-216; Paige 1997: 147). Among the goals of the PLN were: control over the distribution of credit, the creation of state entities to manage basic economic functions, state sponsored industrial development and a

[92] In 1958, the PLN lost the presidency partly because some party members broke away and created the *Partido Independiente* (PI). Although the PLN held less than half the seats in parliament, it had a veto power together with the PRN or the PI, which often voted together against the PUN (Jacobstein 1987: 72-74 and 130-134). In 1974, it had a legislative minority, but could easily build majorities in parliament, because of the strong fractionalisation of parliament. Among the eight parties in parliament was the *Partido Accion Socialista*, the first communist party allowed to run in elections since 1948 (Alexander 1986: 247-254), hence giving the left a majority in parliament.

transformation of the coffee economy (Paige 1997: 253-254), and the provision of social services for urban and rural popular classes (Yashar 1997: 190; Tippmann 1986: 211-216).

In contrast to Calderon Guardia and the communists, whose support was grounded in urban working classes and banana workers, the PLN had its strongest support bases in the rural areas, especially among agricultural workers in the coffee economy (English 1971: 103-115; Yashar 1997: 220). Unlike traditional social democratic parties, it lacked a labour background. The different support base may explain why the expansion of the welfare state came only slowly, and why Figueres initially focussed on other goals, such as new corporate taxes (Bowman 2002: 125).[93] To be fair, he did support public housing policies, by creating an autonomous institution for public housing (INVA), during his presidency between 1953 and 1958. This institute built and financed thousands of low-cost houses (Jacobstein 1987: 234-241). Towards the end of his term, plans were made to eliminate the salary limits for inclusion in the social security system. This would have led to an inclusion of upper classes and thereby make the social security system more redistributive. Yet, despite the support of some PLN deputies, the reform was not enacted in Figueres' term. Overall, it appears that Figueres did not enact major social policy reforms in his second term.[94] This might be because the CCSS was seen as a creation of the

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[93] Note that during Figueres' second term (1953-1958) a coup d'état was still a real possibility: 'By 1954, all of the leading voices in Costa Rican politics – [ex-President] Calderon, [ex-President] Picado, [ex-President] Ulate, [Ulate's right hand] Echandi, the communists, and [1953 presidential candidate] Castro Cervantes - reached the conclusion that force must be used to oust Figueres (Bowman 2002: 122).' In early 1955, *Calderonistas* with support of Nicaragua tried, but failed to invade Costa Rica and topple the Figueres government (Bowman 2002: 126-131). The threat of a coup or invasion might have had the effect of weakening Figueres' reformist zeal.

[94] Note, that it is possible that during Figueres second term, in 1954, coverage for health care was significantly increased by an extension of coverage to spouses. On this issue, there are contradictory statements in the literature. Moreover, some sources claim that in 1965, during the Orlich presidency (1962-1966), when the PLN controlled both the executive and the legislature, coverage was expanded to children (Vargas and Muiser 2013: 4). The number of insured dependants does rise significantly by one third in that year. If true, this would mean that the two most significant increases of health coverage were made during PLN presidencies, which would only serve to strengthen my argument

Calderon era and so Figueres preferred other policy areas that were not linked to Calderon (Rosenberg 1976: 196).

The issue of reforming the salary cap, however, marked the beginning of an era, where social security and the CCSS would be at the centre of political debates. From now on, especially members of parliament would become actively involved in debates about social security reforms. The reform of the salary cap, which had failed under Figueres, was finally approved in 1958 during the term of President Mario Echandi Jimenez. The salary limit was raised for the first time since 1943, from 400 colones per month to 1000 colones per month (Rosenberg 1976: 209). President Echandi had been elected as the candidate of the centre-right PUN. However, the PLN was the strongest party in parliament. The other opposition parties, PRN – *Calderonistas* – and *Partido Independiente* – a PLN offshoot – tended to vote the same way as the PLN, especially on matters of social reform. This left President Echandi with a minority in parliament (Jacobstein 1987: 53 and 130-134). Thus, centre-right President Echandi was pushed by a centre-left parliament to strengthen the social security system.

Another significant reform on the path of the universalization of social security, which also fell into Echandi's term, was a constitutional amendment in 1961. At that point, only 27 percent of the economically active population and 17 percent of the total population had health care coverage (Rosenberg 1979: 124). Coverage for old age and invalidity, as well as work injury were probably even lower (Jacobstein 1987: 250).[95] Judging by estimates for 1957 and 1964, slightly more than 10 percent of the economically active population was insured against old age and invalidity.[96]

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about the role of PLN. However, as stated above, different authors provide different information on the timing of the inclusion of dependants into the social security system.

[95] Apparently, invalidity, old age and survivor's pensions were limited to 'manual workers in commercial employment' until 1962. In 1962, coverage was extended to 'manual industrial workers', but only in San Jose (ILR 1962: 71). According to one source, coverage for invalidity, old age and survivors was slightly more than half that of sickness and maternity. Work injury coverage appeared to be in-between (Borelli 1971: 11).

[96] The 1957 estimate is taken from an ILR article (1958: 266). The 1964 estimate is from Borelli

The increase in coverage was therefore very slow and mostly due to rise of urban formal employment and employment in the public sector, which in turn was an effect of earlier PLN policies.

Frustrated with the slow rise of coverage – typical for a developing country – the legislature decided to pass a constitutional amendment in 1961 that aimed at the universalization of the social protection system (Constitution of Costa Rica, Article 177):

> 'The Costa Rican Social Security System shall achieve a comprehensive coverage of the various types of Social Security benefits for which it is responsible, including family protection under the health and maternity plan, within a period not exceeding ten years, counted from the date of enactment of this constitutional amendment.'

The 1961 reform was, again, passed when political power was divided between a centre-right executive and a centre-left legislative. Three PLN deputies played a key role in bringing the constitutional clause to the agenda (Rosenberg 1976: 244-247). This constitutional amendment gave the bureaucracy a mandate to universalize social protection, which would be difficult to reverse for any future possible conservative president.[97]

The universalization pledge helped to increase coverage and further institutionalised the social security system. Both, the extension of the health care infrastructure and the inclusion of dependants into the system was continued (Rosenberg 1976: 260-261). Furthermore, the increase in the size of the urban formal sector that accompanied economic growth in the 1950s and 1960s also meant that more people were covered by social security. By 1970, 38 percent of the economically active population and 46 percent of the total population was covered by the health care

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(1971: 11). My estimate for 1961 assumes that the rise between 1957 and 1964 was linear.

[97] In addition to the domestic political constellation, some argue that international factors also played a role. The Cuban Revolution had only recently happened and it had a significant effect on politics all over Latin America. So, the constitutional amendment can also be seen in the context of reacting to the Cuban Revolution through social reforms (Rosenberg 1979: 123-126).

system (Rosenberg 1979: 124). Still, this meant that the majority of the population was without coverage. Pushing the bureaucracy to universalize social protection, as it was done in the constitutional amendment, was therefore insufficient to achieve true universalization.

The situation only changed when the PLN returned to power in 1970. 22 years after the Civil War Jose Figueres was again elected president. Four years later the PLN politician Daniel Oduber followed into office. This was the first time that the PLN managed to win consecutive elections and in this period, a series of social policy reforms finally ensured that most Costa Ricans were covered by the social security system. In 1971, the salary ceiling on coverage in the social security system was abolished. This meant that upper-middle and upper income employees, who were so far included only on a voluntary basis and paid a small contribution compared to their income, would now have to contribute to and thus be included by social security. This reform had already been debated by the CCSS and PLN deputies in the late 1960s, but could only be pushed through during Figueres' presidency. The significance of this move can be gauged from the fact that banking employees, doctors and business groups actively voiced their opposition to the proposed plans. Their opposition led to a compromise solution, whereby the salary ceiling would only gradually be eliminated (Rosenberg 1976: 257-313; Mesa-Lago 1985: 14).

Although the inclusion of upper-middle and upper income employees was partly made for financial reasons, the new revenues brought by the reform were not enough to finance the coverage of ever-new parts of the population. Thus, in 1974, a special social insurance tax for employers was introduced to secure the financing side of universal coverage. Together, these reforms had a strong redistributive effect by shifting the burden of social protection more towards employers and high-level employees.

After the elimination of the salary ceiling and the increase in contributions of employers ensured the financial viability of the social security system, the government turned its attention towards including those most in need of social protection. In 1974, it introduced social pensions and health care for the aged and indigent. This policy meant that most unemployed people and workers in the informal sector, a sizeable part of the population, were finally covered by social security (Mesa-Lago 1985: 15). In most developing countries, this part of the population is notoriously difficult to cover through social insurance policies, so social assistance policies were employed to include them.

Another important social policy reform during the Oduber's term was the introduction of mandatory coverage of the self-employed (Rosenberg 1976: 304; Muiser et al. 2008: 56).[98] In developing countries, the percentage of self-employed is often very high due to the large number of farmers. Costa Rica in the 1970s, where around 60 percent of the population lived in rural areas, was no exception in this regard (World Bank 2016). Therefore, the mandatory inclusion of the self-employed meant a significant increase in coverage.

The PLN administrations also took steps to increase the effective access to health care services. For this purpose, the public health system was reformed with a focus on the provision of primary health care. The government launched a rural health program in 1973 to provide healthcare in peripheral, rural areas and a similar program for neglected urban areas in 1976. The focus on the effective provision of primary health care for the whole population led to impressive health outcomes, such as increased life expectancy (Unger et al. 2008).

Collectively, these social policy reforms in the early 1970s massively increased social security coverage. As one pioneering study concludes, 'by 1975, social welfare legislation mandating social insurance was provided for all citizens of Costa Rica, regardless of occupation or region' (Rosenberg 1979: 128). In practice, two thirds of the total population were covered by the health system in 1975 (Rosenberg 1979:

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[98] Note that there is some disagreement in the literature on this issue. Whereas Rosenberg (1976) and Muiser et al. (2008) write that mandatory coverage of the self-employed happened in 1975, other sources provide different information on this subject. Rosenberg (1979: 128) states that the self-employed were covered in 1974 and that coverage was mandatory. Mesa-Lago (1985: 14) states that the self-employed were covered in 1974, but provides no information on whether coverage was mandatory. Clark (2014: 131) states that voluntary coverage for own-account workers started in 1975. Martinez-Franzoni and Sanchez-Ancochea (2013: 154) and Vargas and Muiser (2013: 4) claim that voluntary coverage for the self-employed started in 1975. Some sources also state or imply that voluntary coverage existed before 1975, but others sources state that they were previously not included at all.

124), and 85 percent by 1980 (Mesa-Lago 1985: 13). Figures for the pension system are more difficult to find, but it is highly likely that more than 50 percent of the economically active population were covered (Mesa-Lago 1989: 10-11) and that a clear majority of the population above the retirement age received pensions.[99]

In sum, the transformation of Costa Rica into a welfare state was brought about in a context of a dominant centre-left within a democratic political system. According to some sources, state capacity played an ever-increasing role in this context (Rosenberg 1979: 128-129; Vargas and Musier 2013: 3). While this may have been the case for some of the later reforms, it is necessary to put this factor into perspective: Increased state capacity was itself a central goal of and brought about by the PLN's social democratic policies.

5.6. Conclusions

This chapter explored the history of welfare state emergence in Costa Rica from independence to the 1970s. In the concluding section, I will now focus on the combination of causal factors that led towards the universalisation of the social security system. Among the factors identified by the welfare state literature and highlighted in Chapter 2 are the role of the political left, the state apparatus, regime type and ethnic-cultural fractionalisation. So, which of these factors were significant in Costa Rica, and how did they combine?

[99] Exact numbers are difficult to find for pension coverage. It appears that at least until 1967 old age coverage was around half that of health coverage (Borelli: 1971). This was probably because old age pensions started quite some time after health insurance. According to another source, pension coverage (measured by the percentage of the economically active population contributing to the pension system) remained below health care coverage even in the 1980s (Martinez Franzoni and Sanchez-Ancochea 2013: 162). It was roughly below 50 percent (note that Costa Rica was hit hard by an economic crisis around 1980, which reduced formal employment and therefore reduced pension coverage). However, to understand the de facto coverage provided in old age, one has to add social pensions to the picture. I tried to estimate the proportion of people above retirement age receiving pensions by using the figures for social insurance pension and social welfare recipients given by Mesa-Lago (1985: 15) and population data from the UN (World Population Prospects 2012). This is admittedly only a rough estimate, but according to this estimate, around 75 percent of the population above retirement age received pensions in 1980.

The Costa Rican welfare state was built in a relatively short period of time, between 1941 and 1975. During this period, the welfare state was first an ambition (1940s) and then became a reality (1970s). In most of this 35-year period, the balance of forces between political actors tilted towards the centre-left. To be sure, Costa Rica's modern social security system was created by President Calderon Guardia, whose political leanings could best be described as centre-right or Christian-democrat, in the 1940s. Soon after coming to power, he entered an unusual alliance with communists and the Catholic Church to create a social reform coalition. Together, this social reform coalition implemented the first comprehensive social security legislation, changed the constitution to guarantee social rights and devised a comprehensive labour code.

Despite these efforts, social security covered only a small minority of the population during Calderon's presidency. The expansion of social security to the majority of the population came only decades later. Under the guidance of Jose Figueres, the social democratic PLN became the hegemonic party in the 1950s. In power and as the main opposition party, the PLN pushed for social security expansion. The decisive reforms were undertaken in the early 1970s when the PLN won two consecutive elections: upper classes and self-employed were covered by social insurance, a social assistance system was created to complement the social insurance system, and the healthcare system was transformed with a focus on providing primary health care.

At first glance, welfare state emergence in Costa Rica largely conforms to the power resources theory. The social security system was created by a social reform coalition, which included the Communist Party. It was then universalized by a hegemonic social democratic party. This centre-left hegemony itself was at least partly an outcome of the electoral system. As Lehoucq (2010: 67) summarizes:

> 'In the context of an electoral system that privileges the relationship between left parties and the median voter, the PLN possessed a strategic advantage because its platform committed it to increasing social expenditures. Put on the defensive, the PLN's more conservative rivals could only commit to supporting (at most, slowing down) welfare state expansion; opposing or even reversing welfare state reforms would be a sure way to lose elections in a lower-income biased electoral system'

Yet, there are some noteworthy deviations from the power resources model. First, the power resources approach assumes a dominating role of labour as the primary organization for collective action of wage earners (Korpi 1983: 26). In the Costa Rican case, unions were indeed comparatively powerful and played a significant role in the social reform coalition (1942-1948). The strength of the communist-dominated labour movement does explain, for example, why the numerically still small Communist Party achieved a strong influence in its coalition with Calderon's PRN. However, labour was strongly weakened when the Junta dissolved communist unions. The labour movement never recovered from this and thus labour was no significant actor in the era of PLN hegemony.

Additionally, other causal factors apart from partisan politics played a significant role in the Costa Rican case. The role of democracy is often highlighted in the literature on Costa Rican politics, be it to explain why communists chose reformism over revolution (Paige 1997) or to explain why the PLN achieved hegemonic status (Lehoucq 2010). In this sense, democracy enabled welfare state building, because it enabled and empowered social reform coalitions. Moreover, through political competition with other groups, democracy ensured that centre-left politicians, who were rhetorically committed to welfare state building, stayed true to its promises.

State capacity, another long established point of reference in the welfare state literature, is also often cited as a cause behind welfare state building in Costa Rica. According to this argument, the bureaucracy was a leading actor behind social policy initiatives (Wesson 1984; Rosenberg 1979). Yet, here I differ from the established wisdom on the Costa Rican case. Rather than a cause, it seems that state capacity and state autonomy were an effect of welfare state building. This is noted, for instance, by Miller who claims that the 'state, by enacting and enforcing the reforms, sharply expanded its authority among the country's work force' (Miller 1993: 516; see also: Shin and Hytrek 2002: 470). When Calderon Guardia created the social insurance system in 1941, the Costa Rican bureaucracy apparently lacked the skills to implement the legislation. It had to wait for technical help by the ILO to arrive.[100]

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[100] Another interesting example for the lack of state capacity is that, when the Junta nationalized banks, it noted that the treasury was technically not administered by the state, but by a private bank

Even after Figueres' Junta altered state-society relations, state capacity was still limited. Compared to some other Latin American countries, state capacity was in fact low. Only through the creation of the CCSS and other autonomous institution after 1948, did state capacity increase. In this sense, welfare state expansion is intimately linked to state expansion in Costa Rica. Yet, it appears that the former triggered the latter and not vice versa.[101]

What cannot be discarded, however, is the long-standing argument about the importance of cultural coherence in Costa Rica. Despite the fact, that Costa Ricans were historically not ethnically homogeneous and despite an increase in diversity, due to strong immigration from the late nineteenth century onwards, it is clear that Costa Ricans mostly perceived themselves to be part of the same cultural community. In this regard, the fact most Costa Ricans did not perceive the eastern province of Limon, with its overwhelmingly black population to be part of the real Costa Rica, is the exception that proves the rule (Bell 1971: 25). Especially, when compared to neighbouring countries, where ethnicity played a huge part in deepening social conflicts, perceived cultural homogeneity helped the country avoid violent social conflicts to a large degree (Fuchs 1991). And this avoidance of large scale violence helped the Costa Rican centre-left to carve out a reformist path.

Finally, the role of diffusion processes is notable in the Costa Rican case. Communist, social democrat and Christian-democrat ideas about the desirability of welfare state building influenced the respective political groups. In this sense, processes of ideational diffusion shaped welfare state building. Moreover, especially in the 1940s, the ILO clearly had an important role (Rosenberg 1979; Martinez-Franzoni et al. 2012). Yet, it appears that the role of international actors was more limited to answering the question of *how* to provide social protection. Ideational diffusion, on the other hand, played a role in shaping the belief of key actors that the population *ought* to be protected from certain social risks.

To summarize the findings for the Costa Rican case, centre-left hegemony in a

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(Yashar 1997: 188).

[101] This point resonates with Seekings (2015).

largely democratic and culturally comparatively homogeneous country enabled welfare state building in Costa Rica. Although bureaucrats played a part in some latter reforms, state capacity was rather an outcome of, than a cause behind welfare state building. Finally, the ideas that led actors pursue social reforms, were often of European or North American origin, pointing to processes of ideational diffusion.

CHAPTER 6

WELFARE STATE EMERGENCE IN BRAZIL

6.1. Introduction

In this chapter, I discuss the origins and development of the Brazilian welfare state. In contrast to the Costa Rican case, Brazil has traditionally not been seen as a positive example of social welfare in a development context. On the contrary, many influential scholars described Brazil as a negative example in terms of social welfare outcomes, due to staggering levels of economic inequality and low levels of social development (Dreze and Sen 1989). Yet, in our analysis, Brazil is identified as a welfare state, at least for the post-1988 period. Indeed, some studies even argue that Brazil had nearly universal social security coverage in the 1970s (Malloy 1979). So, there appears to be a contradiction between high social security coverage and poor social welfare outcomes. How can we make sense of this paradox?

In Brazil, social security – known in the country as *previdencia social* - has indeed been nearly universalized. However, this has not necessarily come with equality of social protection. Rather, for a long time a dualist model prevailed. The urban formal sector received high levels of protection and the rest of the population – the urban poor and the rural sector – had only minimum levels of protection (if at all) (Filgueira 2002). Therefore, the extension of social protection coverage was not coupled with redistribution or equality, and this produced abysmal welfare outcomes (Weyland 1996a). Even in the democratic period that followed the 1988 constitution leading scholars find that while social policy advanced basic needs, it also continued to preserve privileges (Hunter and Sugiyama 2009).

Yet, Brazil is a welfare state. Not in the positive, value-laden sense of the word, but in the descriptive sense that the concept is used in this study.[102] In this chapter, I argue that Brazil became a welfare state in the course of its democratization, through the 1988 constitution and its subsequent implementation. At that time, Brazil was a relatively poor country with per capita income below world average (World Bank 2016; see Figure 2). Thus, Brazil clearly does classify as a welfare state in the developing world. Still, one should note that Brazil is a big country and that it has had a sizeable industrial sector for a long time. The more developed parts of the country resembled rich countries more than they resembled poor countries. So, using alternative measurements of economic development, one could come to a different conclusion regarding Brazil's status as a developing country.[103]

In the following, I trace the history of social policy in Brazil. I begin by exploring developments before 1930. Then, I discuss the creation of Brazil's social security system during the authoritarian rule of Getulio Vargas between 1930 and 1945. Vargas' mainly focussed on the urban formal sector, but his reforms laid the grounds for Brazil's welfare state. This section is followed by a description of the changes – or the lack thereof – during the semi-democratic period between 1945 and 1964. The fourth section explains how the military regime between 1964 and 1985 extended legal social protection coverage to nearly all Brazilians. Finally, I discuss the expansion of social rights during the democratisation period after 1985 that resulted in the effective social protection of most Brazilians.

After the discussion of the history of the Brazilian welfare state, I focus on the combination of causal factors that led to its creation. The concluding section thus involves a discussion of the applicability of different theories of welfare state development. In a nutshell, the main argument is that social security universalization in Brazil does not neatly fit into any of these different theories. The expansion of social security under Vargas and military rule was mainly brought about by state-

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[102] For an early discussion of the problem of describing Brazil as a welfare state see Draibe (1989: 47-49).

[103] This argument is made by Segura-Ubiergo (2007), who argues that even though economic indicators put Brazil in the category of weak economic development, this might be misleading because of the level of industrialization in parts of the country.

elites, who tried to modernise the country, legitimise the regime and expand the reach of the state. However, the ultimate step towards becoming a welfare state with the 1988 constitution and its implementation is not as easily explained. In this period, social rights were pushed by broadly leftist groups in a period when, nominally, centre-right groups were in power.

6.2. Social policy before 1930

Brazil is often described as a country defined by deep inequalities (Coy 2012: 42). From the colonial period (1500-1822), through the era of monarchy (1822-1889) and the Old Republic (1889-1930) pockets of wealth co-existed with vast areas of poverty. Economic inequalities often overlapped with ethno-cultural differences. Slaves and their descendants, indigenous people and Europeans (mainly Portuguese) and their descendants formed a diverse society, in which Europeans were clearly the most privileged. For a long time, the state did not really control large parts of the territory, for 'at the local level, effective power was in the hands of a coronel who ruled the territory like a patriarchal fiefdom in which the local population functioned as his personal dependents' (Malloy 1979: 23). Given this lack of real state control over the countryside, it is no surprise that Brazil was no pioneer in terms of statist social protection. In Brazil, 'the functions of social protection and charity were in the hands of the family, mutual aid associations, and organizations such as the church' (Malloy 1979: 6), and the state was slow to take over these roles. In order to understand how and why the state developed modern social policies from the late nineteenth century onwards, one needs to take a brief look at the political and socio-economic situation that prevailed at that time.

Politically, the Old Republic that replaced the monarchy in 1889 was a pseudo-democracy in which elections were usually not truly contested and power remained in the hands of a small oligarchy. To have the right to vote one needed to be literate, yet literacy was very low, at around 15 percent (Hahner 1986: 88-90), and efforts to spread education remained lacklustre. So, even the few 'fair' elections in the period, which were not rigged, were not democratic, as only a small minority of the population had the right to vote.

Economically, Brazil was dependent on the export of primary products, such as sugar. This produced the need for workers, which was met in the colonial period by bringing in slaves from Africa. This basic economic framework of dependence on primary product exports continued well into the twentieth century (Coy 2012: 52; Cervo 2012: 24-28). However, the Old Republic also saw the beginnings of some limited industrialization. This industrialization was coupled with increasing urbanization and, at least in major cities in the south-east, the formation of a working class.

It is in this context of political domination by traditional elites and economic predominance of agriculture and at the onset of industrialization that the first modern social security policies in Brazil were legislated. As in other Latin American countries (Mesa-Lago 1978), these policies basically protected some state employees. In 1888, a law was passed that granted state employees in the postal system retirement pensions. In the following years, other state employees were covered by similar pension schemes (Ministeria Da Previdencia Social 2011: 7). State-legislated pensions did not exist in the private sector and so coverage of these early social security schemes was extremely low.

The expansion of social protection to the private sector came in the beginning of the twentieth century, with the emergence of the social question (Malloy 1979: 37). Partly fuelled by immigration from European countries, which made society even more heterogeneous, working class slowly grew and various social issues, such as housing and public health-related problems, became more salient. The social question was increasingly a matter of public debate and this slowly paved the way for state intervention in social policy. Only to the degree that the conditions of the poor, who were 'overworked and poorly fed' and 'caught in a vicious circle of poor nutrition and infection' (Hahner 1986: 210), were seen as threatening the rest of the population, the state intervened. For instance, sanitation and vaccination drives, especially in major cities, like Rio de Janeiro (McGuire 2001: 158), were among the first public social policies around the turn of the century.

In this era, the urban population mainly relied on non-state based forms of social protection. In terms of health care, the urban population was mostly dependent on charity hospitals, which did not really provide effective medical coverage (Hahner 1986: 210). Some workers, particularly in the textile sector, obtained some social services, like schools or medical care, through the workplace. But these social protection mechanisms were insufficient as well (Hahner 1986: 193-196). Mutual-aid societies also provided risk protection for various segments of the urban workers, particularly in big cities such as Rio de Janeiro (Hahner 1986: 75-83). In many cases, these mutual-aid societies were based on common skills or common ethnicity and they differed in the quality and type of protection that they offered. In how far any of these social protection mechanisms functioned in rural areas, where the vast majority of Brazilians lived, is doubtful.

During the Old Republic, the ethnically and culturally diverse working class started to organize politically and from the 1890s onwards, the first labour parties were created. These parties attempted to put social policies, such as cheap housing, free medical aid, minimum wage and free education, on the political agenda (Hahner 1986: 101-104). Yet, in a context where democracy was basically a sham and urban workers numerically remained a minority, labour remained politically insignificant. To some extent, left-labour power grew when a strike wave swept the country between 1917 and 1920. However, the strikes were eventually crushed with the help of police repression. Among the underlying reasons for this failure of the labour movement were the fractionalization of the working class, state repression and the inability to organize in crucial sectors such as textile (Maram 1977).

Still, the strike wave was politically significant in at least two respects. First, it led to fears of a socialist revolution. Second, it helped to spread the idea that an uprising of the working class had to be pre-empted through social legislation. In their search for such social legislation, intellectuals looked towards Europe and the Southern Cone countries, which were pioneers of social security (Malloy 1977: 38-39). Businessmen opposed social legislation as government intervention into the private sector, but they developed an own social policy agenda to quell worker unrest. This agenda was based on voluntary measures taken by business itself and included provisions to make workers more productive (Weinstein 1990: 381-383). In terms of state-based social intervention, an early response to the strike wave was a work injury law – apparently first proposed in 1904 – legislated in 1919. More encompassing labour-related legislations, such as the right to strike or the eight-hour day, were also proposed, but did not pass. Even for the work injury law, it is not clear in how far it was effectively enacted (Hahner 1986: 279-287).

In 1923, a few years after the strike wave had been crushed and left-labour power had been markedly weakened, 'the legal and conceptual base upon which the later system of previdencia social would be built' (Malloy 1979: 40), was laid. A law to provide social security for employees of private railway companies, known as *Lei Eloy Chaves*, was enacted. This was financed through contributions by the respective employees into a fund called CAP (*Caixa de Aposentadoria e Pensoes*; Pension and Retirement Funds). This CAP provided workers with retirement benefits and other perks. These CAPs can be described as a state-guaranteed, obligatory company-wide mutual-aid fund. While modest in scope, the law was significant because it represented an intrusion of 'government into labor-management relations in the private sector' (Malloy 1979: 40). The law for railway workers was followed by further social protection legislation for other strategic workers. In 1926, CAPs for dock workers.[104] and in 1928 CAPs for radio and telegraph workers were created (Ministeria de Previdencia Social 2011: 7; see Table 26).

Table 26. Political regime and social protection developments in Brazil

Political regime	**Social protection innovations**
Old Republic (1889-1930)	
Changing governments, but power generally rests with oligarchy	Ca. 1889 State pensions for civil servants
	1919 Work injury law
	1923 Lei Eloy Chaves: CAPs for railway employees
	1926 CAPs for dock workers
Vargas era (1930-1945)	
Increasingly authoritarian regime under Vargas; attempt to build a modern Brazil and increased power of the state	1931 CAPs for workers in public utilities
	1932 CAPs for mine workers
	1933 IAP for maritime workers

[104] In the same year, a law restricted child employment (Paula Lopes 1941: 495).

Table 26 (cont'd)	
	1934 IAP for commercial and bank workers
	1936/1938 IAP for industrial workers
	1943 Labor Law
Semi-democratic period (1945-1964)	
Exclusion of the poor, but otherwise democratic elections; from 1961 onwards centre-left in power	Throughout: Expansion of coverage of existing funds to health care and other areas
	1960 Standardization of benefits across funds
	1963 Rural Laborer Statute and FUNRURAL
Military regime (1964-1985)	
Authoritarian regime, launched against the left; attempt to modernize Brazil; from 1970s onwards softening of authoritarian rule	1967 Unification of different funds under INPS
	1969 FUNRURAL reformed to provide medical care
	1971 FUNRURAL reformed to provide old age pensions
	1972 Inclusion of domestic servants and fishermen
	1974 Quasi-social pensions for urban poor
	1974 Emergency health care becomes free
	1977 Beginning of pilot programs for primary health care in peripheral regions
Democratisation (1985-)	
Sarney elected as civilian president in 1985, Collor first democratically elected President in 1990; Conservatives in power, but supported by centre-left parties; strong unions and social movements	1987 Access to public healthcare for all
	1988 New constitution with extensive social rights
	1991 Social assistance reform for rural population
	1993/1996 social assistance reform for urban population

Far from being progressive in terms of its distributive impact, this early social security legislation set the basis for a stratifying system of social protection, in which company had a separate CAP. The social security system thus engineered solidarity only between employees of the same company. The reason for this divided administrative structure of the early social security legislation was likely political. As Malloy argues: ‘Given the administrative structure of the CAP system and the categories that were covered, it would be hard not to conclude that these first sallies into the field of social insurance were aimed at dividing the working class and co-opting its key sectors’ (Malloy 1979: 45).

In some sense, the legislation resembles patterns seen in Latin America in general, where workers in strategic sectors were among the first to be covered (Mesa-Lago 1978: 10-14). This appears to be true for Brazil as well: railway workers and dock workers were indispensable to secure the export of primary products on which the Brazilian economy depended. Railway workers were also seen as ‘the best organised and the most politically conscious single group of workers’ (Cardoso de Oliveira 1961: 376) and so they had the most bargaining power. Therefore, they were pacified by social protection legislation to ensure that the economy would function smoothly.

To summarize, by the end of the Old Republic, some social security programs were in place for small parts of the population. Legislation covered civil servants, soldiers and employees in state enterprises and a few strategically important segments of the working class. Moreover, urban workers were covered by a work injury law. In how far these laws were really effective, however, is not clear (Cohen 1989: 86). In any case, the overwhelming majority of the population was not covered by any formal social security legislation. In regional context, Brazil was thus no pioneer in terms of modern social protection arrangements.

6.3. Vargas’ authoritarian corporatism and the incorporation of the urban working class (1930-1945)

The Old Republic ended when Getúlio Dornelles Vargas came to power in the ‘Revolution of 1930’, widely seen as a watershed in Brazil’s history. Over the course of his 15-year rule Vargas created an elaborate system of social security that protected the urban formal sector. It included both, labour rights and social protection policies. Yet, the importance of the Vargas regime goes beyond its social security innovations. The Vargas regime transformed state and society:

> 'The state elite that seized the state apparatus with the revolution of 1930 vigorously led Brazil through its most radical transformation. Under the leadership of Vargas, that state elite transformed the country from a loose federation of states ruled by rural oligarchies into a highly centralized national state that curbed even the power of the great landowners. The minimal laissez-faire state of the First Republic was changed into a strong interventionist state, which regulated a wide range of social and economic activities, directly participated in the economy, and became the major force propelling Brazil into the industrial era.' (Cohen 1989: 86)

Vargas came to power on the back of an armed uprising several months after losing a fraudulent, but at least seriously contested presidential election. His fifteen-year rule was a turbulent time, in which he crushed revolts against the central state in the early 1930s, a Communist uprising in 1935 and the fascist movement in 1937. From 1937 until 1945, Vargas ruled under an authoritarian constitution and created the *Estado Novo* (new state) (Roett 1992: 22-23). Although the nature of Vargas regime varied over this fifteen-year period, his rule can be described as corporatist-authoritarian, with the labour movement and the left not posing a significant challenge to Vargas' rule.

Already in his unsuccessful campaign for presidency in 1930, Vargas hinted at the social policy developments to come. He did specifically address workers' rights and promised to extend social security coverage and to create a comprehensive labour law (Cohen 1989: 89). After coming to power in 1930, he created a Ministry of Labour, headed by Lindolfo Color, who was politically eclectic, influenced by the International Labour Organization (ILO), social security policies in Argentina and Uruguay, as well as Italian fascism. As Minister of Labour, Color oversaw the creation of CAPs for workers in public utilities in 1931 and the creation of CAPs for mine workers in 1932 (Conniff 1981: 127-128).

More important than these new CAPs, however, proved to be the creation of IAPs (*Instituto de Aposentadoria e Pensoes,* Pension and Retirement Institutes) in 1933.

While CAPs were basically company-wide social protection funds, IAPs were sector-wide social protection funds. In other words, risk sharing was now spread to whole economic sectors. This still meant that workers would be divided according to different categories, and was thus ultimately a highly stratifying policy. Still, in terms of risk protection and solidarity social security now went beyond the company-level. The first IAP to be created was an IAP for maritime workers in 1933. One year later IAPs for commercial workers and bank workers, as well as two CAPs for transport workers were created (Cardoso De Oliveira 1961: 378).

These early extensions of social security under Vargas were remarkable, but they still covered only special categories of workers. The more numerous group of regular industrial workers was only included from 1936 onwards with the creation of the IAPI (*Instituto de Aposentadoria e Pensões dos Industriários*, Pension and Retirement Institute for Industrial workers). Starting to operate in 1938, IAPI covered the core urban working class. Additionally, in 1938 an IAP for transportation workers was created. In terms of coverage, IAPI was by far the most important social security institution. Half of all covered private sector employees were members of IAPI. IAPI was followed by the IAP for commercial workers, which covered roughly one fourth of all insured. Needless to say, most Brazilians still remained excluded. Despite increased industrialization and urbanisation more than two-thirds of the population still lived in rural areas (IBGE 2007) and was thus by definition excluded. Exact information on coverage rates are difficult to find, but one source claims that together with dependants seven million people were covered by social security, which would translate into a coverage ratio of less than 20 percent (Paula Lopes 497: 1941).[105]

In theory, the CAPs and IAPs were responsible for providing benefits for retirement, survivors' pensions, funeral expenses, compensation for illness and health care. Apart from classic social security, IAPs also increasingly provided low cost housing loans to their members (ILR 1943b: 525; Cardoso de Oliveira 1961: 379). In practice, the

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[105] Malloy (1979: 61-62) writes that 'close to two million persons' were covered in the Vargas era. The difference between Malloy's and Paula Lopes' coverage estimates might been due to the counting of dependents in the latter case.

quality and extent of coverage differed from institute to institute. In most cases, the initial focus was on providing pensions, in the form of old age or time of service pensions (Cardoso de Oliveira 1961: 377). Apparently, health care was neglected in the first years. Medical services for commercial workers were legislated only in 1941 (ILR 1941: 457-458) and IAPI, the IAP for industrial workers, offered no health care until the 1950s (Malloy 1979: 69-70). Pensioners were covered by health care only through a decree in 1945 (ILR 1945: 418).[106]

For those not covered by social insurance the Vargas regime took some small steps towards providing at least minimal social protection. For them health care was, in theory, to be provided by the Ministry of Education and Health, created in 1930. In reality, however, public health care was clearly insufficient. The Special Public Health Service, created in 1942, was a first step towards a better provision of public health care, but it would be wrong to assume that the Ministry succeeded in providing effective public health care for the population (McGuire 2010: 164; Draibe et al. 1995: 22). In 1938, the National Social Service Council was created to provide social assistance. However, its 'goals were unclear, its beneficiaries unknown, and its providers fragmented' (Gomes dos Santos 2013: 135). In the early 1940s, family allowances for poor families with at least eight children were legislated (ILR 1943b: 388-389), but it is unclear in how far this legislation was implemented. Moreover, with the goal of providing aid to vulnerable groups, the Brazilian Aid League (BLA) was created in 1942 (Draibe et al. 1995: 21; ILR 1943b: 526). Yet, just as in the case of public health, one should not assume that these interventions meant an effective social protection floor was provided in the Vargas era.[107]

Overall, particularly through the creation of various IAPs, Vargas did manage to provide a decent level of social security at least to the urban formal sector employees. Moreover, his economic policies focussed on increasing the size of this very same sector through increased industrialization (Gomes dos Santos 2013: 133).

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[106] On this issue, there is contradictory information in the literature. According to Gerig and Farman old age beneficiaries were still not covered for medical benefits in 1960 and 1963 (Gerig and Farman 1960: 14 and 1963: 27).

[107] It remains unclear whether and if so to what degree these policies were actually implemented.

Yet, at the same time, he also tried to bind the urban working class to the state. By creating a corporatist labour system, labour unions ceased to be autonomous groups that would advance the interests of the working class. Rather, labour unions came under the tutelage of the state. This was the downside of the 'urban welfare state' that Vargas built.

The corporatist labour system that Vargas created was most clear in the Consolidated Labour Law (*Consolidacao das Leis do Trabalho*, CLT), enacted in 1943, that brought together and solidified the labour legislation of the era. The CLT gave urban workers significant rights, such as the minimum wage, holidays with pay and employment protection. The most famous provision in terms of the latter was the job tenure security, which made the firing of workers after ten years extremely difficult (ILR 1943b; Machado Barbosa Samios 1987: 73). While the crucial provisions of the CLT only applied to urban labour, it should be noted that Vargas wanted to make this labour code applicable to the rural sector as well. This move, however, was blocked by traditional agricultural business, which argued that labour legislation would not be functional in the context of agriculture (Welch 1998: 85-91). This failure of Vargas' authoritarian regime to push through rural labour legislation can be interpreted as showing the limit of state power vis-à-vis business interests. Particularly in rural areas, the image of a capable and powerful state that the regime projected apparently did not live up to reality.

Urban workers were provided with certain rights by the CLT, but the law also enshrined a system of labour control. This was achieved through four instruments. First, only one union per economic sector was to be officially recognised by the Ministry of Labour. Second, the officially recognised labour unions were to provide social and legal services to their members. Third, the Ministry of Labour was given powers to intervene into union affairs through the CLT. Fourth, union funds were collected compulsorily from members and non-members alike. Essentially this made it rational for all workers to become members of the one officially recognised union in their sector in order to obtain social benefits – and this officially recognised union was to be under full state tutelage (Malloy 1979: 56-61; Cohen 1989: 93-98). Under the CLT regime the unions were thus:

> ‘primarily organs for collaboration with the state and for providing the types of social services generally associated with old-time mutual-aid societies and with the modern welfare state. The state control[led] their pursestrings and require[d] them to be conduits for social services.’ (Erickson 1977: 36)

To conclude, in his fifteen-year rule, Vargas built a comprehensive welfare regime ‘that brought basic social protection to all of the organized sectors of the urban working class’, but also bound them to the state. Moreover, the social security system ‘did not extend protection to the rural sector, to the urban self-employed […], or to those who were only marginally or intermittently employed’ (Malloy 1979: 61-62), i.e. the vast majority of the population. For these excluded sections, only minimal assistance, if any, was provided through institutions, such as the BLA. Moreover, even for those included in the social insurance system, benefits differed from sector to sector, with some groups enjoying only minimal social protection. Still, the reforms during the Vargas era represented a significant advance in the social protection system compared to the Old Republic. Through the inclusion of the urban workers, who were often poor first generation migrants from villages, the social security system served as the basis of Vargas’ father of the poor image (Machado Barbosa Samios 1987: 29-30) and marked the beginnings of the Brazilian welfare state (Draibe et al. 1995).

As to the motivations behind Vargas’ reforms, it is noteworthy that they were legislated at a time, when the power of the state vis-à-vis societal actors was strong and when labour and the left was weak. There is wide agreement on a ‘Bismarckian’ strategy of Vargas and the state elites in providing social protection for urban workers in the formal sector. Essentially, the Vargas regime tried to integrate urban workers into a system of state-led capitalist development (Malloy 1979: 62-66). In this way, workers would no longer be a potential threat to the system, but would be tied to the state (Segura-Ubiergo 2007: 260-261; Hunter 2014). Labour unions and leftist political groups played no direct role in social security development in the Vargas regime.[108] Yet, their potential to disrupt the economic and political system, as

[108] Note that IAPI, the most important IAP, was created shortly after a communist uprising failed and

shown in the strike wave between 1917 and 1920, was one of the drivers for state elites to pre-empt further unrest through social security development. Finally, business initially did not support comprehensive social security, but eventually accommodated to Vargas' strategy (Weinstein 1990).

6.4. The deepening of the social security system in the semi-democratic period (1945-1964)

The Vargas era ended with the transition to formal democratic rule in 1945. Over the next two decades Brazil was ruled by governments elected in more or less free and fair elections. Yet, Brazil was not a real democracy in the contemporary sense of the word because literacy requirements barred the majority of the adult population from the right to vote.[109] The practical effects of the literacy requirement were significant. In 1940, more than 55 percent of the population above the age of 10 was illiterate (IBGE 2007: 92) and so the clear majority of adults did not have the right to vote. Therefore, it is no surprise that only around 15 percent of the population voted in elections. This disenfranchisement was more pronounced in rural areas, where literacy rates were even lower. A second non-democratic aspect of this period was that the military regularly intervened or threatened to intervene in the democratic process (Roett 1992: 24-25). Hence, one could classify this period best as semi-democratic.

For most of the period between 1945 and 1964, the figure of Vargas dominated the political scene. Two parties, which Vargas had helped to found in 1945, won most of the elections, and Vargas was elected President in 1951 and even after his suicide in 1954 his image continued to shape the political landscape. Until 1960, the left remained politically quite weak. This weakness was especially pronounced after the Communist Party, which had returned to a reformist path and contested the 1945 elections, was banned in 1947. Labour unions gradually became stronger compared

communist groups were practically crushed in 1935.

[109] Huber et al. (2012) list Brazil as a restricted democracy according to the criteria of Rueschemeyer, Stephens and Stephens. The Polity IV score (Marshall et al. 2016) for the period ranges between 3 and 7 (scores of 6 and above indicates a classification as democracy).

to the Vargas era. However, they were still closely connected to the state and struggled to maintain an autonomous line. To a degree, this weakness of left and labour changed after 1960, as we will see below.

Most observers agree that during the semi-democratic period the social protection system was not significantly expanded. However, this does not mean there were no important developments. On the contrary, plans were made to transform Brazil's social security system even before the transition to democracy in 1945. Influenced by the ILO and by the Beveridge Plan (Weyland 1996a: 90), bureaucrats within the social security administration wrote various reform plans with three basic goals in mind: administrative unification of the social security system, standardization of benefits and universalization of coverage. If these plans had been implemented, Brazil would have become one of the leading welfare states. The rationale for such an advanced form of social security was that it would make the workforce more modern and productive. This, bureaucrats believed, would help economic development and 'would also be the key to "national security"' (Malloy 1979: 87). In fact, Vargas even signed a decree that would reform social security along the lines proposed by the social security bureaucracy in 1945. However, the legislation required to put the reform into effect was never passed (Malloy 1979: 83-89). In the following years, numerous attempts were made to push through the reform plans. Yet, only a watered down version was actually passed in parliament after 15 years, in 1960.

So, why did these far-reaching reform plans of the social security bureaucracy fail to be implemented? The plans had numerous opponents. Among them were private insurance companies, some labour groups, such as bank workers, who were in a privileged position under the existing system, and finally parts of the bureaucracy that perceived administrative unification as a threat to their powers (Malloy 1979: 88-89). An interesting stance was taken by labour unions, which were less strictly controlled than in the Vargas era. Within the formal democratic framework, they could launch initiatives and put forward their demands. Indeed, they campaigned for social security reform, but these campaigns did not focus on the universalization of coverage, but rather on expanding the quality of social security coverage for the already included population. Among the main demands of unions were the extension of time of service pensions to all IAPs, adjustment of pensions to inflation and representation of workers in the social security bureaucracy (Cardoso de Oliveira 1961: 382).

In the 1940s and 1950s, governments made a number of smaller reforms of the social protection system. First, in 1946, based on an initiative by industrialists a new program that provided different social services, such as education and medical care for workers, was legislated (Weinstein 1990: 397-398 and 1995: 96). Second, some IAPs broadened the range of benefits they offered. For instance, by 1957 all IAPs offered maternity benefits.[110] This was a significant development because the biggest IAPs tended to have the least generous benefits and so a sizeable number of employees profited from this expansion (Malloy 1979: 100-102). Additionally, in the 1950s, IAPI started to provide health care coverage. Although not every person insured under IAPI was effectively covered, this was still an important step (Huber and Stephens 2012: 96). IAPI members made up nearly half of all insured in the private sector in the 1950s (Malloy 1979: 95) and probably around one third of all insured. Thus, health care coverage was in theory expanded by around fifty percent when IAPI started to offer medical services.[111]

The most significant reform during the semi-democratic period, however, occurred in 1960. This reform was a watered down version of the original Beveridgean reform proposals of the 1940s, but it still significantly changed the social security system. Of the original reform proposal, only the standardization of benefits was included. Benefits, which earlier only small IAPs provided, were now provided by all IAPs. Moreover, an automatic adjustment of benefits for inflation was legislated. Given the high inflation of the time, this move was significant in terms of securing a real minimum through social security. Finally, labour unions were given more power in

[110] Other reforms were the extension of time of service pensions to all IAPs in 1958 (Cardoso de Oliveira 1961: 382) and the merger of several railway CAPs into one IAP in 1953, a small step towards administrative unification (Malloy 1979: 97-98).

[111] IAPI was apparently never able to provide benefits to everyone entitled to them. Patronage was widespread, i.e. one had to have personal connections to the bureaucracy to claim one's legal social rights (Erickson 1977: 33; Malloy 1979: 110).

the social security bureaucracy. Thus, key demands of the labour unions were included in the social security reform (Malloy 1979: 100-102).

Overall, these changes in social security during the semi-democratic period can be summarized as the evolution from legal to effective coverage for the urban formal sector. This process had already begun in the late Vargas era and it continued throughout the 1940s and 1950s. In a more critical vein, one could describe the process as a 'massification of social security privileges' (Mesa-Lago 1978: 14-16). Coined by Mesa-Lago in his classic study of social security in Latin America, this term implies that social security became unsustainable when generous benefits hitherto granted to privileged groups were provided to regular workers after World War II. The case of Brazil thus appears to be similar to other Latin American countries. When pressure groups could finally voice their demands within a formal democratic framework, this produced a 'massification of social security privileges'.

From the perspective of coverage universalization, however, the reforms were rather minor. Instead of increasing coverage to the unprotected, they mostly made social security more generous for those, who were already protected. This changed from 1960 onwards, when two interrelated processes were set in motion. In the short term, these processes helped bring about the military intervention, as they gave the military a pretext to intervene in politics. However, over the long term the developments between 1960 and 1964 might have set the ground for the later expansion of social security under military rule. The first significant political development was that in 1961, Vice-president Joao Goulart became president, when the elected president Janio Quadros resigned. Goulart continued the tradition of Vargas, who during his last years had strengthened his populist and workerist leanings. Goulart offered a leftist interpretation of Vargas' political heritage. While it is debatable how far left Goulart really was, it is clear that his term marked the apex of centre-left power in Brazil up to that point in time (Huber et al. 2012).

The second significant political development was the growing political organization of the rural population. Starting in 1955, the moderate reformist Francisco Juliao organized peasant leagues to push for agrarian reform. In the early 1960s, reformist Catholic, communist groups and leftists aligned with President Goulart also tried to organize in rural regions. The significance of these rural associations that tried to defend the rights of rural workers is difficult to overstate. Both, the economic conditions and the effective power of the state were very different in the countryside than in the big cities. At the risk of oversimplifying: in the countryside, landed elites – and not the state – still ruled. Taken together, the rise to power of Goulart and the rural movements meant that politically, Brazil drifted to the left.

Both developments were merged in President Goulart's call for 'basic reforms'. Goulart called for the legalization of the Communist Party, the nationalization of key industries, agrarian reforms, rural unionization, education and an end to literacy requirements in the franchise (Leubolt 2015: 161-162). Similarly, various rural groups demanded, among other things, the extension of social security and the CLT to rural areas (Hewitt 1969: 385-386). The latter demand was mostly fulfilled when Goulart signed the Rural Laborer Statute in 1963, which expanded urban worker rights to rural areas and gave rural workers benefits such as the eight-hour day, a day of rest, employment protection and the right to create rural unions (Welch 1998: 296-300). For the first time, some social protection mechanisms – if not the system of *previdencia social* itself – were extended to rural Brazil. Goulart even planned to expand the social security system to rural areas and created a fund, called FUNRURAL, for this purpose. However, this policy was not put into practice.

President Goulart also continued with the 'massification of privilege' in urban Brazil. In 1962, the age requirement for time of service pensions was dropped, which meant that many workers in the urban formal sector could retire around the age of 50. In 1963, a one-month bonus salary and an increase in family allowances were legislated. Arguably, these reforms 'represented mainly the power of organized labor to extract more benefits from the system' (Malloy 1979: 119).

The shift to the left during the Goulart era was not uncontested. Not just the political left, but also the political right increased its power at the expense of centrist forces. Thus, political polarization increased, affecting also the ranks of the military. In this context of increased polarization, the military saw a threat to social stability and the integrity of the military as an institution. On March 31, 1964, the military launched a coup d'état, which ended the period of formal democratic rule. The coup d'état marked the beginning of a bureaucratic-authoritarian era of military rule that would last for more than two decades.

Overall, the semi-democratic period between 1945 and 1964 was far less dramatic in terms of social security expansion than the preceding Vargas era. Even though technocrats within the social security bureaucracy produced innovative reform proposals, these were rarely implemented, due to the veto power of societal actors. Of the three major reform goals of unification, standardization and universalization, which would have essentially meant a modern welfare state, only benefit standardization was achieved. Moreover, in terms of universalization, the extension of labour rights to rural labour arguably started a long journey towards universalizing social protection. The failure of formally democratic governments to enact truly universalizing social security reforms is not too surprising once the constraints of Brazilian democracy between 1945 and 1964 are considered. Due to the literacy requirements, those parts of the population that were excluded from social security mostly did not have the right to vote. Many voters, on the other hand, were covered by social security, mostly by relatively less privileged social security institutes. Therefore, it does not come as a surprise that social security expansion mainly meant giving regular industrial workers the same rights that more privileged employees enjoyed.

6.5. The universalization of legal social security under military rule (1964-1985)

The semi-democratic period between 1945 and 1964 was followed by military rule that lasted for more than two decades. The first decade of military rule is generally seen as a very repressive and exclusionary period, while the second decade is mostly described as a slow process of liberalization that culminated in the election of a civilian president in 1985. Throughout, the military controlled the polity and 'transferred key decision-making areas to a new power elite: the technocrats' (Roett 1992: 129). Particularly in the first decade of military rule, this meant that experts within the social security bureaucracy would be the decisive force in terms of policy innovation. Popular demands were – if taken into account at all – not decisive. In a more critical vein, one could also claim that labour was not taken into account in policymaking, while the private sector still had means to influence policy (Malloy 1979: 122-123 and 126). The resulting pro-business policies led to increasing economic growth, dubbed the 'Brazilian miracle', which made the country more industrial and urbanised.

Interestingly, this period of exclusion of popular groups and concentration of policymaking in the state elite saw the universalization of legal social protection. This was a gradual process achieved through reforms under both, very repressive governments, such as the Medici administration (1969-1974) and more liberal governments, such as the Geisel administration (1974-1979). While effective coverage was not universal, the reforms were still a huge leap forward from the earlier period, when most of the population was not even in theory covered. Moreover, it laid the groundwork for the effective coverage of the majority of the population which was achieved in the transition to democracy in the late 1980s.

Social security reform was one of the immediate aims of the military regime. Through such reforms, the regime also aimed to weaken and control the labour movement, which especially after 1960 drew part of its power from the social security apparatus. Both, cutbacks and expansions of social security in the early period of military rule can be traced to this aim.[112] As early as June 1964, the new regime established a commission to reform social security, which produced a plan that was similar to the social security reform that Vargas had decreed in 1945. The purpose of the plan was to unify the social security administration and nationalize workmen's compensation. However, this plan was not implemented, partly due to opposition from privileged employee groups and private insurance companies (Malloy 1979: 124-127). Soon a more modest reform plan that called for the unification of the IAPs by creating a National Institute of Social Insurance (INPS) was drafted. This plan was implemented in January 1967 and standardized social security in the private sector, while civil servants and the military continued to be covered separately. The reform also abolished the concept of class representation in the social security apparatus, thus weakening labour unions. Later in 1967, the

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[112] For instance, one aim of the 1966 severance pay scheme, which replaced the job tenure provision of the CLT, was to be able to fire unionised workers (Malloy 1979: 126; Drescher 1977: 7-8). Another aim of this reform was to strengthen capital building, particularly for the public housing sector, ostensibly to alleviate the housing shortage of popular groups, but in reality catering to the needs of better off (Machado Barboso Samios 1987: 115-119).

military regime also nationalized workmen's compensation.

Even more significant than the steps towards administrative unification were reforms that extended social protection coverage. Through several schemes, the hitherto excluded parts of society, like rural and informal workers, were covered by social security. In 1967, FUNRURAL, a fund for rural workers created by the Goulart government in 1963, was given new life. The fund was used to provide free medical care to all rural workers (Chiarelli 1976: 162).[113] In 1971, FUNRURAL was turned into PRORURAL and the fund started to provide old age, invalidity and survivors pensions to rural workers.[114] Benefit levels were very low, at half the minimum wage in the case of old age pensions. The minimum wage had been strongly decreased by the military regime, so benefits did not amount to much (Cohen 1989: 61). Moreover, old age pensions were not granted individually, but on a household level, meaning that usually only the husband, but not the wife would get an old age pension under FUNRURAL. While not a social pension in the strict sense, its qualification period was only 12 months of agricultural work, meaning that nearly all rural households were in theory included.

Rural social security was not administered by the state administration, but by the National Federation of Agricultural Workers (*Confederacao Nacional dos Trabalhadores na Agricultura*, CONTAG), a rural union co-opted by the state. CONTAG, together with the military's political party, the National Renewal Alliance (*Aliança Renovadora Nacional*, ARENA), used the scheme to provide benefits in exchange for votes. Just like in the Vargas-era unions were again turned into 'quasi-governmental dispensers of prized social services dependent on the state, thus hampering their ability to act as autonomous organizations defining and articulating the interests of their members' (Malloy 1979: 133). One result of this arrangement was that effective coverage of rural social security was below legal coverage because benefits could be withheld for people not aligned with regime. Still, FUNRURAL has been described as 'the most important redistributive change ever made in

[113] In 1969, a new program brought social security to workers in the sugar cane sector, but this program was soon abolished (Chiarelli 1976: 163).

[114] Throughout the text, I refer to both FUNRURAL and its follow-up programs as FUNRURAL.

Brazilian social security' (Weyland 1996a: 91) because it provided some basic form of social protection for millions of the poorest Brazilians.

Other significant steps towards social security universalization taken under military rule were the inclusion of domestic servants in 1972 and of fishermen under FUNRURAL in the same year (Beltrao et al. 2005: 318-322). Moreover, in 1974, a special pension for urban areas, the Monthly Life Annuity program (*Renda Mensal Vitalicia*, RMV) was created. RMV provided pensions to poor old aged above 70, if they had contributed to social security for at least 12 months.[115] Again, this was not, strictly speaking, a social pension, because it was technically linked to a period of work. However, in practice it worked as an equivalent to a social pension for the urban poor.

In the same year, emergency health care was made free for all people. This change had far reaching effects, as it likely 'opened the door to health care for previously excluded urban marginals', who sometimes were able to use emergency health care for non-emergency health needs, as 'private hospitals were interested in treating as many patients as possible' (Weyland 1996a: 96-97; Kuhn 2012: 44). Still, it is difficult to ascertain, in how far the emergency rule was used by the non-insured in non-emergency cases. Therefore, the degree to which it provided an effective access to health care for the non-insured is unclear.

To summarize, by the mid-1970s nearly all Brazilians were in theory protected by some form of social security. In practice, however, it would be wrong to speak of universal coverage because of two reasons. First, social protection was not granted to all of those who had a legal right to social protection. This was the case, for instance, under FUNRURAL, when social benefits were tied to votes for ARENA. Clientelism meant that legal social rights could not be claimed by everyone.[116] Second, benefits levels were extremely unequal among different groups. For the basic level of coverage, it is difficult to speak of a true social protection floor. This deserves to be explained in more detail.

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[115] The program included also a disability pension component.

[116] Weyland (1996) stresses the importance of this point even for the post-1988 period.

In the case of old age pensions, the benefit level of quasi-social pensions was set at half of the minimum wage. Given the economic policy of keeping the minimum wage as low as possible, benefit levels were thus insufficient to provide real protection. Moreover, in the case of rural pensions only one person per household was able to claim benefits. Additionally, the pension age differed from sector to sector. Under the regular pension scheme for the private sector, regular workers in the urban formal sector were entitled to pensions after 35 years of contributions. This meant that the effective pension age was set around 50. For rural pensions, however, the pension age was 65 and for the urban poor 70. Taking a retirement age of 50 or 55 as a basis and considering that in rural areas usually only half of the old aged got an old age pension, the proportion of people above retirement age that received pensions was thus likely below 50 percent.

In the health system, the situation was similar. As explained above, only emergency health care was technically free. Yet, emergency health care in itself was insufficient to provide effective access to quality health services (in urban areas). Additionally, in rural areas there were other problems. Due to the clientelist structure of benefit provision under FUNRURAL it is likely that not everyone entitled to medical care was able to obtain medical care. Even more significantly, health care facilities often simply did not exist in isolated rural areas. Health care was based on the contracting of private medical facilities by CONTAG and it was simply not profitable for the private sector to set up such facilities in poor regions. Thus, the rural population was not effectively covered by the health system, in spite of legal entitlements under FUNRURAL.

From the late 1970s onwards, the military regime did make some progress in expanding effective health coverage in rural areas. Under the guidance of left-leaning bureaucrats, who were members of the *sanitarista movement* public health group, primary health care was extended to some poor rural areas. The *sanitaristas* were a leftist public health group and believed that health care was a right of every citizen and had to be provided by the state. It used the environment of political liberalization, to 'infiltrate the state' (Falleti 2010) and push through its goals. In 1977, a network of mini health sanitary stations providing preventive care and sanitation was set up in low-density population areas, particularly in the poor

Northeast. The fact that by 1980 it served 7-8 Million people, or 20 percent of the respective population in the area shows both, the significance of the program, and that under FUNRURAL rural health coverage was not universal (Falleti 2010: 49-56). Similar plans by the *sanitaristas* to improve effective health care coverage were put into practice throughout the 1980s.

Overall, the military regime made impressive gains in terms of coverage expansion. So, why did a military regime that had the exclusion of the popular sector as one of its main goals, include the poor in its social protection regime, at least on a legal level? During military rule state elites and social security technocrats had overwhelming influence on policymaking, while private elite interests had no more than a veto right (Malloy 1979; Weyland 1996a). That is why it is argued that the 'extension of rural social protection like the formulation of urban social protection has been, when all is said and done, largely shaped by the ongoing logic of "patrimonial statecraft"' (Malloy 1979: 132).

Yet, focussing on state elites alone might be insufficient. At least for the case of health care universalization Falleti (2010: 40) argues that the inter-relationship between the state and sections of civil society is key to understanding developments during military rule:

'The military was interested in the state's territorial expansion to the peripheral areas of the north and northeast, where it had practically had no presence. The regime was also interested in taming the social and political demands of an increasingly active rural movement. In an effort to legitimate its domination and co-opt rural activists, the military government extended health care to those employed in the informal economy (the majority of the rural population) and to the unemployed. These efforts provided an opening for leftist health care organizations […] to put in practice on a broader scale models of preventive and public social medicine that they had been promoting […]. In short, the penetration of society by the authoritarian state facilitated the infiltration of the state by reformist elements in society.'

To conclude, through a series of reforms the military regime expanded legal social protection to the whole population. The rural population in particular benefitted from the inclusion under FUNRURAL and the building of primary health centres in peripheral regions. While clientelism was widespread and benefit levels remained insufficient, the expansion of social protection coverage under military rule was still impressive. In terms of the motivation behind the reforms, it seems natural to draw parallels with the Vargas regime, which incorporated urban labour to strengthen the state. According to Houtzager (1998: 136), the 'agrarian project that emerged after 1968 can be understood as the final step in the process begun by Vargas to integrate Brazil's diverse regions, centralize political authority, and assert state control over the working classes'. In both cases, the incorporation of workers came after the rise of a labour movement and after the movement was effectively crushed. And in both cases, providing social protection was one of the key tools to achieve overall goals of the state.

6.6. The universalization of effective social security during democratisation (1985-1996)

The military regime succeeded in providing legal coverage to virtually all sections of Brazilian society. However, it did not manage to provide effective social protection for the overwhelming majority of the population. This was only achieved, after the transition to civilian rule in 1985 and through the process of democratisation that culminated in the writing of a new constitution in 1988 and the democratic election of President Collor in 1989.

The process of democratisation was a slow one. By some accounts, it started as early with the liberalisation policies of the Geisel government in the mid-1970s. In the early 1980s, the process gathered pace when a social movement called for direct elections of a civilian president. Although the movement did not succeed in its call for direct elections, the transition to civilian rule was ensured when a civilian president, Tancredo Neves, was elected in indirect elections. However, Neves died before taking office and his Vice-President Jose Sarney, who had been supportive of the military regime until recently, became president (Roett 1992: 27 and 156-157). During his term, a Constituent Assembly was elected and a new democratic constitution was drafted.

While the democratisation process was guided by conservative forces – first the military, then President Sarney – broadly left-of-centre political forces became increasing powerful. Democratisation was mainly pushed by left-of-centre politicians in the opposition *Partido do Movimento Democrático Brasileiro* (Brazilian

Democratic Movement Party, PMDB), a new labour movement, which tried to remain autonomous from state control and rejected clientelism, and various social movements that called for different progressive reforms. The struggle for democratisation was thus tied to the struggle for social rights, or ‘paying the social debt’ (Hall 2013). The democratic constitution of 1988 reflected this struggle for social rights to a significant extent. The constitution and its subsequent implementation through various laws in the early 1990s brought about the change from universal legal coverage to universal effective coverage of the population.

A significant part of the 1988 Constitution was devoted to social rights (Article 6-11, 194-214). Starting with the assertion that ‘[e]ducation, health, nutrition, labor, housing, leisure, security, social security, protection of motherhood and childhood and assistance to the destitute’ (Article 6) are social rights, the constitution continued to describe different instruments of protection. Among these constitutionally protected mechanisms that implement social rights are unemployment insurance, severance pay, family allowance, maternity leave and day-care for small children (Article 7). The fact that specific regulations, which are usually reserved for normal laws, were included in the constitution meant that retrenchment in social protection became very difficult in democratic Brazil. Whenever subsequent governments tried to scale down social rights, they had to change the constitution, which was obviously more difficult than changing regular laws.

In addition to the specific regulations it is also important to note that the concept of social security was redefined in the constitution. Whereas in earlier periods, social security had been linked to contributions by employees and was therefore not seen as an unconditional right, the 1988 constitution stressed the role of social assistance and universality (Hall 2013). Social assistance was designated as a separate form of social security that ‘shall be provided to those who need it, regardless of contributions to social security’. It included, among other things, the ‘protection of the family, maternity, childhood, adolescence and old age’ (Article 203). Partly, this reflected the shift in policies that had been introduced earlier with FUNRURAL and RMV. Yet, it also paved the way for innovative social assistance policies, such as conditional cash transfers (Jaccoud et al. 2010).

In the field of health care, the 1988 Constitution was influenced by the *sanitarista* movement, which had shaped health policy since the late 1970s and tried to ‘enshrine progressive social rights in the constitutional text’ (Sugiyama 2007: 129). A milestone in this process was the eighth National Health Conference in 1986, a ‘preconstituent assembly of the health sector’, in which key *sanitarista* demands, such as health care as a right, the unification of the health system and its decentralization were accepted (Falleti 2010: 54; Lobato and Burlandy 2000). One year later, in 1987, administrative rules were changed so that enrolment in the social security system was no longer a precondition of getting medical treatment (Weyland 1996a: 160). With universal legal access achieved, the remaining problem was to create sufficient facilities in poor and isolated areas, so that marginalised sectors of the population had effective access to health care.

In the Constituent Assembly, allies of the *sanitaristas*, such as left-of-centre politicians of the PMDB, were in a minority. Moreover, its political goals were strongly opposed by private medical business as well as clientelist politicians (Weyland 1996a: 167-172). Still, some of the key *sanitarista* policies were accepted in the constitution thanks to effective lobbying and mobilization by the movement and its allies (Garay 2010: 97-98). Articles 196 – 200 of the constitution were devoted to health, and described health as a right of citizenship and duty of the state.

Furthermore, the constitution called for a unified health system, which would guarantee the effective universalization of health care. This was gradually implemented through health reforms. A first step in this direction came even before the constitution was enacted, in 1987, with the creation of the Unified and Decentralized Health System. This reform aimed to transfer the responsibility to the state-level, as it was assumed that this would ‘bring health care to the poor’ (Weyland 1996a: 163). Due to the strong opposition by Sarney’s successor President Collor, clientelist politicians and private medical business the practical implementation of the constitutional provisions that would strengthen the public sector and ensure more equal access for the poor only came gradually, starting with the Health Organic Law in 1990, which created a unified health system (Paim et al. 2011; Melo 2014).[117]

[117] In contrast to the earlier semi-democratic period, labour groups supported these universalist changes (Garay 2010: 121-122).

Thus, through the changes from 1987 to 1990 effective health care coverage for a clear majority of the population was achieved.[118]

In other branches of social protection, the 1988 Constitution also contained significant advancements towards effective universal coverage. Pension benefits, for instance, were strongly increased. Articles 201 and 203 declared that no benefits should be below one minimum wage. This meant that minimum benefits, such as the urban minimum pensions and the FUNRURAL pensions would be doubled in value. Moreover, the provision that rural pensions would only be given to one person per household was abolished. This change had the effect that all rural workers, not just one per household, would have the right to old age pensions. Together with the changes in benefit level, this led to a massive increase in old age pensions for a typical rural household. Finally, the eligibility age was lowered to 60 years for men and 55 for women. Given that rural workers usually started working earlier than urban workers, this reform thus made the pension system more equal (Beltrao et al. 2005: 321).[119]

Interestingly, one of the strongest proponents of these changes was CONTAG (Weyland 1996a: 134-145). This association had been co-opted by the military regime through FUNRURAL in order to strengthen state control over the countryside. In the 1980s, however, CONTAG increasingly formulated a more independent agenda. Among other supporters of the increases in rural pensions were bureaucrats in the social security apparatus. Moreover, conservative politicians, a likely source of opposition to pension increases, did not strongly oppose the reforms (Garay 2010: 97).

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[118] It is difficult to specify what proportion of the population had effective access to health care in a particular point in time and to name a specific point in time, by when universality was achieved. By 2000, 99 percent of municipalities delivered basic health care services (Falleti 2010: 56) and it is generally believed that the health system is today to a reasonable degree universal (Jaccoud et al. 2010; Melo 2014).

[119] The constitution not just increased minimum pension, but also regular pensions, such as time of service pensions. Therefore, the distributive effect of the reforms was not always progressive (Weyland 1996: 134-145).

Most of these changes in the pension system were gradually implemented through the required organic laws. For the rural population, the provisions of the constitution were implemented in the 1991 Social Security Organic Law. For the urban population, the changes only came with the 1993 Social Assistance Organic Law. This law established a true social pension, the continuous cash benefit (*Benefício de Prestação Continuada*, BPC), that effectively only began in 1996. It was less generous than the rural pensions, with a higher retirement age. However, the BPC still had a strong impact on the situation of the urban poor (Jaccoud et al. 2010).

The significance of the provisions of the 1988 Constitution in terms of effective pension coverage is reflected in the number of beneficiaries.[120] The number of FUNRURAL pensioners increased by two million between 1991 and 1994. Similarly, with the introduction of the BPC the number of urban social pensioners increased by a million in the late 1990s (Ministeria de Previdencia Social 2011). Thus, the provisions of the constitution and their implementation ensured that for the first time the majority of the population above the retirement age was in receipt of a pension. Furthermore, these pensions now provided an effective minimum as their value was aligned to the minimum wage.

In the late 1990s and 2000s, the process towards universal social security continued particularly in the field of social assistance. Here, the famous Bolsa Familia program provided poor families a modicum of assistance through a conditional cash transfer. This program, developed in the context of political competition between centrists and centre-left parties (Garay 2010: 94), meant that not just old aged, but also working poor were covered by social security. Yet, due to its very low benefit level compared

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[120] An alternative approach to gauge the significance of the reforms would be to analyse whether social pensions provide a meaningful right to a minimum. For this purpose, we can measure the Brazilian rural pension system using the fuzzy set developed by Böger (2013: 67-68). Böger argues that long coverage periods, universality and above poverty-threshold benefits are crucial for a social right to a minimum income in old age. Before 1988, only the dimension of universality was on a high level. We can speak of a long period of coverage only after 1988. Before, life expectancy (62 in 1980 and 64 in 1985) was below the retirement age of FUNRURAL (65). In terms of benefit level, one can speak of above poverty-threshold benefits only after the 1988 reforms. To conclude, the changes from 1988 onwards ensured that social pensions constituted a meaningful right to a minimum.

to other programs of social security, the distributive impact of Bolsa Familia and associated programs was probably lower than for social pensions.[121]

To conclude, the shift from legal to effective coverage of the majority of Brazilians came with the 1988 constitution and its subsequent implementation. The strong emphasis on social rights in the constitution was partly the work of social movements, as well as left-of-centre politicians. While these groups did not control the democratisation process itself, they pushed those in power towards more progressive policies in terms of effective social security and were arguably met with surprisingly weak resistance. The precise social actors behind the expansion of the social security in democratic Brazil differ with the policy area. With regard to health policy, the *sanitaristas*, a social movement of leftist doctors, was of overwhelming importance. While the movement failed in drawing mass support for its demands, it succeeded in its state-centred strategy (Weyland 1995). By 'infiltrating the state' (Falleti 2010), occupying key positions in the bureaucracy and with the support of centre-left politicians they were able to influence policy. In the field of pensions, centre-left politicians, as well as CONTAG were important actors behind the reforms, as they demanded better provision for rural Brazilians and this helped to increase minimum benefits for urban pensioners as well. Meanwhile, the decision-making process was still influenced by experts in the bureaucracy. However, due to opposition from political and social forces bureaucrats were not able to push through their comprehensive reform plans that entailed cutbacks for the privileged (Weyland 1996a: 153-156). Compared to the military regime, state elites had thus lost their dominance.

6.7. Conclusions

This chapter explored the history of welfare state emergence in Brazil, from the Old Republic to democratisation in the late 1980s. In the concluding part, I will now

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[121] In 2010, the maximum benefit through Bolsa Familia was 200R$, the minimum benefit was 22R$. In that year, the minimum wage – and thus the social pension benefits – was above 500R$. The number of beneficiaries was similar (around 11 million for social pensions and around 12 million for Bolsa Familia). Therefore, the transfer size was far larger in the case of social pensions (Barrientos 2013; Leubolt 2015).

discuss the combination of causal factors that led towards the universalization of the social security system. Compared to the previous case, Costa Rica, it appears that the causal configuration of welfare state emergence in the Brazilian case is more complicated and fits existing theories less well.

The beginning of welfare state building in Brazil can be dated to 1923, when social security legislation for railway workers was passed. The first decisive push towards a more comprehensive system came after 1930, when Getúlio Vargas came to power. Under his corporatist-authoritarian rule, an elaborate, but strongly stratifying and regressive social safety net was built for the urban population. The quality of social protection in this period largely reflected the social and economic status of the protected. The semi-democratic period between 1945 and 1964 that followed the Vargas-era saw a 'massification of privilege'. High levels of protection, which were initially enjoyed only by a small minority, were granted to ever larger sections of the urban formal sector. The rural sector and the urban poor, however, were largely left out of the social protection framework. Their inclusion came only slowly after the military coup in 1964. Quasi-social pensions for the rural and the urban poor, as well as the right to free emergency health care in the early 1970s meant legal coverage for the whole Brazilian population. Universal effective coverage, however, only came in the late 1980s during the era of democratisation, after the 'Brazilian miracle' had brought some degree of industrialization and urbanization. In health care, effective access for a majority of the population was brought about through the expansion of primary health care from the late 1970s onwards and the right to health in the 1988 constitution. Real universal protection against old age only came when the 1988 constitution massively increased minimum pension benefit levels and eased their qualification requirements.

Compared to the Costa Rican case, discussed in the previous chapter, the drivers of social security universalization have been somewhat different in the case of Brazil. In Brazil, it was mainly the state-elite, not the political left, which was responsible for welfare state building. Under the auspices of Vargas, the state-elite decided to provide the working class with social protection in order to control it. In the semi-democratic period, attempts by bureaucrats, influenced by the ILO and the Beveridge Report, to make social security more equal and more inclusive were mostly blocked.

Segments of labour and clientelist political parties opposed reforms out of fear of losing their privileges.

Under the military regime between 1964 and 1985, state elites insulated themselves from the demands of civil society. In this period, the social security bureaucracy successfully pushed for the expansion of social protection to the rural population. Bureaucrats were guided by Beveridgean ideals about how the system ought to be and ruling groups were eager to extend the power of the Brazilian state in the countryside, in order to control rural areas. Thus, social security expansion during military rule was part of a broader ‘agrarian project’ of the state:

> ‘The agrarian project sought the rapid growth of agricultural production, national integration, and the incorporation of rural labor into national society. Rural unions were assigned the task of incorporating the previously excluded social groups and fostering national integration. They did so in two ways. First, unions became part of the distributional arm of the state and delivered an array of social services. This social wage was intended to combat the influence of the Left in rural areas and to keep the “man of the countryside” from migrating to the cities. Second, unions sought the enforcement of national law and labor law in particular. In this manner, unions helped bring rural labor into national society as citizens while strengthening the state in the countryside.’ (Houtzager 1998: 133)

Viewed from this perspective, the Brazilian case appears to conform to theories of state-centred research that sees states elites in a capable state as the main driver of welfare state development. However, in two ways the Brazilian case does not fit these theories. First, state-centred research assumes strong state capacity. Yet, in Brazil state-elites pushed for social security expansion in order to ensure state control, first over urban workers, then over the countryside. While the state, at least since the Vargas era, projected itself to as powerful and in control, the reality – particularly in peripheral areas – was different. Hence, it was precisely the lack of state capacity that was to be overcome by the extension of social security.

Second, the Brazilian case also does not really fit state-centred theories for the democratisation period. Here, it was not state elites, but mainly civil society groups and left-of-centre politicians, who were behind the universalization of effective social protection coverage. Thus, the causal configuration behind social security expansion appears to be different in this last crucial reform period. Based on this finding, it would be tempting to discard the earlier stages of welfare state building and interpret the last reform period as proof that the main drivers of welfare state emergence were again democracy and the left, as in the case of Costa Rica, and that the Brazilian case conforms to the power resources theory.

Yet, such an interpretation would not do the Brazilian case justice for three reasons. First of all, even during democratisation, the left was not in power in Brazil. It is true, that social movements and left-of-centre politicians largely defined the debate on the constitution and succeeded in putting social rights on the agenda. Still, the left did not control the presidency until 2002, when President Lula was elected. Hence, the role of centrist and centre-right political forces cannot be discarded (even if it was confined to not blocking social security expansion).

A second way, in which the Brazilian case does not conform to power resources theory, concerns the developments in the semi-democratic period. In this period, labour unions and centre-left parties were far more interested in getting better social protection for the included, than in providing social protection to the excluded. This was likely connected to the fact that the excluded largely lacked the right vote due to literacy requirements. To be fair, towards the end of the period left and labour tried to extend social protection to rural areas. Still, especially labour unions played an ambivalent role in social security universalization. A third point, which makes it difficult to interpret the process of welfare state emergence in Brazil from the perspective of power resources theory approaches, concerns the many reforms that were made by authoritarian regimes. It was these reforms, in particular the reforms by the military regime, that the laid the grounds for the effective universalization of social security in the democratisation period. Hence, a power resources explanation does not do justice to the evidence in the Brazilian case.

Overall, welfare state emergence in Brazil defies theoretical expectations, both that of the power resources approach and that of state-centred theories. Another aspect of the Brazilian case that is surprising from a theoretical perspective is that apparently, the high ethno-cultural fractionalisation of the country did not constitute a significant obstacle for welfare state building. In spite of being a very heterogeneous and diverse country, there does not appear to be direct evidence that this issue played an important role in public debates on social security or policymaking.

To summarise, in Brazil the social security system was initially created and significantly expanded by state elites, which aimed to provide the population with social protection in order to extend the reach of the state, pre-empt possible opposition against their authoritarian rule and modernise the country. Only the final reforms in the late 1980s and early 1990s that led to universal effective coverage of the population were made in the context of democratisation and under the pressure of leftist groups. Overall, the Brazilian case thus does not fit neatly existing theories of welfare state emergence.

CHAPTER 7

WELFARE STATE EMERGENCE IN SOUTH AFRICA

7.1. Introduction

In this chapter, I explain how and why South Africa developed a comprehensive social protection system to become a welfare state in the developing world. At first glance, the country might be seen as an unlikely case for a welfare state in the developing world. A critical reader might ask: is South Africa really a welfare state? And is it really part of the developing world? There is indeed some merit in asking these questions. The country remains the single most unequal country in terms of income inequality, with a Gini score of above 60 in 2011. Regarding basic health indicators, the picture is also rather bleak. Life expectancy has actually fallen from 62 to 57 since the end of Apartheid in 1994 (World Bank 2016). The reason for this decrease in life expectancy is, of course, the AIDS epidemic, which by all accounts overwhelmed South Africa's health system. So, in the face of these dismal social outcomes how can one call South Africa a welfare state?

Interestingly, contemporary South Africa does not perceive itself to be a welfare state. In 2011, the South African President Jacob Zuma famously declared that 'we are building a developmental and not a welfare state' (Republic of South Africa 2011). However, some observers disagree and see post-Apartheid South Africa on the road '[f]rom apartheid to welfare state' (Economist 2000) and as 'a model for other countries, particularly in the Global South' (Patel and Triegaardt 2008: 85). Apparently, the question of whether it can be labelled as a 'welfare state' remains controversial. Yet, based on the definition of the welfare state employed in this thesis, whereby a welfare state is a country, whose citizens are protected by the formal social security system, South Africa clearly is a welfare state. Nearly old aged receive pensions, the whole population has, in principle, access to the public healthcare system and various social assistance programmes protect different strata among the poor. Still, abysmal social outcomes, such as the high inequality and low life expectancy, show that it remains an incomplete welfare state.

So, South Africa is a welfare state thanks to its extensive social protection system. Yet, is it also part of the developing world? The question of whether South Africa can be classified as a developing country is also complicated. On the one hand, it has the lowest GDP per capita among the three cases included in this study and lags behind the world average (see Figure 2). In this sense, it is clearly part of the developing world. On the other hand, the country has a long history of industrialization going back to the late nineteenth century. Industrialization fuelled economic growth and brought per capita income above the world average from the 1930s until the late 1970s (Maddison-Project 2013), even if most of the population continued to live in rural areas (World Bank 2016). Tellingly, South Africa was classified as an 'industrialized country' in the first World Development Report in 1978 (World Bank 1978: 77) before falling back to 'developing country' status in the next year (World Bank 1979: 127).[122] To conclude, South Africa can be classified as a developing country due to its relatively low per capita income, but it is surely not a typical poor country.

In this chapter, I trace the historical development of South Africa's social protection system, from the colonial period to the end of Apartheid, in the mid-1990s. The analysis ends in the mid-1990s, because by that point the country had become a welfare state. The historical study is divided into four sections, which correspond to four eras of social policy development.[123] In the first section, I provide a very brief overview of social protection in the polities that merged into the Union of South Africa in 1910. The second section describes developments between the unification of the country in 1910 and the Great Depression. In this period, the origins of a

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[122] However, if one takes into account living standards of the majority of the population, it is clear that early Apartheid or pre-Apartheid South Africa was not on the same level as Western countries.

[123] This periodization is partly based on Kruger (1992). Kruger sees the period between 1910 and 1933 as a period of 'innovation', the period between 1934 and 1948 as a period of 'limited incorporation' and the early Apartheid era as a period of 'retrenchment'.

modern social protection system, which could be called a 'welfare state for whites' (van der Berg 1997: 481), were laid. The third section covers the period from the Great Depression until the beginning of Apartheid in 1948, when the government attempted to universalize social protection. This attempt failed and instead of a welfare state, South Africa became an Apartheid state. The fourth section explains the transformation of the social protection system in the early Apartheid era (1948-1973). In the fifth section, I trace how the social protection system became more and more inclusive, when the Apartheid regime slowly started to crumble from the 1970s onwards. This section covers the transformation of South Africa into a welfare state, most notably through the reforms at the end of Apartheid, in the years immediately prior and after the African National Congress (ANC) was elected into power in 1994.

After the historical analysis, the final part explains what combination of causal factors led to the creation of the South African welfare state. This involves a discussion of the applicability of different theories of welfare state development that were discussed in chapter 2. Unsurprisingly, it proves to be difficult to match the South African case to a particular theory, given its unique historical development. However, it is clear that due to entrenched racism ethnic and cultural heterogeneity was an obstacle for social security universalization in South Africa. This obstacle was only overcome through the pressure of a centre-left democratic movement that reformed the social security system, built during white minority rule, and transformed South Africa into a welfare state.

7.2. Social policy before the Unification in 1910

The grounds for the modern South African state were laid with the unification in 1910. Before 1910, the territory of today's Republic of South Africa was divided into several polities. When European settlement began with Dutch settlers arriving at the Cape of Good Hope and establishing the Cape Colony in 1652, indigenous peoples inhabited different parts of the country. Over the course of the next centuries, Cape Colony increased its territorial reach, was conquered by the United Kingdom and slowly became the dominant polity of South Africa. Yet, despite being dominant, Cape Colony was not the only polity in the territory. To the east of the Cape, another British colony, Natal, remained a separate entity, distinct from the Cape. In the northeast different (often short-lived) republics, collectively labelled Boer republics were in control. These republics were founded by white Afrikaners (*trekboers*), mostly descendants of Dutch settlers, who left Cape Colony in the nineteenth century after the abolishment of slavery.[124] In addition to these territories controlled by descendants of Europeans, various indigenous peoples continued to have their own kingdoms (Davenport and Saunders 2000). This variety of states with different forms of societal and political organisation makes it difficult to summarize social protection in South Africa before 1910. In this section, I will therefore provide only a very brief overview of some significant developments in the different polities before explaining how and why these polities unified.

In Cape Colony, social assistance in the form of poor relief began in the late seventeenth century as a semi-formalized institution, with cash transfers given to the deserving poor through a fund collected by the settlers. Early on, the church played a key role in administering this relief (Iliffe 1987: 97; Kruger 1992: 109-112). Interestingly, blacks could also receive poor relief in this colony dominated by whites, but from 1705 onwards only under lower rates than whites (van der Merwe 1997: 79).[125] Such racially differentiated benefit rates would remain a characteristic of South African social policy until the end of Apartheid. With the change from Dutch to British rule, the nature of poor relief was transformed from out-relief to the institutionalisation of the poor house. The degree to which this kind of poor relief really constitutes a provision of social protection has been questioned in comparative social policy research (Marshall 1950: 24; Esping-Andersen 1990). Still, the long history of providing cash to the 'deserving' poor in Cape Colony is noteworthy.

In contrast to the case of the Cape, research on the social security systems of indigenous polities, such as the Zulu Kingdom, appears to be very sparse.

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[124] The most important Boer republics were the South African Republic (also known as Transvaal) and the Orange Free State.

[125] A disclaimer regarding 'racial terminology' is necessary. I follow Seekings and Natrass (2005: ix), who use the term blacks as an umbrella term for African, coloured and Indian people in South Africa. African refers to the indigenous inhabitants of Southern Africa; Indian refers to those people who came or were brought from India; coloured refers to those, who are not easily classifiable, e.g. people of mixed origin; white refers to descendants from Europeans.

Presumably, traditional systems of social security, as described, for instance, by Platteau (1991), were predominant at least in the more stable polities. This would mean mutual insurance arrangements (1991: 135-140) and guaranteed access to productive assets (1991: 122-125) existed. Yet, in the context of this chapter, it is not possible to discuss these traditional social security systems in detail.

With regard to the social protection system in the Boer Republics, it appears that there are competing views in the literature. Some argue that welfare provision, at least for poor whites, was far more advanced in the Transvaal and other Boer Republics than in the other areas of South Africa (Kruger 1992: 117 citing Bottomley).[126] This is a plausible argument, given that citizens of these republics are believed to have shared a common perception of being under existential threat by outside forces, most importantly British imperialism and native inhabitants of South Africa. However, it is not clear how pervasive social policy in these republics really was. After all, the Boer republics were mainly agricultural communities, sparsely settled and with very limited state capacity to institutionalise and enforce any kind of policy, let alone modern social policy. In any case, even if welfare provision was more advanced than in neighbouring polities, it is understood that it was meant only for Afrikaners, not for black inhabitants of the territories, who lacked equal rights.

To conclude, before 1910 South Africa was politically divided and radically different social protection systems existed in the different territories. One characteristic that the different areas had in common, however, was that they were predominantly agricultural societies. The inhabitants of the different areas were not necessarily very poor. Especially descendants of Europeans often enjoyed comparatively decent living standards (De Zwart 2011). Yet, agriculture remained the mainstay of the economy. This only changed when in the late 1860s diamonds were found and in the late 1880s gold was found in the Witwatersrand area (roughly corresponding to the area around today’s Johannesburg) of the Transvaal.

The discovery of diamonds and gold transformed society, economy and politics in

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[126] Note that van der Berg (2002: 20) states the Transvaal introduced a pension fund as early as 1882. However, it is unclear which part of the population was covered by this fund.

South Africa. Mining became one of the most important sectors of the economy as it provided much needed export earnings. The development of the mining sector relied on cheap labour and so in this sector, a South African working class emerged (Marks and Rathbone 1982; Yudelman 1983). Mining workers, who numbered more than a hundred thousand by the turn of the century, faced very harsh working conditions. Accident and death rates of mineworkers were extremely high. Moreover, health conditions of workers in general were bad, with epidemic diseases spreading largely uncontrolled. In 1883, a smallpox epidemic in the diamond region led to one of the first important public health interventions, the Cape Colony's Public Health Act, which made the notification of the disease compulsory, in order to control epidemics. Still, overall health conditions of workers during early industrialization were appalling (Marks and Andersson 1992: 132-134).

Labour was not easily available in the mining areas, as they were largely rural and sparsely populated. Therefore, the development of the mining sector required that people migrate to the mining areas, particularly to the Witwatersrand. As labour demand outstripped the supply of labour, the state used coercive means to employ black workers from Southern Africa in the mining sector.[127] The society of these formerly rural areas was naturally transformed by the influx of labour migrants. In terms of ethnicity and culture, these areas were already quite heterogeneous. European descendants constituted usually only a small minority of the population, but in political and economic terms, they were the dominating group. With the arrival of mining workers, this ethno-cultural heterogeneity increased. The heterogeneous workforce was officially divided by race with the creation of the 'colour bar', which ensured that white workers would do skilled work and black workers would only be employed in unskilled work (Marks and Rathbone 1982).

Diamond and gold mining also brought about political change, as the Southern Africa

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[127] The severity of the labour supply problem can be gauged from the fact that Chinese labourers were brought to work in the mines in the early 1900s, when the local labour supply was insufficient (Yudelman 1983). The shortage of labour had already been a problem in earlier decades in the Natal area. For the development of sugar plantations in the Natal colony, indentured workers were recruited from the Indian subcontinent.

region became much more important for British imperialism. Within a few decades, the United Kingdom subdued competing polities to its colonies. After being defeated in the Second Boer War in 1902, the two last Boer Republics – the South African Republic and the Republic of the Orange Free State – lost their independence and became colonies of the British Empire. This war also cemented differences between Afrikaner and Anglophone citizens. In 1910, the two Boer colonies together with the Cape and Naval colonies created the Union of South Africa, a self-governing dominion of the British Empire with a large degree of independence in domestic matters (Davenport and Saunders 2000).[128] Unification thus ended the territorial division of South Africa into different states.

To conclude, by the time of unification in 1910, South Africa was a very heterogeneous country and the system of social protection differed from area to area. Some parts, like the Cape area, had a long history of poor relief. Through the mining boom, the country began to industrialise in some regions and a working class slowly emerged. Working conditions, both in the mining sector, and in agriculture, however were rather harsh. Overall, a comprehensive system of social security was not on the horizon by the time of unification in 1910.[129]

7.3. From Unification to the Great Depression: the beginnings of a welfare state for whites (1910 – 1933)

In the first decades after unification, the grounds for a modern social security system were laid. The most notable policy in this regard was a non-contributory pension scheme for whites and coloured, which was arguably unique in Sub-Sahara Africa at that time. In this section, I explain developments from unification onwards, which

[128] Complete independence only came in 1961 with the declaration of the Republic of South Africa.

[129] One partial exception was education. Education for whites (but not for blacks) was quite developed (Kruger 1992: 122): 'By 1910 White education was [largely] in the hands of the state. This is seen in the widespread complete state financing of primary education and the expansion of compulsory education, implying a commitment to make resources available. In contrast with this, black and coloured education was still largely in the hands of the missions and churches. […] Schooling for these groups was also not made compulsory to any extent, showing a lack of state commitment to the provision of education for these groups.'

led to the establishment of this social pension scheme.

The Union of South Africa consisted of four provinces: Cape, Natal, Transvaal and Free State. As described above, these provinces grew out of formerly four separate polities with completely different kinds of political organization. Naturally, these differences were not simply erased from one day to the next. The provinces retained some of their peculiarities and several policy areas were left to the provincial level. Poverty alleviation policies, for instance, were fragmented among the four provinces (van der Merwe 1997: 88). Similarly, healthcare remained mainly the responsibility of the provinces and there was no unified health system (Coovadia 2009: 820). In 1919, a Public Health Department was created after an influenza epidemic. This ministry had the power to control that local authorities provide environmental health services (De Beer 1984: 16-18; Hendrie 1986: 99-100). Yet, healthcare largely remained fragmented, with provinces responsible for hospitals (Van Rensburg and Mans 1982: 200-202).

In political terms, the Union of South Africa was mainly a union of its white citizens. Apart from the Cape, where black voters in theory had the right to vote[130], the franchise was restricted to whites, who only made up about one fifth of the population. The rest of the population was excluded from the political process. Thus, Africans, who constituted the majority of the population; coloured people, i.e. people of mixed origin, and Indians, descendants from migrants from the Indian subcontinent, who had come as workers for sugar plantations in the Natal area, all lacked political power. From the beginning, South Africa’s political system was therefore classified by race: only white citizens were politically included (Davenport and Saunders 2000).

Unsurprisingly, the exclusion of blacks from the political system meant that much legislation benefited whites at the expense of blacks. Perhaps the most important

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[130] In theory, franchise was open to all ethnic groups in Cape Province. However, in practice white voters dominated the voter list of the Cape. In 1936, black voters were removed from the common electoral roll and put on a separate electoral roll, which limited their political rights even further. Natal Province apparently had a similar system as Cape Province, but the number of black voters in Natal was even smaller than in Cape.

example of this is the Native Land Act from 1913, which designated 87 percent of the territory as land for whites. The Land Act thus meant that only a small part of the country was reserved for the overwhelming majority of the population: blacks (Iliffe 1987: 123; Davenport and Saunders 2000: 598). Africans were mostly confined to small reserves and this made a sustainable future in agriculture for them all but impossible. By giving blacks only a small part of the territory, the Native Land Act had important economic consequences. It ensured that some Africans had to search for employment outside of the small reserves. Thereby, it secured a steady supply of labour for the mining sector. Mining, particularly gold mining in the Witwatersrand continued to be an important part of the economy and the sector continued to need more labour. By 1916, 238.000 people were employed in the mines (most of them being black), more than twice the number employed in industry (Yudelman 1983: 55).

Working conditions in the mining sector slowly improved in the early decades after unification. Through their potential to disrupt the economy, mining workers (particularly whites) increasingly gained political power. In 1909, the Labour Party of South Africa, which called for progressive taxes, workmen's compensation, minimum wages and old age pensions, was established (Seekings 2007a: 267). Several strikes by mining workers led to concessions by mining companies and the government, which was headed by the South African Party (SAP), a party perceived as defending the interests of mining companies. One important improvement in working conditions was the Mines and Works Act from 1911, which secured an eight-hour day for underground workers and banned the employment of children below 14 in the mines (Yudelman 1983: 88-89). In the same year, a limited work injury programme that included compensation for mining-related diseases was also legislated (Iliffe 1987: 141). In 1914, a more comprehensive Workmen's Compensation Act was introduced (see Table 27; Kruger 1992: 159-160; SSPTW 1958: 90).

Table 27. Political regime and social protection developments in South Africa

Political regime	**Social protection innovations**
Pre-Apartheid era (1910-1948)	
Political rights restricted to white minority; changing governments: centre-right South African Party (pro business); reformist Pact government (National Party-Labour Party; centrist Fusion government (South African and National Party merge)	1914 Work injury law
	1922 Unemployment insurance for printing and newspaper industry
	1929 Old age pensions for whites and coloured
	1937 Invalidity pensions and unemployment insurance
	1944 Extension of old age pensions to Africans and Indians
	1946 Extension of invalidity pensions to Africans and Indians
	1947 Expansion of unemployment insurance coverage; family allowances for poor white, coloured and Indian families
Apartheid era (1948-1994)	
Political rights restricted to white minority; right wing National Party hegemonic actor; strict separation of different races; parliamentary left extremely weak; but centre-left is hegemonic actor among illegal opposition groups	Until 1971: Increasing gap between pension benefits for blacks and whites
	1948 Exclusion of Indians from family allowances
	1949 Exclusion of blacks from unemployment insurance fund
	1952 & 1954: Sick pay and maternity benefits under unemployment insurance fund
	1967: Medical Schemes Act to regulate private health insurances, which become increasingly widespread among whites
	From mid 1970s on: Decrease in gap between pension benefits for blacks and whites

Table 27 (cont'd)	
	1979: Inclusion of blacks in unemployment insurance
	1993: Equalisation of social pension benefits for whites and blacks
Post-Apartheid era (1994-)	
Negotiated transition of power with democratic elections leading to ANC government in 1994; centre-left coalition of ANC, SACP and COSATU as hegemonic political coalition	1994: Free primary health care for children and pregnant women
	1994: New constitution with extensive social rights
	1996: Free primary health care for all
	1998: Introduction of Child Support Grant

The early years of the Union of South Africa also witnessed some significant social policy innovations for workers outside of the mining sector. One such innovation was the maternity benefit legislation from 1918 for factory workers. However, coverage of these benefits was apparently extremely low (Meth and Piper 1984: 30; Kruger 1992: 160). In the next year, war veterans' pensions were introduced (Kruger 1992: 162). In 1922, an unemployment insurance scheme was adapted in the printing and newspaper industry, which due to its sectoral limitation also had very limited coverage (Meth and Piper 1984: 4).

One factor that weakened the power of the working class and therefore societal demands for social security was the fragmentation of workers along racial lines. The Labour Party, for instance, saw only white workers as its constituency. The colour bar ensured that skilled and higher-paid work was restricted to white workers, whereas unskilled and low-paid work was restricted to black workers. There was little solidarity between the two groups and strikes by one group were rarely supported by the other.[131] White workers, who were politically far more powerful

[131] In fact, the fragmentation of the working class went beyond the split between whites and blacks. White workers were split into Afrikaner workers, i.e. workers from the Transvaal region itself where

because they had the right to vote, attempted to secure a privileged position only for themselves, not for the whole working class (Seekings 2007a: 256).

This racist outlook of the white mining workers also featured in the Rand Revolt, the most important political action of the white working class in that era, and its infamous slogan: 'workers of the world unite and fight for a white South Africa' (Yudelman 1983: 35). The Rand Revolt grew out of a strike by white workers in 1922. They protested, among other things, against softening the colour bar, which racially defined which workers could do which jobs. Employers were keen on replacing white workers with black workers because wages for the latter were far cheaper (due to the fact they had practically no rights and were less skilled). The revolt was brutally suppressed by the state and this critically weakened the white working class. However, state repression of strikers was one of the reasons why the business-friendly SAP lost the general election in 1924 against a more labour-friendly electoral pact of the National Party (NP) and the Labour Party (LP). This led observers to conclude that the working class lost the battle in 1922, but won the war in 1924.[132]

The National Party – Labour Party government, known as the Pact government and headed by the National Party politician Barry Hertzog, was responsible for the introduction of what could be called a welfare state for whites (van der Berg 1997: 481). The Pact government has been likened to 'the "red-green" alliances that introduced foundational welfare reforms in Scandinavia' (Seekings 2007a: 267). The dominating partner in the Pact, the National Party, mainly represented the interests of Afrikaner farmers, many of whom were small-scale farmers. The Labour Party, on the other hand, was rooted in the white working class. Among the main goals of the Pact was the so-called 'civilized labour policy'. In the particular political context of the time, 'civilized' had racial connotations and thus the 'civilized labour policy' consisted of the goal to 'raise all white people to "civilized" standards of living, above rather than below or alongside the "native" (African) population' (Seekings

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mining was based, on the one side, and immigrant and Anglophone workers, on the other side. Both groups only slowly started to become a coherent white working class (Yudelman 1983).

[132] Note that some scholars question this account (Yudelman 1983: 214-243).

2007b: 378). For this purpose, the government aimed to increase wages of white workers, find employment for unemployed whites (partly through public works schemes) and help white farmers (Seekings 2007a: 267; Patel 2005: 127-128). These policies would solve the so-called 'poor white problem', i.e. widespread poverty among whites, which was increasingly perceived as a pressing issue. It was within this racist context, that the foundation of the South African welfare state was laid.

Among the election promises of the Pact in 1924 was the introduction of pensions, to ensure that old whites would be provided for.[133] In 1926, the Pact government appointed a Commission on Old Age Pensions and National Insurance to explore the possibilities of introducing a modern social security system. The commission's task was not limited to old age pensions, but included also invalidity, sickness, unemployment and maternity provisions. In 1927, the commission produced a report, in which it recommended, taking into account the different forms of social security in Europe at that time, the introduction of non-contributory old age and invalidity pensions. It suggested that the old age component should be means-tested, with rather low benefit levels and exclude Africans, who made up the majority of the population (Seekings 2007b: 384-387).

The government accepted some of the commission's recommendations and introduced an Old Age Pension Bill to parliament. This act was limited to non-contributory old age pensions, and did not include provisions for disability pensions. It set benefit levels slightly higher than the commission had recommended, put the qualifying age at 65, but excluded Africans and Indians from being beneficiaries. This exclusion was justified with the argument that particularly African old-aged did not need pensions because prevailing cultural norms meant that the community cared for them. Policymakers were aware that this was a naïve assumption, which clearly

[133] In the 1920s, there were apparently already pensions for civil servants, railway employees (Seekings 2007a: 258) and war veterans (Kruger 1992: 162). However, I could not find detailed information on coverage and quality of the programs, as well as the motivations behind their introduction.

did not reflect reality for all Africans, but still employed this argument.[134] In addition to racial exclusion, benefit rates were also racially differentiated with whites receiving higher pensions than coloured. The Bill passed in June 1928 and pension payments started in 1929 (Seekings 2007b: 387-393).

Even though social pensions were legislated with a racist motivation, featured racially differentiated benefit rates and excluded the poorest old aged – Africans – they were still a milestone of social security development in South Africa. Around 50.000 old aged received pensions (Seekings 2006: 21). In comparative context, the preference for non-contributory over contributory pensions is surprising. One reason for the preference of non-contributory pensions was that the dominant party in the pact government, the National Party, wanted to support its main constituency, small white farmers. The Labour Party supported the introduction of contributory pensions, but failed to convince the National Party. Trade unions, meanwhile, only gave weak support to social insurance (Seekings 2007a: 259) and focussed instead on demanding 'high wages and guaranteed employment' for whites (Seekings 2007a: 268).

Although the Pact government was initially committed to building a comprehensive social security system, it did not introduce legislation for other social risks. The Pact began to disintegrate with the split of the Labour Party in 1928. The National Party-Labour Party coalition continued after the 1929 elections, but the National Party had an absolute majority in parliament, which meant that the Labour Party effectively lost most of its political power. This early disintegration of the Pact, together with the ambiguous position of trade unions and the dire state of public finances during the Great Depression explains why the coalition did not continue with welfare state building after the Old Age Pension Bill (Seekings 2007a: 267-268).

To conclude, in the first decades after unification in 1910, South Africa introduced the first modern social security policies. Given that political power was in the hands of the white minority, it is no surprise that these policies mainly benefited whites.

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[134] It is likely that informal support mechanisms for the poor were more widespread among Africans and only slowly weakened throughout the twentieth century (Iliffe 1987: 134-136). However, the idea that every old aged African was sufficiently supported by her kin was illusory.

The most important early social security policy, the social pensions introduced in 1929, thus included only whites (and to a more limited extent coloured). Yet, these social pensions laid the grounds of the modern South African social security system.

7.4. The Fusion government and the failed attempt to universalize social security (1933-1948)

It was only after the Great Depression and the rise in gold prices in 1933 that the 'welfare state for whites' (van der Berg 1997: 481) would become more comprehensive. The Great Depression deeply affected South Africa's economy. Especially small farmers were hit hard, with falling prices for agricultural products leading many of them into bankruptcy. This deepened the 'poor white problem', which the Pact government had aimed to overcome with its 'civilized labour policy'. In the face of losing the 1933 elections, the National Party decided to enter a grand coalition with the SAP. This coalition, under the leadership of Prime Minister Hertzog of the National Party, marked the beginning of the Fusion government era. After winning the 1933 elections, the National Party and the South African Party united under the name United Party (UP) and governed the country until 1948. Some National Party politicians opposed this unification and split to form the Purified National Party. The fifteen-year Fusion era would witness first the solidification of the welfare state for whites and then the failed attempt to extend this welfare state to the whole of the population.

The expansion of the social protection system during the Fusion government era came despite a 'backlash against welfare state building' after the introduction of the Old Age Pension Bill. In 1932, an influential report of the Carnegie Commission of Inquiry into the Poor White Question in South Africa redefined the nature of the 'poor white problem' (Seekings 2006: 1).[135] Whereas previously it was widely argued that poverty among whites was a structural problem requiring government intervention in terms of economic and social policies, the Carnegie Commission saw

[135] Note that this point is controversial. I follow Seekings (2006), who showed that the Carnegie commission was part of the welfare backlash. However, others see the Carnegie commission's report as (an integral) part of the welfare state building process of that era (Duncan 1993).

it as a psychological and moral problem of the poor themselves. At the height of the Great Depression, the report argued that state intervention led to dependency among the poor. State social policies were therefore perceived as part of the problem (Seekings 2006: 7-13). This transformation in the view on poverty and social policy was visible in a reform of the old age pensions, which increased discretionary powers of state officials and thereby made social pensions more like poor relief and less like social citizenship (Seekings 2006: 19-20; Sagner 2000: 529).

This backlash against welfare state building occurred during a time, when the Great Depression put great strain upon public finances. Once the gold price increased in 1933, the trend towards social policy retrenchment subsided. The increase in the gold price soon transformed the state of public finances. By 1935, around one third of state revenues came from gold mining (Yudelman 1983: 241). These additional revenues made it easier to expand social policy. In 1934, some restrictions in the means-test for old age pensioners were lifted and in 1937, benefit levels were raised and the eligibility age for women was decreased (Seekings 2006: 22), leading to a significant increase in the number of pensioners. By the late 1930s, nearly 100.000 old aged received pensions, thus doubling the number of recipients within less than 10 years (Seekings 2006: 21). In 1936, the Blind Persons Act brought means-tested social assistance for white and coloured blinds. In 1937, the government introduced means-tested invalidity pensions, but only for whites (Kruger 1992: 169). In the same year, the Unemployment Benefit Bill, which provided unemployment insurance to around 88.000 workers, was passed. However, agricultural workers, domestic servants, mineworkers and black workers with low wages remained excluded. Therefore, most of the labour force was not protected (Meth and Piper 1984: 7). Also in 1937, the Children's Act expanded the payment of grants to families in need, particularly single mothers. Coverage and benefits for families, first legislated in 1921[136] and de facto mostly designed to support whites, were improved (Kruger 1992: 162 and 170-171). In order to coordinate the increased provision of social welfare by the state, the government established a Department of Social Welfare in 1937 (Iliffe 1987:121).

[136] According to Iliffe (1987: 120-121) this was first legislated in 1913.

Overall, the first years of the Fusion government saw a deepening of the social protection system, but mainly for whites. White (and partly also coloured) were protected against more social risks and the state took on a greater role in welfare provision. In the early 1940s, this deepening of social protection for whites was followed by the broadening of social protection to blacks. This expansion of the social protection system happened after Jan Smuts, the former Prime Minister during SAP rule between 1919 and 1924, replaced Hertzog as Prime Minister in 1939, when the latter advocated neutrality towards Nazi Germany in World War 2. The social reforms of the Smuts government were part of a broader reformist climate, in which segregation and racist discrimination policies were softened. Scholars argue that in structural terms, reformism was connected to an increase in labour shortage, which was due to industrial growth (Davenport and Saunders 2000: 354-355) and participation in World War 2 (Seekings and Natrass 2005: 63-64). This labour shortage strengthened the economic and political power of black labour and required a softening of the entrenched system of racial discrimination.

The key expansionary reform was the extension of pensions for old aged, blind and disabled to Africans and Indians. The extension of means-tested social assistance to blind Africans happened through an administrative decision, when the 'Native Affairs Department began to pay a monthly pension of 10 shillings to blind Africans' (Iliffe 1987: 141), despite their exclusion from the Blind Person Act. The significance of this move can be gauged by the fact that in 1943 there were around 20.000 blind Africans who received this monetary support. In 1944, the Blind Person Act was reformed to include blinds from all ethnic groups (Iliffe 1987: 141) and the old age pension system was reformed to include Africans and Indians. Naturally, this led to a massive increase in pension beneficiaries, as blacks constituted the overwhelming majority of the poor. In 1946-47, more than 150.000 Africans received old age pensions (Iliffe 1987: 272). Before the inclusion of Africans and Indians, when benefits were restricted to whites and coloured, the number of beneficiaries was below 100.000 (Seekings 2006: 21). Hence, the 1944 reform more than doubled the number of old age pensioners.

Two years after the extension of pensions for the blind and the old-aged, the government also extended disability pensions to blacks (Kruger 1992: 171). In theory, Africans also started to be included in the State Maintenance Grant system for children in need (Iliffe 1987: 141), but in practice, only few received benefits (Kruger 1992: 171). Similarly, Africans remained excluded from the family allowances introduced in 1947, which were paid to low income white, coloured and Indian families (Kruger 1992: 170). This showed that exclusion based on race was not fully overcome. In 1946, a reform of the unemployment insurance system removed minimum income restrictions for blacks and included all employees, except for agricultural workers, mineworkers, domestic workers and public-sector employees (Meth and Piper 1984: 11). The system was still far from universal, but the reform significantly increased coverage.

In sum, by the mid-1940s the government had extended the social protection system to include all population groups in some of the key programs, such as old age pensions. However, this inclusion remained partial. Benefit levels, as well as qualification requirements remained largely racially differentiated to ensure that whites would receive more benefits than other population groups. For old age pensions, for instance, maximum benefit levels for whites were four times higher than for Africans. Furthermore, whereas many white pensioners received the maximum level of benefits only few blacks did (Pollak 1981: 158-163; Seekings 2006: 21). It is likely that the proportion of old aged blacks receiving old age pensions, was far lower than the proportion of old aged whites receiving pensions. Hence, one can speak of an incomplete and unequal inclusion of blacks in South Africa's social protection system of the 1940s.

Social security universalization also remained incomplete in the health system. The early 1940s saw a revolutionary health reform proposal that would have ensured universal healthcare. Already in the 1920s, the Commission on Old Age Pensions and National Insurance appointed by the Pact government had the mandate to look into the prospects of introducing comprehensive sickness insurance. Throughout the 1930s this issue was discussed by medical professionals and state bureaucrats. Yet, a comprehensive healthcare reform did not materialize (ILR 1937; Marks and Andersson 1992: 152-154). In 1942, parliament appointed the National Health Services Commission (widely known as the Gluckman commission after its chair Henry Gluckman) to consider the possibility of introducing a comprehensive national health service (Marks and Andersson 1992: 154-155). In its report in 1944, the Gluckman Commission criticized the fragmented nature of health care. This fragmentation expressed itself in different forms. Local authorities retained some control over public health and some hospitals were run by the provincial administrations. Mineworkers were increasingly taken care of in special hospitals of mining companies, while the poor relied on charity hospitals. Finally, middle and upper classes mostly went to private hospitals and doctors (de Beer 1984: 18-21). According to the Gluckman Commission, this fragmented health care system was not just inefficient, but also led to inadequate coverage in poor and rural areas, even for some whites (Andersson and Marks 1989: 521). Unsurprisingly, this led to very unequal health outcomes.

As a solution to these problems, the Gluckman commission proposed a free health care system for all citizens financed through a health tax. This National Health Service would be based on preventive and primary health care and would not be racially discriminating (de Beer 1984: 15-16; Marks and Andersson 1992: 155-156; van Niekerk 2003: 364-365). Even though Gluckman became Minister of Health in 1946, most of the recommendations of the commission were never implemented. All that remained from the far-reaching Gluckman plan were some pilot primary health centres, which worked successfully, but were not established throughout the country. Most of the population thus continued to be inadequately covered by the health system.

A similar fate as the Gluckman commission was shared by the Social Security Committee, which was appointed by the government in 1943 to investigate plans for a comprehensive social security reform. Influenced by the Beveridge Plan, 'it sought a similarly comprehensive and unified social security system under the auspices of the state'. It would have combined contributory and non-contributory schemes to provide a comprehensive insurance against social risks for 'white, coloured, and Indian people together with "urbanised" African people and some better-paid African farm workers' (Seekings and Natrass 2005: 84). Instead of this comprehensive social security system, only the piecemeal reforms described above (like the unemployment insurance reform) that led to incomplete and inadequate inclusion of blacks were legislated during the Fusion government era.

The failure to implement these comprehensive social security and health reform proposals showed the limits of the reformist era of the 1940s. Even though bureaucrats and powerful politicians, such as Jan Hendrik Hofmeyr, the Minister of Finance and Education, or Henry Gluckman, the Minister of Health pushed towards social security universalization (Iliffe 1987: 141), they by and large failed and were eventually replaced by the Apartheid system. So, why did social security universalization fail?

There are both, structural and political reasons for the failure to universalise the social protection system in the 1940s. According to some scholars, far-reaching reforms failed because the poor white problem, which had initially triggered governmental interest in welfare state building, was no longer pressing:

> 'One reason for parliamentary scepticism towards the welfare state proposals of 1944 was that the Poor White Problem was fading. Exactly why it disappeared is still uncertain. It was not eradicated by Afrikaner nationalist mobilisation [...] Nor, probably, was the problem resolved by social welfare measures, which were palliatives. It was ameliorated, but no more, by providing jobs for whites at African expense [...] [Poor whites] were helped in the short term by wartime employment and in the long term by the fact that they had the vote and succeeded after 1945 in pressuring their rulers into transferring their poverty to Poor Blacks.'
> (Iliffe 1987: 122)

Plans for social security universalization, such as the Gluckman health plan required broader social reforms, which would have clashed with the predominating socio-economic system. The economy (especially the mining sector) was still dependent on cheap labour – and cheap labour was mainly black (Marks and Andersson 1992: 158; de Beer 1984: 24-29). Universal social security would have spelt an end to cheap labour, so it simply could not become reality.

Furthermore, from a political perspective, the governing United Party feared the reaction of the opposition. The main opposition party, the National Party, which was a unification of the Purified National Party and a group of former United Party politicians led by the former Prime Minister Hertzog, protested against the expansion of social protection to blacks (Seekings and Natrass 2005: 85). It strongly opposed, for instance, unemployment benefits for blacks on openly racist grounds. Thus, the political situation meant that 'there remained strict limits as to what the government would do' in terms of social reforms (Seekings and Natrass 2005: 89). In addition, business, especially the mining sector, was opposed to some social reforms, such as the unemployment reform of 1947 (Meth and Piper 1984: 8-11). Hence, the government refrained from launching more far-reaching reforms.

To conclude, the Fusion era saw the incomplete universalization of social security. In the 1930s, the 'welfare state for whites' was deepened through disability pensions and increasing support for poor white children. In the context of increasing industrial growth and labour shortage during World War 2, the social protection net was broadened to include blacks. However, social policies remained racist, in that benefit levels, qualification requirements and the extent of coverage were racially differentiated with whites always enjoying the most generous safety net. The failure to truly universalize social protection despite far-reaching initiatives of reformist politicians was structurally grounded in the socio-economic system, which was still based on cheap black labour, and politically grounded in the simple fact that blacks, who constituted most of the population and most of the poor, were excluded from the political system. Instead of a universal welfare state, this exclusionary political system brought Apartheid, as the next section explains.

7.5. The (early) Apartheid welfare regime: social policy expansion for whites, retrenchment for blacks (1948-1973)

In the 1948 elections, the United Party lost power to the National Party, an Afrikaner nationalist group, which was the main opposition during the Fusion era. This transfer of power proved to be a watershed in South African history. The National Party won all national elections until 1994. During its nearly five decade long political dominance, it institutionalized a segregationist system called Apartheid (separateness). This system of separating South Africans of different races (the official differentiation was between black, white, coloured and Indian) permeated the social, economic and political life of the country. Although it often only legally codified, what was already customary practice, Apartheid in its totality did transform South Africa. Three issues regarding the Apartheid regime need to be explained, before discussing how the social protection system changed after 1948.

First, Apartheid lasted for nearly five decades, but it was not a static system. Changes to segregationist policies were often made (van der Horst and Reid 1981: xi) to adjust to the changing social realities and at times also to respond to political protest. In general, the Apartheid era can be divided into two periods: early Apartheid and late Apartheid. A clear demarcation when late Apartheid began is difficult to make. However, in most policy areas it is obvious that from the mid-1970s onwards reforms slowly reversed segregationist policies established in earlier decades. As the political opposition by blacks became more and more powerful in the last decades of the Apartheid era, institutionalised racial discrimination gradually weakened (Seekings and Natrass 2005: 18-22).

Second, while the government aimed to build a strong state, state capacity did not uniformly increase. The aim of physically separating whites and blacks led the National Party government to create special townships for the black urban population. In rural areas, the government first established homelands, for different ethnic groups among the African population. These homelands were given a degree of self-governance, even though ultimately power remained in the hands of the central government. The homeland policy culminated in the plan to grant these territories independence from South Africa. Starting in 1976, some of these so-called 'Bantustans' were indeed declared to be independent states, but no country except South Africa recognised their independence.[137] By creating these Bantustans, South Africa could declare itself not responsible for the population living in these areas.[138] As a result, the capacity of the state decreased in black-majority areas, where it was already weaker than in other areas.

Third, the ultimate goal of Apartheid was not 'separate development' (as Apartheid

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[137] Moreover, blacks – both urban and rural – were classified as citizens of different countries. Hence, they could be easily deported from urban areas to the Bantustans, whenever this was deemed to be necessary

[138] Due to the homeland policy, reliable data for the whole country during Apartheid is rare. Statistics usually excluded homelands, although a sizeable part of the population lived there. This makes it difficult to reach clear conclusions on the breadth of the social protection system during Apartheid (Andersson and Marks 1988: 669).

was officially described), but dominance of the white population. Even though many social development indicators showed a steady improvement in well-being for all segments of the population, the goal of Apartheid was not simply the separate development of different population groups. The policies meant to ensure the dominance of whites over the other population groups in political, economic and social terms. Moreover, within the white population, they meant to increase the standing of the Afrikaner population vis-à-vis Anglophone whites (Leubolt 2015: 289-290). Naturally, blacks protested against Apartheid. The fight against discrimination and for democracy was led by the African National Congress (ANC), which had been founded in 1912. The ANC was banned in 1960 and protests by blacks were often brutally suppressed. A decades-long guerrilla war between the ANC's military organization and the Apartheid regime developed (Davenport and Saunders 2000).

Apartheid had far-reaching effects on the social protection system. The early Apartheid period (roughly: 1948-1973), was marked by welfare state expansion for whites and a simultaneous retrenchment of benefits for blacks. One of the first social protection reforms undertaken by the National Party government was the exclusion of Indians – infamously described as 'a foreign and unassimilable element' by the National Party (Pollak 1981: 154) – from the family allowance scheme in December 1948 (Kruger 1992: 174). The government thus limited the policy to white and coloured families only. In the next year, the government reformed unemployment insurance with the goal of excluding black workers from the program. This was legitimated by arguments claiming that 'white worker's contributions paid for the African unemployed' (Seekings and Natrass 2005: 132). In reality, this assumption was unfounded. Yet, the rhetoric was effective. The exclusion of Africans was achieved through a minimum earning requirement for Africans: to be eligible to join the unemployment insurance system, Africans had to pass a certain earnings threshold. The government set the minimum earnings level far above average earnings of Africans, thus excluding most African employees. The effects of this policy change were substantial. By 1954, more than 60 percent of benefits went to whites and less than 5 percent to Africans (Meth and Piper 1984: 17-26).[139] The exclusion of Africans from unemployment insurance reversed one of the most significant gains of the Fusing government's social security reforms.

In addition to the retrenchment in family allowances and unemployment insurance, the National Party government also partly reversed the 1944 expansion of social pensions, the single most important expansionary social security reform during the Fusion era. The 1944 reform had secured the inclusion of old aged from all population groups into the system, albeit at racially discriminating benefit levels and qualification conditions. During the early Apartheid era, racial discrimination in both, benefit levels and qualification conditions, was made more severe. Whereas in 1947 the ratio of maximum benefits between white, coloured, Indian and Africans was 100:50:50:25, it changed to 100:46:39:18 in 1950 and 100:40:36:15 in 1960.[140] In addition to these different benefit levels, the racial discrimination in maximum free income levels allowed to pass the means test was also increased. From 100:60:60:40 in 1944, it changed to 100:50:50:13 in 1966 and 100:22:22:6 in 1969. This meant that it was very easy to deny blacks – but not whites – pensions on account of their income. Effectively, discrimination was even stronger than these numbers imply, because most whites, but only few blacks received the maximum pension benefit (Pollak 1981: 152-163).

The National Party government thus continuously increased the difference between pensions for whites compared to pensions for blacks. This meant that social pension benefits were increasingly on an inadequate level for most of the population. Furthermore, the homeland policy of the Apartheid regime led to a decrease in effective coverage among black old aged. The Apartheid regime attempted to

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[139] Meth and Piper (1984: 21-22) argue that coloured and Indians were discriminated against by the 1949 unemployment insurance reform through subtle changes in the eligibility conditions attached to the receipt of unemployment benefits, which made it easier to deny low income earners – relatively few whites were in this category –benefits.

[140] Put differently, before Apartheid maximum benefits for whites were double that of coloured and Indians and four times that of Africans. At the peak of Apartheid, maximum benefits for whites were nearly triple that of coloured and Indians and nearly seven times that of Africans.

‘remove dependent Africans (the old, etc.) to the homelands and to transfer welfare institutions and pension provisions to homelands’. However, due to ‘lack of effective administration and financial constraints’ (Kruger 1992: 176) in the homeland administrations, many old aged with a legal right to pension benefits did not receive social pensions (Iliffe 1987: 276). Coverage among blacks was thus far from universal.[141]

While Apartheid meant retrenchment of social protection for blacks, it brought an expansion of the social welfare system for whites. Pension benefits, for instance, increased in real value for white old aged until 1973. Similarly, the government expanded benefits under the unemployment insurance system throughout early Apartheid. In 1952, sick pay benefits were introduced into the unemployment insurance fund. In 1954, these benefits were expanded and maternity benefits were added. A few years later, in 1957, survivor’s pensions were introduced (Meth and Piper 1984: 27; Kruger 1992: 177). Thus, after black workers were excluded from the unemployment insurance system, its scope was considerably expanded.

In terms of health care, white increasingly relied on private health insurance schemes (known as medical aid schemes in South Africa). Regulated by the state under the 1967 Medical Schemes Act, private health insurances ensured access of most whites to the private medical sector. By the 1970s, three fourth of whites were enrolled in a private health insurance (Naylor 1988: 1158-1159). As the overwhelming majority of whites basically had ‘no need to use or invest in the public health care system on which nearly all Africans and most Coloureds and Indians depended’ the public healthcare system was neglected, ‘with devastating consequences for public health provision’ (van Niekerk 2003: 367-368). This was visible in the diverging health outcomes for different population groups. Even according to official statistics, life expectancy was far higher for whites than for blacks (van Rensburg and Mans 1982) and infant mortality rates for Africans were around six times higher than for whites (Reid 1981: 143). One factor that aggravated differences in health status between whites and blacks was the fact that the public health facilities were – in line with the

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[141] The government attempted to reduce pension coverage and expenditure for Africans also through other means (Sagner 2000: 538-539).

Apartheid ideology – separated according to race. Blacks were not allowed to use those facilities, which were designated for whites. In general, facilities for whites were far superior to those designated for blacks (van Rensburg and Mans 1982). The very fact that blacks could not use these superior facilities limited their effective access to the services of the public healthcare system.

To conclude, early Apartheid governments expanded the welfare state for whites, while social protection for blacks underwent deep retrenchment. Therefore, effective social protection coverage of the population was decreased after 1948. Although the black population protested against Apartheid and different organizations attempted to organize the dissent of blacks, they were largely powerless to change the political and economic system. Within two decades, Apartheid largely achieved its goal of ensuring the continued political and economic dominance of whites. By the 1970s, virtually the entire upper-income group in South Africa was composed of whites, who enjoyed living standards comparable to those in the OECD countries thanks to decades of industrial growth (Seekings and Natrass 2005: 114). The white minority enjoyed the fruits of racial discrimination, particularly in the labour market, and of a social protection system that was geared towards their needs.

7.6. Apartheid's slow demise and social security universalization (1973-1996)

In its early decades, the Apartheid regime was generally successful in its aim to ensure the continuing political, economic and social dominance of the white minority. Yet, subsequent National Party governments encountered increasing resistance, both domestic and international. Blacks had been protesting for decades against their exclusion from the political sphere, but with little success. During the late Apartheid era, however, protests became more powerful and South Africa became increasingly isolated in the international arena. Attempts to co-opt parts of the African population through granting nominal independence to Bantustans largely failed.[142] Instead, the resistance of blacks grew stronger and became more militant.

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[142] Apartheid governments also attempted to co-opt coloured and Indians by giving them the right to vote for separate chambers of parliament for the respective population group (Davenport and Saunders 2000: 502).

Spearheaded by the ANC, a broad centre-left movement, which included the South African Communist Party (SACP) and the powerful trade union federation Congress of South African Trade Unions (COSATU), campaigned against Apartheid. Internationally, South Africa became a pariah state because of its racist policies and the violent repression of the black opposition. These domestic and international pressures led to a weakening of the Apartheid system, as well as of the economy and ultimately brought about the end of Apartheid, through a negotiated settlement process between the government and the ANC that began in 1990 and ended with the ANC election victory in 1994. In parallel with the fall of the Apartheid regime, the social protection system was slowly universalized and in the post-Apartheid period, South Africa became a welfare state.

Before the settlement between the state and the ANC in the early 1990s, various National Party governments had attempted to save Apartheid by reforming it. This process was closely associated with the rule of Pieter Willem Botha, in the late 1970s and 1980s. The government, for instance, softened the colour bar to grant blacks limited upward occupational mobility. This also served an economic purpose, as a lack of skilled labour had emerged after decades of economic growth and this was aggravating an economic crisis that threatened to undo economic development. Some petty apartheid policies, regarding the racial segregation in public places, were also dropped over time. The goal of these late Apartheid era reforms was to ensure that a political system, in which the white minority retained power, survived (Marks and Andersson 1987: 177; Seekings and Natrass 2005: 18-22; Leubolt 2015: 300).

In the area of social policy, reforms during late Apartheid brought an expansion of coverage and an increase in benefit levels for the black population. The purpose was both, to soften international criticism of the system and to weaken domestic resistance by blacks. The cornerstone of the South African social protection system, the non-contributory old age pensions, was incrementally reformed, to decrease the racist differences in benefit levels. Whereas in 1970, maximum pension benefits for blacks were only 14 percent of the maximum benefit levels of whites, this ratio slowly increased to 25 percent in 1976 and 30 percent in 1980. Similarly, the ratio between black and whites for the free income allowed to pass the means test increased from 5 percent in 1969 to 25 percent in 1980 (Pollak 1981: 156-158). Race differentials in pension benefits were thus not abolished, but their severity became less pronounced. In addition to benefit levels, coverage rates also increased for the black old aged (Seekings and Natrass 2005: 117 and 150) even if clientelism continued to limit effective access to pensions in the homelands (Iliffe 1987: 276).[143]

In addition to social pensions, the National Party government also reformed unemployment insurance during late Apartheid. Gold and coal miners, as well as some rural workers were included in the unemployment insurance fund in the late 1970s and early 1980s. Additionally, the earnings limit, which had been legislated during early Apartheid to exclude black workers, was abolished in 1979 (Meth and Piper 1984: 57-58). These changes led to an increase in coverage of unemployment insurance. However, they were not sufficient to secure universal coverage. Agricultural and domestic workers continued to be excluded and even by the end of Apartheid in 1993, less than half of the labour force was covered by unemployment insurance (van der Berg 1997: 491-492).

While social pensions and unemployment insurance were expanded during late Apartheid, the health system remained fragmented and unequal. Even though health spending, also for blacks, tended to increase, the basic situation remained the same (Naylor 1988). The white minority had access to quality health care services, whereas the black majority, in particular the African population in the homelands, were mostly neglected. The takeover of missionary hospitals in the Bantustans by the authorities did not change too much in this regard. As whites were increasingly covered by state-regulated private health insurances, policymakers did not see a need to increase the quality of the public healthcare system. In 1985, for instance, around 85 percent of whites, but less than 10 percent of blacks were covered by private health insurance. The overall population coverage of health insurances remained therefore at only 20 percent (Naylor 1988: 1159). Although blacks could in theory benefit from the public healthcare system, access to healthcare was in practice limited, particularly in poor areas. This inequality in the healthcare system resulted in

[143] Based on population data and official statistics for the take-up of social pensions I estimate that by 1980 social pensions covered around half of the old aged (Pollak 1981; Kruger 1992). However, as stated above, official statistics from the era are difficult to interpret.

a continued gap in life expectancy and mortality between the black and white populations of South Africa (Benatar 1991: 31).

Overall, the various National Party governments did expand the social protection system during late Apartheid. These reforms were not enough to abolish all forms of racist discrimination, nor did they ensure universal social protection coverage. Still, under pressure of a centre-left (illegal) political opposition led by the ANC these reforms did change the nature of the social protection system. Surprisingly, this meant that by the end of Apartheid, the South African state already had a redistributive budget (Seekings and Natrass 2005: 151-155): poor blacks received more from the government than they contributed to the budget.

Paradoxically, this expansion of social protection was coupled with a reduction of benefits for whites and a trend towards privatization and less state provision of social protection. The first issue, reduction of benefits for whites, was arguably a natural development, as it was difficult to universalize the high benefit levels that whites had enjoyed during the heydays of Apartheid. However, the rationale behind the second issue, privatization, is more ambivalent. Apartheid ensured the economic domination of whites by, among other things, providing them with high quality education that allowed them to work in high paying jobs. Hence, most of the white minority could opt out of state-provided social policy. Instead, they increasingly relied on private forms of protection. To conclude, '[d]eracialisation and increasing budgetary redistribution were politically feasible in part because white South Africans were no longer dependent on direct state controls or public spending to maintain their living standards' (Seekings and Natrass 2005: 155). This was the flipside of the late Apartheid reforms: social protection for blacks was expanded at the cost of social protection for whites, because the latter no longer needed the state for social protection.

The end of the Apartheid regime came about in the early 1990s. In 1990, the government ended the ban of the ANC and other opposition groups. Although the road was shaky and marred by violent setbacks, the government, headed by the last Apartheid State President Frederik Willem de Klerk, and the ANC, led by Nelson Mandela, eventually negotiated an end to white domination of the political system. In 1994, the first free and fair elections were held, which the ANC overwhelmingly won. Thus, the Apartheid system was dead and the post-Apartheid period began.

In ideological terms, the ANC was a centre-left party committed to welfare state building. At least since the proclamation of its Freedom Charter in 1955, it had advocated a full-fledged social democratic welfare state (van Niekerk 2013). In addition to more radical demands for the nationalization of the mining sector and comprehensive land reform, the ANC demanded the right to unemployment benefits, equal pay for equal work, a forty-hour working week, a national minimum wage, paid leave, sick pay, maternity benefits and free health care for the whole population in the Freedom Charter (ANC 1955). The support bases of the ANC were overwhelmingly poor black people.[144] In its struggle against the Apartheid regime, it aligned itself with the communists and the strong trade union federation COSATU, to build a formidable centre-left movement.

In the first democratic elections in 1994, the ANC, supported by the SACP and COSATU, overwhelmingly won. Yet, once in power, the ANC reneged on some of its more radical political promises. Faced with an economic and fiscal crisis, a legacy of the last decade of Apartheid, the ANC government attempted to appease international investors by not implementing its more radical promises, such as nationalization of the mining sector (Leubolt 2015: 323-328). However, in terms of social policy the ANC government attempted to use its limited fiscal space to ensure that most of the population finally enjoyed basic social protection. Full universalization was still elusive in some areas, such as unemployment insurance, and policy outcomes remained poor in other areas, such as healthcare. Still, the basic transformation from a social protection system for the white minority, towards a welfare state for all citizens was completed in the first years of the post-Apartheid era. This transformation of the social welfare system was enshrined in the 1996 constitution, which gave all citizens the right to education, food and water, housing, social security (including social assistance) and health care services (Republic of South Africa 1996).

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[144] It might appear odd to point out that the ANC, a centre-left party, was mostly backed by the poor. However, in the Global South it is not uncommon, that centre-left parties are backed by middle classes, instead of the poor (cf. Leubolt 2015: 194).

Already before the ANC came to power, in 1993, the racial differentiation in the social pension system was abolished, after its significance had been decreased for two decades. The abolishment of racial discrimination led to an increase in pension coverage, so that by the end of Apartheid a clear majority of the old aged received old age pensions (van der Berg 2002: 11). In terms of unemployment insurance, the basic problem of a high structural unemployment rate, which originated in the late Apartheid era, remained. Coupled with a high degree of informality, this resulted in insufficient unemployment coverage. This gap in unemployment coverage was partly filled through lenient provision of disability grants. Thus, in the first decade of the post-Apartheid era, the number of beneficiaries of disability grants doubled from 500.000 to 1.000.000 (van der Berg 1997:494 and 498-499; South African Social Security Agency (SASSA) 2008: 19-20).

In the area of healthcare, the ANC government did ensure that the public healthcare system cover the most South Africans in an adequate manner. However, the dual system of private healthcare based on private health insurances for the middle- and upper income groups, and public healthcare for the rest of the population, remained. The public healthcare system was reformed soon after the ANC was elected and the focus was shifted from curative to primary health care. In line with this focus on primary health care, the state built new clinics throughout the country. Moreover, the fragmentation of public healthcare was overcome (Coovadia et al. 2009: 828; Benatar 1997: 892). In 1994, primary healthcare services were made free of charge for children under six, pregnant women, nursing mothers and the elderly. Two years later, in 1996, free public healthcare services were extended to all people without private health insurance or high income. While technically other services are supposed to not be free of charge, in practice the public healthcare system is also free for these other services (Lamiraud et al. 2005: 6). Hence, de facto the whole population is covered through the public healthcare system, even though ‘incompetence’ and ‘limited capacity’ hamper its efficiency (Coovadia et al. 2009: 831; Surender 2014). The inability of the health system to cope with the AIDS crisis and the resulting decrease in life expectancy are testimony to the continuing deficiencies of the healthcare system.

In addition to pensions and healthcare, the ANC government also reformed the family allowances system. It replaced the State Maintenance Grant, which was mainly aimed at single mothers among the white and coloured population (van der Berg 1997: 494) with an unconditional child grant for poor children under the age of seven (Lund 2008). The reach of the program was incrementally increased until all children (under 18) were covered in 2012. Already in the early 2000s as many as 2.000.000 children benefitted from this Child Support Grant. The number of beneficiaries thus equalled that of old age pensions (SASSA 2008: 20). In this sense, the social assistance system covered all poor households with children or old aged.

To conclude, the late Apartheid and post-Apartheid era from the mid-1970s until the late 1990s witnessed the universalization of social protection. Under the intense pressure of a militant centre-left political opposition and faced with increasing international isolation, the Apartheid regime attempted to survive by reforming itself. In the 1970s and 1980s, racist discriminations in social policy were thus weakened and coverage of the main social protection programs was slowly expanded to include more and more blacks. The fall of the Apartheid regime and the democratization of South Africa in the early 1990s then brought about the full equalization of social policy. Once in power, the centre-left ANC government stayed true to at least some of its social democratic promises and expanded key social policies, such as old age pensions, disability grants and child allowances. In healthcare, it ensured free effective access to the public healthcare system. Although universalization remained incomplete and although the quality of protection in some policy areas remained limited, the ANC thus quickly ensured that most of its population was covered by the social protection system.

7.7. Conclusions

This chapter traced the history of welfare state building in South Africa, from colonial times to the post-Apartheid era. In the concluding section, I will now focus on the combination of causal factors that brought about the creation of the South African welfare state. This analysis aims to put the South African experience into the context of established theories of welfare state development.

The history of the South African welfare state goes back to the pre-Apartheid period, but the effective transformation of the social protection system into a welfare state occurred only in the 1990s, when the Apartheid system collapsed. In the late 1920s, during white minority rule, a non-contributory old age pension program for whites (and to a more limited degree also coloured) was introduced. The aim was to put old aged whites economically on a higher level than old aged blacks. Therefore, this initial act of welfare state building went against the core idea of the welfare state: the assumption of collective social responsibility by the state for the well-being of *all* citizens (Kaufmann 2013: 35). The first attempt to change this pattern occurred in the late 1930s and early 1940s under the centrist Fusion government. After the social protection net for whites was strengthened on the back of a gold price boom that changed the fortunes of public finances, the Fusion government extended some social policies, most importantly social pensions, to blacks. This expansion of the social protection system was the work of reformist policymakers, who aimed to change the nature of the South African state and society. Had they been successful, the state would have increased its reach to peripheral, black majority areas. Their initiatives developed in a structural context of labour shortage that increased the need of the economy for the black population. Ultimately, however, Fusion era reforms brought only limited inclusion for the majority of the population.

The Apartheid regime reversed some of the gains of the Fusion era. Blacks were excluded from unemployment insurance and their pension benefits were decreased. This retrenchment makes the country an unusual case, compared to Costa Rica and Brazil. Meanwhile, social protection provisions for whites were expanded. Moreover, the Apartheid regime saw its black citizens as 'foreigners' and tried to relegate responsibility in the Bantustans to local administrations, thereby weakening state capacity in these areas. The Apartheid regime started to reform itself under strong domestic and international pressure from the mid-1970s onwards. In the realm of social policy, this translated into a limited expansion of social protection for blacks. Yet, the (still incomplete) universalization of the social protection system occurred only with the fall of Apartheid. In 1994, the first democratic elections brought the centre-left ANC, supported by communists and trade unions, to power. Although it reneged on some of its promises, the ANC government did achieve the inclusion of the majority into the social protection system, through substantial reforms in healthcare, pensions and social assistance.

Focussing only on the last stage of welfare state building, in which the social security system was universalized, it might be tempting to conclude that South Africa largely conforms to the power resources approach. The ANC was an essentially centre-left party that had historically advocated the creation of social democratic welfare state (ANC 1955) and had the support of communists and the trade union confederation COSATU. The inclusion of most of the population into the social protection system was thus ultimately the work of a centre-left political alliance. Already before the democratic transition, when it was in opposition, this alliance pushed the government towards social policy reforms. Once in power it introduced further expansionary reforms, to universalise social protection.

However, it would be too simple to explain the emergence of the South African welfare state as a product of left-labour power. The ANC could build on a remarkably solid social policy infrastructure that was, in some aspects, very close to those of classic welfare states. To universalise social protection, the ANC simply had to do away with racist provisions in the social security system. The grounds for the welfare state were thus already laid by centrist governments during the non-democratic era. In these early stages of welfare state building, trade unions were rather ambiguous towards the introduction of comprehensive social security (Seekings 2007b). Moreover, these centrist governments were rarely pushed by the centre-left towards expanding social security in that time, simply because there was no powerful left opposition in parliament. Therefore, the power resources argument does not help to shed light on the early stages of welfare state building in South Africa.

The beginnings of welfare state building occurred during the pre-Apartheid period. As explained above, the motivations for building a social security system were diverse. Initially, social security policies were legislated with a racist motivation to ensure the dominance of the white minority. Social protection was expanded by reformist policymakers and bureaucrats, working within a centrist government. In that era, South Africa was economically in-between the industrialized and the developing world. Thus, it was no typical developing country and industrialization surely facilitated the development of a modern social security system.

Taking into account South Africa's economic development, one could ask why the country did not become a welfare state after World War 2, as Western countries mostly did. In South Africa, high ethno-cultural heterogeneity was a hindrance for the development of a welfare state. Essentially, South Africa's whites mostly perceived themselves as distinct from and superior to blacks. Whites deemed it necessary to exclude blacks politically, economically and socially. That is why South Africa did not become democratic and that is why it did not effectively universalize its social protection system (despite feasible plans to do so) in the 1940s (Seekings and Natrass 2005; Iliffe 1987).

Finally, the role of state capacity in welfare state development in South Africa is ambivalent. On the one hand, it is clear that during the white minority rule a quite capable South African state was developed. From the Fusion era through the Apartheid regime, policymakers built a state, which was unusually strong by Sub-Sahara Africa standards. Government expenditure became relatively close to OECD levels (Kruger 1992: 124-139). Moreover, parts of the state elites pushed for expansion of the social welfare system to the majority of the population in the 1930s and 1940s. Yet, at the same time, state capacity was not universally high. During Apartheid, the state retreated from black majority areas, which were classified as foreign countries. Thus, state capacity remained uneven.

To conclude, the history of welfare state emergence in South Africa is turbulent and unique. Once stripped from its idiosyncrasies and put into the context of comparative welfare state research, however, one sees that in the latter stages of welfare state building, when the Apartheid regime slowly died, a centre-left political coalition in a context of democratisation played a decisive role in building the welfare state. In this regard, South Africa resembles the power resources explanation. Additionally, the logic of industrialism thesis appears to have some explanatory power, as the social security system was built during a period when the country came close to the industrialized world. Finally, due to entrenched racism, ethnic and cultural heterogeneity played an important role in delaying social security universalization.

CHAPTER 8

CONCLUSIONS

This dissertation explains the emergence of welfare states in the developing world, a phenomenon that constitutes a puzzle for conventional welfare state research. In the concluding chapter, I will first summarise the findings of Part II of the dissertation. Then, I will compare the findings of the three case studies presented in Part III to explain the causal configurations underlying welfare state emergence in these relatively poor countries. I will show that there exist two distinct pathways towards achieving universal social security. Next, I discuss what implications the findings of the dissertation have for comparative research. I conclude by outlining perspectives for future research.

The large-n fuzzy set analysis in Part II constitutes the first truly global measurement of welfare stateness, classifying around 150 countries. It explores whether these countries are welfare states, i.e. countries that ensure that their citizens are protected by the formal social security system. With this analysis, this dissertation goes beyond existing research which included either only the Global South or only the Global North. This global mapping exercise of welfare stateness produced some remarkable results. In contradiction to the long-held consensus in comparative research that it is exclusively industrialised countries that can become welfare states, I found that a few of the economically less developed countries in the Global South possess adequately extensive social welfare systems and thus can be classified as welfare states. While the generic association between economic and welfare state development still holds on a macro level, these welfare states in the developing world constitute 'deviant cases' (Gerring 2008), which defy the 'orthodox model' of welfare state development (Gough 2008). They thus deserve to be explored in more detail.

In Part II, I used this global map of welfare states to conduct a tentative analysis of patterns of welfare stateness. For this purpose, I cross-tabulated the result of the fuzzy set analysis with data on economic development, political regime type and ethno-cultural fractionalization. This tentative analysis confirms some of the existing theories of welfare state development, while putting others into doubt. First, apart from very few outliers, most notably Singapore, all countries that underwent an industrialisation process similar to Western Europe and North America (i.e. non-oil producers) and reached upper-middle income or high income status have also become welfare states by the mid-2000s. Thus, the fuzzy set analysis indicated that economic development is a sufficient condition for welfare state emergence. Second, regarding regime type, the data is less conclusive, however. Although, there appears to be an elective affinity between welfare state and democracy, there are also non-democratic welfare states. The most prominent examples of such non-democratic welfare states were the communist countries during the Cold War. Third, concerning ethno-cultural fractionalisation, the results are even less clear. It is likely that if there exists a connection between fractionalisation level and welfare state development. Yet, the relationship may be spurious – the two variables are potentially linked only through the workings of a third variable.

In Part III of the dissertation, I conducted a small-n comparative historical analysis to explain how and why the three countries – Brazil, Costa Rica, and South Africa – became welfare states in spite of their relatively low level of economic development. The focus of these three comparative case studies was to understand whether alternative theories of welfare state development, such as the power resources approach, help to explain developments in these three deviant cases. In the following, the findings of the three case studies are comparatively assessed to understand whether there are any similarities in the underlying causal configurations in the three cases. The findings of this comparative analysis are then put into the context of comparative welfare state research.

8.1. Welfare state emergence in Brazil, Costa Rica and South Africa

The comparative historical analysis of Brazil, Costa Rica and South Africa revealed three distinct histories of welfare state emergence in the context of relatively low economic development. The countries' histories differ in a variety of ways: in terms of the length of welfare state building, the trajectory of welfare state development and the underlying causal constellations. It is likely that these differences in the history of welfare state building are one reason for the differences in the resulting social protection systems and social outcomes in these countries.

In the case of Costa Rica, welfare state building was a rather swift process. It took around three decades, from 1941 to the mid-1970s to transform Costa Rica from a country with virtually no state-based social security system into a welfare state that covered the majority of the population. In these three decades, the reach of the social security system steadily increased with no reversals. In the case of Brazil, welfare state building was a prolonged process. It took around seven decades, from 1923 to the mid-1990s until the Brazilian social security system truly covered most of the population. Crucial reforms in the 1930s, early 1970s and late 1980s led to strong increases in social security coverage, but in between these periods the reach of social security increased only very gradually. In South Africa, welfare state building also took roughly seventy years, from 1929 to the mid-1990s. In contrast to Brazil and Costa Rica, the increases in the reach of the social security system were subsequently partly reversed. Most significantly, the early Apartheid period saw a deep retrenchment of social security for the black majority. This makes South Africa a rather unusual case from a comparative perspective.

Despite these different histories of welfare state development, it is possible to identify three reform periods in each case, during which key social security policies were enacted. In these relatively short periods, significant expansions in coverage were achieved. Therefore, the explanation of the causal constellations behind welfare state building in Brazil, Costa Rica and South Africa that is the subject of the following section focusses on these reform periods.[145] Table 28 summarizes key developments in social security policymaking during these reform periods.

[145] Note that the analysis naturally takes into account those developments outside of the three reform periods that have been described Chapters 5 to 7. The focus on the three reform periods in this chapter mainly serves as an instrument to reduce the complexity of the three case studies and thus to better illustrate the main findings of the comparative case studies.

Table 28. Welfare state emergence in Brazil, Costa Rica and South Africa: key episodes of welfare state emergence

Brazil (1923 – 1993)	**Costa Rica (1941 – 1975)**	**South Africa (1929 – 1996)**
1930s: Legal coverage of the urban formal sector Social security funds for urban workers in various sectors (bank and transport workers covered in 1934, regular industrial workers covered in 1936/1938); Focus on pension benefits, expansion to medical care mostly in 1940s and 1950s	1940s: Creation of the social security system Medical care, sick pay, maternity and pension benefits for urban blue and white collar workers (middle classes); In 1943, labour code guarantees rights related to working conditions in urban areas and a constitutional amendment provides extensive social rights	Late 1920s: Beginning of the modern social security system In 1929, introduction of social pensions for white and coloured; Various programs to alleviate unemployment among whites
Late 1960s and early 1970s: Legal coverage of the whole population In 1969, free medical care and in 1971, rural social pensions, (but entrenched clientelism limits access to (the meagre) benefits); In 1972, legal coverage of domestic servants; In 1974, urban social pensions and free emergency health care	Early 1960s: Aim to universalize social security Slow increase in coverage through increase of salary cap (1958) and inclusion of dependents; In 1961, amendment of the 1949 constitution (which already provided extensive social rights) pledges to universalize social security coverage within ten years	Late 1930s and early 1940s: broadening and deepening of the social protection system In 1937, invalidity pensions and unemployment insurance for white and coloured; In 1944, expansion of pensions to blacks, but racially differentiated benefit rates; In 1946, increase in unemployment insurance coverage

Table 28 (cont'd)		
Late 1980s and early 1990s: Effective coverage of the majority of the population Democratic constitution of 1988 provides extensive social rights; Right to medical treatment for all and increased focus on primary health care; Increase in coverage and benefit levels of social pensions	Early 1970s: Effective coverage of the majority of the population Reform of health care system to ensure effective access to health care for the whole population; In 1971, inclusion of upper-income groups; In 1974, social assistance system for poorest section of the population; In 1975, inclusion of self-employed	Early 1990s: Effective coverage of the majority of the population In 1993, abolishment of racial differentiation in social benefits; Democratic constitution of 1994 provides extensive social rights; Healthcare reforms with focus on primary health care and effective access to medical care; Increase in social assistance coverage

8.1.1. Causal configurations

The three countries vary with regard to the combination of causal factors that enabled the creation of a comprehensive and extensive social welfare system. In this section, I focus on those causal factors that are emphasized in the comparative literature and that were highlighted in Chapter 2: economic development, partisan politics, state capacity, regime type and ethno-cultural fractionalisation.

In Costa Rica, the welfare state was mainly built by centre-left political groups in a largely democratic era. Interrupted only by a short civil war and junta rule, Costa Rica was democratic when it built its welfare state. Moreover, during virtually all the 35 years of welfare state building, centre-left parties were either in power or were a strong opposition with *de facto* veto powers and pushing for welfare state expansion. However, in contrast to Western European countries, on the basis of which the power resources approach was developed, in Costa Rica centre-left political power was for most of the time not coupled with strong labour unions. Industrialization and economic development remained fairly limited during the era of welfare state emergence and by the end of the period of analysis most Costa Ricans still lived in rural areas although GDP per capita reached the world average.

Figure 2 traces the economic development of Brazil, Costa Rica and South Africa from the 1920s to the mid-1990s, in comparison with the world average and the Western European average. Figure 3 presents data on the share of population living in rural areas, an indicator for urbanization, to provide a fuller understanding of broader socio-economic development.[146]

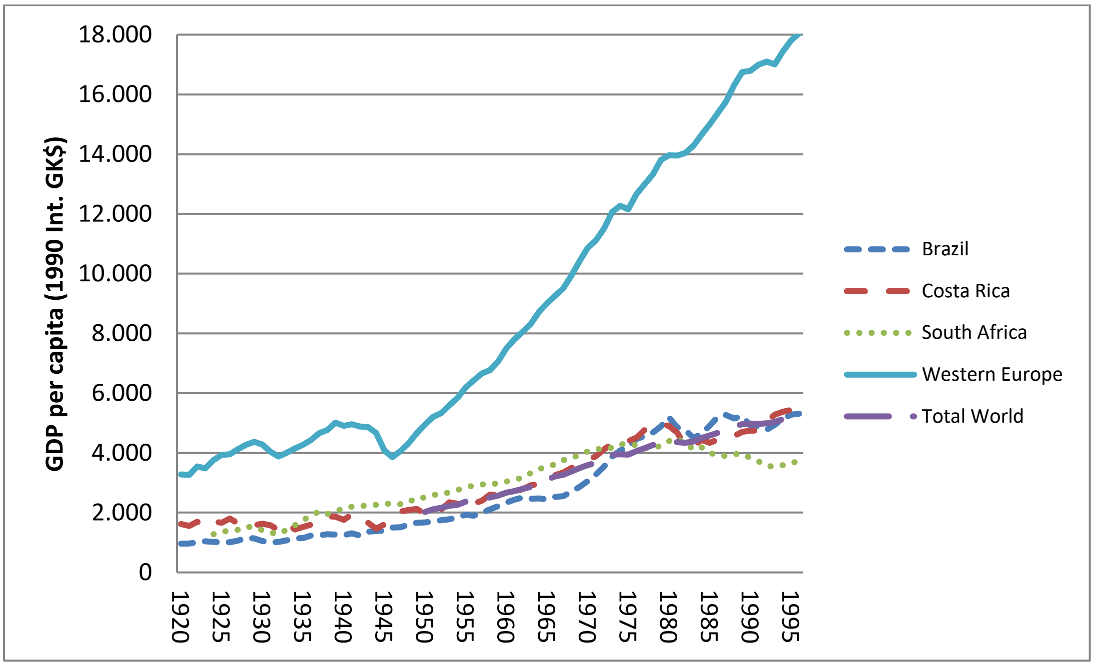

Figure 2. Economic development in comparative perspective

[146] Data for Brazil is not presented here, because it appears that the data is not comparable to the data for the other countries. Presumably, Brazil measures rural and urban population differently than other countries. In Brazil, the share of the rural population is smaller than in Costa Rica in South Africa. However, the share of employment in agriculture is higher than in the other two cases. In fact, the numbers of Brazil indicate that the share of employment in agriculture is in some years even higher than the share of the rural population. This would suggest that parts of the urban population are employed in agriculture. Therefore, the data for rural population does not appear to be strictly comparable to the data for Costa Rica and South Africa and is not presented here.

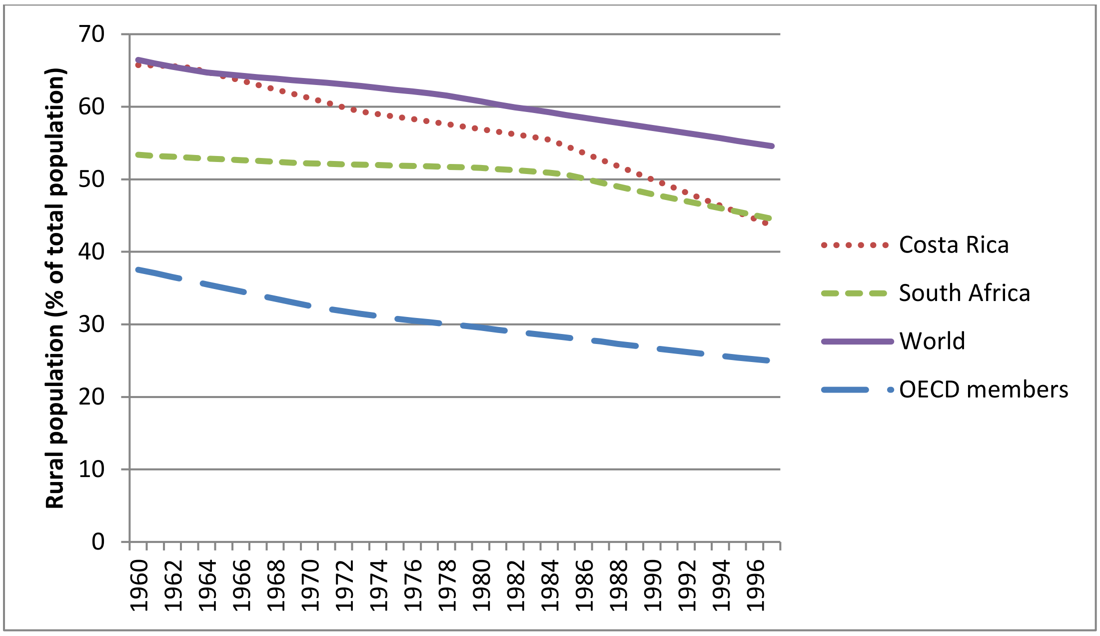

Figure 3. Urbanization in comparative perspective

In terms of state capacity and state autonomy, the Costa Rican state could not be characterized by outstanding levels in the era of welfare state building. It is true that state capacity and the ability of the bureaucracy to formulate and implement social security policies increased over time. However, this increase in state capacity was, itself, partly a result of the process of welfare state building. When the modern social security system was created in the 1940s, the state apparatus lacked the capabilities to implement the policies and had to ask the ILO for technical support. Moreover, even at its peak in the 1970s, state capacity was not particularly high in comparative context.

In terms of ethno-cultural fractionalisation, Costa Rica was and still is a small country with a relatively homogeneous population. Although the population is to some extent mixed, Costa Ricans mostly perceive themselves to be part of the same cultural community. It is widely believed in the literature that this perceived homogeneity had a positive effect on the strength of democracy and social reform projects and thereby also welfare state development. Table 29 summarizes the causal configuration during the three reform periods in Costa Rica.

Table 29. Welfare state building in Costa Rica: causal configuration

Costa Rica	1940s	Early 1960s	Early 1970s
Industrialization	Very limited; GDP below world average; mainly rural population	Limited; GDP around world average; mainly rural population	Limited; GDP slightly above world standard; but majority of population still rural
Partisan politics	Reformist centre-right government (Calderon); Communist party and unions support government	Centre-left politically dominant (PLN), but weak labour unions	
State capacity	Very limited	Limited	Moderate
Regime type	Democracy		
Ethno-linguistic fractionalization	Limited and perceived to be virtually non-existent (except for two peripheral areas)		

In Brazil, welfare state building was mostly the work of state elites who were concerned with strengthening the legitimacy of the respective authoritarian regime and increasing state capacity in general. Two of the three reform periods occurred during authoritarian rule, in which the state elite insulated itself from the pressures of civil society (in particular: pressures from the left and from labour unions). These authoritarian regimes increased the reach of the social security system, first to urban workers and then to rural areas, partly with the goal of increasing the reach of the state itself. In this sense, state capacity was – as in Costa Rica – more a product of than a pre-condition for welfare state building. In the third reform period, Brazil was democratized and centre-left parties as well as leftist social movements and labour unions were partly able to put their goals on the political agenda. Still, even then, political power was largely concentrated in the hands of the conservative elite. Therefore, ultimately the political left had a limited role in welfare state development in the twentieth century.

Industrialization and economic development was very uneven in Brazil. The most developed regions of Brazil resembled Brazil's more advanced southern neighbours much more than they resembled a developing country. This economic development certainly gave some impetus to welfare state building and to some extent, the history of social security development was connected to processes of industrialization and urbanisation. Yet, other regions of the country lagged behind and thus on average economic development was not impressive, as seen by the low GDP per capita (see Figure 3). Overall, Brazil remained a comparatively poor and underdeveloped country.

Brazil was and still is a very heterogeneous country, not just in terms of socio-economic development. The level of ethno-cultural fractionalization is quite high. However, this heterogeneity, for instance in terms of ethnic background, has not been politicized much, especially when compared to other heterogeneous countries, such as South Africa. Ethno-cultural heterogeneity thus did not appear to play a major role in the Brazilian case. Contrary to theoretical expectations heterogeneity was not an obstacle for a universal social security system in this case. Table 30 summarizes the causal constellations during the three reform periods in Brazil.

Table 30. Welfare state building in Brazil: causal configuration

Brazil	**1930s**	**Late 1960s and early 1970s**	**Late 1980s and early 1990s**
Industrialization	Limited to urban centres; GDP below world average	Moderate, but uneven; GDP around world average	Moderate, but uneven; GDP around world average; one quarter agricultural employment
Partisan politics	Right-wing government (Vargas); left parties and unions very weak	Right-wing government (military); left parties and unions very weak	Centre-right government, partly supported by centre-left parties; powerful unions and social movements

Table 30 (cont'd)			
State capacity	Very limited	Limited, particularly in rural areas	Moderate, but limited in rural areas
Regime type	Non-democratic		Democratization
Ethno-linguistic fractionalization	Very high, but not very politicized		

Finally, in South Africa the modern social security system was initially created as an instrument to secure the authoritarian rule of a minority of the population (whites) over the majority (blacks), in this extremely heterogeneous country. However, the ultimate transformation of the comparatively atypical social security system into a welfare state was the product of a centre-left political alliance which gained power after democratization. The history of welfare state building in South Africa is thus rather turbulent.

Before 1994, South Africa was ruled by the white minority, behind a democratic façade. The grounds for the modern social security system were laid as part of a political project that aimed to ensure that the white minority continued to be in an economically superior position. Therefore, the social security system initially included only whites (and in a more limited way also coloured). In an environment of economic growth and labour shortage, a centrist government broadened social security coverage by including blacks to a limited extent in the late 1930s and 1940s. However, these reforms were partly reversed when a right-wing party come to power in 1948 and created the Apartheid regime which pushed the logic of excluding blacks to an extreme.

Under pressure from international sanctions and a centre-left political alliance, which included strong labour unions, the Apartheid regime was weakened and blacks were partly re-incorporated into the social security system. The provision of equal social rights and thus the transformation into a welfare state occurred, when Apartheid system was ended, the country democratized and the centre-left political alliance came to power in 1994.

With regard to the role of industrialization and economic development in social security development South Africa has an unusual history. Fuelled by a booming mining sector the country was wealthier than most countries in the Global South until the 1970s. In fact, the living standards of the white minority resembled that of other settler countries, such as Australia, while the living standards of the black majority resembled neighbouring developing countries. Overall, industrialization did give some impetus to the building of a modern social security system. However, economic development was very uneven and from the 1970s onwards, South Africa economically fell behind (see Figure 2).

The role of state capacity in welfare state development in South Africa is difficult to evaluate. On the one hand, South Africa did build a comparatively advanced state apparatus in the twentieth century. On the other hand, as a result of conscious political choice, state capacity remained very limited in some regions where blacks were a majority. These regions were declared black homelands (*Bantustans*), independent from South Africa, and the state apparatus remained underdeveloped in these areas. Thus, state capacity was uneven at least until the end of Apartheid.

Finally, the role of ethno-cultural heterogeneity in the South African case is rather obvious. South Africa was and is a very heterogeneous country and this heterogeneity was for most of the country's history at the centre of political debates. Particularly the failure to universalize the social security system in the 1940s is clearly linked to ethno-cultural heterogeneity: the white minority simply did not want to give blacks equal social (and other) rights. Yet, ultimately heterogeneity only delayed, but did not fully hinder welfare state development. Table 31 summarizes the causal configurations during the three reform periods in South Africa.

Table 31. Welfare state building in South Africa: causal configuration

South Africa	**Late 1920s**	**Late 1930s and early 1940s**	**Early 1990s**
Industrialization	Limited, concentrated in the mining sector;	Limited, concentrated in the mining sector; GDP above world standard	Moderate, but uneven; GDP below world average; nearly half of population rural
Partisan politics	Coalition government (right-wing National Party and Labour Party)	Centrist government (Fusion), left parties and unions weak	Centre-left political alliance (ANC, SACP and COSATU) dominant
State capacity	Very limited and uneven	Limited and uneven	Moderate, but uneven
Regime type	Non-democratic		Democratization
Ethno-linguistic fractionalization	Very high and very politicized		

8.1.2. Two distinct pathways to universal social security

As explained in the previous sections, Brazil, Costa Rica and South Africa are unique in terms of their history of welfare state building. This makes it difficult to synthesize the findings from the three case studies into a single coherent argument. However, the findings of the comparative-historical analysis suggest that there are two distinct pathways to a universal social security system in a lower income context. These pathways should be understood as ideal types. In reality, each of the three cases under study only temporarily fit these patterns.

First, the social democratic (or solidaristic) pathway, which is best exemplified by Costa Rica and, to a more limited extent, by 1990s South Africa, features hegemonic left-of-centre political forces in the context of political democracy. These centre-left political forces, which sometimes (but not always) include labour unions, represent lower- and middle classes and push – either on their own or in coalition with other broad based political forces – for the construction of a welfare state as part of their political program. Democracy plays an important role, because it allows centre-left parties to come to power, strengthens reformist, as opposed to revolutionary political projects, and ultimately gives voters the power to hold government accountable to its promises. Even when these centre-left governments are voted out of power, rival parties continue (or at least do not reverse) welfare state building for fear of losing office in the next elections.

Second, the Bismarckian (or Bonapartist (Baldwin 1990)) pathway, which is best exemplified by Brazil before democratization in the 1980s and, to a more limited extent, by South Africa in the Fusion era (1930s and 1940s), features hegemonic centrist or centre-right state elites in a non-democratic, i.e. authoritarian environment. State elites push for the construction of a welfare state as part of a broader political project of modernization and development. In this pathway, social rights are extended to the marginalized parts of the population in order to prevent demands for political rights, shore up the legitimacy of an autocratic regime and increase the capacity of the state. Although this pathway also sees significant expansion of coverage up to the point that most of the population is legally covered, it is interesting to note in the three cases analysed the second pathway is not concluded, i.e. social security universalisation is not finished by Bismarckian regimes. For instance, in Brazil, the archetypical case, effective coverage of the majority of the population only came in the process of democratisation, i.e. after state elites lost their hegemonic role in policymaking. Therefore, it remains unclear, how sustainable the Bismarckian pathway to social security universalization really is.

In my analysis, therefore, there emerge two pathways to social security universalization in the developing world: a social democratic (or solidaristic) pathway and a Bismarckian (or Bonapartist) pathway. These pathways resemble two pathways that research on the historical development of Western welfare states discovered earlier: (1) the German case prior to World War I with a monarchy attempting to shore up its legitimacy against rising demands by the working class for political inclusion and (2) the British pathway, where the extension of political and social rights went hand in hand (Flora and Alber 1981). Once this pathway perspective is adopted the emergence of welfare states in the global periphery is thus not too different from the emergence of welfare states in Western Europe. Yet, these similarities between the emergence of welfare states in Western Europe and the Global South should obviously not be overdrawn. In the final analysis, some structural differences and historical peculiarities remain.

The existence of the two pathways suggests that it *was* possible to build a welfare state in relatively poor countries under diverse circumstances. he different causal configurations underlying welfare state development in each path led to different kinds of welfare states. It is probably no coincidence that the Costa Rican welfare state, the archetypical social democratic case, has been widely perceived as a model in terms of its social welfare outcomes such as longevity and low inequality. Moreover, the Brazilian welfare state, which long exemplified the Bismarckian pathway, has been described as producing dismal social welfare outcomes (Dreze and Sen 1989). The reason for this difference might lie in the different institutional characteristics of the social welfare systems. This link between the pathway to universal social security and the resulting social outcomes resembles a key argument of the welfare regime debate: the institutional characteristics of welfare states are defined by the historical forces that shape welfare state building (Esping-Andersen 1990).

8.2. Implications for theories of welfare state development

The findings of the large-n analysis of welfare stateness around the world and the comparative historical analysis of three welfare states in the developing world have significant implications for conventional theories of welfare state development, such as power resources theory, state-centred research and the logic of industrialism. While they verify some of these theories' tenets, my findings also call into question other key assumptions of these theories.

According to power resources theory, centre-left political parties, backed by strong labour unions and working in a democratic political environment are the main force behind welfare state development (Korpi 1983). While this constellation of causal factors resembles the social democratic pathway described above, there is one important difference: the role of labour unions. In the archetypical case, Costa Rica, labour unions were mostly weak, and the hegemonic centre-left party did not rely on strong union or working class backing. Furthermore, at times labour unions hindered welfare state development in two of the cases, Brazil and South Africa, by focusing on protection for better-off workers instead of lower income groups. Presumably, the different behaviour of labour unions in the Global South (when compared to the Global North) is connected to the different labour market structure and the different union membership structure. Therefore, the social democratic (or solidaristic) pathway is best conceived of as a modified form of the power resources argument: centre-left political forces in the context of a democratic political environment build the welfare state, without necessarily relying on strong labour unions. This finding resonates with recent research on social policy in Latin America, which reduces the power resources equation to 'democracy and the left' (Huber and Stephens 2012).

The empirical findings of this study also have implication for state-centred theories of welfare states development. According to state-centred research, one has to focus on the state to understand welfare state development. In the context of welfare state emergence, there are two important arguments of state-centred research: (1) State capacity is a precondition of welfare state emergence – a 'welfare state must presuppose a minimal Weberian state' (Gough and Abu Sharkh 2011: 283) (2) State elites and the bureaucracy are the main drivers of welfare state development (Skocpol and Amenta 1986).

The first argument, that state capacity is a precondition of welfare state emergence, is not supported by the comparative historical analysis. In none of the three cases was a highly capable state apparatus in place prior to welfare state emergence. On the contrary, in these countries state capacity developed as a consequence of the creation of a modern social security system. This is best exemplified by the cases of Costa Rica and Brazil. Furthermore, in some instances the increase in state capacity is a goal of welfare state building. However, the second argument, that state elites and the bureaucracy build the welfare state, is at least partly supported by the findings. In the Bismarckian pathway to universal social security, state elites play a crucial role. Insulated from the pressures of civil society, they devise and implement social security policies.

In welfare state research, it is widely believed that the level of ethno-cultural fractionalisation is linked to welfare state development, with high levels of heterogeneity impeding the creation of extensive social welfare systems (by, for instance, weakening solidarity). In this regard, both, the large-n analysis conducted in Part II of the dissertation and the small-n analysis conducted in Part III arrive at mixed findings. The tentative large-n analysis based on the fuzzy set of welfare states produced inconclusive results. There does not seem to be a very clear correlation between the level of heterogeneity and the existence of universal social security systems on a global level. Still, the comparative-historical analysis provides support for this argument in two of the three cases. In South Africa, the high level of heterogeneity was an obstacle for social security universalization before the 1990s and in Costa Rica, the high level of perceived homogeneity is assumed to have made it easier to build the welfare state. Yet, in the case of Brazil, high levels of heterogeneity do not seem to have impeded welfare state development. Arguably, this evidence supports recent research, which claims that high levels of ethno-cultural fractionalisation hinder welfare state development only in some, but not in all cases. Fractionalisation apparently only influences welfare state development when it is combined with other factors, such as class cleavages. This could be the reason why, both, the small-n and the large-n analysis do not produce unequivocal results.

Finally, what implications do the large-n and small-n analyses conducted in this thesis have for the logic of industrialism hypothesis, according to which welfare state development is intertwined with industrialization (Zöllner 1963; Wilensky 1975). As explained in Chapter 2, one can derive four different empirical hypotheses from this theory: (1) Industrialization leads to a convergence of welfare states (2) Industrialization is a necessary and sufficient condition for welfare state development (3) Industrialization is a sufficient condition for welfare state development and (4) Industrialization is a necessary condition for welfare state development.

The first empirical hypothesis has been widely criticised by welfare state scholars and has been refuted in empirical research. Welfare states simply have not converged in the last decades. The second empirical hypothesis implies that all developed countries, but no other countries will become welfare states. This is obviously contradicted by the existence of welfare states in the developing world that the large-n analysis of welfare stateness conducted in Part II of this dissertation uncovered. The third empirical hypothesis implies that all developed countries will become welfare states. Technically this argument remains quiet about the chances of developing countries to build welfare states. The tentative analysis conducted in Part II on the basis of the fuzzy set of welfare states and developing countries indicated that this hypothesis continues have some empirical backing. If economic development is operationalised in terms of a broader process of industrialization (and thus oil-dependent high income countries are excluded from the universe of economically developed countries), nearly all economically developed countries are welfare states. The only significant exception to this rule is the case of Singapore, which despite its status as a high income country does not feature among the welfare states due to its less than universal pension system.

The fourth empirical hypothesis implies that only developed countries, but not developing countries can become welfare states. At first glance, the existence of welfare states in the developing world contradicts this hypothesis. As explained in the previous chapters, I selected the three cases to explore what brings about the emergence of the welfare state in countries with low levels of industrialization and economic development. Thus, the cases are the least likely cases for which one would expect industrialization and economic development to play a decisive role in welfare state building. However, the comparative historical analysis revealed that in two of the three cases – Brazil and South Africa – economic development was not uniformly low, but rather uneven. Some regions of these very heterogeneous countries resembled industrialised countries for most of the twentieth century. Furthermore, in these two cases economic development clearly did play a role in the emergence of a modern social security system. Some social security legislation was devised in response to industrialization and associated problems, such as dangerous working conditions.

In addition, all three cases were ranked as lower-middle income countries (and not low income countries) when they became welfare states. Thus, they were no (longer) classic developing countries. Their economies were already part of the capitalist world economy and were no longer shaped by an agricultural subsistence economy. These two findings – that in two of three cases welfare state building was connected to industrialization and that all three cases were lower-middle income countries by the time they universalized social security – would suggest that the logic of industrialism retains some explanatory value even in these deviant cases. A moderate level of industrialization and economic development thus appears to be a necessary condition for welfare state emergence after all.

8.3. Future research avenues

This dissertation explored whether there are any welfare states in the developing world, and if so how their emergence can be explained. It paved new ground by conducting the first global large-n analysis of welfare stateness around the world, bringing together the Global North and the Global South. This analysis identified four welfare states in the developing world: Brazil, Costa Rica, Cape Verde and South Africa. Through a comparative historical analysis, the thesis then explored how the emergence of three of these welfare states – Brazil, Costa Rica and South Africa – can be explained. It thus added three cases to the universe of cases of comparative welfare state research. Moreover, I found that underneath historical peculiarities the causal configurations that brought about the emergence of the welfare states in these cases are not too different from the causal configurations at play in classic welfare states.

While the dissertation thus provided significant contributions to the comparative literature there are several research avenues that it did not explore and that future research might take. First, the global mapping of welfare states conducted in Part II of the thesis is only a first attempt to understand welfare stateness around the world. It mainly relies on existing data that is far from perfect and does not go into too much detail. Future studies might focus on generating more consistent data on social protection systems around the world that would give researchers the ability to undertake large-n analyses that are more in-depth. Moreover, the fuzzy set of welfare states incorporated data from different years to provide a crude snapshot of the situation at the beginning of the new millennium. Future studies could attempt to generate data for (nearly) all countries for one point in time or even create a panel dataset that would allow for time series analyses.

One aspect that could surely improve the global mapping of welfare states would be to create indicators that measure the quality of social protection (Böger 2013). In how far do pensions really provide a minimum? And what exactly does health coverage entail? Questions like these will become even more essential for future mappings of welfare states, as powerful international organizations advice low and middle-income countries to adopt universal social protection systems that provide only minimum benefits. Additionally, other dimension of social protection, such as social assistance benefits should also be incorporated in future mapping exercises (Leisering and Barrientos 2013). A database that covers the whole world and thus allows for comparison of high, middle and low income countries based on similar indicators would be most welcome in this regard (the most advanced database today, FLOORCASH, still 'only' includes the Global South). Yet, focussing on social assistance, one should not forget that many social assistance benefits continue to be non-cash transfers. In the Global South, food subsidies, like the Public Distribution System for Below Poverty Line households in India, are a prime example. As there has been a tendency for social cash transfers to expand and social non-cash transfers to be retrenched, a focus on only one of these two forms of transfers could potentially produce misleading results when assessing what social security states provide for their citizens.

Second, researchers could actively aim to re-shape the 'geography of comparative welfare state research' (Hort 2005). The mapping exercise conducted in Part II of this dissertation has shown that it is necessary to include some non-OECD welfare states in welfare state research. Studying unconventional welfare states in the Global South side by side with classic welfare states could provide novel insights for scholars. In what ways are welfare states in the north and in the south different? Are the causal configurations behind welfare state development and transformation different, and if so in what ways? By incorporating these hitherto neglected welfare states into the universe of cases, researchers might reach a deeper understanding of welfare state emergence, development and retrenchment.

Third, the universe of cases might even be broadened to some cases that are classified as non-welfare states in this study. Some low and lower-middle income countries were historically classified as welfare states, but were classified as 'more out than in' the fuzzy set of welfare states. These countries have either undergone severe retrenchment in their social protection systems so that they are no longer welfare states. Or, their social protection systems have been atypical to the degree that the measures employed to assess welfare stateness in this study do not give justice to their achievements (Ahmad 1991; Guhan 1994). To provide just one example, post-independence Sri Lanka was once hailed as a universalistic welfare state, without focussing on classic social insurance policies (Jayasuriya 1985). So, in this case it is unclear how it would have been classified in the fuzzy set of welfare states if data for, say, 1970 would have been available.

In case, such atypical welfare states did exist but witnessed retrenchment to the degree that most people lost social protection coverage, such cases would be particularly worthwhile to study. Their historical developments could offer fresh insights on welfare state development, considering that up until now research on the development from welfare state to non-welfare state has been sparse. Studying the transition from welfare state to non-welfare state would provide a novel perspective that could enrich our understanding of the conditions of existence of the welfare state and thus might even inform speculation on the future of the welfare state. In this sense, I hope the dissertation not just contributes to debates in comparative welfare state research, but also helps to inspire future research.

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APPENDIX A: DATA USED FOR THE FUZZY SET OF WELFARE STATES

I used various sources to construct the fuzzy set of welfare states. In the following, I describe, which data has been used for which component of the fuzzy set. Note that the data was mostly collected in 2013, so with few exceptions the data was published before that.

For the measurement of the comprehensiveness of the social security system in the first calibration of the fuzzy set I relied on ILO data. In the World Social Security Report 2010/2011 the ILO published data describing whether countries have legislated statutory programmes in the eight main branches of social security (ILO 2010: 203-207). These branches are sick pay (sickness), maternity, old age, survivors, invalidity, family allowances, unemployment and employment injury. For data collection, the ILO mainly relied on the 2008-2009 editions of the United States Social Security Administration's (SSA) 'Social Security Programs throughout the World'. The ILO dataset includes data on 167 countries throughout the world. It differentiates between three kinds of provision: at least one statutory programme, limited provision (e.g. labour code only) and only benefit in kind (e.g. medical benefits). Limited provision and only benefit in kind are not counted in the calculation of the comprehensiveness of the social security system. The data does not differentiate between different types of programmes, e.g. social insurance or social assistance. For the first calibration of the fuzzy set of welfare states, this data has been used without any modification or extension.

Table 32. Comprehensiveness of social security

Country	Branches covered by at least one programme	Sick-ness	Maternity	Old age	Invali-dity	Survi-vors	Family allowances	Employ-ment injury	Unemploy-ment
Afghanistan	MD								0
Albania	8	1	1	1	1	1	1	1	1
Algeria	8	1	1	1	1	1	1	1	1
Angola	MD								0
Antigua and Barbuda	5	1	1	1	1	1	0	0	0
Argentina	8	1	1	1	1	1	1	1	1
Armenia	8	1	1	1	1	1	1	1	1
Australia	8	1	1	1	1	1	1	1	1
Austria	8	1	1	1	1	1	1	1	1
Azerbaijan	8	1	1	1	1	1	1	1	1
Bahamas	6	1	1	1	1	1	0	1	0
Bahrain	5	0	0	1	1	1	0	1	1
Bangladesh	4	1	1	1	0	0	0	1	LP
Barbados	7	1	1	1	1	1	0	1	1
Belarus	8	1	1	1	1	1	1	1	1
Belgium	8	1	1	1	1	1	1	1	1
Belize	6	1	1	1	1	1	0	1	0
Benin	6	LP	1	1	1	1	1	1	0
Bhutan	MD								0
Bolivia	7	1	1	1	1	1	0	1	LP
Botswana	4	LP	LP	1	0	1	1	1	LP
Brazil	8	1	1	1	1	1	1	1	1
British Virgin Islands	6	1	1	1	1	1	0	1	0

Table 32 (cont'd)

Brunei Darussalam	4	OBIK	0	1	1	1	0	1	0
Bulgaria	8	1	1	1	1	1	1	1	1
Burkina Faso	6	LP	1	1	1	1	1	1	0
Burundi	6	1	LP	1	1	1	1	1	0
Cambodia	MD								0
Cameroon	6	LP	1	1	1	1	1	1	0
Canada	8	1	1	1	1	1	1	1	1
Cape Verde	7	1	1	1	1	1	1	1	0
Central African Republic	6	LP	1	1	1	1	1	1	0
Chad	6	LP	1	1	1	1	1	1	0
Chile	8	1	1	1	1	1	1	1	1
China	7	1	1	1	1	1	0	1	1
Colombia	8	1	1	1	1	1	1	1	1
Congo, Dem. Rep.	6	LP	1	1	1	1	1	1	0
Congo, Rep.	6	LP	1	1	1	1	1	1	0
Costa Rica	7	1	1	1	1	1	1	1	LP
Cote d'Ivoire	6	OBIK	1	1	1	1	1	1	0
Croatia	8	1	1	1	1	1	1	1	1
Cuba	6	1	1	1	1	1	0	1	0
Cyprus	8	1	1	1	1	1	1	1	1
Czech Republic	8	1	1	1	1	1	1	1	1
Denmark	8	1	1	1	1	1	1	1	1
Djibouti	MD								0

Table 32 (cont’d)									
Dominica	6	1	1	1	1	1	0	1	0
Dominican Republic	7	1	1	1	1	1	1	1	0
Ecuador	7	1	1	1	1	1	0	1	1
Egypt	7	1	1	1	1	1	0	1	1
El Salvador	6	1	1	1	1	1	0	1	0
Equatorial Guinea	7	1	1	1	1	1	1	1	0
Eritrea	MD								0
Estonia	8	1	1	1	1	1	1	1	1
Ethiopia	4	LP	LP	1	1	1	0	1	0
Fiji	4	0	0	1	1	1	0	1	0
Finland	8	1	1	1	1	1	1	1	1
France	8	1	1	1	1	1	1	1	1
Gabon	5	OBIK	LP	1	1	1	1	1	0
Gambia	4	0	0	1	1	1	0	1	0
Georgia	7	OBIK	1	1	1	1	1	1	0
Germany	8	1	1	1	1	1	1	1	1
Ghana	4	OBIK	0	1	1	1	0	1	0
Greece	8	1	1	1	1	1	1	1	1
Grenada	6	1	1	1	1	1	0	1	0
Guatemala	6	1	1	1	1	1	0	1	0
Guinea	7	1	1	1	1	1	1	1	0
Guinea-Bissau	MD								0
Guyana	6	1	1	1	1	1	0	1	0

Table 32 (cont'd)									
Haiti	4	0	LP	1	1	1	0	1	0
Honduras	6	1	1	1	1	1	0	1	0
Hong Kong	8	1	1	1	1	1	1	1	1
Hungary	8	1	1	1	1	1	1	1	1
Iceland	8	1	1	1	1	1	1	1	1
India	7	1	1	1	1	1	0	1	1
Indonesia	4	OBIK	0	1	1	1	0	1	0
Iran	8	1	1	1	1	1	1	1	1
Iraq	MD								0
Ireland	8	1	1	1	1	1	1	1	1
Israel	8	1	1	1	1	1	1	1	1
Italy	8	1	1	1	1	1	1	1	1
Jamaica	6	OBIK	1	1	1	1	1	1	0
Japan	8	1	1	1	1	1	1	1	1
Jordan	4	OBIK	MD	1	1	1	0	1	0
Kazakhstan	8	1	1	1	1	1	1	1	1
Kenya	5	OBIK	1	1	1	1	0	1	0
Kiribati	4	0	0	1	1	1	0	1	0
Kuwait	4	0	0	1	1	1	0	1	0
Kyrgyz Republic	8	1	1	1	1	1	1	1	1
Laos	6	1	1	1	1	1	0	1	0
Latvia	8	1	1	1	1	1	1	1	1
Lebanon	6	OBIK	1	1	1	1	1	1	0

Table 32 (cont’d)									
Lesotho	MD								0
Liberia	4	0	0	1	1	1	0	1	0
Libya	6	1	1	1	1	1	0	1	LP
Lithuania	8	1	1	1	1	1	1	1	1
Luxembourg	8	1	1	1	1	1	1	1	1
Macedonia	8	1	1	1	1	1	1	1	1
Madagascar	6	LP	1	1	1	1	1	1	0
Malawi	1	0	0	0	0	0	0	1	0
Malaysia	5	1	MD	1	1	1	0	1	0
Maldives	MD	OBIK	MD	1	1	1	MD	MD	0
Mali	6	OBIK	1	1	1	1	1	1	0
Malta	8	1	1	1	1	1	1	1	1
Marshall Islands	3	OBIK	OBIK	1	1	1	0	0	0
Mauritania	6	OBIK	1	1	1	1	1	1	0
Mauritius	6	LP	LP	1	1	1	1	1	1
Mexico	7	1	1	1	1	1	1	1	LP
Micronesia	3	0	0	1	1	1	0	0	0
Moldova	8	1	1	1	1	1	1	1	1
Mongolia	8	1	1	1	1	1	1	1	1
Montenegro	8	1	1	1	1	1	1	1	1
Morocco	7	1	1	1	1	1	1	1	0
Mozambique	5	1	1	1	1	1	0	0	0
Myanmar	MD	1	1	LP	LP	LP	0	1	0
Namibia	7	1	1	1	1	1	1	1	0
Nepal	4	LP	LP	1	1	1	0	1	LP

Table 32 (cont'd)									
Netherlands	8	1	1	1	1	1	1	1	1
New Zealand	8	1	1	1	1	1	1	1	1
Nicaragua	7	1	1	1	1	1	1	1	0
Niger	6	LP	1	1	1	1	1	1	0
Nigeria	4	OBIK	LP	1	1	1	0	1	LP
North Korea	MD								0
Norway	8	1	1	1	1	1	1	1	1
Oman	4	0	0	1	1	1	0	1	0
Pakistan	6	1	1	1	1	1	0	1	LP
Palau	3	0	0	1	1	1	0	0	0
Panama	6	1	1	1	1	1	0	1	LP
Papua New Guinea	4	LP	0	1	1	1	0	1	0
Paraguay	6	1	1	1	1	1	LP	1	0
Peru	6	1	1	1	1	1	0	1	LP
Philippines	6	1	1	1	1	1	0	1	0
Poland	8	1	1	1	1	1	1	1	1
Portugal	8	1	1	1	1	1	1	1	1
Romania	8	1	1	1	1	1	1	1	1
Russia	8	1	1	1	1	1	1	1	1
Rwanda	4	LP	LP	1	1	1	0	1	0
Sao Tome and Principe	6	1	1	1	1	1	0	1	0
Saudi Arabia	4	LP	LP	1	1	1	0	1	0
Senegal	5	OBIK	1	1	0	1	1	1	0
Serbia	8	1	1	1	1	1	1	1	1
Seychelles	7	1	1	1	1	1	0	1	1

Table 32 (cont'd)									
Sierra Leone	4	0	0	1	1	1	0	1	0
Singapore	6	1	1	1	1	1	0	1	0
Slovak Republic	8	1	1	1	1	1	1	1	1
Slovenia	8	1	1	1	1	1	1	1	1
Solomon Islands	5	0	0	1	1	1	0	1	1
South Africa	7	1	1	1	1	0	1	1	1
South Korea	5	OBIK	MD	1	1	1	0	1	1
Spain	8	1	1	1	1	1	1	1	1
Sri Lanka	5	OBIK	LP	1	1	1	1	1	0
St. Kitts and Nevis	6	1	1	1	1	1	0	1	0
St. Lucia	6	1	1	1	1	1	0	1	0
St. Vincent and the Grenadines	6	1	1	1	1	1	0	1	0
Sudan	4	0	0	1	1	1	0	1	0
Swaziland	4	0	0	1	1	1	0	1	0
Sweden	8	1	1	1	1	1	1	1	1
Switzerland	8	1	1	1	1	1	1	1	1
Syria	4	0	0	1	1	1	0	1	0
Taiwan	7	1	1	1	1	1	0	1	1
Tanzania	5	OBIK	1	1	1	1	0	1	LP
Thailand	8	1	1	1	1	1	1	1	1
Timor-Leste	MD								0
Togo	6	LP	1	1	1	1	1	1	0

Table 32 (cont'd)									
Trinidad and Tobago	7	1	1	1	1	1	1	1	0
Tunisia	8	1	1	1	1	1	1	1	1
Turkey	7	1	1	1	1	1	0	1	1
Turkmenistan	7	1	1	1	1	1	0	1	1
Uganda	4	0	0	1	1	1	0	1	0
Ukraine	8	1	1	1	1	1	1	1	1
United Kingdom	8	1	1	1	1	1	1	1	1
United States	8	1	1	1	1	1	1	1	1
Uruguay	8	1	1	1	1	1	1	1	1
Uzbekistan	8	1	1	1	1	1	1	1	1
Vanuatu	3	LP	LP	1	1	1	0	0	0
Venezuela	7	1	1	1	1	1	0	1	1
Vietnam	7	1	1	1	1	1	0	1	1
West Bank and Gaza	MD								
Yemen	5	1	MD	1	1	1	0	1	0
Zambia	4	OBIK	0	1	1	1	0	1	0
Zimbabwe	4	0	LP	1	1	1	0	1	0

MD= Missing data; OBIK = Only benefit in kind; LP = Limited provision

For the measurement of the universality of the social security system in the fuzzy set of welfare states, I relied on different data sources that provide data on social security coverage. For unemployment insurance, I mainly used ILO data from the World Social Security Report 2010/2011 (ILO 2010: 245-250). To increase the number of countries included in the dataset, I also consulted the ILO Social Security Inquiry database (ILO 2016a) and used the latest data point that appeared reliable. If data on unemployment coverage was not available or looked unreliable in these sources, I consulted other secondary sources to find data on unemployment coverage. The indicator measures effective unemployment coverage through the percentage of unemployed receiving unemployment benefits. For this purpose, the number of unemployment beneficiaries is divided by the official number of unemployed. This dataset includes data on unemployment coverage for 72 countries. For 95 countries, which do not have unemployment insurance, unemployment coverage is assumed to be 0 percent. Therefore, the dataset includes 167 countries.

Table 33. Unemployment coverage data

Country	Percent of unemployed receiving unemployment benefits	Source	Year
Afghanistan	0	ILO (2010) World Social Security Report	-
Albania	6,5	ILO Social Security Inquiry	2010
Algeria	3,9	ILO (2010) World Social Security Report	2002
Angola	0	ILO (2010) World Social Security Report	-
Argentina	8,7	ILO (2010) World Social Security Report	2006
Armenia	16,4	ILO (2010) World Social Security Report	2007
Australia	68,5	ILO (2010) World Social Security Report	2006
Austria	94,1	ILO (2010) World Social Security Report	2008
Azerbaijan	13,4	ILO (2010) World Social Security Report	2003
Bahrain	34,2	ILO (2010) World Social Security Report	2008
Bangladesh	0	ILO (2010) World Social Security Report	-
Barbados	77,7	ILO (2010) World Social Security Report	2003
Belarus	46,6	ILO Social Security Inquiry	2008
Belgium	86,9	Social Citizenship Indicator Programme	
Belize	0	ILO (2010) World Social Security Report	-
Benin	0	ILO (2010) World Social Security Report	-

Table 33 (cont'd)			
Bhutan	0	ILO (2010) World Social Security Report	-
Bolivia	0	ILO (2010) World Social Security Report	-
Botswana	0	ILO (2010) World Social Security Report	-
Brazil	7,8	ILO Social Security Inquiry	2010
Bulgaria	45,6	ILO Social Security Inquiry	2009
Burkina Faso	0	ILO (2010) World Social Security Report	-
Burundi	0	ILO (2010) World Social Security Report	-
Cambodia	0	ILO (2010) World Social Security Report	-
Cameroon	0	ILO (2010) World Social Security Report	-
Canada	48,4	ILO Social Security Inquiry	2009
Cape Verde	0	ILO (2010) World Social Security Report	-
Central African Republic	0	ILO (2010) World Social Security Report	-
Chad	0	ILO (2010) World Social Security Report	-
Chile	20,7	ILO Social Security Inquiry	2009
China	11,1	ILO Social Security Inquiry	2008
Colombia	3,9	Other	2008
Comoros	0	ILO (2010) World Social Security Report	-
Congo, Dem. Rep.	0	ILO (2010) World Social Security Report	-
Congo, Rep.	0	ILO (2010) World Social Security Report	-
Costa Rica	0	ILO (2010) World Social Security Report	-
Cote d'Ivoire	0	ILO (2010) World Social Security Report	-
Croatia	28,6	ILO (2010) World Social Security Report	2006
Cuba	0	ILO (2010) World Social Security Report	-
Cyprus	78,7	ILO Social Security Inquiry	2009
Czech Republic	44,5	ILO (2010) World Social Security Report	2007

Table 33 (cont'd)			
Denmark	67,4	ILO (2010) World Social Security Report	2007
Djibouti	0	ILO (2010) World Social Security Report	-
Dominica	0	ILO (2010) World Social Security Report	-
Dominican Republic	0	ILO (2010) World Social Security Report	-
Ecuador	4,2	Other	2005
El Salvador	0	ILO (2010) World Social Security Report	-
Equatorial Guinea	0	ILO (2010) World Social Security Report	-
Eritrea	0	ILO (2010) World Social Security Report	-
Estonia	34	ILO (2010) World Social Security Report	2008
Ethiopia	0	ILO (2010) World Social Security Report	-
Fiji	0	ILO (2010) World Social Security Report	-
Finland	66,8	ILO (2010) World Social Security Report	2008
France	59,7	ILO (2010) World Social Security Report	2008
Gabon	0	ILO (2010) World Social Security Report	-
Gambia	0	ILO (2010) World Social Security Report	-
Germany	99	ILO (2010) World Social Security Report	2008
Ghana	0	ILO (2010) World Social Security Report	-
Greece	35,8	Other	2011
Guatemala	0	ILO (2010) World Social Security Report	-
Guinea	0	ILO (2010) World Social Security Report	-
Guinea-Bissau	0	ILO (2010) World Social Security Report	-
Guyana	0	ILO (2010) World Social Security Report	-
Haiti	0	ILO (2010) World Social Security Report	-
Honduras	0	ILO (2010) World Social Security Report	-
Hong Kong	24,4	ILO Social Security Inquiry	2008

Table 33 (cont'd)			
Hungary	32,2	ILO Social Security Inquiry	2008
Iceland	49,9	ILO (2010) World Social Security Report	2008
India	1	Other	
Indonesia	0	ILO (2010) World Social Security Report	-
Iraq	0	ILO (2010) World Social Security Report	-
Ireland	59	ILO (2010) World Social Security Report	2008
Israel	32,2	ILO Social Security Inquiry	2011
Italy	33,3	ILO (2010) World Social Security Report	2007
Jamaica	0	ILO (2010) World Social Security Report	-
Japan	24	ILO Social Security Inquiry	2008
Jordan	0	ILO (2010) World Social Security Report	-
Kazakhstan	5	ILO (2010) World Social Security Report	2008
Kenya	0	ILO (2010) World Social Security Report	-
Kuwait	0	ILO (2010) World Social Security Report	-
Laos	0	ILO (2010) World Social Security Report	-
Latvia	34,8	ILO (2010) World Social Security Report	2008
Lebanon	0	ILO (2010) World Social Security Report	-
Lesotho	0	ILO (2010) World Social Security Report	-
Liberia	0	ILO (2010) World Social Security Report	-
Libya	0	ILO (2010) World Social Security Report	-
Lithuania	23,7	ILO (2010) World Social Security Report	2008
Luxembourg	53,4	ILO (2010) World Social Security Report	2007
Macedonia	7	ILO (2010) World Social Security Report	2008
Madagascar	0	ILO (2010) World Social Security Report	-
Malawi	0	ILO (2010) World Social Security Report	-
Malaysia	0	ILO (2010) World Social Security Report	-

Table 33 (cont'd)			
Maldives	0	ILO (2010) World Social Security Report	-
Mali	0	ILO (2010) World Social Security Report	-
Malta	88,9	ILO Social Security Inquiry	2008
Marshall Islands	0	ILO (2010) World Social Security Report	-
Mauritania	0	ILO (2010) World Social Security Report	-
Mauritius	1,2	ILO Social Security Inquiry	2011
Mexico	7,5	ILO (2010) World Social Security Report	2009
Moldova	11,2	ILO Social Security Inquiry	2008
Mongolia	18,2	ILO Social Security Inquiry	2004
Montenegro	33	ILO (2010) World Social Security Report	2008
Morocco	0	ILO (2010) World Social Security Report	-
Mozambique	0	ILO (2010) World Social Security Report	-
Myanmar	0	ILO (2010) World Social Security Report	-
Namibia	0	ILO (2010) World Social Security Report	-
Nepal	0	ILO (2010) World Social Security Report	-
Netherlands	70,2	ILO (2010) World Social Security Report	2007
New Zealand	27	ILO Social Security Inquiry	2008
Nicaragua	0	ILO (2010) World Social Security Report	-
Niger	0	ILO (2010) World Social Security Report	-
Nigeria	0	ILO (2010) World Social Security Report	-
North Korea	0	ILO (2010) World Social Security Report	-
Norway	42,1	ILO Social Security Inquiry	2008
Oman	0	ILO (2010) World Social Security Report	-
Pakistan	0	ILO (2010) World Social Security Report	-
Panama	0	ILO (2010) World Social Security Report	-
Papua New Guinea	0	ILO (2010) World Social Security Report	-

Table 33 (cont'd)			
Paraguay	0	ILO (2010) World Social Security Report	-
Peru	0	ILO (2010) World Social Security Report	-
Philippines	0	ILO (2010) World Social Security Report	-
Poland	18,4	ILO (2010) World Social Security Report	2008
Portugal	38,8	Other	2012
Romania	24	ILO (2010) World Social Security Report	2008
Russia	23,4	ILO (2010) World Social Security Report	2008
Rwanda	0	ILO (2010) World Social Security Report	-
Saudi Arabia	0	ILO (2010) World Social Security Report	-
Senegal	0	ILO (2010) World Social Security Report	-
Serbia	12,7	ILO (2010) World Social Security Report	2003
Sierra Leone	0	ILO (2010) World Social Security Report	-
Singapore	0	ILO (2010) World Social Security Report	-
Slovak Republic	11	ILO Social Security Inquiry	2010
Slovenia	27	ILO (2010) World Social Security Report	2008
Somalia	0	ILO (2010) World Social Security Report	-
South Africa	9,7	ILO Social Security Inquiry	2008
South Korea	26,6	Other	2005
Spain	73,5	ILO (2010) World Social Security Report	2007
Sri Lanka	0	ILO (2010) World Social Security Report	-
St. Kitts and Nevis	0	ILO (2010) World Social Security Report	-
St. Lucia	0	ILO (2010) World Social Security Report	-
St. Vincent and the Grenadines	0	ILO (2010) World Social Security Report	-
Sudan	0	ILO (2010) World Social Security Report	-
Suriname	0	ILO (2010) World Social Security Report	-

Table 33 (cont'd)			
Swaziland	0	ILO (2010) World Social Security Report	-
Sweden	66	ILO (2010) World Social Security Report	2007
Switzerland	67,4	ILO Social Security Inquiry	2011
Syria	0	ILO (2010) World Social Security Report	-
Taiwan	32,5	Other	2005
Tajikistan	8,5	ILO (2010) World Social Security Report	2005
Tanzania	0	ILO (2010) World Social Security Report	-
Thailand	22,4	ILO Social Security Inquiry	2010
Timor-Leste	0	ILO (2010) World Social Security Report	-
Togo	0	ILO (2010) World Social Security Report	-
Trinidad and Tobago	0	ILO (2010) World Social Security Report	-
Tunisia	3	ILO (2010) World Social Security Report	2008
Turkey	5,2	ILO Social Security Inquiry	2009
Uganda	0	ILO (2010) World Social Security Report	-
Ukraine	31,3	ILO Social Security Inquiry	2008
United Kingdom	51,4	ILO (2010) World Social Security Report	2008
United States	37,5	ILO (2010) World Social Security Report	2008
Uruguay	25,4	ILO Social Security Inquiry	2011
Uzbekistan	54,1	ILO (2010) World Social Security Report	2006
Vanuatu	0	ILO (2010) World Social Security Report	-
Vietnam	1	ILO Social Security Inquiry	2009
Yemen	0	ILO (2010) World Social Security Report	-
Zambia	0	ILO (2010) World Social Security Report	-
Zimbabwe	0	ILO (2010) World Social Security Report	-

For old age pension coverage, I used different sources. I first consulted the ILO data from the World Social Security Report 2010/2011 (ILO 2010: 240-244). To increase the number of countries in the dataset, I also consulted the following sources: the ILO Social Security Inquiry database (ILO 2016a), Eurostat (2016), two World Bank discussion papers that provided detailed data on pension systems in different countries (Pallares-Miralles et al. 2012; Rofman and Oliveri 2012), the OECD's Pensions at a Glance (OECD 2011), the Pension Watch database, different papers from Mesa-Lago on Latin America (2007 and 2012) and country-specific secondary sources.

The diversity of sources naturally makes it difficult to ensure that in each case old age pension coverage is measured exactly in the same way. For instance, it is impossible to check whether in each case a) disability and survivors pensions are included and b) mandatory and/or voluntary private pensions are included. However, it is very likely, that in most cases only old age pensioners are counted and mandatory private pension are included, whereas voluntary private pensions are excluded. As far as possible, I tried to measure effective old age pension coverage by dividing the number of old age pensioners to the number of people above the legal retirement age. However, for some countries the OECD's Pensions at a Glance and Pallares-Miralles et al. provide only information on the number of contributors to old age pensions divided by the number of people in the labour force. Furthermore, Eurostat data, Rofman and Oliveri, and Pallares-Miralles et al., Pension Watch and in some cases the ILO Social Security Inquiry database measure old age pension coverage as the number of old age pensioners divided by the population above 65 (60 in the case of Pension Watch) and not divided by the population above the legal retirement age.

Given that the retirement age shows huge variation across countries, the population above 65 is not always the same as the population above the retirement age. Therefore, using the former data without modification would lead to inaccurate results. When retirement age is below 65, as in many developing countries, pension coverage would be overestimated. Wherever possible, I checked the legal retirement age of countries when only data on the number of pension beneficiaries as a percentage of the population above 65 was available. In those cases, where the legal retirement age is significantly different from 65, I used the United Nations Department of Economic and Social Affairs Population Division's World Population Prospects: The 2012 Revision (UN 2013) to compute pension coverage as the number of old age pensioners divided by the number of people above the legal retirement age.

In some cases, defining the legal retirement age is difficult. Moreover, the choice of retirement age can have significant consequences. For instance, in Thailand social pensions are paid to people above 60. Yet, the retirement age for the contributory system is 55. When the retirement age for social pensions is used, coverage would be far above 50 percent. When the retirement age for the contributory system is used, however, pension coverage in Thailand in 2010 would be only 50 percent. For the fuzzy set, I employ the latter because I believe that the retirement age for the contributory system is more important for the definition of old age in the respective country. A second example is Turkey. The most widely cited data for retirement age in Turkey is 60 for men and 58 for women (United States 2012). On this basis, the ILO, for instance, estimates that pension coverage was 87 percent in 2006 (ILO 2010: 242). However, this retirement age does not apply to the cohort that retired in 2006, as the retirement age was only changed in 1999 for those people, who were not yet in the labour force. That is why, in 2006, the median retirement age was between 45 and 49 (SSK 2006). The last ILO data that computes pension coverage on the basis of the pre-reform retirement ages is from 2003; therefore this data point has been used in the fuzzy set. In any case, for both Thailand and Turkey it is likely that by 2016 old age pension coverage is above 50 percent. So, a replication of the fuzzy set with newer data would probably classify these two countries as welfare states.

Overall, the dataset includes 160 countries in the world. Most data points are based on data from the ILO (2010).

Table 34. Pension coverage data

Country	Percent of people above retirement age receiving pensions	Source	Year
Afghanistan	8	Pallares-Miralles et. al (2012)	2006
Albania	100	ILO (2010) World Social Security Report	2007
Algeria	33,2	ILO Social Security Inquiry	2006
Angola	11,8	ILO Social Security Inquiry	2006
Argentina	75,9	ILO Social Security Inquiry	2008
Armenia	86,3	ILO Social Security Inquiry	2009
Australia	78,8	Social Citizenship Indicator Programme	2005
Austria	93,1	ILO (2010) World Social Security Report	2006
Azerbaijan	97,9	ILO (2010) World Social Security Report	2003
Bahrain	36,5	ILO (2010) World Social Security Report	2006
Bangladesh	23,7	ILO Social Security Inquiry	2009
Barbados	100	ILO Social Security Inquiry	2008
Belarus	97,7	ILO Social Security Inquiry	2009
Belgium	81,4	ILO (2010) World Social Security Report	2006
Belize	24,4	ILO Social Security Inquiry	2009
Benin	2,5	ILO Social Security Inquiry	2005
Bhutan	2,2	ILO Social Security Inquiry	2009
Bolivia	100	ILO Social Security Inquiry	2009
Botswana	100	Pallares-Miralles et. al (2012)	2009
Brazil	86,3	Rofman and Oliveri (2012)	2009
Bulgaria	100	ILO (2010) World Social Security Report	2006
Burkina Faso	3,6	ILO Social Security Inquiry	2009

Table 34 (cont'd)			
Burundi	2,6	ILO Social Security Inquiry	2008
Cambodia	3	ILO (2010) World Social Security Report	2005
Cameroon	5,4	ILO Social Security Inquiry	2006
Canada	90,5	ILO (2010) World Social Security Report	2005
Cape Verde	90	ILO (2010) World Social Security Report	2005
Central African Republic	7	Pallares-Miralles et. al (2012)	2003
Chad	1,6	ILO (2010) World Social Security Report	2005
Chile	64,2	ILO Social Security Inquiry	2008
China	44,6	ILO Social Security Inquiry	2009
Colombia	19,7	ILO Social Security Inquiry	2008
Congo Dem. Rep	17,7	ILO (2010) World Social Security Report	2008
Congo, Rep.	17	ILO (2010) World Social Security Report	2008
Costa Rica	58,9	ILO (2010) World Social Security Report	2007
Cote d'Ivoire	9,5	ILO (2010) World Social Security Report	2004
Croatia	81,8	Eurostat	2010
Cuba	100	Other	
Cyprus	81,5	ILO (2010) World Social Security Report	2006
Czech	100	ILO (2010) World Social Security Report	2006
Denmark	100	ILO (2010) World Social Security Report	2006
Djibouti	12	ILO (2010) World Social Security Report	2002
Dominica	44,3	ILO Social Security Inquiry	2011
Dominican Republic	11,1	Rofman and Oliveri (2012)	2009
Ecuador	50,9	Rofman and Oliveri (2012)	2009
Egypt	31,4	Pallares-Miralles et. al (2012)	2004

Table 34 (cont'd)			
El Salvador	20,6	ILO Social Security Inquiry	2012
Estonia	100	ILO (2010) World Social Security Report	2006
Fiji	10,4	Pallares-Miralles et. al (2012)	2006
Finland	100	ILO (2010) World Social Security Report	2006
France	100	ILO (2010) World Social Security Report	2006
Gambia	3	ILO (2010) World Social Security Report	2003
Georgia	81,1	Pension Watch Social Pensions	
Germany	100	ILO (2010) World Social Security Report	2006
Ghana	3,8	ILO (2010) World Social Security Report	2004
Greece	72,5	ILO (2010) World Social Security Report	2006
Guatemala	15,4	Rofman and Oliveri (2012)	2006
Guinea	3,1	ILO (2010) World Social Security Report	2005
Guinea-Bissau	2	Pallares-Miralles et. al (2012) Active	2004
Guyana	58	Pallares-Miralles et. al (2012)	2002
Honduras	5,1	Rofman and Oliveri (2012)	2009
Hong Kong	72,9	ILO Social Security Inquiry	2009
Hungary	95,2	ILO Social Security Inquiry	2008
Iceland	93,2	Eurostat	2010
India	24	ILO (2010) World Social Security Report	2005
Indonesia	22,9	ILO (2010) World Social Security Report	2003
Iran	22	ILO (2010) World Social Security Report	2006
Iraq	79,5	ILO (2010) World Social Security Report	2004
Ireland	96,4	Eurostat	2010
Israel	89,1	ILO (2010) World Social Security Report	2008
Italy	93,3	Eurostat	2010
Jamaica	40	ILO (2010) World Social Security Report	2003

Table 34 (cont'd)			
Japan	94,8	ILO Social Security Inquiry	2007
Jordan	42,2	ILO Social Security Inquiry	2010
Kazakhstan	76	ILO (2010) World Social Security Report	2004
Kenya	7,9	ILO Social Security Inquiry	2010
Kuwait	43,1	ILO (2010) World Social Security Report	2006
Kyrgyz Republic	100	ILO (2010) World Social Security Report	2005
Laos	9	Pallares-Miralles et. al (2012)	2005
Latvia	92,7	ILO Social Security Inquiry	2006
Lebanon	23,1	ILO (2010) World Social Security Report	2003
Lesotho	81,6	ILO (2010) World Social Security Report	2007
Lithuania	100	Eurostat	2010
Luxembourg	100	ILO (2010) World Social Security Report	2006
Macedonia	55,4	ILO (2010) World Social Security Report	2003
Madagascar	5,3	Pallares-Miralles et. al (2012) Active	2009
Malaysia	37,3	ILO (2010) World Social Security Report	2004
Maldives	27	ILO (2010) World Social Security Report	2005
Mali	16	Pallares-Miralles et. al (2012)	2010
Malta	91,7	Eurostat	2010
Marshall Islands	62,9	ILO (2010) World Social Security Report	2005
Mauritania	9,3	ILO (2010) World Social Security Report	2002
Mauritius	100	ILO Social Security Inquiry	2011
Mexico	36,8	ILO Social Security Inquiry	2012
Moldova	66,2	ILO Social Security Inquiry	2009
Mongolia	100	ILO Social Security Inquiry	2007
Montenegro	85,3	ILO (2010) World Social Security Report	2003
Morocco	16,4	ILO Social Security Inquiry	2007

Table 34 (cont'd)			
Mozambique	11,9	ILO Social Security Inquiry	2008
Namibia	100	ILO Social Security Inquiry	2010
Nepal	62,5	ILO Social Security Inquiry	2010
Netherlands	100	ILO (2010) World Social Security Report	2007
New Zealand	99,7	ILO Social Security Inquiry	2009
Nicaragua	15,7	ILO Social Security Inquiry	2011
Niger	5,2	ILO (2010) World Social Security Report	2006
Nigeria	8	Pallares-Miralles et. al (2012) Active	2006
Norway	100	Eurostat	2010
Oman	13,4	ILO Social Security Inquiry	2008
Pakistan	18,9	ILO Social Security Inquiry	2004
Panama	45	Rofman and Oliveri (2012)	2009
Papua New Guinea	1	Pallares-Miralles et. al (2012)	2005
Paraguay	16,6	Rofman and Oliveri (2012)	2009
Peru	25,9	Rofman and Oliveri (2012)	2010
Philippines	16,9	ILO (2010) World Social Security Report	2005
Poland	100	Eurostat	2010
Portugal	100	ILO (2010) World Social Security Report	2006
Qatar	7,6	Pallares-Miralles et. al (2012)	2007
Romania	98	ILO Social Security Inquiry	2009
Russia	100	ILO Social Security Inquiry	2010
Rwanda	12,1	ILO (2010) World Social Security Report	2004
Senegal	12	ILO Social Security Inquiry	2006
Serbia	87,6	Eurostat	2010
Sierra Leone	0,2	ILO (2010) World Social Security Report	2005
Singapore	41	Pallares-Miralles et. al (2012)	2009

Table 34 (cont'd)			
Slovakia	100	Eurostat	2010
Slovenia	88,2	ILO (2010) World Social Security Report	2006
South Africa	76,4	ILO (2010) World Social Security Report	2007
South Korea	90,8	Other	2012
Spain	74,8	Eurostat	2010
Sri Lanka	24,6	ILO (2010) World Social Security Report	2005
St. Kitts and Nevis	56,4	ILO (2010) World Social Security Report	2005
St. Lucia	19,2	ILO Social Security Inquiry	2005
St. Vincent and the Grenadines	45,6	ILO (2010) World Social Security Report	2005
Sudan	3,8	ILO (2010) World Social Security Report	2005
Suriname	91,7	Pension Watch Social Pensions	
Swaziland	86,4	Pension Watch Social Pensions	
Sweden	100	Eurostat	2010
Switzerland	100	ILO Social Security Inquiry	2010
Syria	30,5	ILO (2010) World Social Security Report	2005
Taiwan	81	Other	
Tajikistan	89,6	ILO (2010) World Social Security Report	2004
Tanzania	4,4	ILO Social Security Inquiry	2007
Thailand	50	Other	
Timor-Leste	100	Pallares-Miralles et. al (2012)	2010
Togo	11,4	ILO Social Security Inquiry	2009
Trinidad and Tobago	49,4	ILO Social Security Inquiry	2008
Tunisia	53,6	ILO (2010) World Social Security Report	2006
Turkey	50,9	ILO Social Security Inquiry	2003

Table 34 (cont'd)			
Uganda	0,9	ILO (2010) World Social Security Report	2004
Ukraine	95,5	ILO Social Security Inquiry	2007
United Kingdom	100	Eurostat	2010
United States	74	ILO (2010) World Social Security Report	2006
Uruguay	85,7	Rofman and Oliveri (2012)	2010
Uzbekistan	100	ILO (2010) World Social Security Report	2005
Vanuatu	2,9	ILO Social Security Inquiry	2006
Venezuela	31,3	Rofman and Oliveri (2012)	2006
Vietnam	25,3	ILO Social Security Inquiry	2004
Yemen	19,2	ILO (2010) World Social Security Report	2004
Zambia	7,6	ILO Social Security Inquiry	2008
Zimbabwe	4,1	ILO Social Security Inquiry	2006

For health coverage, I use ILO data on social health protection. The ILO defines health coverage as 'effective access to health services that medically match the morbidity structure of the covered population. Compared to legal coverage describing rights and formal entitlements, effective coverage refers to the physical, financial and geographical availability of services' (ILO 2007: 13). The ILO data is mostly based on country-specific secondary sources, although it also makes use of OECD data for many OECD countries.

Overall, 152 countries are included in the dataset. In most cases, I rely on the ILO spreadsheet on health coverage published in 2014 (ILO 2014b). For some countries, older data from an ILO discussion paper (ILO 2007) and the ILO's social security inquiry database (ILO 2016a) is used. Based on the documentation of the ILO data it can be assumed that private health insurances regulated by the state are also included in the health coverage dataset. Moreover, statist health care system, in which health care is nominally universal and free appears to be coded as universal coverage. In some cases, this leads to suspiciously high coverage rates. As far as possible, I checked these cases and if I could not corroborate the high coverage rate provided by the ILO with other data I coded these cases as missing data. For instance, according to the ILO health coverage in Bhutan is 90 percent and in Gambia 99.9 percent. I coded both cases as missing data in the universal health component of the fuzzy set of welfare states.[147]

Table 35. Health coverage data

Country	Percent of the population with effective access to health services	Source	Year
Albania	45,9	ILO Social Security Inquiry	2006
Algeria	85,2	ILO (2014) Health Coverage Data	2005
Antigua and Barbuda	51,1	ILO (2014) Health Coverage Data	2007
Argentina	96,8	ILO (2014) Health Coverage Data	2009
Armenia	100	ILO (2014) Health Coverage Data	2009
Aruba	99,2	ILO (2014) Health Coverage Data	2003
Australia	100	ILO (2014) Health Coverage Data	2011
Austria	99,3	ILO (2014) Health Coverage Data	2010
Bahamas	100	ILO (2014) Health Coverage Data	1995
Bahrain	100	ILO (2014) Health Coverage Data	2010
Bangladesh	1,4	ILO (2014) Health Coverage Data	2003
Barbados	100	ILO (2014) Health Coverage Data	1995
Belarus	100	ILO (2014) Health Coverage Data	2010
Belgium	99	ILO (2014) Health Coverage Data	2009
Belize	25	ILO (2014) Health Coverage Data	2009

[147] The information on the data year appears to be wrong in some cases. In these cases, the data refers to earlier points in time than stated here.

Table 35 (cont'd)			
Benin	9	ILO (2014) Health Coverage Data	2009
Bolivia	42,7	ILO (2014) Health Coverage Data	2009
Bosnia and Herzegovina	100	ILO (2007) Social Health Protection	
Brazil	100	ILO (2014) Health Coverage Data	2009
Brunei	100	ILO (2014) Health Coverage Data	2010
Bulgaria	87	ILO (2014) Health Coverage Data	2008
Burkina Faso	1	ILO (2014) Health Coverage Data	2010
Burundi	28,4	ILO (2014) Health Coverage Data	2009
Cambodia	26,1	ILO (2014) Health Coverage Data	2010
Cameroon	2	ILO (2014) Health Coverage Data	2009
Canada	100	ILO (2014) Health Coverage Data	2011
Cape Verde	65	ILO (2007) Social Health Protection	2000
Central African Republic	6	ILO (2014) Health Coverage Data	2008
Chile	93,1	ILO (2014) Health Coverage Data	2011
China	96,9	ILO (2014) Health Coverage Data	2010
Colombia	87,7	ILO (2014) Health Coverage Data	2010
Congo Dem. Rep.	10	ILO (2014) Health Coverage Data	2010
Costa Rica	100	ILO (2014) Health Coverage Data	2009
Cote d'Ivoire	1,2	ILO (2014) Health Coverage Data	2008
Croatia	97	ILO (2014) Health Coverage Data	2009
Cuba	100	ILO (2014) Health Coverage Data	2010
Cyprus	100	ILO Social Security Inquiry	2007
Czech	100	ILO (2014) Health Coverage Data	2011
Denmark	100	ILO (2014) Health Coverage Data	2011
Djibouti	30	ILO (2014) Health Coverage Data	2006
Dominica	13,4	ILO (2014) Health Coverage Data	2009

Table 35 (cont'd)			
Dominican Republic	26,5	ILO (2014) Health Coverage Data	2007
Ecuador	22,8	ILO (2014) Health Coverage Data	2009
Egypt	51.1	ILO (2014) Health Coverage Data	2008
El Salvador	21,6	ILO (2014) Health Coverage Data	2009
Estonia	92,9	ILO (2014) Health Coverage Data	2011
Finland	100	ILO (2014) Health Coverage Data	2010
France	99,9	ILO (2014) Health Coverage Data	2011
Gabon	57,6	ILO (2014) Health Coverage Data	2010
Georgia	25	ILO (2014) Health Coverage Data	2008
Germany	100	ILO (2014) Health Coverage Data	2010
Ghana	18,7	ILO (2007) Social Health Protection	
Greece	100	ILO (2014) Health Coverage Data	2010
Grenada	7,4	ILO (2014) Health Coverage Data	2007
Guatemala	30	ILO (2014) Health Coverage Data	2005
Guinea	0,2	ILO (2014) Health Coverage Data	2010
Guinea-Bissau	1,6	ILO (2014) Health Coverage Data	2009
Guyana	23,8	ILO (2014) Health Coverage Data	2009
Haiti	3,1	ILO (2014) Health Coverage Data	2001
Honduras	12	ILO (2014) Health Coverage Data	2006
Hong Kong	100	ILO (2014) Health Coverage Data	2006
Hungary	100	ILO (2014) Health Coverage Data	2010
Iceland	100	ILO (2014) Health Coverage Data	2010
India	12,5	ILO (2014) Health Coverage Data	2010
Indonesia	59	ILO (2014) Health Coverage Data	2010
Iran	90	ILO (2014) Health Coverage Data	2005
Ireland	100	ILO (2014) Health Coverage Data	2011

Table 35 (cont'd)			
Israel	100	ILO (2014) Health Coverage Data	2011
Italy	100	ILO (2014) Health Coverage Data	2011
Japan	100	ILO (2014) Health Coverage Data	2010
Jordan	75	ILO (2014) Health Coverage Data	2006
Kazakhstan	70	ILO (2014) Health Coverage Data	2001
Kenya	39,4	ILO (2014) Health Coverage Data	2009
Kuwait	100	ILO (2014) Health Coverage Data	2006
Kyrgyz Republic	83	ILO (2014) Health Coverage Data	2001
Laos	11,6	ILO (2014) Health Coverage Data	2009
Latvia	87	ILO (2007) Social Health Protection	
Lebanon	48,3	ILO (2014) Health Coverage Data	2007
Lesotho	17,6	ILO (2014) Health Coverage Data	2009
Liechtenstein	95	ILO (2014) Health Coverage Data	2008
Lithuania	95	ILO (2014) Health Coverage Data	2009
Luxembourg	97,6	ILO (2014) Health Coverage Data	2010
Macedonia	94,9	ILO (2014) Health Coverage Data	2006
Madagascar	3,7	ILO (2014) Health Coverage Data	2009
Malaysia	100	ILO (2014) Health Coverage Data	2010
Maldives	30	ILO (2014) Health Coverage Data	2011
Mali	1,9	ILO (2014) Health Coverage Data	2008
Malta	100	ILO (2014) Health Coverage Data	2009
Mauritania	6	ILO (2014) Health Coverage Data	2009
Mauritius	100	ILO (2014) Health Coverage Data	2010
Mexico	85,6	ILO (2014) Health Coverage Data	2010
Moldova	75,7	ILO (2014) Health Coverage Data	2004
Mongolia	81,9	ILO (2014) Health Coverage Data	2009

Table 35 (cont'd)			
Montenegro	94,9	ILO (2014) Health Coverage Data	2004
Morocco	42,3	ILO (2014) Health Coverage Data	2007
Mozambique	2,3	ILO Social Security Inquiry	2009
Namibia	28	ILO (2014) Health Coverage Data	2007
Nepal	0,1	ILO (2014) Health Coverage Data	2010
Netherlands	98,9	ILO (2014) Health Coverage Data	2010
New Zealand	100	ILO (2014) Health Coverage Data	2011
Nicaragua	12,2	ILO (2014) Health Coverage Data	2005
Niger	3,1	ILO (2014) Health Coverage Data	2003
Nigeria	2,2	ILO (2014) Health Coverage Data	2008
Norway	100	ILO (2014) Health Coverage Data	2011
Oman	97	ILO (2014) Health Coverage Data	2005
Pakistan	26,6	ILO (2014) Health Coverage Data	2009
Panama	51,8	ILO (2014) Health Coverage Data	2008
Paraguay	23,6	ILO (2014) Health Coverage Data	2009
Peru	64,4	ILO (2014) Health Coverage Data	2010
Philippines	82	ILO (2014) Health Coverage Data	2009
Poland	97,5	ILO (2014) Health Coverage Data	2010
Portugal	100	ILO (2014) Health Coverage Data	2010
Qatar	100	ILO (2014) Health Coverage Data	2006
Romania	94,3	ILO (2014) Health Coverage Data	2009
Russia	88	ILO (2007) Social Health Protection	
Rwanda	69	ILO (2014) Health Coverage Data	2010
Sao Tome and Principe	2,1	ILO (2014) Health Coverage Data	2009
Senegal	20,1	ILO (2014) Health Coverage Data	2007
Serbia	92,1	ILO (2014) Health Coverage Data	2009

Table 35 (cont'd)			
Sierra Leone	0	ILO (2014) Health Coverage Data	2008
Singapore	100	ILO (2014) Health Coverage Data	2010
Slovakia	94,8	ILO (2014) Health Coverage Data	2010
Slovenia	100	ILO (2014) Health Coverage Data	2011
South Africa	100	ILO (2014) Health Coverage Data	2010
South Korea	100	ILO (2014) Health Coverage Data	2010
Spain	99,2	ILO (2014) Health Coverage Data	2010
Sri Lanka	100	ILO (2014) Health Coverage Data	2010
St. Kitts and Nevis	28,8	ILO (2014) Health Coverage Data	2008
St. Lucia	35,5	ILO (2014) Health Coverage Data	2003
St. Vincent and the Grenadines	9,4	ILO (2014) Health Coverage Data	2008
Sudan	29,7	ILO (2014) Health Coverage Data	2009
Swaziland	6,2	ILO (2014) Health Coverage Data	2006
Sweden	100	ILO (2014) Health Coverage Data	2011
Switzerland	100	ILO (2014) Health Coverage Data	2010
Taiwan	99,6	ILO (2014) Health Coverage Data	2010
Tanzania	13	ILO (2014) Health Coverage Data	2010
Thailand	98	ILO (2014) Health Coverage Data	2007
Togo	4	ILO (2014) Health Coverage Data	2010
Trinidad and Tobago	58,7	ILO Social Security Inquiry	2004
Tunisia	80	ILO (2014) Health Coverage Data	2005
Turkey	86	ILO (2014) Health Coverage Data	2011
Uganda	2	ILO (2014) Health Coverage Data	2008
Ukraine	100	ILO (2014) Health Coverage Data	2011
United Arab Emirates	100	ILO (2014) Health Coverage Data	2011

Table 35 (cont'd)			
United Kingdom	100	ILO (2014) Health Coverage Data	2010
United States	84	ILO (2014) Health Coverage Data	2010
Uruguay	97,2	ILO (2014) Health Coverage Data	2010
Venezuela	100	ILO (2014) Health Coverage Data	2010
Vietnam	61	ILO (2014) Health Coverage Data	2010
Yemen	6,3	ILO (2007) Social Health Protection	
Zambia	8,4	ILO (2014) Health Coverage Data	2008
Zimbabwe	1	ILO (2014) Health Coverage Data	2009

APPENDIX B: DATA USED FOR THE FUZZY SET OF DEVELOPING COUNTRIES

For the fuzzy set of developing countries, I mainly used World Bank data on GNI per capita (World Bank 2016). I modified the World Bank classification by income group based on current data on GNI per capita (Atlas method, current US$) to develop a five value fuzzy set of lower income countries.

The World Bank classification by income group differentiates between low income, lower middle income, upper middle income and high income countries. I created an additional group for countries that are in-between lower middle income and upper middle income status. Thus, those lower middle income countries with the highest per capita income and those upper middle income countries with the lowest per capita income were put into a new category of 'middle income countries'. In creating this country group, I used gaps in the per capita income data to establish cut-off points. In case of missing data points (e.g. Argentina after 2006), I simply applied the classification of the World Bank.

Note that, per capita income data is frequently revised. The classification in the fuzzy set of low and lower middle income countries is based on per capita income data published in 2014. The World Bank classification by income group, however, is based on per capita income data published in the respective year. Therefore, deviations from the World Bank classification are also possible beyond the newly created group of 'middle income countries'. In practice, however, this appears to be the case only in very few cases. Overall, the difference between the classification based on the fuzzy set of lower income countries and the World Bank classification by income group is very limited.

Table 36. Yearly classifications of countries by income

Country	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12
Afghanistan	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Albania	L	LM	L	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	M	M	LM
Algeria	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	M	M	M	UM
Angola	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM	LM	LM	LM	M
Argentina	UM	UM	UM	UM	UM	UM	UM	UM	M	M	UM	UM	UM	UM	UM	UM	UM	UM
Armenia	L	L	L	L	L	L	L	LM	LM	LM	LM	LM	LM	M	LM	LM	LM	LM
Australia	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Austria	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Bahrain	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Bangladesh	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Barbados	UM	UM	UM	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Belarus	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	UM	UM	UM	UM	UM
Belgium	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Belize	LM	LM	LM	LM	LM	M	M	M	UM	UM	UM	M	M	M	M	M	M	UM
Benin	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Bhutan	L	L	L	L	L	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Bolivia	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Brazil	M	UM	UM	UM	UM	M	M	LM	LM	M	M	UM	UM	UM	UM	UM	UM	UM
Bulgaria	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	M	UM	UM	UM	UM	UM	UM
Burkina Faso	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Burundi	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Cambodia	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Cameroon	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM	LM	LM	LM
Canada	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Cape Verde	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM

Table 36 (cont'd)																		
Central African Republic	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Chad	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Chile	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	H
China	L	L	L	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	UM	UM
Colombia	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	UM	UM	UM	UM	UM
Congo, Dem. Rep.	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Congo, Rep.	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM	LM	LM	LM
Costa Rica	LM	LM	M	M	M	M	M	M	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM
Côte d'Ivoire	L	L	L	LM	L	L	L	L	L	L	LM	LM	LM	LM	LM	LM	LM	LM
Croatia	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	H	H	H	H	H	H
Cuba	LM	LM	LM	LM	LM	LM	LM	LM	M	M	M	UM	UM	UM	UM	UM	UM	UM
Cyprus	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Czech Republic	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	H	H	H	H	H	H	H	H
Denmark	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Djibouti	LM	L	L	L	L	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Dominica	LM	LM	M	M	M	M	M	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM
Dominican Republic	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	UM	UM	UM	UM	UM
Ecuador	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	M	M	UM
Egypt	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
El Salvador	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Estonia	LM	LM	UM	UM	UM	UM	UM	UM	UM	UM	UM	H	H	H	H	H	H	H
Finland	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
France	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Gambia	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L

Table 36 (cont'd)

Georgia	L	L	LM	LM	LM	L	L	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Germany	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Ghana	L	L	L	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM
Greece	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Grenada	LM	LM	LM	LM	M	M	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM
Guatemala	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Guinea	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Guinea-Bissau	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Guyana	L	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Haiti	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Honduras	L	L	L	L	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Hong Kong	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Hungary	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	H	H	H	H	H	UM
Iceland	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
India	L	L	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM	LM
Indonesia	LM	LM	LM	L	L	L	L	L	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Iran	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	M	UM	UM	UM
Ireland	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Israel	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Italy	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Japan	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Jordan	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	M	M
Kazakhstan	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	UM	UM	UM	UM	UM	UM
Kenya	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Kuwait	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Kyrgyz Republic	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L

Table 36 (cont'd)

Laos	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	LM	LM
Latvia	LM	LM	LM	LM	LM	M	M	M	UM	UM	UM	UM	UM	H	H	UM	H	H
Lebanon	M	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM
Lesotho	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM	LM	LM	LM
Lithuania	LM	LM	LM	LM	LM	M	M	M	UM	UM	UM	UM	UM	H	UM	UM	H	H
Luxembourg	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Macedonia	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	M	M	M	M
Madagascar	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Malaysia	UM	UM	UM	M	M	M	M	M	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM
Maldives	LM	LM	LM	LM	LM	LM	LM	LM	M	M	LM	M	M	UM	UM	UM	UM	UM
Mali	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Malta	UM	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Mauritania	L	L	L	L	L	L	L	L	L	L	L	L	L	LM	LM	L	L	LM
Mauritius	M	M	M	M	M	M	M	M	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM
Mexico	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM
Moldova	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM	LM	LM	LM
Mongolia	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM	LM	LM	LM
Morocco	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Mozambique	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Namibia	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	M	M	M	M	UM	UM
Nepal	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Netherlands	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
New Zealand	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Nicaragua	L	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Niger	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Nigeria	L	L	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM	LM
Norway	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Oman	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	H	H	H	H	H	H	H	H

Table 36 (cont'd)																		
Pakistan	L	L	L	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM
Panama	LM	LM	M	M	M	M	M	M	M	M	UM	UM	UM	UM	UM	UM	UM	UM
Papua New Guinea	LM	LM	LM	LM	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM	LM
Paraguay	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Peru	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	M	M	UM	UM
Philippines	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Poland	M	M	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	H	H	H
Portugal	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Qatar	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Romania	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	UM	UM	UM	UM	UM	UM	UM
Russia	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	UM	UM	UM	UM	UM	UM	UM	H
Rwanda	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
São Tomé and Principe	L	L	L	L	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM
Saudi Arabia	UM	UM	UM	UM	UM	UM	UM	UM	UM	H	H	H	H	H	H	H	H	H
Senegal	L	L	L	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	L
Sierra Leone	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Singapore	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Slovak Republic	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	H	H	H	H	H	H	H	H
Slovenia	UM	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
South Africa	M	M	M	M	LM	LM	LM	LM	LM	M	UM	UM	UM	UM	UM	UM	UM	UM
South Korea	H	H	H	UM	UM	H	H	H	H	H	H	H	H	H	H	H	H	H
Spain	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Sri Lanka	L	L	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
St. Kitts and Nevis	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	H	H	H	H	H	UM	H	H
St. Lucia	M	M	M	M	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM

Table 36 (cont'd)

St. Vincent and the Grenadines	LM	LM	LM	LM	LM	M	M	M	UM	UM	UM	UM	UM	UM	UM	UM	UM	UM
Sudan	L	L	L	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM
Swaziland	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Sweden	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Switzerland	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Taiwan	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Tanzania	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Thailand	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	M	UM
Togo	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Trinidad and Tobago	M	UM	UM	UM	UM	UM	UM	UM	UM	UM	H	H	H	H	H	H	H	H
Tunisia	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	M	M	LM	M
Turkey	LM	LM	M	M	M	UM	M	M	M	UM	UM	UM	UM	UM	UM	UM	UM	UM
Uganda	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Ukraine	LM	LM	LM	LM	LM	L	L	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
United Kingdom	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
United States	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H	H
Uruguay	UM	UM	UM	UM	UM	UM	UM	UM	UM	M	UM	UM	UM	UM	UM	UM	UM	H
Vanuatu	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM	LM
Venezuela	LM	LM	M	M	M	UM	UM	M	M	M	UM	UM	UM	UM	UM	UM	UM	UM
Vietnam	L	L	L	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM
Yemen	L	L	L	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM	LM
Zambia	L	L	L	L	L	L	L	L	L	L	L	L	L	L	LM	LM	LM	LM
Zimbabwe	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L

L= Low income; LM = Lower middle income; M= Middle Income; UM = Upper middle income; H = High income countries

For the classification of countries as post-Communist or countries in transition, I did not rely on any special sources. The aim behind the classification is to exclude those countries, which became welfare states as part of the USSR or by emulating the social security system of the USSR, while they were nominally socialist or communist countries. Therefore, this country group overlaps with the classification of countries in transition by the IMF (2000: 186-194) with one exception: Cuba, which can also be seen as having emulated the Soviet system, is also classified as a country in transition in the fuzzy set.